

Annual Report 2020



SHAHEEN FOUNDATION
PAKISTAN AIR FORCE

CONTENTS

Company Information	02
Offices	04
Vision & Mission Statement	05
Statement of Code of Conduct and Ethics and Anti Fraud	
Program & Control Whistle Blowing Policy	06
Notice of Annual General Meeting	07
Chairman's Review	09
Directors' Report	11
Operational Results and Financial Strengths	31
Shariah Advisory Report to the Board of Directors	32
Independent Assurance Report to the Board of Directors and Shariah Advisor	34
Statement of Compliance with the Best Practices of	
Code of Corporate Governance	37
Review Report to the Members on the Statement of Compliance	
with the Best Practices of the Code of Corporate Governance	43
Statement of Compliance with the Shariah Principles	45
Independent Auditor's Report	46
Balance Sheet	53
Statement of Profit or Loss	54
Statement of Comprehensive Income	55
Statement of Cash Flows	56
Statement of Changes In Equity	58
Notes to and Forming Part of the Financial Statements	59
Window Takaful Operations Financial Statements	109
Independent Auditor's Report	110
Statement of Financial Position	113
Statement of Profit or Loss	114
Statement of Profit or Loss	115
Statement of Cash Flows	116
Statement of Changes in Fund	117
Notes to the Financial Information	118
Pattern of Shareholding	148
Proxy Form	Attached

COMPANY INFORMATION

BOARD OF DIRECTORS

Air Marshal Muhammad Arif Pervaiz (Retd.) - Chairman
Air Vice Marshal Salman Ahsan Bokhari (Retd.) - Member
Air Commodore Mahmood Ahmad (Retd.) - Member
Group Captain Javed Akhtar Khan (Retd.) - Member
Mr. Khalid Saeed Mirza - Member
Ms. Farrah Azeem Khan - Member

AUDIT COMMITTEE

Air Commodore Mahmood Ahmad (Retd.) - Chairman
Group Captain Javed Akhtar Khan (Retd.) - Member
Mr. Khalid Saeed Mirza - Member

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Air Vice Marshal Salman Ahsan Bokhari (Retd.) - Chairman
Air Commodore Mahmood Ahmad (Retd.) - Member
Mr. Sohel N. Kidwai (CEO) - Member

INVESTMENT COMMITTEE

Air Marshal Muhammad Arif Perviaz (Retd.) - Chairman
Air Vice Marshal Salman Ahsan Bokhari (Retd.) - Member
Mr. Khalid Saeed Mirza - Member
Mr. Sohel N. Kidwai - Chief Executive Officer
Mr. Nisar Ahmed Almani - Chief Financial Officer

CHIEF EXECUTIVE OFFICER

Mr. Sohel N. Kidwai

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Nisar Ahmed Almani

COMPANY INFORMATION

HEAD OF OPERATIONS, UNDERWRITING, CLAIMS AND REINSURANCE

Mr. Zia Mehdi

COUNTRY HEAD BUSINESS

Mr. Naveed Y. Butt

LEGAL ADVISOR

Iftikhar Hussain Law Associates

AUDITORS

Yousuf Adil
Chartered Accountants

SHARIAH ADVISOR

Mufti Bilal Ahmed Qazi

COMPLIANCE OFFICER

Ms. Arshi Fatima

SHARIAH COMPLIANCE OFFICER

Mr. Kashif Naeem

HEAD OF INTERNAL AUDIT (COORDINATOR)

Mr. Sayyam Maqsood

REGISTERED OFFICE

10th Floor, Shaheen Complex, M.R Kayani Road, Karachi.

HEAD OFFICE

10th Floor, Shaheen Complex, M.R Kayani Road, Karachi.

SHARE REGISTRAR

M/s. Corplink (Pvt.) Ltd.
Wings Arcade, 1-K, Commercial, Model Town, Lahore.

OFFICES

Head Office

10th Floor, Shaheen Complex
M. R. Kayani Raod, Karachi-74200
Tel # 32630370-75, 322139850-51 Fax # 32626674
E-mail: info@shaheeninsurance.com
URL: www.shaheeninsurance.com
UAN: (021) 111-765-111

Karachi

Branch Manager - Mr. M. Iftikhar Alam
10th Floor, Shaheen Complex
M.R Kayani Road, Karachi -74200
Tel # 32630370-75, 32213950-51, Fax # 32626674
E-mail :iftikhar.alam@shaheeninsurance.com
Direct # 32272595

Lahore Zonal Office

Country Head Business - Mr. Naveed Y. Butt
Office # 4-B, 6th Floor, Shaheen Complex
38, Abbott Road,
Lahore.
Tel # 042-36376270, 36376274, 36376278, 36376279
Fax # 042-36376276
E-mail: lhr_zone@shaheeninsurance.com

Multan

General Manager Marketing - Mr. Muhammad Naeem Baig
Office no 21, 1st Floor Nadra office Ali Arcade,
Court Kachery Road, Multan
Phone: 061-4580190.91,92
E-mail: naeem.baig@shaheeninsurance.com

Sialkot

Branch Manager Faisal jamil
Office # 210 Karim Plaza Defence Road,
Near Allama Iqbal Town, Sialkot
Tel # (052) 3250982, 3550131
Fax # (052) 3257412
E-mail: sil@shaheeninsurance.com

Faisalabad

Branch Manager/ Assistant General Manager - Mr. Mohsin Khan
Office No 2, 4th Floor, Ahmed Plaza,
Bilal Road, Civil Lines, Faisalabad
Tel. # (041) 2614112, 2621370, 2634658
Fax # (041) 2613514
Email: fsd@shaheeninsurance.com

Abbottabad

Branch Manager - Mr. Ejaz Raffique
Office # 9 1st Floor Silk Plaza Supply Manshara
Road Abbottabad. Mobile # 0301-8177155
Email: abt@shaheeninsurance.com

Rahim Yar Khan

Branch Manager - Mr. Muhammad Naveed
Al Baraka Plaza, 1st Floor, Abu Dhabi Road,
Rahim Yar Khan.
Email: naveed.hussain@shaheeninsurance.com

Hyderabad

Branch Manager - Mr. Shakir Ali
Upper 2nd Floor
House # 75, Soldier Bazar, Hyderabad
Tel # (022) 2720487
Fax # (022) 2720489
E-mail: hyd@shaheeninsurance.com

Lahore Corporate

Regional Head - Mr. Sohaib Ansar Khan
Office # 6, 6th Floor, Shaheen Complex, Opp. PTV Station
Opp. PTV Station 38, Abbott Road,
Lahore.
Tel # 042-36370384, 36370741, 36370742
Fax # 042-36370385
E-mail: lhr_corporate@shaheeninsurance.com

Peshawar

Branch Manager - Mr. Amir Shahzad
Upper Basement, State Life Building
34 - The Mall, Peshawar Cantt.
Tel # (091) 5273122
E-mail: psw@shaheeninsurance.com

Gujranwala

Office # 04, Yousuf Center, 99 Commercial
Neelum DC Colony GT Road Gujranwala.

Islamabad

Branch Manager - Mr. Abdul Hameed
Office # 4, 1st Floor Zaki Centre,
I-8 Markaz Islamabad
Tel: 051-4938283
Fax: 051-4938284
Email: isb@shaheeninsurance.com

Sargodha

Branch Manager - Mr. Nadeem Awan
Office # 63 1st Floor Advance Book shop
Rehman Complex Ibne Seena Hospital Market
Kanchi More Sargodha Mobile# 0300-8602723
Email: nadeemawan1975@gmail.com

VISION

To deliver general insurance at its best and to contribute positively and proactively for the welfare of our society at large as well as for the preservation of our environment, culture and ethics

MISSION STATEMENT

Our mission is to continuously improve ourselves to become a leading, profitable Company, meeting the needs of our customers and enhancing the value of our shareholders investment.

We will accomplish this by using the strengths of our people and the application of innovative science for the development of new insurance products and services that are high in quality and competitive in price.

CODE OF CONDUCT AND ETHICS

The Code of Conduct and Ethics (Code) establishes the standards that govern the way we deal with each other, our customers, shareholders, governments, suppliers, competitors and the public at large. Complying with the Code is a part of the terms and conditions of employment with Shaheen Insurance Company Limited.

ANTI FRAUD PROGRAM & CONTROL WHISTLE BLOWING POLICY

The assessment of a Company's internal control over financial reporting must be based on procedures sufficient both to evaluate its design and to test its operating effectiveness. Controls subject to such assessment include Controls related to the prevention, identification, and detection of fraud.

This Whistle Blowing Policy is a part of Company's effort to further improve governance and service quality.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting (AGM) of Shaheen Insurance Company Limited (SICL) will be held on Thursday, April 29, 2021 at 10:30 a.m at the head office of Shaheen Airport Services (SAPS) situated at SAPS Complex, Malir Avenue, Jinnah International Airport, Karachi, through video link to transact the following business;

Ordinary Business

1. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended December 31, 2020 together with the Directors' and Auditor's Reports thereon.
2. To appoint Auditors of the Company for the year ending December 31, 2021 and fix their remuneration. The present auditors Ms. Yousuf Adil, Chartered Accountants, being eligible, have offered themselves for reappointment.

Karachi: April 08, 2021

By Order of the Board

Nisar Ahmed Almani
Company Secretary

Notes:

1. In Compliance with SECP's Circular No.06 of 2021 dated March 03, 2021, keeping in view of the recent spike in number of Covi-19 cases, its gravity on public health, increased number of casualties and instruction of the Government / Institutions to consider the provision of video link facility for conducting meetings, the Annual General Meeting will be held virtually via video-link for the safety and well being of our valued shareholders and general public. To attend the AGM through video link, members are requested to register their following particulars by sending an e-mail at adnan@shaheeninsurance.com

Folio / CDC Account No.	No. of shares held	Name	CNIC No.	Cell No.	Email address

The video link and login credentials will be shared with shareholders whose e-mails, containing all the requested particulars, are received at the given e-mail address by or before the close of business hours (5:00 p.m.) on April 27, 2021. The shareholders are also encouraged to send their comments / suggestion, related to the agenda items of the AGM on the above mentioned e-mail address or WhatsApp Number 0321-2685861, by the close of the business hours (5:00 p.m.) April 27, 2021. For any query, the members may please contact at aforesaid email or WhatsApp Number.

2. In accordance with the provisions of section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to the shareholders only through electronic mode i.e. directly into the bank account designated by the entitled shareholders. Please note that if Bank account details (IBAN) as per prescribed format have not been provided by the shareholders to the Share Registrar, their Broker (participant) or CDC, the company would be constrained to act in accordance with the provisions of the law and withhold the cash dividend.
3. The Share transfer books of the Company shall remain closed from April 23, 2021 to April 29, 2021 (both days inclusive). Transfers received at M/s. Corplink (Pvt.) Ltd., Wings Arcade, 1-K, Commercial Model Town, Lahore, the Registrar and Share Registrar Office of the Company, by the close of business on April 22, 2021 will be considered in time for the purpose of Annual General Meeting.
4. The Proxy Form duly completed and signed along with attested copies of CNIC/Passport of the member, Proxy holder and the witnesses must be deposited at the Registered Office of the Company or emailed at cfo@shaheeninsurance.com not later than 48 hours before the time of holding of the meeting. Original CNIC/Passport will be produced by the Proxy holder at the time of the meeting.
5. No persons shall be appointed as a Proxy unless he/she is a member of the company.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the representative shall be submitted along with Proxy Form to the Company.
7. CDC account holders and their proxies must attach attested photocopy of their CNIC/Passport with the Proxy Form.
8. Members may exercise their right to vote by means of postal ballot i.e. by post or through electronic mode subject to the requirements of section 143-145 of the Companies Act 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

Circulation of Annual Audited Financial Statements and Notice of AGM to the Members through email:

9. Pursuant to section 223 of the Companies Act, 2017 together with the SECP's Notification No SRO. 787(1)/2014, dated September 08, 2014 members desirous of having company's financial statements / Notice of Meeting through email are requested to provide their written consent and e-mail addresses to the Share Registrar at the below mentioned address.

Ms. Corplink (Pvt.) Ltd. Wings Arcade, 1-K, Commercial Model Town, Lahore Phone No. 042-35916714 - 042-35916719 Fax No. 042-35869037

CHAIRMAN'S REVIEW

It gives me immense pleasure to present the Annual Report of the Company for the year ended December 31, 2020.

Economic volatility that commenced in 2019 continued in 2020 followed by outbreak of Covid 19. However, stabilization measures initiated by the government have begun to correct the imbalances; GDP growth on the other hand would depend on how the pandemic situation fares in 2021. Despite challenging economic situation and stiff competition in the insurance sector, our company performed reasonably well during 2020. Company posted profit after tax of Rs 36 Million during 2020 against Rs 60 Million in 2019, translating into EPS of Rs 0.56 for the year 2020. Investment income contributed major chunk in the profitability of the Company. Going forward, I am confident that the company will capitalize this uncertain situation to an opportunity to excel.

During the year 2020, three nominee directors resigned from the board due to completion of their tenure and were replaced with new directors.

Keeping in view strategic vision of the board, trust of shareholders and with the active participation of the employees, I have no doubt that the company will rise to next level.

I would like to place on record my appreciation for the employees for their hard work and dedication during these challenging times, and would like to thank our valued customers, reinsurers, shareholders and regulators for their confidence and trust.

Air Marshal Muhammad Arif Pervaiz (Retd.)
Chairman

April 06, 2021

چیئر مین کی جائزہ رپورٹ

یہ میرے لیے مسرت کی بات ہے کہ میں کمپنی کی سالانہ رپورٹ 31 دسمبر، 2020 کو ختم ہونے والے سال کے لیے پیش کر رہا ہوں۔

معاشی اتار چڑھاؤ جو 2019 میں شروع ہوا تھا اس کا سلسلہ 2020 میں جاری رہا جس کے بعد کوویڈ 19 کی وبا شروع ہوئی۔ تاہم، حکومت کی طرف سے شروع کردہ استحکام کے اقدامات نے عدم توازن کو درست کرنا شروع کیا ہے۔ تاہم، جی ڈی پی کی شرح نمو 2021 میں وبائی صورتحال پر منحصر ہوگئی۔ ملک کی مشکل معاشی صورتحال اور انشورنس کمپنیوں کے سخت مقابلے کے باوجود، ہماری کمپنی نے 2020 کے دوران معقول کارکردگی کا مظاہرہ کیا۔ کمپنی نے 2020 کے دوران 36 ملین روپے ٹیکس کے بعد منافع حاصل کیا جو کہ روپیہ 0.59 آمدنی فی شیئر بنتا ہے جبکہ 2019 کے دوران یہ منافع 60 ملین روپے تھا۔ کمپنی کی سرمایہ کاری کی آمدنی نے کمپنی کے منافع میں بہت بڑا حصہ ڈالا۔ آگے مجھے یقین ہے کہ کمپنی اس غیر یقینی صورتحال کو فائدہ اٹھانے کے مواقع تک پہنچا دے گی۔

سال 2020 کے دوران شاہین فاؤنڈیشن کے تین نامزد ڈائریکٹرز نے اپنی میعاد پوری ہونے کے بعد استعفیٰ دیا، اور ان کی جگہ نئے ڈائریکٹرز تعینات کر دیئے گئے۔

بورڈ کے اسٹریٹجک وژن، حصص یافتگان کا اعتماد اور ملازمین کی فعال شرکت کو مد نظر رکھتے ہوئے، مجھے کوئی شک نہیں ہے کہ کمپنی اگلے درجے تک پہنچے گی۔

میں ملازمین کی جانب سے اس مشکل صورتحال میں کی جانے والی سخت محنت اور لگن کے لئے اپنی تعریف کو ریکارڈ کرانا چاہتا ہوں، اور اپنے معزز صارفین، ری انشوررز، حصص داروں اور ریگولیٹرز کے اعتماد اور بھروسے کا شکریہ ادا کرتا ہوں۔

ایز مارشل (ر) محمد عارف پرویز

چیئر مین

06 اپریل، 2021

DIRECTORS' REPORT

The Directors of your Company are pleased to present the Annual Report of the Company for the year ended December 31, 2020.

GENERAL ECONOMIC REVIEW

Pakistan and the global economy were arguably defined in 2020 by the single variable of COVID-19. The pandemic triggered lockdowns and a wave of precautionary measures, which severely affected economic activity resulted in contraction of global economic growth after almost 76 years. However, Year 2017, 2018 & 2019 showed economic growth with most micro economic indicators showed favorable trajectory and the GDP grew at an average rate of 5.3%.

The currency remained largely stable compared to the previous year, depreciating by a measured ~3.2% to close at 159.83 - as compared to a depreciation of ~11.0% last year. This is mostly attributable to the improvement in the external account position, deferment of debt repayment to G20, and inflows following the launch of Roshan Digital Account.

Inflation, on the other hand as measured by the Consumer Price Index (CPI) showed the impact of high base as the year progressed. While the January 2020 reading for YoY inflation was a staggering 14.6%, the readings towards the end of the year tapered off, closing near the 8% mark.

Heading into 2021, the success of Covid vaccine will determine immediate term outlook on both the health and economic front. In terms of economic development, reinitiation of the IMF programme will be keenly tracked by both local and international markets. It also holds greater significance on account of the follow through impact it has on fiscal management especially the elimination of subsidies and inefficiencies. Pakistan's fate on FATF grey list together with regional reshaping of alliances and other geographical events also hold key as to how the things will unfold.

Similar to other industries, condition in the insurance industry continued to be challenging due to Covid-19 pandemic, as well as torrential rains and sluggish economic activity at the beginning of 2020.

COMPANY'S PERFORMANCE

Year 2020 proved to be a challenging year for the company. Tumultuous economic situation of the country during 2019, which continued during the first quarter of 2020 coupled with outbreak of Covid 19 dented the company's business performance. The full brunt of the Covid 19 was felt during the second quarter of 2020 when business activities came to a virtual standstill due to series of country wide lockdowns. Company however, continued its focus on generating low risk consistent revenues, consolidating and diversifying its product mix.

The results of Insurance are summarized below;

	Rupees in million	
	December 2020	December 2019
Written Gross Premium	244	350
Net Insurance Premium	229	295
Net insurance claims expense	66	100
Underwriting Results	50	67
Investment Income	57	61
Profit before tax	46	80
Profit after tax	36	60
Earnings Per Share	0.59	1

Despite an all out challenging year, our company performed reasonably well during 2020. Profit after tax of the company decreased to Rs 36 Million for the current year against profit after tax of Rs 60 Million during 2019 (i.e. a decrease of 40%). This was mainly due to lower levels of premiums along with recording of provision against doubtful debts. Similar to year 2019, company has been able to improve its product mix in 2020 also, as miscellaneous business segment illustrated healthy premium inflows, while Motor segment continued to contribute heavy chunk in the underwriting profits of the company during the year under review.

During the year, Company successfully diversified its investment portfolio into mid to long term government bonds, thereby ensuring steady income stream. However, unexpected heavy decline in policy rates by the State Bank of Pakistan within short span due to Covid, resulted in slight decrease in investment income of the company.

Moreover, despite constraints and settling old liabilities, **investment portfolio of the Company demonstrated a promising increase of 39 Million in 2020** over 2019. All the investment decisions of the company are taken by the Investment Committee of the Board.

Management and other expenses for the 2019 (excluding the impact of provisions for doubtful debts and write offs) decreased by 9% compared with 2019.

During the year 2018, our Company crossed **yet another milestone as SECP granted the license for Window Takaful Operations**. This was due to matchless efforts by the company's staff and guidance by the Board, and the Board is abundantly convinced that this will translate into another era of growth and prosperity. Company commenced its Window Takaful Operations in April 2018.

The results of Window Takaful are summarized below;

	Rupees in million	
	December 2020	December 2019
Written gross contribution	10	7
Net Contribution Revenue	3	(1)
Underwriting Results	(0.12)	(2)
Investment Income	4.29	6
Operator's Fund - Revenue Account	(4)	2
Operator's Profit /Loss	(2)	3

Due to initial year of operations, this business segment is progressing gradually. However, keeping in view the current status of enlistment with major Financial Institutions and with the guidance of the Board, Company is confident to penetrate this market by procuring takaful business in coming years.

INSURER FINANCIAL STRENGTH (IFS) RATING

In August 2019 PACRA upgraded the rating at 'A' (single A) with Positive outlook from 'A' (single A) with Stable outlook. In August 2020, the rating was reaffirmed at the same level. This rating denotes strong capacity of the company to meet policyholder and contractual obligations.

The upgraded rating is unprecedented and highest ever in the history of the company, and Board is confident that it will pave a way to spur growth in the business of the company.

INCREASE IN PAID UP SHARE CAPITAL

During the year 2017, company successfully increased its Paid Up Share Capital to Rs. 600 Million from Rs. 450 Million through issue of 15.00 Million shares of Rs. 10 each to Shaheen Foundation by way of otherwise than Right, after approval from shareholders of the company and SECP. **We are extremely delighted to inform the shareholders that our company is thoroughly capitalized and is well in excess of the revised Minimum Capital Requirement of Rs 500 Million prescribed by the SECP for non life insurance companies.**

Increased capital will greatly assist the Company in taking on future business challenges and growth prospects.

BOARD OF DIRECTORS'

Board of Directors' of the company consist of seven directors having the knowledge, experience and skills required to provide oversight and strategic guidelines to the Company.

All of the following directors of the company are male non-executive directors;

1. Air Marshal Muhammad Arif Pervaiz (Retd.)*
2. Air Vice Marshal Salman Ahsan Bokhari (Retd.)
3. Air Commodore Mahmood Ahmad (Retd.)
4. Air Commodore Ahsan Muhammad Khan (Retd.)
5. Air Commodore Jamshed Iqbal (Retd.)
6. Group Captain Javed Akhtar Khan (Retd.)
7. Mr. Khalid Saeed Mirza *

*Air Marshal Muhammad Arif Pervaiz (Retd.) and Mr. Khalid Saeed Mirza (Retd.) were appointed in February 2020 and April 2020, respectively to fill casual vacancy on the Board.

Further, all the above seven directors of the company were elected unopposed for a period of three years commencing June 11, 2020 at the Annual General Meeting of the Company held on June 11, 2020.

Air Marshal Muhammad Jamshed Khan (Retd.) and Mr. Aamir Shahzad Mughal resigned from the Board during the year, while Air Commodore Humayun Viqar Zephyr (Retd.) retired on completion of his tenure. Board wishes them best of luck in their future endeavors

No remuneration is paid to the directors of the Company as all the directors are non executives, and nominees of Shaheen Foundation.

BOARD MEETINGS

Board of Directors held 4 meetings in 2020. Attendance of directors is indicated below;

Name of Director	No. of meetings attended
Air Marshal Muhammad Arif Pervaiz (Retd.)	4
Air Vice Marshal Salman Ahsan Bokhari (Retd.)	4
Air Commodore Mahmood Ahmad (Retd.) (Elected in June 2020)	2
Air Commodore Ahsan Muhammad Khan (Retd.)	3
Air Commodore Jamshed Iqbal (Retd.)	3
Air Commodore Humayun Viqar Zephyr (Retd.) (Retired in June 2020)	2
Group Captain Javed Akhtar Khan (Retd.)	2
Mr. Khalid Saeed Mirza (Appointed in April 2020)	3

Leave of absence was granted in case the directors could not attend some of the meetings.

Tabulated below are the financial data for the last six years against the head of accounts;

Head of Account	Rupees in Millions					
	2020	2019	2018	2017	2016	2015
Written Gross Premium including gross written contribution	254	357	417	343	340	309
Investment Income	57	61	33	29	17	16
Claims Expense	66	100	85	80	74	166
Net commission and other acquisition cost	53	61	100	62	48	41
Management and other expenses	152	139	133	126	137	109
Profit after tax	36	60	79	63	40	26
Share Holders Equity	656	621	574	495	406	366
Claim Outstanding	127	128	116	114	110	165
Insurance / Reinsurance receivables	178	252	272	181	107	123
Investment	603	564	507	453	489	450
Investment Properties	135	130	31	32	21	22

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws, rules and regulations framed here under spelled out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that;

- 1) The financial statements, prepared by the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 2) The Company has maintained proper books of accounts.
- 3) The Company has consistently followed appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.
- 4) International Accounting Standards as applicable in Pakistan have been followed in the preparation of Financial Statements. Accounting Standards and such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 the Insurance Ordinance 2017, provisions and directives issued under the Companies Act 2017, the Insurance Ordinance 2017, SECP (Insurance) Rules 2017 and Takaful Rules 2012. Any departure there from has been adequately disclosed.

- 5) The Board has established a system of internal control, which is implemented at all levels within the Company. The Company is making efforts and arrangements to include all necessary aspects of internal control given in the Code of Corporate Governance for Insurers, 2016 (the code) and Listed Companies Code of Corporate Governance Regulations 2019 (the Regulations).
- 6) The fundamentals of the Company are strong and there is no doubt about its ability to continue as a going concern.
- 7) The Company has followed the best practices of Corporate Governance as laid down in the Listing Regulations of the except for the matters highlighted by the auditors in the CCG report.

PATTERN OF SHARE HOLDING

A statement of pattern of shareholding is separately shown in the report.

TRADING IN COMPANY'S SHARES

No trading in the shares of the Company was carried out by the directors, CEO, CFO and Company Secretary, their spouses or minor children. Only 500 nominee shares were transferred to the newly inducted directors Air Marshal Muhammad Arif Pervaiz (Retd.), Air Commodore Mahmood Ahmad (Retd.) and Mr. Khalid Saeed Mirza. Further, 500 nominee shares were also transferred in the name of Air Vice marshal Salman Ahsan Bokhari (Retd.) after his appointment was approved by SECP in February 2020.

AUDITORS

External auditors, Ms. Yousuf Adil, Chartered Accountants have completed their assignment for the year 2020 and retire at the conclusion of the upcoming Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board Audit Committee recommends that they be reappointed as the statutory auditors for a further term of one year, and the Board endorses this recommendation.

FUTURE OUTLOOK OF THE COMPANY

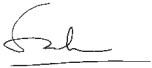
Keeping in view the current uncertain situation due to Pandemic Covid 19, year 2021 will be challenging. However, the board and the management have taken up the challenge to give its best shot to turn around this uncertain situation to an opportunity to grow. Looking beyond 2021, our company is well geared up to increase its market share gradually over the years. Our Company will aggressively focus on steady top line growth in all segments of the current business as well working on innovative ideas to offer new value added products to its clients. Our company further aims to tap opportunities in the Takaful market, and envisions being amongst the front runner in this segment. We expect consistency in policy rate by the State Bank of Pakistan with favorable impact on core business of the company as financial institutions consumer finance portfolio (major source of company's business) is highly likely to grow. It is further expected that the government will be able to stabilize the economic situation of the country during the upcoming years.

ACKNOWLEDGMENTS

Directors would like to place on record their appreciation to the field force, officers and staff of the Company for their commitment and contributions despite adverse economic situation, and greatly appreciate for taking up this enormous challenge to grow ambitiously in 2021 and beyond.

Directors would also like to thank the Securities and Exchange Commission of Pakistan, PACRA, Pakistan Stock Exchange Limited, all clients, banks / financial institutions and re-insurers for their continued guidance and support.

For and on behalf of Board



Sohail N. Kidwai
Chief Executive Officer



Air Marshal Muhammad Arif Pervaiz (Retd.)
Chairman

April 6, 2021

بورڈ اور انتظامیہ نے اس چیلنج کو قبول کیا ہے اور مضبوط ارادہ کیا ہے تاکہ اس غیر یقینی صورتحال پر قابو پایا جاسکے اور ترقی کی راہیں ہموار کی جاسکیں۔ 2021 کے بعد کی بات کی جاتی ہے تو ہماری کمپنی نے سال بہ سال بتدریج مارکیٹ شیئرز میں اضافے کیلئے اچھی رفتار پکڑی ہے۔ ہماری کمپنی نے اپنی بھرپور توجہ موجودہ کاروبار کے تمام قطعات میں صف اول کی ترقی پر مرکوز کی ہوئی ہے اور اس کے ساتھ ساتھ جدید آئیڈیاز پر اچھے انداز میں کام کر رہی ہے تاکہ اپنے صارفین کو اپنی نئی ویلیو ایڈڈ پراڈکٹ کی پیشکش کر سکے۔ ہماری کمپنی نے تکافل مارکیٹ میں موقعوں سے مستفید ہونے کا بھی اعادہ کر رکھا ہے اور اس قطعہ میں صف اول میں اپنی جگہ بنانے کا نظریہ رکھتی ہے۔ ہم اسٹیٹ بینک پاکستان کی جانب سے پالیسی ریٹ میں مستقبل مزاجی اور کمپنی کے بنیادی کاروبار پر اس کے مثبت اثرات کی توقع رکھتے ہیں جیسا کہ مالیاتی اداروں کے صارفین کا مالیاتی پورٹ فولیو (کمپنی کے کاروبار کا بنیادی ذریعہ) ممکنہ طور پر ترقی کرے گا۔ یہ مزید توقع کی جاتی ہے کہ حکمت آئندہ سالوں کے دوران ملک کی اقتصادی صورتحال مستحکم کر پائے گی۔

تسلیمات

ڈائریکٹر کمپنی کے متعلقین، آفیسرز اور اسٹاف کو ان کی جانب سے خراب اقتصادی صورتحال کے باوجود مسلسل اعتماد اور تعاون پر انہیں سراہتے ہیں اور سال 2021 میں اور اس سے آگے بتدریج ترقی کے چیلنج کو قبول کرنے پر بھی ان کی تعریف کرتے ہیں۔

ڈائریکٹر، سیکورٹیز اور ایکسچینج کمیشن پاکستان PACRA، پاکستان اسٹاک ایکسچینج لمیٹڈ، تمام کلائنٹس، بینکوں / مالیاتی اداروں اور ری انشور کی جانب سے مسلسل رہنمائی اور معاونت پر بھی ان کی شکرگاہ ہے۔

بورڈ کی جانب سے

ایئر مارشل محمد عارف پرویز (ر)
چیئر مین

سہیل این قدوائی
چیف ایگزیکٹو آفیسر

(۷) کمپنی اسٹاک ایکسچینج کے لسٹنگ کے قواعد و ضابط میں بیان کردہ کارپوریٹ گورننس کے تمام بہترین طریقوں پر عملدرآمد کر رہی ہے ماسوائے ان معاملات کے جن کی نشاندہی آڈیٹر کی جانب سے کوڈ آف کارپوریٹ گورننس کی رپورٹ میں کی گئی ہے۔

شیئر ہولڈنگ کا خاکہ:

شیئر ہولڈنگ کے خاکے کا گوشوارہ رپورٹ میں علیحدہ سے ظاہر کیا گیا ہے۔

کمپنی کے شیئرز میں تجارت:

کمپنی کے ڈائریکٹرز، ای او، سی ایف او اور کمپنی سیکریٹری، ان کے ازواج یا چھوٹے بچوں کی جانب سے کمپنی کے شیئر میں کوئی تجارت نہیں کی گئی ہے۔ صرف 500 نامزدگی شیئر نئی شامل ہونے والے ڈائریکٹر ایئر مارشل محمد عارف پرویز (ر)، ایئر کموڈور محمود احمد (ر) اور جناب خالد سعید مرزی کو منتقل کیے گئے ہیں۔ مزید 500 نامزدگی شیئر وائس مارشل سلمان احسن بخاری (ر) کے نام ان کی تقرری کے بعد منتقل ہوئے تھے جو کہ SECP کی جانب سے فروری 2020 میں ہوئی تھی۔

آڈیٹرز

بیرونی آڈیٹر، میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹ نے سال 2020 کیلئے اپنے منسوبہ ذمہ دریاں مکمل کر لی ہیں اور آئندہ سالانہ جنرل میٹنگ کے اختتام پر سبکدوش ہو رہے ہیں، جیسا کہ یہ اہل ہیں، انہیں دوبارہ تقرری کی پیشکش کی گئی ہے۔ بورڈ آڈٹ کمیٹی انہیں دوبارہ بطور قانونی آڈیٹرز آئندہ مزید ایک سال کیلئے تقرر کرنے کی تجویز دیتی ہے، اور بورڈ اس تجویز کی توثیق کرتا ہے۔

کمپنی کے مستقبل کے امکانات:

کووڈ-19 کی حالیہ غیر یقینی صورتحال کو مد نظر رکھتے ہوئے، سال 2021 چیلنجنگ ہونے کی توقع ہے۔ تاہم،

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان

یہاں بیان کردہ کارپوریٹ قوانین، قواعد و ضوابط پر کمپنی کے بورڈ آف ڈائریکٹرز کے تمام ترامور میں تعمیل کی جاتی ہے۔ بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مقرر کردہ کوڈ آف کارپوریٹ گورننس میں بیان کردہ اپنی تمام تر کارپوریٹ ذمہ داریوں سے بخوبی آگاہ ہے اور تصدیق کرتا ہے کہ:

(۱) کمپنی کے تیار کردہ فنانشل اسٹیٹمنٹس میں کمپنی کے تمام ترامور، تمام تعاملات کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بالکل درست صورتحال بیان کی گئی ہے۔

(۲) کمپنی نے اکاؤنٹس کے گوشوارے درست طور پر مرتب کر رکھے ہیں۔

(۳) کمپنی نے معاشی اسٹیٹمنٹ کی تیاری کیلئے مناسب اکاؤنٹنگ پالیسیوں پر مستقل عملدرآمد کیا ہے اور اکاؤنٹنگ کے تخمینے محتاط اور مناسب فیصلوں کی بنیاد پر ہیں۔

(۴) پاکستان میں لاگو بین الاقوامی اکاؤنٹ کے معیارات کی مالیاتی گوشواروں کی تیاری میں پیروی کی گئی ہے۔ یہ بین الاقوامی مالیاتی اور اکاؤنٹنگ اور رپورٹنگ معیارات (IFRS) جو کمپنیز ایکٹ 2017 کے تحت انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ بورڈ کی جانب سے جاری اور کمپنیز ایکٹ 2017 کے ذریعے مطلع کیے گئے ہیں اور اس کے علاوہ انشورنس آرڈیننس 2000، ایس ای سی (انشورنس) رولز، 2017 اور بکافل رولز، 2012 کے تحت جاری کردہ ہدایات، دفعات اور ان کے کسی قابل ذکر مادی انخلاء کا مناسب اظہار کیا گیا ہے۔

(۵) بورڈ نے اندرونی کنٹرول کا ایک سسٹم قائم کیا ہے جو کمپنی میں ہر سطح پر نافذ ہوگا۔ کمپنی اندرونی کنٹرول کے تمام ضروری پہلوؤں جو کہ انشوررز کے کوڈ آف کارپوریٹ گورننس 2016 اور لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس، ریگولیشنز 2019 کو ضابطہ میں شامل کرنے کیلئے کوششیں اور بندوبست کر رہی ہے۔

(۶) کمپنی کی بنیادیں مضبوط ہیں اور کاروبار کو جاری رکھنے کی صلاحیتوں کے حوالے سے کوئی شکوک و شبہات نہیں ہیں۔

سرمایہ کاری کی مالیت 15 ملین روپے

ٹیکس، ڈیوٹیز کی مد میں قانونی ادائیگیاں

ٹیکسز، ڈیوٹیز، مالی ذمہ داری اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہیں سوائے عمومی کاروباری طرزِ عمل کے اور انہیں مالی گوشواروں میں ظاہر کیا گیا ہے۔

گزشتہ 6 سالوں کے مالیاتی اعداد و شمار درج ذیل ہیں:

روپے ملین میں						اکاؤنٹ کا نام
2015	2016	2017	2018	2019	2020	
309	340	343	417	357	254	منجملہ رٹن پریئم بشمول منجملہ گراس کنٹری بیوشن
16	17	29	33	61	57	سرمایہ کاری کی آمدن
166	74	80	85	100	66	کلیم کے اخراجات
41	48	62	100	61	53	کل کمیشن اور دیگر اکتسابی لاگت
109	137	126	133	139	152	مینجمنٹ اور دیگر اخراجات
26	40	63	79	60	36	ٹیکس کے بعد منافع
366	406	495	574	621	656	شیئر ہولڈرز کا حصہ
165	110	114	116	128	127	غیر موصول شدہ کلیم
123	107	181	272	252	178	انشورنس / ری انشورنس قابل وصول ادائیگیاں
450	489	453	507	564	603	سرمایہ کاری
22	21	32	31	130	135	سرمایہ کاری کی جائیدادیں

جناب خالد سعید مرزا
جناب سہیل نجم قدوائی - چیف ایگزیکٹو آفیسر
جناب نثار احمد عالمانی - چیف فنانشل آفیسر

سال کے دوران تمام سرمایہ کاری / تصفیہ جات اسی کمیٹی کی جانب سے منظور کی گئی ہیں۔

آڈٹ کمیٹی

ایئر کموڈور احسن محمد خان (ر)
گروپ کیپٹن جاوید اختر خان (ر)
جناب خالد سعید مرزا

منافع کا حصہ اور منقسمہ

سال اختتام پذیر 31 دسمبر 2020 کے دوران مابعد ٹیکس منافع 36 ملین حاصل کیا گیا جو کہ بالفاظ دیگر بلا تقسیم خسارہ 12 ملین روپے سے شروع ہو کر بلا تقسیم منافع 24 ملین پر اختتام پذیر ہوا۔ کووڈ-19 کی وباء کے سبب مستقل میں غیر یقینی صورتحال کے پیش نظر ڈائریکٹر نے اس سال کیلئے کوئی منقسمہ / ادائیگی کرنے کی تجویز نہیں دی ہے۔

فی حصہ کمائی:

سال اختتام پذیر 31 دسمبر 2020 کیلئے کمپنی کی بنیادی فی حصہ آمدن 0.59 روپے فی حصہ رہی (جو کہ سال اختتام پذیر 31 دسمبر 2019 میں 1 روپے فی حصہ تھی)

شراکتی پراؤنٹ فنڈ

31 دسمبر 2020 تک غیر آڈٹ شدہ اکاؤنٹس کے حساب سے سرمایہ کاری کی مالیت بشمول پراؤنٹ فنڈ کی ماحصل آمدن درج ذیل ہے:

- 2 ایئر کموڈور محمود احمد (ر)
جون 2020 میں منتخب ہوئے
- 3 ایئر کموڈور احسن محمد خان (ر)
- 3 ایئر کموڈور جمشید اقبال (ر)
- 2 ایئر کموڈور ہمایوں وقار زینفائر (ر)
(جون 2020 میں سبکدوش ہوئے)
- 3 جناب خالد سعید مرزا
(اپریل 2020 میں تقرر ہوئے)

ایسی صورت میں جب ڈائریکٹرز کچھ میٹنگز میں شرکت نہیں کر سکے تو انہیں رخصیت عنایت کی گئی۔

بورڈ کمیٹیز

یہاں بورڈ کی تین کمیٹیاں ہیں:

ضابطہ اخلاق، افرادی قوت اور معاوضہ جات کی کمیٹی:

- ایئر وائس مارشل سلمان احسن بخاری (ر)
ایئر کموڈور محمود احمد (ر)
جناب سہیل نجم قدوائی

سرمایہ کاری کی کمیٹی

- ایئر مارشل محمد عارف پرویز (ر)
ایئر وائس مارشل سلمان احسن بخاری (ر)
ایئر کموڈور جمشید اقبال (ر)

6- گروپ کیپٹن جاوید اختر خان (ریٹائرڈ)

7- جناب خالد سعید مرزا

☆ ایئر مارشل محمد عارف پرویز (ر) اور جناب خالد سعید مرزا (ر) بالترتیب فروری 2020 اور اپریل 2020 میں تقرر ہوئے تھے تاکہ بورڈ کے خلاء کو پر کیا جاسکے۔

مزید، کمپنی کے تمام کے تمام ساتوں ڈائریکٹر کمپنی کی سالانہ جنرل میٹنگ منعقدہ 11 جون 2020 میں بلا مقابلہ 3 سال کی مدت کیلئے منتخب ہوئے جس کا آغاز 11 جون 2020 سے ہوا۔

ایئر مارشل محمد جمشید خان (ریٹائرڈ) اور جناب عامر شہزاد مغل نے سال کے دوران بورڈ سے استعفیٰ دیا، جبکہ ایئر کموڈور ہمایوں وقار ظفر (ر) کو اپنی مدت مکمل ہونے پر سبکدوش ہوئے۔ بورڈ ان کے روشن مستقبل کیلئے نیک تمناؤں کا اظہار کرتا ہے۔

کمپنی کے ڈائریکٹر کو کوئی معاوضہ نہیں دیا گیا جیسا کہ تمام ڈائریکٹر نان ایگزیکٹو ہیں اور شاہین فاؤنڈیشن کے نامزدگان ہیں۔

بورڈ میٹنگ

سال 2020 میں بورڈ آف ڈائریکٹر کی 4 میٹنگ منعقد کی گئیں۔ ڈائریکٹر کی حاضری درج ذیل ہے:

ڈائریکٹر کا نام	میٹنگ میں شرکت کی تعداد
ایئر مارشل محمد عارف پرویز (ر)	4
ایئر وائس مارشل سلمان احسن بخاری (ر)	4

اگست 2020 میں یہ ریٹنگ اسی درجہ پر برقرار رکھی گئی۔ یہ ریٹنگ پالیسی ہولڈرز اور معاہدہ جاتی ذمہ اریوں پر پورا اترنے کے حوالے سے کمپنی کی مضبوط معاشی صورتحال کا اظہار کرتی ہے۔

حالیہ ریٹنگ کمپنی کی تاریخ میں غیر متوقع اور سب سے اعلیٰ ریٹنگ ہے، اور بورڈ پر امید ہے کہ اس سے کمپنی کی ترقی کی راہ ہموار ہوگی

پیڈ اپ شیئر کیپٹل میں اضافہ:

سال 2017 کے دوران، کمپنی نے کامیابی کے ساتھ اپنے پیڈ اپ شیئر کیپٹل میں 450 ملین سے بڑھا کر 600 ملین کر دیا جو کہ کمپنی کے حصص یافتگان اور ایس ای سی پی سے منظوری حاصل کرنے کے بعد رائٹ ایشو کے علاوہ 10 روپے کے 15.00 ملین شیئرز شاہین فاؤنڈیشن پی اے ایف کو جاری کیے گئے۔ ہم اپنے شیئر ہولڈرز کو یہ آگاہ کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں کہ ہماری کمپنی مکمل طور پر کیپٹل سٹراٹجی ہو گئی ہے اور نان لائف انشورنس کمپنیوں کے لیے SECP کی جانب سے مقررہ 500 ملین روپے کم از کم کیپٹل کی شرط سے زیادہ کیپٹل موجود ہے۔

کیپٹل میں اضافہ کمپنی کو آئندہ کاروباری چیلنجز سے نمٹنے اور ترقی کے عوامل میں معاون ثابت ہوگا۔

بورڈ آف ڈائریکٹرز

کمپنی کا بورڈ آف ڈائریکٹرز سات نفوس پر مشتمل ہے جن کے پاس کمپنی کو اسٹریٹجک ہدایات فراہم کے لیے درکار معلومات، تجربہ اور مہارت ہے۔

کمپنی کے تمام درج ذیل ڈائریکٹر مرد ہیں اور نان ایگزیکٹو ہیں۔

1- ایئر مارشل محمد عارف پرویز (ریٹائرڈ)

2- ایئر وائس مارشل سلمان احسن بخاری (ریٹائرڈ)

3- ایئر کموڈور محمود احمد (ریٹائرڈ)

4- ایئر کموڈور احسن محمد خان (ریٹائرڈ)

5- ایئر کموڈور جمشید اقبال (ریٹائرڈ)

سال 2020 کیلئے انتظام وانصرام اور دیگر اخراجات (ناقابل وصول قرضہ جات کی مد میں مالی ذمہ داریوں کے علاوہ) سال 2019 کے مقابلے میں 9 فیصد تک کم رہے۔

سال 2018 کے دوران ہماری کمپنی نے ونڈو تکافل آپریشنز کا لائسنس حاصل کر کے کامیابی کا ایک اور سنگ میل عبور کیا، جو کہ اسٹاف کی انتہک محنت اور بورڈ کی بہترین رہنمائی کی بدولت ممکن ہو سکا اور بورڈ بالکل پر امید ہے کہ یہ سنگ میل کمپنی کی خوشحالی اور بڑھوتری میں اہم کردار ادا کرے گا۔ کمپنی نے اپنے ونڈو تکافل آپریشنز کا آغاز اپریل 2018 میں کیا۔

ونڈو تکافل کے نتائج کا خلاصہ کچھ یوں ہے:

دسمبر 2020 (روپے ملین میں)	دسمبر 2019 (روپے ملین میں)	
10	7	منجملہ رٹن کنٹری بیوشن
3	(1)	کل کنٹری بیوشن آمدن
(0.12)	(2)	انڈر رائٹنگ نتائج
4.29	6	سرمایہ کاری آمدن
(4)	2	آپریٹرز کا فنڈ - روینیوا کاؤنٹ
(2)	3	آپریٹرز کا منافع / خسارہ

کام شروع ہونے کے پہلے سال کی وجہ سے یہ کاروباری شعبہ بتدریج کارکردگی دکھا رہا ہے۔ تاہم، بڑے مالیاتی اداروں کی صف میں شامل ہونے کی موجودہ صورتحال اور بورڈ کی رہنمائی کو مد نظر رکھتے ہوئے کمپنی پر اعتماد ہے کہ وہ آئندہ سالوں میں اس شعبہ کی مارکیٹ میں سرایت کر جائے گی۔

بیمہ دار کی مالیاتی استحکام کی ریٹنگ (IFS):

اگست 2019 میں (PACRA) نے مثبت مستقبل "A" ریٹنگ سے مستحکم مستقبل "A" ریٹنگ دی تھی۔

67	50	تحریر اُنتائج
61	57	سرمایہ کاری سے آمدنی
80	46	ٹیکس کی ادائیگی سے قبل منافع
60	36	ٹیکس کی ادائیگی کے بعد منافع
1	0.59	کمائی فی حص

پورا سال چیلنجنگ رہنے کے باوجود ہماری کمپنی نے 2020 میں معقول کارکردگی کا مظاہرہ کیا۔ حالیہ سال مابعد ٹیکس منافع 36 ملین روپے رہا جبکہ اس کے مقابلے میں گذشتہ سال 2019 میں مابعد ٹیکس منافع 60 ملین روپے تھا (یعنی 40 فیصد تک منافع میں کمی واقع ہوئی)۔ اس کی بنیادی وجہ پریئم کی شرح میں کمی اور اس کے ساتھ ساتھ ناقابل وصول قرضہ جات (ڈاؤنٹفل ڈیبٹس) کی مد میں مالی ذمہ داریوں میں اضافہ کرنا شامل ہے۔ سال 2019 کی طرح، کمپنی سال 2020 میں بھی اپنی کثیر الانواع پراڈکٹس میں بہتری لانے کے قابل رہی، جیسا کہ متفرق کاروباری شعبہ جات پریئم میں صحت افزا اضافے کو ظاہر کرتے ہیں، جبکہ موٹر کا شعبہ زیر غور سال کے دوران کمپنی کے بیمہ منافع کے اضافے میں مسلسل نمایاں کردار ادا کر رہا ہے۔

سال کے دوران کمپنی کامیابی کے ساتھ اپنی سرمایہ کاری کا پورٹ فولیو درمیانے تا طویل مدتی حکومتی بونڈز میں منتقل کرنے میں کامیاب ہوئی جس کے ذریعے مستحکم آمدنی کی روانی کو یقینی بنایا گیا۔ تاہم، اسٹیٹ بینک پاکستان کی جانب سے کووڈ کی وجہ سے نہایت قلیل مدت کے اندر اندر پالیسی نرخ میں بہت زیادہ کمی کرنے کی وجہ سے کمپنی کی سرمایہ کاری آمدن میں تھوڑی کمی واقع ہوئی۔

مزید برآں، سال 2019 کے بعد 2020 میں، رکاوٹوں اور پرانی مالی ذمہ داریوں کے تصفیہ کے باوجود، کمپنی کی جانب سے 2020 میں سرمایہ کاری کے پورٹ فولیو میں سال 2019 کے مقابلے میں 39 ملین کا اضافہ کیا گیا۔ کمپنی کی سرمایہ کاری کے حوالے سے تمام تر فیصلے بورڈ کی انویسٹمنٹ کمیٹی کی جانب سے لیے گئے۔

گہری نظر رکھی جائے گی۔ یہ مستقبل کے لحاظ سے بھی انتہائی اہمیت کا حامل ہے جس کی وجہ مالیاتی نظم و نسق پر پڑنے والے اثرات ہیں جو کہ بالخصوص سبسڈیز کے خاتمے اور عدم استحکام کے سد باب کے حوالے سے ہیں۔ FATF کی گرے لسٹ میں پاکستان کی موجودگی، علاقائی اتحاد میں اصلاحات اور جغرافیائی عوامل دونوں کا تعین کرے گی کہ آئندہ کی صورتحال کیسی ہوگی۔

دیگر صنعتوں کی طرح، کووڈ-19 کی وبائی صورتحال اور اس کے ساتھ ساتھ سال 2020 کے شروع سے پے در پے بارشیں اور سست معاشی سرگرمیوں کے پیش نظر انشورنس کی صنعت کو بھی سخت چیلنجنگ کا سامنا رہا۔

کمپنی کی کارکردگی

سال 2020 کمپنی کیلئے ایک چیلنجنگ سال ثابت ہوا۔ سال 2019 کے دوران معاشی صورتحال افراتفری کا شکار ہوئی اور یہ افراتفری سال 2020 کی پہلی سہ ماہی میں بھی جاری رہی جس کی وجہ سے کمپنی کی کارکردگی پر گہرے منفی اثرات مرتب ہوئے۔ کووڈ-19 کا بھرپور وار سال 2020 کی دوسری سہ ماہی میں محسوس کیا گیا جب کاروباری سرگرمیاں ملک بھر میں سلسلہ وار لاک ڈاؤن کی وجہ سے مکمل طور پر تعطل کا شکار ہو گئیں۔ تاہم کمپنی نے اپنی توجہ کم خطر آمدنی پر مرکوز رکھی اور اپنی مختلف الانواع پراڈکٹس کو یکجا کیا اور حالات کے پیش نظر تبدیل کیا۔

انشورنس کے نتائج کا درج ذیل خلاصہ کیا گیا ہے:

دسمبر 2020 (روپے ملین میں)	دسمبر 2019 (روپے ملین میں)	
244	350	منجملہ رٹن پریئم
229	295	کل انشورنس پریئم
66	100	انشورن کلیم کے کل اخراجات

ڈائریکٹرز رپورٹ کا مسودہ

آپ کی کمپنی کے ڈائریکٹر مسرت کے ساتھ کمپنی کی سالانہ رپورٹ برائے سال اختتام پذیر 31 دسمبر 2020 پیش کرتے ہیں۔

عام معاشی جائزہ

سال 2020 میں پاکستانی اور عالمی معیشت قابل حیران حد تک کووڈ-19 کی وجہ سے متاثر رہی۔ اس عالمی وبائی صورتحال کی وجہ سے لاک ڈاؤن لگائے گئے اور احتیاطی اقدامات اختیار کیے گئے جس کی وجہ سے معاشی سرگرمیاں بری طرح متاثر ہوئیں اور نتیجتاً تقریباً 76 سالوں بعد عالمی معاشی ترقی کی شرح سکڑ گئی۔ تاہم اس کے برعکس سال 2017، 2018 اور 2019 میں معاشی ترقی میں زیادہ تر مائیکرو اقتصادیات کے عوام کے ساتھ مثبت رجحان دیکھا گیا اور GDP میں ترقی کی شرح 5.3 فیصد رہی۔

پچھلے سال کے مقابلے میں کرنسی کافی حد تک مستحکم رہی اور 159.83 پر ختم ہونے تک 3.2 فیصد گراؤٹ کا شکار رہی جو کہ گذشتہ سال 11 فیصد گراؤٹ کا شکار تھی۔ اس کا زیادہ تر دار و مدار بیرونی اکاؤنٹ کی صورتحال میں بہتری، G20 کو قرض کی واپس ادائیگی میں مہلت اور روشن ڈیجیٹل اکاؤنٹ متعارف کرانے پر فارن ایکسچینج میں اضافے سے منسوب ہے۔

دوسری طرف زیر غور سال کیلئے کمزور پرائیونڈیکس (سی پی آئی) کے ذریعے اندازہ لگائی گئی مہنگائی کی شرح میں حیران کن حد تک اضافہ دیکھا گیا۔ جبکہ جنوری 2020 میں سال بہ سال مہنگائی کی شرح 14.6 کے گرد منڈلا رہی تھی، تاہم ختم ہوتے سال میں یہ شرح اب 8 فیصد پر اختتام پذیر ہوئی۔

سال 2021 میں، ویکسین کی کامیابی صحت اور معاشی لحاظ سے صرف فوری صورتحال کا تعین کر پائے گی۔ جہاں تک اقتصادی ترقی کی بات ہے تو IMF پروگرام کی دوبارہ بحالی پر دونوں مقامی اور بین الاقوامی مارکیٹوں کی جانب سے

OPERATIONAL RESULTS AND FINANCIAL STRENGTHS FROM 2010 TO 2020

----- Rupees in '000 -----											
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1 Gross Direct Premium	244,386	350,295	416,938	342,923	339,503	308,988	284,182	343,566	562,845	664,326	553,084
Increase %	(30.23)	(15.98)	21.58	1.01	9.88	8.73	(17.28)	(38.96)	(15.28)	20.11	(7.25)
2 Net Premium	229,055	295,190	366,913	299,586	264,558	225,225	229,620	331,124	508,120	482,963	417,389
Increase %	(22.40)	(19.55)	22.47	13.24	17.46	(1.91)	(30.65)	(34.83)	5.21	15.71	(13.34)
% to 11	38.18	49.20	61.15	49.93	58.79	50.05	51.03	110.37	169.37	193.19	208.69
3 Claim Insured	66,080	99,575	84,888	80,411	74,311	100,355	73,395	235,003	303,949	247,643	263,041
% to 2	28.85	33.73	23.14	26.84	28.09	44.56	31.96	70.97	59.82	51.28	63.02
4 Commission	53,193	60,903	99,568	61,530	48,202	38,979	39,783	56,515	70,163	64,419	68,272
% to 2	23.22	20.63	27.14	20.54	18.22	17.31	17.33	17.07	13.81	13.34	16.36
5 Management Expenses	59,551	67,216	72,411	65,073	52,833	45,336	48,415	83,820	90,351	87,336	65,809
% to 1	24.37	19.19	17.37	18.98	15.56	14.67	17.04	24.40	16.05	13.15	11.90
% to 2	26.00	22.77	19.74	21.72	19.97	20.13	21.08	25.31	17.78	18.08	15.77
6 Investment Income/(Loss)	56,538	61,065	33,037	28,710	17,157	16,305	15,897	9,310	8,629	11,654	16,671
% to 22	9.16	10.40	6.27	5.32	3.43	3.58	3.39	3.09	2.53	14.92	5.70
7 Other Income	32,561	9,977	6,123	7,692	21,017	6,795	37,882	5,473	3,715	6,004	6,145
8 Provision for Taxation	10,324	20,256	19,980	10,458	2,645	20,461	2,320	3,466	2,846	5,954	5,557
9 Profit/(Loss) before Tax	45,933	80,256	98,638	73,948	42,781	5,723	11,817	(102,786)	29,245	25,199	(23,476)
10 Profit/(Loss) after Tax	35,609	60,000	78,658	63,116	40,135	26,184	12,962	(106,252)	(32,092)	19,245	(29,033)
% to 2	15.55	20.33	21.44	21.07	15.17	11.63	5.64	(32.09)	(6.32)	3.98	(6.96)
11 Paid-up Capital	600,000	600,000	600,000	600,000	450,000	450,000	450,000	300,000	300,000	250,000	200,000
12 General Reserves	32,200	33,102	31,367	31,042	20,000	20,000	20,000	20,000	20,000	20,000	20,000
13 Reserves for Unexpired Risks	92,606	133,134	147,009	144,520	149,407	145,921	89,867	103,507	174,492	225,848	187,664
14 Unappropriate Profit/(Loss)	23,618	(11,991)	56,991	(135,649)	(63,596)	(103,731)	(129,916)	(142,879)	(36,627)	(4,535)	(23,780)
15 Capital Available for Shares	655,818	621,112	547,376	495,394	406,403	366,268	340,132	177,120	283,373	265,465	196,220
16 Total Net Outstanding Claims	127,306	128,203	116,033	114,520	104,234	121,436	198,615	253,250	187,789	123,688	126,179
% to 2	55.58	43.43	31.62	38.23	39.40	53.92	86.50	76.48	36.96	25.61	30.23
17 Other Liabilities	112,272	146,205	132,177	113,076	59,479	101,872	87,733	188,111	133,560	125,882	78,010
18 Total Equity & Liabilities	1,093,977	1,174,208	1,042,963	916,359	770,634	780,904	786,756	864,392	879,077	832,521	717,706
19 Land & Properties	135,385	130,423	109,653	101,133	55,275	57,115	58,955	60,373	62,213	169,893	39,302
% to 2	59.11	44.18	29.89	33.76	20.89	25.36	25.68	18.23	12.24	35.18	9.42
20 Cash & Bank Balances	14,686	23,319	21,238	86,080	218,256	174,423	230,399	71,531	48,490	26,324	136,970
% to 2	6.41	7.90	5.79	28.73	82.50	77.44	100.34	21.60	9.54	5.45	32.82
21 Investment	602,874	563,708	506,011	453,722	281,301	280,449	238,653	229,970	240,948	51,782	155,721
22 Total Cash & Investment	617,560	587,027	527,249	539,802	499,557	454,872	469,053	301,502	289,439	78,106	292,691
23 O/S Premium	107,410	166,262	188,414	147,256	77,253	87,575	127,690	219,085	262,200	305,080	166,083
% to 2	47	56.32	51.35	49.15	29.20	38.88	55.61	66.16	46.58	45.92	30.03
24 Fixed Assets	22,017	82,318	11,064	12,215	11,564	13,907	11,206	25,295	38,050	43,721	25,741
% to 2	9.61	27.89	3.02	4.08	4.37	6.17	4.88	7.64	7.49	9.05	6.17
25 Total Assets	1,093,976	1,174,208	1,042,963	916,359	770,634	780,904	786,756	864,392	879,077	832,521	717,706
26 Break-up Value Per Share	9.15	9.66	10.45	5.40	5.21	6.90	7.56	5.91	9.45	10.62	9.81
27 Earning Per Share	0.59	1.00	1.31	1.14	0.89	0.58	0.31	(3.54)	(1.15)	(0.79)	(1.38)

SHARIAH BOARD REPORT TO THE BOARD OF DIRECTORS

for the year ended December 31, 2020

In the name of Allah, the Beneficent, the Merciful

During the year under review, Shariah Advisory Board reviewed General Takaful products including all ancillary documents. Furthermore, we have reviewed the Participant Takaful Fund, Investment Policy, Re-takaful arrangements and all related transactions of **Shaheen Insurance Company Limited, Window Takaful Operations** in compliance with the Takaful Rules 2012 and Shariah Guidelines (hereafter referred to as "Company/Window Takaful Operator") for the year ended 31 December 2020.

The core objective of this report is to express the Company's compliance with the Takaful Rules 2012 as well as Shariah Guidelines, and includes the analysis of the appropriate evidence of transactions undertaken by the Company for the year 2020.

As Shariah Advisory Board, our responsibility is to ensure that the financial arrangements, contracts and transactions undertaken by the Window Takaful Operator with its participants and stakeholders should be compliant in accordance with the requirements of the Takaful Rules 2012 and Shariah rules & principles. However, it is the responsibility of the Shariah Advisory Board to express its opinion on its transactions with reference to Shariah Compliance.

It is the responsibility of the Window Takaful Operator to ensure that the rules, principles and guidelines set by the Shariah Advisory Board are complied with, and that all the policies and services being offered by the Window Takaful Operator are duly approved by its Shariah Advisory Board.

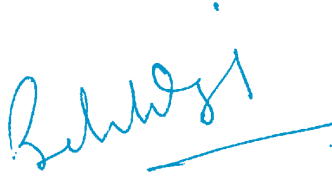
During the year, Shariah Advisory Board provided Shariah assistance to the Company on regular basis and to the best of our understanding based on the provided information and explanations, we are of the view that:

- Financial transactions and relevant documentations & procedures, undertaken by the Company for the year ended 31 December 2020 were in accordance with guidelines issued by the Shariah Advisory Board as well as Takaful Rules 2012.
- The Shariah Screening Criteria in the Investment Guidelines were properly followed in all kind of investment & financial transactions of Window Takaful Operator Fund as well as Participant Takaful Fund (PTF).
- During the year, no amount had been realized as non-Shariah Compliant income to be credited to the charity account being maintained for the said purpose.
- Despite of the limitation due to the Pandemic, it is to note that two Takaful training sessions have been conducted through Zoom for distribution force and well as for back office staff to ensure that the Takaful learning graph remains upward

- It is necessary to appreciate the efforts of the management that they performed their duties to their level best by following Takaful Rules 2012 and Shariah Guidelines issued by the Shariah Advisory Board.
- Consequently, we have found the Company is in accordance with the Takaful Rules 2012 and Shariah rules & principles with respect to all relevant transactions.

"And Allah knows best "

“اللهم أرنا الحق حقا وارزقنا اتباعه وأرنا الباطل باطلا وارزقنا اجتنابه”



Mufti Bilal Ahmed Qazi
Shariah Advisor & Shariah Board Member
Shaheen Insurance Company Ltd.
Window Takaful Operations



Mufti Muhammad Zahid
Shariah Board Member
Shaheen Insurance Company Ltd.
Window Takaful Operations

**INDEPENDENT REASONABLE ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF THE COMPANY
ON THE STATEMENT MANAGEMENT'S ASSESSMENT OF COMPLIANCE
WITH THE SHARIAH PRINCIPLES - FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of the provisions of Takaful Rules, 2012 as issued by the Securities and Exchange Commission of Pakistan (SECP).

Management's Responsibility for Shariah Compliance

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

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities including relating to staff training.

Our Independence and Quality Control

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

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

Our Responsibilities and Summary of Work Performed

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

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

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

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah Advisory Board's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee, Shariah Advisory Board and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and

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

We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our conclusion.

Our Conclusion

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



S.M. Suhail & Co.,
Chartered Accountants,
Karachi.

Our Ref: SMS-A-5502021

Date: March 31, 2021

Statement of Compliance with the Code of Corporate Governance for Insurers 2016 and with Listed Companies (Code of Corporate Governance) Regulations, 2019

Year ended December 31, 2020

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

The Company has complied with the requirements of the Code and Regulations in the following manner:

1. The total number of directors are eight as per the following;
 - a) Male: 8
 - b) Female: None

Company, subsequent to the year end has appointed a female independent director.

2. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors ("the Board"). At present all the non-executive directors on the Board are from Shaheen Foundation. The Board includes:

Category	Names
Independent director	~*
Executive director	Mr. Sohel Najam Kidwai
Non-executive directors	Air Marshal Muhammad Arif Pervaiz (Retd.)
	Air Vice Marshal Salman Ahsan Bokhari (Retd.)
	Air Commodore Mahmood Ahmad (Retd.)
	Air Commodore Jamshed Iqbal (Retd.)
	Air Commodore Ahsan Muhammad Khan (Retd.)
	Group Captain Javed Akhtar Khan (Retd.)
	Mr. Khalid Saeed Mirza

*Company, subsequent to the year end has appointed one female independent director, while one vacancy would be filled shortly.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies excluding of listed subsidiaries, including this Company.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
5. Two casual vacancies occurring on the Board in February & March 2020 respectively were filled up by the directors within 90 days thereof.

6. The Company has prepared a "Code of Conduct" and 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. However, these policies and procedures are being further refined and strengthened gradually. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the 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, the Code and these Regulations.
9. The meetings of the Board were presided over the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
10. 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.
11. All the Directors have either attended the orientation course or have been provided appropriate guidelines in this regard and as such they are fully aware of their duties and responsibilities. Following Directors' have completed Director's Training Program;

Directors
Group Captain Javed Akhtar Khan (Retd.)
Sohel Najam Kidwai - Chief Executive Officer

12. There were no new appointments of Chief Financial Officer (CFO) or Company Secretary. However, Head of Internal Audit was appointed during the year to act as a coordinator between Rizwan & Co. and the board.
13. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations. The Company does not pay any remuneration to the directors.
14. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurer, 2016 and fully describes the salient matters required to be disclosed.
15. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

16. The directors, CEO and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
17. The Company has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

Name of the Member	Category
Air Vice Marshal Salman Ahsan Bokhari (Retd.)	Chairman - Non Executive Director
Air Commodore Mahmood Ahmad (Retd.)	Member - Non Executive Director
Sohel Najam Kidwai	Member - Executive Director

Investment Committee

Name of the Member	Category
Air Marshal Muhammad Arif Pervaiz (Retd.)	Chairman - Non Executive Director
Air Vice Marshal Salman Ahsan Bokhari (Retd.)	Member - Non Executive Director
Air Commodore Jamshed Iqbal (Retd.)	Member - Non Executive Director
Mr. Khalid Saeed Mirza	Member - Non Executive Director
Sohel Najam Kidwai	Chief Executive Officer and Executive Director
Nisar Ahmed Almani	Chief Financial Officer

19. The Board has formed an Audit Committee. It comprises of three members and all are non-executive and Chairman of Audit Committee is not an independent director. The Composition of the audit committee is as follows:

Audit Committee:

Name of the Member	Category
Air Commodore Ahsan Muhammad Khan (Retd.)	Chairman - Non Executive Director
Group Captain Javed Akhtar Khan (Retd.)	Member - Non Executive Director
Mr. Khalid Saeed Mirza	Member - Non Executive Director

20. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Designation	Category
Mr. Sohail Najam Kidwai	Chief Executive Officer	Chairman
Mr. Zia Mehdi	Head of Operations	Member
Mr. Naveed Yunus Butt	Country Head Business	Member
Mr. Zia Ur Rahim	Deputy Manager Underwriting	Member and Secretary

Claim Settlement Committee:

Name of the Member	Designation	Category
Mr. Sohail Najam Kidwai	Chief Executive Officer	Chairman
Mr. Nisar Ahmed Almani	Chief Financial Officer	Member
Mr. Aamir Ghazali	Senior Manager	Member
Mr. Rizwan Idrees	Manager	Member
Mr. Kashif Ilyas	Assistant General Manager	Member and Secretary

Reinsurance & Co-Insurance Committee:

Name of the Member	Designation	Category
Mr. Sohail Najam Kidwai	Chief Executive Officer	Chairman
Mr. Zia Mehdi	Head of Operations	Member
Mr. Naveed Yunus Butt	Country Head Business	Member
Mr. Muhammad Hasnain	Senior Manager	Member and Secretary

Risk Management & Compliance Committee:

Name of the Member	Designation	Category
Mr. Sohail Najam Kidwai	Chief Executive Officer	Chairman
Mr. Nisar Ahmed Almani	Chief Financial Officer	Member
Mr. Zia Mehdi	Head of Operations	Member
Mr. Rizwan Idrees	Assistant General Manager	Member and Secretary

The Functions of the Nominations Committee are being performed by the Board.

21. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company 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 outsourced the internal audit function to Rizwan & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular 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. The Appointed Actuary of the Company also meets the conditions as laid down in the Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

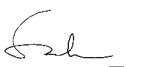
Name of the Person	Designation
Mr. Sohail Najam Kidwai	Chief Executive Officer
Mr. Nisar Ahmed Almani	Chief Financial Officer and Company Secretary
Mr. Sayyad Maqsood	Head of Internal Audit (Coordinator)
Mr. Zia Mehdi	Head of Operations, Underwriting, Claims and Reinsurance
Mr. Kashif Ilyas	Head of Grievance Function
Ms. Arshi Fatima	Compliance Officer

Due to size of operations of the Company, multiple functions are being performed by single staff. Accordingly, functions of the Company Secretary are being performed by the Chief Financial Officer.

Further, Mr. Mahmood A. Mirza, Head of Internal Audit completed his tenure of employment with the company in September 2020. Board has appointed Mr. Sayyad Maqsood as Head of Internal Audit to act as a coordinator between Rizwan & Co., Chartered Accountants and the Board.

24. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the commission in terms of section 48 of the insurance ordinance, 2000. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

25. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;.
26. The actuary appointed by the Company has confirmed that neither he nor his spouse and minor children hold shares of the Company.
27. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code.
28. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.
29. The Board ensures that the risk management system of the insurer is in place as per the requirement of Code of Corporate Governance for Insurers, 2016.
30. The Company has set up a Risk Management function which carries out its tasks as covered under the code.
31. The Board ensures that as part of the risk management system, the Company gets itself rated from Pakistan Credit Rating Agency (PACRA) which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on August 26, 2020 is A (Single A) with positive outlook.
32. The Board has set up a grievance function in compliance with the requirement of the Code.
33. The Board is in process to develop and approve the criteria for annual evaluation of its own performance as per the requirement of the Code.
34. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirements of the code.
35. We confirm that all mandatory requirements except 6 and 7 of the Regulations have been complied with.
36. We confirm that all material principles contained in the Code have been complied with except for certain matters disclosed above along with reasons in clause 2, 23 and 33 toward which reasonable progress is being made by the Company to seek compliance.



Sohail N. Kidwai
Chief Executive Officer



Air Marshal Muhammad Arif Pervaiz (Retd.)
Chairman

April 06, 2021



Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.yousufadil.com

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Shaheen Insurance Company Limited
Review Report on the Statement of Compliance contained in Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Shaheen Insurance Company Limited** (the company) for the year ended December 31, 2020 in accordance with the requirements of section 40 of the Regulations and the Code.

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

As part of our audit of 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 Director's 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 Regulations requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism 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 approval of related party transactions by the Board of Directors upon recommendation of Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the below instances of non-compliance, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Regulation, as applicable to the Company for the year ended December 31, 2020.

Following instances of non-compliance with the requirements of the Regulations were observed as reflected in the note/paragraph referred below where these are stated in the annexed Statement of Compliance:

S.No	Paragraph Reference	Description
1	1	There is no female director on the Board of directors of the company. As per section 154 of the Act, it is mandatory that the Board shall have at least one female director when it is reconstituted after the expiry of its current term.
2	2	There is no independent director on the Board of directors of the company. As per Regulation 6 (1) it is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors.
3	23	Functions of Company Secretary have been performed by Chief Financial Officer contrary to requirement of non-mandatory regulation 24.
4	33	Non Mandatory Regulation 10(3) (v) of the Regulations requires that, the Board of Directors shall ensure that a formal and effective mechanism is put in place for an annual evaluation of the board's own performance, members of board and of its committees. However, no such formal and effective mechanism exists.

Chartered Accountants

Engagement Partner:

Hena Sadiq

Date: April 08, 2021

Karachi

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

For The Year Ended 31 December 2020

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

Further, we confirmed that:

The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisory Board along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisory Board and the Board of Directors have implemented;

The Company has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shariah Advisory Board / Board of Directors to maintain the adequate level of awareness, capacity and sensitisation of the staff and, the management;

All the products and policies have been approved by Shariah Advisory Board and the financial arrangements including investments made, policies, contracts and transactions, entered into by Window Takaful Operations are in accordance with the policies approved by Shariah Advisory Board; and

The assets and liabilities of Window Takaful Operations (Participants' Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been dully confirmed by the Shariah Advisory Board of the Company



Sohail N Kidwai

Chief Executive Officer

Karachi: April 06, 2021

INDEPENDENT AUDITOR'S REPORT

To the members Shaheen Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Shaheen Insurance Company Limited (the Company), which comprise the statement of financial position as at December 31, 2020, the statement of profit or loss, the statement of other 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 purpose 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 profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at December 31, 2019 and of the profits, the changes in equity and its cash flows for the year then ended.

Basis for opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matter	How our audit addressed the key audit matter
1.	<p>Classification, Valuation and Impairment of Investments</p> <p>Refer note 4.4 and 8 to the financial statements relating to classification, valuation and impairment of investments. The Company's investment portfolio comprises of quoted equity securities (including mutual funds), government debt securities and term deposits receipts.</p> <p>Investments classified as available for sale represent 10% of the total investments while investments classified as held to maturity represent 62% of total investments.</p> <p>We identified the valuation and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in, valuation (for quoted investment only) and impairment.</p>	<p>Our audit procedures in respect of valuation of investments, amongst others, included the following;</p> <ul style="list-style-type: none"> • Obtained an understanding of controls around recognition and measurement of investments to ensure that it is appropriately designed to ensure appropriate classification and valuation of the investment including impairment of investment classified as available for sale; • Tested, on a sample basis, transactions relating to sale and purchase of investments with underlying documentations; • Evaluated the valuation of equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; and • Assessed the appropriateness of impairment in the value of available for sale securities held by the Company in accordance with accounting and reporting standards as applicable in Pakistan by assessing the internal as well as external factors.
2.	<p>Valuation of Claim Liabilities</p> <p>Claim liabilities as disclosed in note 20 to the financial statements represent 29% of the Company's total liabilities. Valuation of these claim liabilities involves significant management judgment due to uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based</p>	<p>Our audit procedures mainly involved:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and Insurance Regulations;

S. No.	Key audit matter	How our audit addressed the key audit matter
	<p>on management judgment and estimate. The Company also maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary.</p> <p>Claim liabilities are key audit matter due to involvement of a management's expert and the level of estimation around its recognition and measurement.</p>	<ul style="list-style-type: none"> Assessed the sufficiency of reserving of claim liabilities, by testing calculations on the relevant data including recoveries from reinsurers based on their respective arrangements; Ensured competency and objectivity of management expert; Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported have been accounted for based on terms and conditions; Analyzed the trends of claims reported as against the Company's historical performance and evaluated the reasonableness of major variations; Engaged an actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR, also ensuring that identical underlying data is used by both managements actuary and auditor's expert; and Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.

S. No.	Key audit matter	How our audit addressed the key audit matter
3.	<p>Revenue recognition risk</p> <p>Refer note 4.11 and 19 to the financial statements relating to revenue recognition.</p> <p>The Company receives its revenue mainly from premiums insurance policies comprise of 80% of the total revenue.</p> <p>We identified revenue recognition from premium income as a key audit matter because it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Evaluated the design and tested the controls over the process of capturing, processing and recording of premiums; • Assessed the appropriateness of the Company's accounting policy for recording of premiums and ensured that it is in line with the requirements of applicable law, accounting and reporting standards; • Tested accuracy of premium recorded on sample basis from the underlying policies issued to insurance contract holders; • Tested the policies where premium was recorded close to year end on sample basis, and evaluated that these were recorded in the appropriate accounting period; and • Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have not been provided with this information and therefore we do not report in this regard.

Responsibility of Management and Board of Directors for the Financial Statement

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 profit or loss, 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 (XIX of 2017) and are in agreement with the books of account;

YOUSUF ADIL

Yousuf Adil
Chartered Accountants

- 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 Hena Sadiq.

Chartered Accountants


Place: Karachi

Date: April 08, 2021

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

		December 31, 2020	December 31, 2019
	Note	(Rupees)	
ASSETS			
Property and equipment	6	22,016,984	82,318,416
Investment properties	7	135,385,104	130,423,000
Investments			
Equity securities	8.1	62,967,878	57,897,916
Debt securities	8.2	167,285,802	78,239,583
Term deposits	8.3	372,619,866	427,570,597
Loans and other receivables	9	35,473,037	16,775,387
Insurance / reinsurance receivables	10	178,150,469	252,529,338
Reinsurance recoveries against outstanding claims		14,562,758	12,744,301
Salvage recoveries accrued		2,185,000	4,421,100
Deferred commission expense / acquisition cost	21	15,494,786	26,394,193
Taxation-payment less provision		3,103,815	1,096,139
Prepayments	11	13,642,832	4,981,670
Cash and bank balances	12	14,685,842	23,318,700
Total assets of takaful operations - operator's fund		56,402,768	55,497,832
Total Assets		1,093,976,941	1,174,208,172
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company`s equity holders			
Share capital	13	600,000,000	600,000,000
Reserves	14	32,200,104	33,102,778
Unappropriated profit / (loss)		23,617,540	(11,991,078)
Total Equity		655,817,644	621,111,700
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	20	127,305,856	128,202,751
Unearned premium reserve	19	92,605,542	133,134,440
Premium deficiency reserve	22	536,451	231,534
Unearned reinsurance commission	21	2,374,551	1,052,225
Lease liabilities	15	17,164,141	77,959,648
Premium received in advance		1,671,626	-
Insurance/ reinsurance payables	16	76,467,277	61,895,461
Other creditors and accruals	17	112,271,565	146,205,383
Unclaimed dividend		1,840,186	1,911,962
Total liabilities of takaful operations - operator's fund		5,922,102	2,503,068
Total Liabilities		438,159,297	553,096,472
Total Equity and Liabilities		1,093,976,941	1,174,208,172
Contingencies and commitments			
	18		

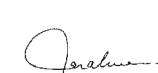
The annexed notes from 1 to 42 form an integral part of these financial statements.


Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman


Air Commodore Mahmood Ahmad
(Retd.) Director


Khalid Saeed Mirza
Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	December 31, 2020 ----- (Rupees) -----	December 31, 2019
Net insurance premium	19	229,055,333	295,189,660
Net insurance claims expense	20	(66,079,543)	(99,574,784)
Premium deficiency expense	22	(304,917)	(223,849)
Net commission and other acquisition cost	21	(53,192,857)	(60,902,936)
Insurance claims and acquisition expenses		(119,577,317)	(160,701,569)
Management expenses	23	(59,551,032)	(67,216,294)
Underwriting results		49,926,984	67,271,797
Investment income - net	24	56,538,377	61,064,702
Unrealised gain on investment properties	7	4,962,104	20,770,000
Rental income		3,455,701	3,559,602
Other income	25	29,104,581	6,417,011
Other expenses	26	(92,400,185)	(71,677,471)
Profit after tax from window takaful operations - OPF	27	(2,514,098)	3,221,633
Finance charges against lease liabilities		(3,140,608)	(10,371,058)
Profit before tax		45,932,856	80,256,216
Provision for taxation	28	(10,324,238)	(20,256,108)
Profit after tax		35,608,618	60,000,108
Earning per share - basic and diluted	34	0.59	1.00

The annexed notes from 1 to 42 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	-----
Profit after tax	35,608,618	60,000,108
Other comprehensive (loss) / income:		
Items that may be subsequently classified to profit or loss		
Unrealised (loss) / gain on available for sale investments	(902,674)	1,735,712
Total comprehensive income for the year	34,705,944	61,735,820

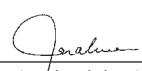
The annexed notes from 1 to 42 form an integral part of these financial statements.


Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman


Air Commodore Mahmood Ahmad
(Retd.) Director


Khalid Saeed Mirza
Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
OPERATING ACTIVITIES		
a) Underwriting activities		
Premiums received	277,408,974	359,020,325
Reinsurance premiums paid	(43,966,881)	(74,451,696)
Claims paid	(117,600,041)	(153,381,652)
Reinsurance and other recoveries received	51,041,246	55,336,692
Commissions paid	(39,172,166)	(56,653,688)
Commissions received	4,898,158	1,915,765
Net cash flows from underwriting activities	132,609,290	131,785,746
b) Other operating activities		
Income tax paid	(12,331,914)	(18,840,083)
Management and administration expenses paid	(142,084,913)	(98,412,682)
Net cash used in other operating activities	(154,416,827)	(117,252,765)
Total cash (used in) / generated from operating activities	A (21,807,537)	14,532,981
INVESTING ACTIVITIES		
Investment income received	56,793,198	59,656,225
Rentals received	3,455,701	3,640,598
Payments for investments	(87,432,651)	(78,239,583)
Investments matured during the year	-	16,863,255
Fixed capital expenditure	(5,087,168)	(4,079,858)
Proceeds from disposal of fixed assets	4,470,000	423,500
Total cash used in investing activities	B (27,800,920)	(1,735,863)
FINANCING ACTIVITIES		
Financial charges paid	(69,879)	(403,397)
Dividend Paid	(71,776)	(13,486,972)
Lease rental paid	(13,867,665)	(5,793,149)
Total cash used in financing activities	C (14,009,320)	(19,683,518)
Net (decrease) / increase in cash and cash equivalents	A+B+C (63,617,777)	(6,886,400)
Exchange gain on cash and cash equivalents	34,188	35,342
Cash and cash equivalents at the beginning of year	450,889,297	457,740,355
Cash and cash equivalents at end of the year	387,305,708	450,889,297

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Reconciliation to statement of profit or loss		
Operating cash flows	(21,807,537)	14,532,981
Exchange gain on cash and cash equivalents	34,188	35,342
Depreciation on property and equipment	(14,987,150)	(17,005,846)
Finance charges on right of use of asset	(3,140,608)	(10,371,058)
Gain on disposal of operating fixed assets	4,137,000	238,500
Provision for doubtful premium due but unpaid	(13,500,000)	(5,037,733)
Balance written off	73,911,496	-
Financial charges	(69,879)	(403,397)
Increase / (decrease) in assets other than cash	(85,785,355)	(1,194,224)
Decrease / (Increase) in liabilities	37,139,347	6,569,910
Investment and other income	63,189,596	71,041,315
Provision for Workers' Welfare Fund	(998,383)	(1,627,315)
(Loss) / profit from windowtakaful operations	(2,514,098)	3,221,633
Profit after taxation	35,608,618	60,000,108




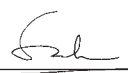
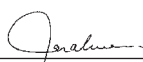
Definition of cash

Cash comprises of cash in hand, policy stamps, cheques in hand, bank balances and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

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

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Cash and other equivalents		
- Cash in hand	14,710	55,104
- Policy stamps in hand	179,192	239,826
	193,902	294,930
Current and saving accounts		
- Current accounts	9,825,294	8,558,959
- Savings accounts	4,666,646	14,464,811
	14,491,940	23,023,770
Deposits maturing within 12 months		
Term Deposit- local currency	372,619,866	427,570,597
	387,305,708	450,889,297


The annexed notes from 1 to 42 form an integral part of these financial statements.


 Air Marshal Muhammad Arif Pervaiz (Retd.) Chairman	 Air Commodore Mahmood Ahmad (Retd.) Director	 Khalid Saeed Mirza Director	 Sohail N. Kidwai Chief Executive Officer	 Nisar Ahmed Almani Chief Financial Officer
--	--	---	---	--

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

	Attributable to equity holders of the Company				
	Share capital	General reserves	Unrealised (loss) / gain on available-for-sale investment	Unappropriated (loss) / profit	Total
	----- (Rupees) -----				
Balance as at January 1, 2019	600,000,000	20,000,000	11,367,066	(56,991,186)	574,375,880
Dividend for the year ended December 31, 2018 2.5 % (Rupees 0.25 per share)	-	-	-	(15,000,000)	(15,000,000)
Profit for the year ended December 31, 2019	-	-	-	60,000,108	60,000,108
Other comprehensive income	-	-	1,735,712	-	1,735,712
Total comprehensive income for the year	-	-	1,735,712	60,000,108	61,735,820
Balance as at December 31, 2019	600,000,000	20,000,000	13,102,778	(11,991,078)	621,111,700
Balance as at January 1, 2020	600,000,000	20,000,000	13,102,778	(11,991,078)	621,111,700
Profit for the year ended December 31, 2020	-	-	-	35,608,618	35,608,618
Other comprehensive loss	-	-	(902,674)	-	(902,674)
Total comprehensive income for the year	-	-	(902,674)	35,608,618	34,705,944
Balance as at December 31, 2020	600,000,000	20,000,000	12,200,104	23,617,540	655,817,644

The annexed notes from 1 to 42 form an integral part of these financial statements.


Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman


Air Commodore Mahmood Ahmad
(Retd.) Director


Khalid Saeed Mirza
Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. STATUS AND NATURE OF BUSINESS

Shaheen Insurance Company Limited (the Company) was incorporated in March 1995 in Pakistan. The Company is a Public Company listed on the Pakistan Stock Exchange and obtained the certificate for commencement of business in July 1995. It was registered with the Controller of Insurance in November 1995 to carry out non-life insurance business comprising fire, marine, motor, aviation, engineering, transportation, health, etc. On March 14, 2018 the Company was awarded license to commence Window Takaful Operations. The Company is listed on Pakistan Stock Exchange Limited. Its registered office is located at 10th Floor, Shaheen Commercial Complex, Karachi. The company operates only in Pakistan through 14 Branches. Shaheen Foundation (the parent) holds approximately 69.277% (2019: 69.277%) shares in Shaheen Insurance Company Limited.

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

Head office - Registered Office

10th Floor, Shaheen Complex, M.R. Kiyani Road, Karachi, Province of Sindh, Pakistan.

Branches

- 10th Floor, Shaheen Complex, M.R. Kiyani Road, Karachi, Sindh, Pakistan.
- Upper 2nd floor, House # 75, Soldier Bazar, Hyderabad, Sindh, Pakistan.
- Office No. 4, 6th Floor, Shaheen Complex, Opp. PTV Station 38, Abbott Road, Lahore, Punjab, Pakistan.
- Office No. 6, 6th Floor, Shaheen Complex, Opp. PTV Station 38, Abbott Road, Lahore, Punjab, Pakistan.
- Office No. 4, 1st Floor, Zaki Centre, I-8 Markaz, Islamabad Capital Territory, Pakistan.
- Office No. 2, 4th Floor, Ahmed Plaza, Bilal Road, Civil Lines, Faisalabad, Punjab, Pakistan.
- Office No. 21, First floor, Nadra Office, Ali Arcade, Court Kachery Road, Multan, Pakistan.
- Upper Basement, State Life Building 34 - The Mall, Peshawar Cantt., Khyber Pakhtunkhwa, Pakistan.
- Office No. 210, Karim Plaza, Defence Road, Near Allama Iqbal Town, Sialkot, Punjab, Pakistan.
- Office No. 4, Yousuf Centre, 99 Commercial, Neelum DC Colony, GT Road, Gujranwala, Punjab, Pakistan.
- Office No. 63, 1st Floor, Advance Book Shop, Rehman Complex, Ibne Seena Hospital Market, Kanchi More, Sarghoda, Punjab, Pakistan.
- Office No. 9, 1st Floor, Silk Plaza Supply Manshara Road, Abbottabad, Khyber Pakhtunkhwa, Pakistan.
- Al Baraka Plaza, 1st floor, Abu Dhabi Road, Rahim Yar Khan, Pakistan.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved 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;
- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 and Takaful Rules 2012.

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

2.1 Impact of COVID - 19 on the financial statements

The World Health Organisation declared COVID-19 a global pandemic in March 2020. Like other parts of the world, Pakistan also went into lockdown which impacted the economies and businesses in different facets globally. After the outbreak of COVID-19, the Company had invoked necessary measures to ensure the safety and health of its staff and an uninterrupted service to its clients. These include implementing mandatory adherence to the recommended standard operating procedures within the Company. .

However, due to shutdown of business activities and compression of purchasing power in the economy due to uncertainty related impact of COVID-19 resulted in decline in underwriting results which are as follows:

Net Underwriting income	Fire and property	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Total decline
2020	(972,056)	1307,789	(43,778,907)	(3,482,038)	(17,624,897)	(64,550,092)
Percentage	-3%	14%	-22%	-33%	-35%	-22%

As a result of COVID-19 company also incorporated the clause “Specifically excluding any claims due to Corona Virus” in their health’s policy.

This decline is similar to market trend however, management has evaluated that it does not foresee any going concern risk in the Company due to the pandemic and they believe that the Company’s operations, financial position and results will not be impacted significantly as the operations are gradually returning to normal and the market is still showing a positive outlook and upward trend subsequent to the financial year-end. Therefore, it has concluded that there are no material implications of COVID-19 on any balance in the financial statements.

3. BASIS OF PRESENTATION

The SECP wide the Insurance Rules, 2017 dated February 9, 2017 has prescribed the format of presentation of annual financial statements for general insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP.

Separate set of financial statements of the General Takaful operations have been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that 'held to maturity' investments are stated at amortised cost, investment classified at 'fair value through profit or loss- held for trading' and 'available for sale' and investment properties are stated at fair value.

3.2 Functional and presentation currency

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

3.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan effective for the year ended December 31, 2020

The following amendments and interpretations are effective for the year ended December 31, 2020. These interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

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

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the statement of profit or loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9.

3.3.2 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted for temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. This deferment is in line with the transition of IFRS 17.

Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 given below:

December 31, 2020				
Fail the SPPI test			Pass the SPPI test	
	Fair value	Change in unrealised loss	Fair value	Change in unrealised gain loss
----- (Rupees) -----				
Cash and bank balance	10,019,196	-	4,666,646	-
Equity Securities	226,990	-	-	-
Debt Securities	-	-	167,285,802	-
Term Deposit	-	-	372,619,866	-
Mutual Funds	62,740,888	(902,674)	-	-
	72,987,074	(902,674)	544,572,314	-

3.3.3 The following standards, amendments and interpretations are effective for the year ended December 31, 2020. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

- IFRS 14 – Regulatory Deferral Accounts July 01, 2019
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS January 01, 2020
- Amendments to IFRS 3 'Business Combinations' - Definition of a business January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material January 01, 2020
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments Recognition and Measurement' and IFRS 7 'Financial Instruments Disclosures' - Interest rate benchmark reform January 01, 2020

3.4 New accounting standards, amendments and IFRS interpretations that are not yet effective

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

Effective from accounting period beginning on or after:

- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - cost of fulfilling a contract	January 01, 2022
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

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

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

4. SIGNIFICANT ACCOUNTING POLICIES AND COMPUTATION METHODS

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

4.1 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (the 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 expired.

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

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

These contracts are normally one year insurance contracts except marine and some contracts of fire and property and miscellaneous class, where the coverage period varies. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts expire within one month time.

These 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 organisations.

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.

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.

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 accident.

Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalisation.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

4.1.1 Premium income and provision for unearned premiums

Premium under a policy is recognised at the time of the issuance of insurance policy.

Revenue from premiums is recognised after taking into account the unearned portion of premium which is calculated using the 1/24th method except for premium revenue relating to marine which is calculated using the 1/6th method and Afghan transit policies on the basis of pattern of risk coverage. The unearned portion of premium income is recognised as a liability. Under this method, the liability for above unearned premium is equal to 1/24 of the premiums relating to policies commencing in the first month of financial year, 3/24 of the premiums relating to policies commencing in the second month of the financial year, and so on.

4.1.2 Reinsurance contracts held

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

4.1.3 Provision for outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognised in respect of all claims incurred as at the reporting date which represents the estimates of the claims intimated or assessed before the end of the accounting year and are measured at the undiscounted value of expected future payments.

The actuary uses statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The method used is the chain-ladder method which involves the analysis of historic claims development factors and the selection of estimated development factors based on the historic pattern. The selected development factors are then applied to cumulative claims data for each accident year. Study of claim lag pattern is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic chain-ladder method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

4.1.4 Reinsurance recoveries against outstanding claims

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

4.1.5 Commission expense and deferred commission expense

Commission incurred in obtaining and recording policies is recognised as expense after taking into account the proportion of deferred commission expense which is calculated using 1/24th method.

4.1.6 Claims expense

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

The Company recognises liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the actuarial valuation which takes in to account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the reporting date.

4.1.7 Administrative surcharge

Administrative surcharge is included in the statement of profit or loss (as premium revenue) at the time the policies are issued.

4.1.8 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognised when due. These include premiums due but unpaid, premiums received in advance and claims payable to insurance contract holders. These are recognised at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any premiums due but unpaid are impaired, the Company reduces the carrying amount of the insurance receivable and recognises the loss in the statement of profit or loss.

4.1.9 Reinsurance expense and prepaid reinsurance premium ceded

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using 1/24th method. The deferred portion of premium expense is recognised as a prepayment.

4.1.10 Commission income and unearned commission income

Commission from reinsurers is recognised as income after taking into account the unearned portion of commission which is calculated using the 1/24 method (in accordance with the pattern of recognition of reinsurance premium). The unearned portion of commission is recognised as liability.

4.1.11 Premium deficiency reserve

The Company is required under the Insurance Rules, 2017 to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve (PDR) is recognised in the statement of profit or loss for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The actuary determines adequacy of liability of premium deficiency by carrying out analysis of the Company's loss ratio of expired periods. For this purpose, average loss ratio of last five 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.

4.1.12 Claim and salvage recoveries

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised and are measured at the amount expected to be received. Claims expenses are reported net-off reinsurance in the statement of profit or loss.

Salvage value recoverable is recognised only if a firm and irrevocable contract and price thereon have been agreed with the buyer.

4.2 Creditors, accruals and provisions

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

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

4.3 Property and equipment

Operating fixed assets

Owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to workable condition.

Depreciation is charged proportionally from the month when the asset is available for use to statement of profit or loss applying straight line method at rates stated in 6. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each reporting date.

Gains and losses on disposal of fixed assets are taken to statement of profit or loss.

Expenditure incurred subsequent to the initial recognition of asset is capitalised only when it increases the future economic benefits embodied in the items of operating fixed assets. All other expenditure is recognised in the statement of profit or loss as an expense.

Lease liability and Right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

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

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right of use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.4 Investment properties

Investment properties are properties held to earn rentals.

The investment properties are initially recognised at cost and subsequently at fair value model as per IAS 40 "Investment Property", with any changes therein to be recognised in statement of profit or loss.

4.5 Investments

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

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 recognised and classified as follows:

4.5.1 Investment at fair value through profit or loss

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 statement of profit or loss of the period in which it arises.

4.5.2 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 amortised cost. Premium paid or discount availed on the acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield method.

Profit on held to maturity instruments is recognised 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 statement of profit or loss of the period in which they arise.

4.5.3 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 reporting date.

Unquoted

Unquoted investments are recorded at cost less impairment (if any).

4.5.4 Recognition / de-recognition of investments

Investments are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

4.6 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not recognised in the financial statements as investments, as the Company does not obtain control over the assets. Amounts paid under these agreements are included in the financial statements as balance receivables for securities purchased under resale arrangements in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the period of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not derecognised from the financial statements and continue to be recognised as investments and measured in accordance with accounting policies for investment securities.

The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the period of the repo agreement.

4.7 Other receivables

These are stated at cost less impairment losses, if any. Full provision is made against the impaired amounts.

4.8 Retirement benefits

Defined Contribution Plan (Provident Fund)

The Company operates a contributory provident fund scheme for its permanent employees. Contribution to the fund is made by the employees and the Company at the rate of 10% of their basic salaries.

4.9 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted.

Deferred

Deferred tax is recognised using the statement of financial position liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

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

The carrying amount of deferred income 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

4.10 Financial instruments

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

4.11 Revenue recognition

i) Underwriting result

The earned premium less reinsurance, claims, commission and other acquisition cost and allocable expenses of management are reflected in the statement of profit or loss as the underwriting result for each class of insurance business undertaken.

ii) Investment income

Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the instruments. The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the statement of profit or loss over the term of the investment.

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

Entitlement to bonus shares is recognised when the right to receive the same is established by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof.

Gains / losses on sale of investments are recognised in the statement of profit or loss at the time of sale.

iii) Return on bank accounts, term finance certificates and certificates of investments

Return on bank accounts, term finance certificates and certificates of investments are accounted for on accrual basis.

iv) Income from investment properties

Rental income from investment properties is recognised on time proportion basis.

4.12 Off setting

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

4.13 Impairment

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount and taken to statement of profit or loss. In addition impairment on available for sale investments and reinsurance assets are recognised as follows:

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition, the Company also monitors the financial ratings of its reinsurers on each reporting date.

4.14 Foreign currency translations

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

4.15 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Rules 2017 as the primary reporting format.

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

Fire insurance segment provides insurance covers against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

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

Motor aviation and transport insurance provides comprehensive vehicle coverage and indemnity against third party loss.

Accident and health insurance provides cover against loss due to accidental injury or sickness.

Miscellaneous insurance provides cover against loss of cash in safe and cash in transit, money, engineering losses and others coverage.

Assets and liabilities that are directly attributable to segments have been assigned to them while the assets and liabilities pertaining to two or more segments have been allocated to segments on a net premium revenue basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

4.16 Cash and cash equivalents

Cash and cash equivalents include cash, cheques and policy stamps in hand and balance with banks in current, saving and deposit accounts.

4.17 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in the future for services.

4.18 Premiums due but unpaid

These are recognised at cost, which is the fair value of the consideration to be received less provision for impairment, if any.

4.19 Amount due from other insurers / reinsurers

Amount due from other insurers / reinsurers are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in future under reinsurance contracts.

4.20 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

4.21 Earnings per share

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

4.22 Related parties transactions

All transactions with related parties are carried out by the Company at mutually agreed terms.

4.23 Window Takaful Operations

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas where assumptions and estimates were exercised in application of accounting policies are as follows:

	Note
- Provision for unearned premium.	4.1.1
- Provision for outstanding claims (including IBNR).	4.1.3
- Reinsurance recoveries against outstanding claims.	4.1.4
- Provision for premium deficiency reserves.	4.1.11
- Operating fixed assets and depreciation.	4.3
- Classification of investments.	4.5
- Investment properties	4.4
- Taxation.	4.9
- Provision against premium due but unpaid.	4.18
- Impairment.	4.13

6.

PROPERTY AND EQUIPMENT

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Operating fixed assets	10,894,894	10,005,785
Right-of-use assets	11,122,090	72,312,631
	<u>22,016,984</u>	<u>82,318,416</u>

6.1 Operating fixed assets

Particulars	December 31, 2020							Written down value as at December 31	Depreciation rate	
	Cost			Accumulated Depreciation						
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation for the year	Depreciation on disposals			Closing balance
									(%)	
					(Rupees)					
Furniture and fixtures	14,266,000	107,745	-	14,373,745	12,394,531	597,728	-	12,992,259	1,381,486	10
Office and electrical equipment	12,157,789	139,568	(238,900)	12,058,457	10,975,919	444,264	(238,900)	11,181,283	877,174	15 - 20
Computer equipment	16,468,706	295,100	-	16,763,806	16,018,537	302,999	-	16,321,536	442,270	33.3
Motor vehicles	38,020,729	4,544,755	(4,792,000)	37,773,484	31,518,452	2,520,068	(4,459,000)	29,579,520	8,193,964	20
	80,913,224	5,087,168	(5,030,900)	80,969,492	70,907,439	3,865,059	(4,697,900)	70,074,598	10,894,894	
Intangible assets										
Computer software	10,178,944	-	-	10,178,944	10,178,944	-	-	10,178,944	-	33.3
	91,092,168	5,087,168	(5,030,900)	91,148,436	81,086,383	3,865,059	(4,697,900)	80,253,542	10,894,894	
	91,092,168	5,087,168	(5,030,900)	91,148,436	81,086,383	3,865,059	(4,697,900)	80,253,542	10,894,894	

6.2 Fixed assets include fully depreciated items costing Rs. 58.163 million (2019: Rs. 59.310 million).

Prior Year	December 31, 2019								
	----- Cost -----			----- Accumulated Depreciation -----			Written down value as at December 31	Depreciation rate	
Particulars	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation for the year			Depreciation on disposals
					(Rupees)				(%)
Furniture and fixtures	14,089,988	176,012	-	14,266,000	11,711,204	683,327	-	12,394,531	10
Office and electrical equipment	11,893,349	264,440	-	12,157,789	10,356,839	619,080	-	10,975,919	20
Computer equipment	16,206,706	262,000	-	16,468,706	15,707,229	311,308	-	16,018,537	33.3
Motor vehicles	35,461,323	3,377,406	(818,000)	38,020,729	28,811,426	3,340,026	(633,000)	31,518,452	20
	77,651,366	4,079,858	(818,000)	80,913,224	66,586,698	4,953,741	(633,000)	70,907,439	
Intangible assets									
Computer software	10,178,944	-		10,178,944	10,178,944	-	-	10,178,944	33.3
	87,830,310	4,079,858	(818,000)	91,092,168	76,765,642	4,953,741	(633,000)	81,086,383	
	87,830,310	4,079,858	(818,000)	91,092,168	76,765,642	4,953,741	(633,000)	81,086,383	

6.3 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Net book value	Sales Value	Mode of disposal	Particulars of buyers along with relationship
(Rupees)						
Motor vehicles	900,000	(689,500)	210,500	95,000	Negotiated	Shah Faisal Anwar - Third Party
Motor vehicles	150,000	(27,500)	122,500	87,500	Negotiated	Muhammad Faisal Khan - Third Party
	1,050,000	(689,500)	210,500	182,500		

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
6.4 Right-of-use assets		
Buildings		
Opening balance	72,312,631	78,217,961
(Decrease) / Increase in Right of use assets	(50,068,450)	6,146,775
Depreciation Expense	(11,122,091)	(12,052,105)
Closing balance	<u>11,122,090</u>	<u>72,312,631</u>

6.4.1 Lease assets comprises of branches with a lease term of 3 years.

6.5 Allocation of depreciation

Management expense	7,914,767	8,671,724
Other expense	7,072,383	8,334,122
	<u>14,987,150</u>	<u>17,005,846</u>

6.5.1 Right of use assets

Management expense	5,338,604	5,785,010
Other expense	5,783,487	6,267,095
	<u>11,122,091</u>	<u>12,052,105</u>

6.5.2 Operating fixed assets

Management expense	2,576,163	2,886,714
Other expense	1,288,896	2,067,027
	<u>3,865,059</u>	<u>4,953,741</u>

	Note	December 31, 2020 ----- (Rupees) -----	December 31, 2019
7. INVESTMENT PROPERTIES			
Opening balance - Fair value		130,423,000	109,653,000
Transfer from operating fixed assets		-	-
Unrealised fair value gain	7.1	4,962,104	20,770,000
Closing Balance - Fair value		135,385,104	130,423,000

7.1 Investment properties consists of the following:

Particulars	Location	Fair Value as at December 31, 2019	Un-realised Gain for December 31, 2019	Fair value as at December 31, 2020	Un-realised Gain for December 31, 2020
----- (Rupees) -----					
Freehold Land	Islamabad	15,000,000	780,000	15,000,000	-
Shop Premises	Lahore	77,423,000	6,990,000	78,923,000	1,500,000
Office Premises	Karachi	38,000,000	13,000,000	41,462,104	3,462,104
		130,423,000	20,770,000	135,385,104	4,962,104

7.2 The fair value of the shop premises and office premises was determined by Anderson Consulting (Pvt.) Ltd, whereas land has been valued by Industrial Consultants & Machinery Linkers (ICML), both are external, independent property valuers having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

7.3 The fair value measurement for all of the investment properties has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. The inputs used to the valuation techniques are average rental growth rate, yield on property, current market rates, occupancy rate and rent free period of the properties.

7.4 The Company earned rental income from the above mentioned properties amounting to Rs. 3.455 million (2019: Rs. 3.559 million).

7.5 The covered area of the freehold land, shops and office premises is 5400 sq. ft., 2,187 sq. ft. and 1,676 sq. ft. respectively.

Valuation technique

The valuer has arranged enquiries and verifications from various estate agents, brokers and dealers, the location and condition of the property, size, utilisation, and current trends in prices of real estate including assumptions that ready buyers are available in the current scenario and analysed through detailed market surveys, the properties that have recently been sold or purchased or offered / quoted for sale into given vicinity to determine the best estimates of the fair value.

- 7.6** The cost of Freehold land, Shop premises and office premises is amounting to Rs. 14.025 million (2019: 14.025 million), Rs. 33.948 million (2019: 33.948 million) and Rs. 2.848 million (2019: 2.848 million) respectively.

8. INVESTMENTS

8.1 EQUITY SECURITIES

		December 31, 2020			December 31, 2019		
	Note	Cost	Impairment	Carrying value	Cost	Impairment	Carrying value
		----- (Rupees) -----			----- (Rupees) -----		
Available for sale							
Listed shares							
- First Capital Equities Limited	8.1.1	188,000,000	-	-	188,000,000	-	-
Mutual funds	8.1.2	50,203,203	-	62,740,888	44,316,657	-	57,757,109
		238,203,203	-	62,740,888	232,316,657	-	57,757,109
Investment at FVT- P&L							
Listed shares							
- Summit Bank Limited		140,807		226,990	99,536	-	140,807
		238,344,010	-	62,967,878	232,416,193	-	57,897,916

- 8.1.1** On November 29, 2012, the Company through an agreement settled balance of 'reverse repo' and 'premium due but unpaid' amounting to Rs. 99.89 million (reverse repo and associated mark-up) and Rs. 88.859 million of FCSC Group and Pace (Pakistan) Limited respectively, against Rs. 4.7 million shares of First Capital Equities Limited (FCEL) calculated at Rs. 40 per share against the market value of Rs. 69 per share as at that date. The agreement was subsequently amended on March 07, 2013 to make the clause of restriction on holding period and swap against property null and void.

The Company has filed a civil suit in Civil Court Lahore in April 2015 against First Capital Equities Limited and five others for recovery of Rs.188 million and cancellation of documents. The case is under adjudication and next hearing of the case is scheduled for April 24, 2021. Company is aggressively following up the case, and regular hearings are taking place. Further, management strongly believe that the company has irrefutable evidences / arguments to win this litigation, and is deploying every possible resource for expeditious disposal of the case. However, being prudent an impairment provision equal to the carrying value is included in these financial statements.

8.1.2	Name of Fund	Units		December 31, 2020		December 31, 2019	
		2020	2019	Cost	Carrying Value	Cost	Carrying Value
		----- (Number) -----		----- (Rupees) -----			
	Pakistan Cash Management Fund	8,137	7,365	340,041	421,906	301,151	396,399
	Faysal Saving Growth Fund	9,060	8,249	739,456	959,974	656,438	890,389
	ABL Income Fund	155,915	139,068	1,218,380	1,598,890	1,018,760	1,487,622
	HBL Cash Fund	25,916	23,916	2,198,625	2,633,611	1,996,632	2,435,928
	Lakson Money Market Fund	6,261	5,809	538,534	631,149	493,096	584,644
	HBL Money Market Fund	10,051	9,105	812,136	1,063,115	715,394	989,057
	Al Hamra Islamic Stock Fund	168,213	166,308	835,524	1,821,742	819,013	1,702,996
	Pakistan Income Fund	944,519	849,515	43,083,617	53,055,546	37,926,897	48,748,085
	Atlas Islamic Income Fund	1,069	974	436,890	554,955	389,276	521,989
				50,203,203	62,740,888	44,316,657	57,757,109

8.2 INVESTMENTS IN DEBT SECURITIES

		December 31, 2020			December 31, 2019		
		Cost	(Impairment) / provision	Carrying value	Cost	(Impairment) / provision	Carrying value
Note		----- (Rupees) -----					
Held to maturity							
<i>Government securities</i>							
Pakistan Investment Bonds							-
- Pledged	8.2.1	61,624,443	-	61,624,443	61,486,257	-	61,486,257
		18,228,708	-	18,228,708	16,753,326	-	16,753,326
- Non Pledged		87,432,651	-	87,432,651	-	-	-
		167,285,802	-	167,285,802	78,239,583	-	78,239,583
Pakistan Investment Bond							
		December 31, 2020			December 31, 2019		
Face value	Profit rate	Profit payment	Maturity date	Cost	Carrying value	Cost	Carrying value
(Rupees)				----- (Rupees) -----			
65,000,000	9.50%	Semi annually	September 19, 2024	61,624,443	61,624,443	61,486,257	61,486,257
20,000,000	8%	Semi annually	July 12, 2023	18,228,708	18,228,708	16,753,326	16,753,326
87,000,000	9%	Semi annually	September 19, 2022	87,432,651	87,432,651	-	-
172,000,000				167,285,802	167,285,802	78,239,583	78,239,583

8.2.1 The rate of return of PIBs is between 8% to 9.5% per annum. They are pledged with the State Bank of Pakistan under the provisions of Insurance Rules 2017.

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
8.3 TERM DEPOSITS			
Held to maturity			
Deposits maturing within 12 months	8.3.1	372,619,866	427,570,597
8.3.1	The balance includes term deposits with various commercial banks having maturities within 12 months (i.e. upto April 30, 2021). The rate of return on these term deposits range between 6.92% to 13.25% (2019: 11.25% to 13.25%) per annum.		
		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
9. LOANS AND OTHER RECEIVABLES			
unsecured, considered good			
Accrued investment income		4,467,046	4,721,867
Other receivables	9.1, 9.2 & 9.3	5,237,800	6,106,541
Security deposits	9.4 & 9.5	25,751,008	5,722,957
Advances		17,183	224,022
		35,473,037	16,775,387
9.1	This includes balance receivable of Rs. 0.540 million (2019: Rs. 5.654 million) from Pace Pakistan Limited in respect of sale of property located at 1-D first floor of Pace Tower, 27-H College Road, Gulberg II, Lahore.		
9.2	During the year, the company through mutual agreement netted off sum of Rs 5.113 Million receivable from Pace (Pakistan) Limited in respect sale of property located at 1-D, first floor of Pace Tower, 27-H, College Road, Gulberg II, Lahore against maintenance charges payable to Pace Pakistan Limited.		
9.3	This includes balance receivable from takaful business against common expenses amounting to Rs. 2.760 million.		
9.4	This includes Rs. 3.317 million (2019: Rs. 3.317 million) in respect of security deposits paid against rental arrangements to Shaheen Foundation (Parent company).		
9.5	This includes a sum of Rs 15.228 Million deposited with the Sindh High Court, as Security Deposit, in respect of Constitutional Petition filed by the Company against demand notice raised by Directorate of Transit Trade for recovery of duty / taxes on Afghan transit performance bond. Company, subsequently settled the claim. Company has subsequently settled the claim and recovered the amount.		

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
10. INSURANCE / REINSURANCE RECEIVABLES unsecured, considered good			
Due from insurance contract holders		112,910,455	211,224,469
Provision for impairment	10.1	(5,500,000)	(44,962,495)
		107,410,455	166,261,974
Due from other insurers / reinsurers		80,285,505	86,267,364
Balance written off during the year		(9,545,491)	-
		70,740,014	86,267,364
	10.2	178,150,469	252,529,338
10.1 Reconciliation of provision against doubtful receivables			
Opening balance		44,962,495	39,924,761
Charge for the year		13,500,000	5,037,734
Balance written off during the year		(52,962,495)	-
Closing balance		5,500,000	44,962,495
10.2	This includes premium due but unpaid from Shaheen Foundation (Parent undertaking) of Rs. 5.202 million (2019: Rs. 54.769 million).		
	Note	December 31, 2020	December 31, 2019
		----- (Rupees) -----	
11. PREPAYMENTS			
Prepaid reinsurance premium ceded		13,642,832	4,981,670
12. CASH AND BANK BALANCES			
Cash and cash equivalents			
- Cash in hand		14,710	55,104
- Policy stamps and bond papers in hand		179,192	239,826
		193,902	294,930
Bank balances			
- Current accounts		9,825,294	8,558,959
- Savings accounts	12.1	4,666,646	14,464,811
		14,491,940	23,023,770
		14,685,842	23,318,700
12.1	These carry mark-up at rates ranging between 3% to 5% (2019: 7% to 9%) per annum.		

13. SHARE CAPITAL

13.1 Authorised share capital

December 31, 2020 ----- (Numbers) -----	December 31, 2019		December 31, 2020 ----- (Rupees) -----	December 31, 2019	
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>	

13.2 Issued, subscribed and paid - up share capital

December 31, 2020 ----- (Numbers) -----	December 31, 2019		December 31, 2020 ----- (Rupees) -----	December 31, 2019	
8,000,000	8,000,000	Ordinary shares of Rs. 10 each, fully paid in cash	80,000,000	80,000,000	
12,000,000	12,000,000	Ordinary shares of Rs. 10 each, issued as bonus shares	120,000,000	120,000,000	
25,000,000	25,000,000	Ordinary shares of Rs. 10 each, issued as right shares fully paid in cash	250,000,000	250,000,000	
15,000,000	15,000,000	Ordinary shares of Rs. 10 each, issued otherwise than right issue	150,000,000	150,000,000	
<u>60,000,000</u>	<u>60,000,000</u>		<u>600,000,000</u>	<u>600,000,000</u>	

13.3 As at December 31, 2020, details of shares held by the holding / associated undertaking are as follows:

Related party name	Basis of relationship	Percentage (%)	December 31, 2020 ----- (Numbers) -----	December 31, 2019
Shaheen foundation	Parent Undertaking	69.277%	41,565,973	41,565,973
Central non public fund	Associate	4.167%	2,500,000	2,500,000
			<u>44,065,973</u>	<u>44,065,973</u>
Percentage of shareholding by associated companies / undertakings			<u>73.44%</u>	<u>73.44%</u>

13.4 The Company has only one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14. RESERVES

	December 31, 2020 ----- (Rupees) -----	December 31, 2019
Share capital	600,000,000	600,000,000
Reserves	32,200,104	33,102,778
Unappropriated profit / (loss)	23,617,540	(11,991,078)
	<u>655,817,644</u>	<u>621,111,700</u>

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
15. LEASE LIABILITIES			
Lease Liability - Buildings	15.1	17,164,141	77,959,648
15.1			
Opening balance		77,959,648	78,217,961
(Decrease) / Increase in lease liability		(50,068,450)	2,463,530
Repayments		(13,867,665)	(13,092,900)
Unwinding of profit		3,140,608	10,371,057
Closing balance		17,164,141	77,959,648
15.2 Tenure analysis			
Current period		17,164,141	5,631,699
Non-current period		-	72,327,949
		17,164,141	77,959,648

15.3 The future minimum lease payments to which the Company is committed under the lease agreements and the periods in which they will become due are as follows:

	December 31, 2020		December 31, 2019	
	Lease payments of right of use assets	Present value of lease payments of right of use assets	Lease payments of right of use assets	Present value of lease payments of right of use assets
	----- (Rupees) -----			
Not later than one year	17,900,688	17,164,141	14,798,067	5,631,699
Later than one year or more	-	-	97,386,006	72,327,949
	17,900,688	17,164,141	112,184,073	77,959,648
Financial charges allocable to future periods	(736,547)	-	(34,227,425)	-
Total lease liability	17,164,141	17,164,141	77,956,648	77,959,648
Current portion	(17,164,141)	(17,164,141)	(5,631,699)	(5,631,699)
Non- current portion	-	-	72,324,949	72,327,949

15.4 The company has reassessed its lease term during the period due to COVID-19. Previously the lease liability of the company was reported on seven years. After reassessment, the lease liability has been reported on three years tenure, resulting in modification of lease liability accordingly. The company has adopted modified approach as prescribed in para 36 of IFRS-16.

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
16. INSURANCE/ REINSURANCE PAYABLES		
Due to other insurers / reinsurers	85,679,741	61,895,461
Liabilities written back (No more payable)	(9,212,464)	-
	<u>76,467,277</u>	<u>61,895,461</u>
17. OTHER CREDITORS AND ACCRUALS		
Provincial services tax	48,104,593	63,452,590
Agent balances	26,275,634	45,013,842
Accrued expenses	11,260,214	8,539,839
Withholding tax payable	10,533,861	9,890,563
Workers' welfare fund payable	6,135,125	5,904,834
Unearned rental income	847,905	770,300
Payable to provident fund	33,600	18,395
Security deposit against bond issuance	8,106,750	6,393,461
Others	973,883	6,221,559
	<u>112,271,565</u>	<u>146,205,383</u>

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 M/s. New Lal Enterprise (Pvt.) Limited and M/s. Zahid Enterprises (Pvt.) Limited have filed four suits against the Company in the Insurance Tribunal, Karachi. Three suits pertain to claim of damages on delayed claims settlement, while one suit relates to recovery of marine claim. Total amount involved is approximately Rs. 28 million. Another suit bearing No.11 of 2013 for recovery of Rs. 1.086 million has been filed against the Company. As the legal advisor of the Company is confident about favorable outcome of these suits, no provision has been made in these financial statements.

18.1.2 The income tax assessments of the Company have been finalized up to and including the assessment year 2019-20 (financial year ended 31 December 2019), unless amended. However, assessments for tax years 2004, 2006 and 2007 had been amended by the taxation officer, against which the Company had preferred an appeal before the Commissioner Inland Revenue (Appeal) (CIR(A)). Subsequently, CIR(A) confirmed the order of taxation officer, against which the Company preferred to file an appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favor of the Company. Case was decided in favor of the Company in High Court as well, through the order dated 5 September 2013. However, taxation officer filed civil petition against the order with the Supreme Court of Pakistan; the decision of which is pending. The demand raised was of Rs. 2.045 million for the tax year 2004, Rs. 8.220 million for the tax year 2006, and Rs. 9.689 million for tax year 2007 against apportionment of expenditure. As it is expected that the matter will be decided in favor of the Company, no provision has been made in these financial statements. Further, the Company has received notice to amend assessments for the tax years 2015 and 2016 under section 122 (9) read with 122(5A) of the Income Tax Ordinance 2001 creating a demand of Rs. 1.490 million and Rs. 2.700 million respectively. The Company filed appeals against these orders with CIR (A), who vacated the order of taxation officer. Taxation Officer filed appeal with the ATIR against decision of CIR(A). Proceedings in this regard have not started yet.

- 18.1.3** The Company has also received show cause notice to amend assessments for the tax years 2012, 2013 and 2014 under section 122(5A) of the Income Tax Ordinance 2001. The case is in hearing / compliance stage.
- 18.1.4** The Company received a notice for further amending the assessment for the tax year 2011 under section 122 (9) read with section 122(5A) of the Income Tax Ordinance 2011 against which a Constitutional Petition was filed in the High Court of Sindh. High Court through its order dated January 27, 2020 disposed off the same with directions to the respondent to examine the contention of the company in accordance with the law.
- 18.1.5** As the department has not yet started any proceedings for the years 2011, 2012, 2013 and 2014, Company believes that the same stands time barred as per the Income Tax Ordinance 2001.

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
18.2 Commitments		
Not later than one year	15,254,432	13,092,900
19. NET INSURANCE PREMIUM		
Written gross premium	244,385,829	350,295,361
Add: Unearned premium reserve opening	133,134,440	147,009,635
Less: Unearned premium reserve closing	92,605,542	133,134,440
Premium earned	284,914,727	364,170,556
Less:		
Reinsurance premium ceded	64,520,556	64,209,682
Add: Prepaid reinsurance premium opening	4,981,670	9,752,884
Less: Prepaid reinsurance premium closing	13,642,832	4,981,670
Reinsurance expense	55,859,394	68,980,896
Net premium	229,055,333	295,189,660

	Note	December 31, 2020 ----- (Rupees) -----	December 31, 2019 -----
20. NET INSURANCE CLAIMS EXPENSE			
Claims paid		117,600,041	153,381,652
Add: Outstanding claims including IBNR closing	20.1	127,305,856	128,202,751
Less: Outstanding claims including IBNR opening		128,202,751	116,033,468
Claims expense		116,703,146	165,550,935
Less:			
Reinsurance and other recoveries received		51,041,246	55,336,692
Less: Reinsurance and other recoveries receivable in respect of outstanding claims closing		17,165,401	6,525,942
Add: Reinsurance and other recoveries receivable in respect of outstanding claims closing	20.2	16,747,758	17,165,401
Reinsurance and other recoveries revenue		50,623,603	65,976,151
Net claims expense		66,079,543	99,574,784

20.1 Outstanding claims include amounts in relation to unpaid reported claims, provision for claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for IBNR to account for the cost of settling claims incurred but not reported as at reporting date on the basis of actuarial valuation amounts to Rs.17.128 million (2019: Rs. 13.107 million). The latest valuation was carried out as of December 31, 2020.

20.2 This includes accrued salvage recoveries amounting to Rs. 2.185 million (2019: Rs. 4.421 million).

20.3 Claim development

The following table shows the development of claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Accident year	2014 & Prior	2015	2016	2017	2018	2019	2020
(Rupees)							
Outstanding	29,943,129	70,084	305,000	1,969,829	7,118,410	6,332,013	24,851,689
At end of accident year	4,638,559	-	266,789	211,701	930,914	33,659,323	77,718,454
One year later	2,433,207	97,559	268,239	1,059,807	42,669,623	106,853,217	-
Two years later	(487,319)	473,518	2,285,749	30,083,108	69,846,098	-	-
Three years later	6,734,703	1,271,046	30,610,977	57,155,883	-	-	-
Four years later	18,522,275	63,474,737	52,658,014	-	-	-	-
Five years later	167,022,627	62,828,912	-	-	-	-	-
Six years later	425,366,696	-	-	-	-	-	-
Current estimate of cumulative claims	654,173,877	128,215,856	86,394,768	90,480,328	120,565,045	146,844,553	102,570,143
Cumulative payments to date	624,230,748	128,145,772	86,089,768	88,510,499	113,446,635	140,512,540	77,718,454
Liability recognised in financials	29,943,129	70,084	305,000	1,969,829	7,118,410	6,332,013	24,851,689

		December 31, 2020	December 31, 2019
Note		(Rupees)	
21. NET COMMISSION AND OTHER ACQUISITION COST			
Commission paid or payable		45,869,282	59,786,716
Add: Deferred commission expense opening		26,394,193	29,502,011
Less: Deferred commission expense closing		15,494,786	26,394,193
Net Commission		56,768,689	62,894,534
Less:			
Commission received or recoverable		4,898,158	1,915,765
Add: Unearned reinsurance commission opening		1,052,225	1,128,058
Less: Unearned reinsurance commission closing		2,374,551	1,052,225
Commission from reinsurers		3,575,832	1,991,598
		53,192,857	60,902,936
22. PREMIUM DEFICIENCY EXPENSE			
Premium deficiency reserve - opening		231,534	7,685
Premium deficiency reserve	22.1	304,917	223,849
Premium deficiency reserve - closing		536,451	231,534

22.1 The independent actuary has determined the premium deficiency reserve of Rs. 536,451 as at December 31, 2020 (2019 : Rs. 231,534). Consequently, the Company has expensed out an amount of Rs. 304,917 during the year.

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
23. MANAGEMENT EXPENSES			
Salaries and other benefits	23.1	41,417,655	44,952,325
Depreciation	23.2	7,916,905	8,671,724
Utilities		2,869,076	3,852,677
Travelling and entertainment		2,171,635	4,712,658
Printing and stationery		1,060,646	1,477,247
Software maintenance		-	800,415
Advertisement and sales promotion		377,062	836,686
Legal and professional charges		478,550	570,500
Repair and maintenance		320,029	311,630
Bank charges		16,857	20,604
Newspaper and periodicals		25,600	40,127
Insurance expense		756,008	212,434
Miscellaneous		2,141,008	757,267
		59,551,032	67,216,294

23.1 This amount includes Rs. 1.012 million (2019: Rs. 1.144 million) of provident fund contribution.

23.2 This includes depreciation on operating fixed assets and right of use assets amounting to Rs. 2.576 million and Rs. 5.338 million (2019 : Rs. 2.886 million and Rs. 5.785 million) respectively.

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
24. INVESTMENT INCOME - NET			
Dividend income on investment			
Dividend income on securities held for trading		6,924,578	4,083,729
Held to maturity			
Return on term deposit		35,553,694	53,709,090
Return on Pakistan Investment Bonds and T-bills		13,973,922	3,230,612
		49,527,616	56,939,702
Unrealised gain / (loss) on revaluation of FVTPL		86,183	41,271
		56,538,377	61,064,702

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
25. OTHER INCOME			
Return on bank balances		1,606,390	1,843,819
Gain on sale of operating fixed assets		4,137,000	238,500
Exchange gain		34,188	35,342
Liabilities written back	25.1	23,244,278	3,363,477
Miscellaneous		82,725	935,873
		<u>29,104,581</u>	<u>6,417,011</u>
25.1 LIABILITIES WRITTEN BACK			
Shaheen Foundation (Parent Undertaking)		14,031,814	-
Other than related party	16	9,212,464	3,363,477
		<u>23,244,278</u>	<u>3,363,477</u>
26. OTHER EXPENSES			
Salaries and other benefits	26.1	33,674,006	34,712,175
Utilities		2,881,745	3,011,677
Depreciation	26.2	7,070,245	8,334,122
Printing and stationery		1,465,816	2,149,539
Travelling and entertainment		1,923,216	2,268,589
Fee and subscription		5,141,229	2,256,700
Advertisement and sales promotion		1,072,230	1,085,015
Provision for doubtful premium due but unpaid		13,500,000	5,037,733
Legal and professional charges		531,272	790,169
Repair and maintenance		376,597	485,108
Auditors' remuneration	26.3	1,350,000	1,300,375
Bank charges		53,022	382,793
Newspaper and periodicals		7,059	2,778
Insurance expense		653,057	449,321
Workers' welfare fund		998,383	1,627,315
Miscellaneous receivables written off		-	5,020,770
Premium due but unpaid written off		11,403,510	-
Due from other insurers / reinsurers written off	10	9,545,491	-
Miscellaneous		753,307	2,763,292
		<u>92,400,185</u>	<u>71,677,471</u>

26.1 This includes Rs. 1.091 million (2019: Rs. 1.318 million) of provident fund contribution.

26.2 This includes depreciation on operating fixed assets and right of use assets amounting to Rs. 1.288 million and Rs. 5.783 million (2019 : Rs. 2.067 million and Rs. 6.267 million) respectively.

	Note	December 31, 2020	December 31, 2019
		----- (Rupees) -----	
26.3 AUDITOR'S REMUNERATION			
Annual audit fee		600,000	600,000
Interim review fee		175,000	175,000
Certification fees and review of statement of compliance with the Code of Corporate Governance		225,000	225,000
Other professional services		100,000	110,000
Out of pocket expenses		250,000	190,375
		<u>1,350,000</u>	<u>1,300,375</u>

27. PROFIT AFTER TAX FROM WINDOW TAKAFUL OPERATIONS - OPF

Wakala fee	3,541,759	2,404,774
Investment Income	3,018,842	5,647,475
Other income	161,843	9,697
Management expenses	(6,000,339)	(3,143,872)
Commission expenses	(1,876,547)	(1,290,518)
Other expenses	(1,619,629)	(405,923)
Modarib's fee	314,610	-
Tax expense	(54,636)	-
Profit / (loss) for the year	<u>(2,514,098)</u>	<u>3,221,633</u>

28. TAXATION

Current		(10,324,238)	(20,256,108)
Deferred	28.1	-	-
		<u>(10,324,238)</u>	<u>(20,256,108)</u>

28.1 Deferred tax asset on deductible temporary differences amounting to Rs. 64.874 million (2019: Rs. 59.520 million) has not been recognised in view of the uncertainty about its realization.

29. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	----- (Rupees) -----					
Managerial Remuneration	1,848,000	1,800,000			5,361,676	5,398,146
House Maintenance	555,400	540,000			3,504,840	3,703,002
Medical	184,800	180,000			535,840	539,811
Conveyance	244,740	429,189			913,272	1,092,227
Special allowance	2,032,800	1,980,000			4,001,516	3,854,400
Provident fund	184,800	184,800			557,784	557,472
Others	-	-			804,000	969,007
	<u>5,050,540</u>	<u>5,113,989</u>	-	-	<u>15,678,928</u>	<u>16,114,065</u>
Number of persons	1	1	7	7	5	6

The Chief Executive Officer (CEO) and executives have been provided with the Company maintained vehicles.

30. SEGMENT INFORMATION

30.1 Segment profit or loss

Current year

December 31, 2020

	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Total
	(Rupees)					
Premium Written (inclusive of Federal excise duty, Federal insurance fee and administrative surcharge)	43,570,950	17,907,757	163,430,303	9,028,539	71,092,503	305,030,052
Less: Federal excise duty	(5,599,062)	(1,896,333)	(21,043,119)	-	(25,481,406)	(54,019,920)
Less: Federal insurance fee	(416,263)	(462,893)	(1,623,929)	(89,284)	(4,031,934)	(6,624,303)
Gross written premium (inclusive of administrative Surcharge)	37,555,625	15,548,531	140,763,255	8,939,255	41,579,163	244,385,829
Gross direct premium	36,937,622	15,069,714	136,550,817	8,919,030	40,114,620	237,591,803
Administrative surcharge	618,003	478,817	4,212,438	20,005	1,464,760	6,794,023
 Insurance premium earned	 46,490,782	 16,173,672	 168,353,875	 6,915,251	 46,981,147	 284,914,727
Less: Insurance premium ceded to reinsurers	19,522,602	5,497,308	15,983,425	-	14,856,059	55,859,394
Net insurance premium	26,968,180	10,676,364	152,370,450	6,915,251	32,125,088	229,055,333
 Add: Commission income	 1,465,620	 -	 1,702,787	 -	 407,426	 3,575,832
Net underwriting income (A)	28,433,800	10,676,364	154,073,237	6,915,251	32,532,514	232,631,165
 Insurance claims	 2,603,821	 1,854,722	 93,346,075	 3,590,760	 15,307,768	 116,703,146
Less: Insurance claims recovered from reinsurance	(421,653)	(241,114)	51,362,172	-	(75,802)	50,623,603
Net claim	3,025,474	2,095,836	41,983,903	3,590,760	15,383,570	66,079,543
 Commission expense	 15,848,288	 5,124,184	 26,136,186	 233,341	 9,426,690	 56,768,689
Management expense	9,717,202	3,380,516	35,188,238	1,445,381	9,819,695	59,551,032
Premium deficiency expense	-	195,481	-	(231,534)	340,970	304,917
Net insurance claims and expenses (B)	28,590,965	10,796,017	103,308,327	5,037,948	34,970,925	182,704,181
 Underwriting result C=A-B	(157,164)	(119,653)	50,764,910	1,877,303	(2,438,411)	49,926,984

December 31,
2020
(Rupees)

Net investment income	56,538,377
Rental income	3,455,701
Other income	29,104,581
Other expenses	(92,400,185)
Unrealised gain on investment properties	4,962,104
Finance charges on right-of-use assets	(3,140,608)
Profit before tax from window takaful operations - OPF	(2,514,098)
Profit before tax	45,932,856

Prior year

December 31, 2019

	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Total
	----- (Rupees) -----					
Premium Written (inclusive of Federal excise duty, Federal insurance fee and administrative surcharge)	53,836,789	17,985,473	234,575,701	8,007,954	119,924,083	434,330,000
Less: Federal excise duty	(6,663,966)	(2,052,393)	(30,393,318)	-	(35,361,353)	(74,471,030)
Less: Federal insurance fee	(524,973)	(393,906)	(2,416,466)	(79,665)	(6,148,600)	(9,563,610)
Gross written premium (inclusive of administrative Surcharge)	46,647,850	15,539,174	201,765,917	7,928,289	78,414,130	350,295,360
Gross direct premium	45,886,774	15,086,561	196,513,625	7,910,932	74,341,030	339,738,922
Administrative surcharge	761,076	452,603	5,252,292	17,357	4,073,100	10,556,428
Insurance premium earned	48,825,693	14,480,980	207,058,923	10,397,289	83,407,671	364,170,556
Less: Insurance premium ceded to reinsurers	20,784,122	5,112,405	9,206,778	-	33,877,591	68,980,896
Net insurance premium (A)	28,041,571	9,368,575	197,852,145	10,397,289	49,530,080	295,189,660
Add: Commission income	1,364,285	-	-	-	627,314	1,991,598
Net underwriting income	29,405,856	9,368,575	197,852,145	10,397,289	50,157,393	297,181,258
Insurance claims	16,682,890	5,264,139	101,951,259	7,766,187	33,886,460	165,550,935
Less: Insurance claims recovered from reinsurance	16,782,737	4,446,135	22,080,639	-	22,666,640	65,976,151
Net claim	(99,847)	818,004	79,870,620	7,766,187	11,219,820	99,574,784
Commission expense	14,353,056	4,001,505	28,695,624	1,159,986	14,684,364	62,894,534
Management expense	9,011,937	2,672,808	38,217,624	1,919,066	15,394,859	67,216,294
Premium deficiency expense	-	-	-	-	-	223,849
Net insurance claims and expenses (B)	23,265,146	7,492,316	146,783,868	10,845,238	41,299,043	229,909,461
Underwriting result C=A-B	6,140,710	1,876,259	51,068,277	(447,949)	8,858,350	67,271,797

December 31,
2019

(Rupees)

Net investment income	61,064,702
Rental income	3,559,602
Other income	6,417,011
Other expenses	(71,677,471)
Unrealized gain on investment properties	20,770,000
Finance charges on right-of-use assets	(10,371,058)
Profit before tax from window takaful operations - OPF	3,221,633
Profit before tax	80,256,216

30.2 Segment Assets & Liabilities

December 31, 2020

	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident and Health	Miscellaneous	Total
(Rupees)						
SEGMENT ASSETS						
Segment assets	35,895,260	14,861,118	134,540,001	8,543,833	39,741,124	233,581,336
Unallocated corporate assets						860,395,605
Total assets						1,093,976,941

SEGMENT LIABILITIES

Segment liabilities	45,910,454	19,007,542	172,078,214	10,927,661	50,829,355	298,753,226
Unallocated corporate liabilities						139,406,071
Total liabilities						438,159,297

December 31, 2019

	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident and Health	Miscellaneous	Total
(Rupees)						
SEGMENT ASSETS						
Segment assets	44,922,707	12,138,723	166,685,947	5,904,032	71,419,193	301,070,602
Unallocated corporate assets (restated)						873,137,570
Total assets						1,174,208,172

SEGMENT LIABILITIES

Segment liabilities	70,233,156	6,974,953	193,284,493	18,946,809	35,784,840	325,224,251
Unallocated corporate liabilities						227,872,221
Total liabilities						553,096,472



31. PROVIDENT FUND RELATED DISCLOSURE

The Company operates contributory provident fund scheme for its permanent employees. All investment are made in accordance with section 218 of Companies Act 2017 Details of net assets and investments of this fund are as follows:

	December 31, 2020	December 31, 2019
Size of the fund - Net assets (Rupee)	15,096,686	13,362,573
Cost of the investment made (Rupee)	15,096,686	12,665,296
Percentage of the investment made (%)	100.00%	94.78%
Fair value of the investment made (Rupee)	15,096,686	12,665,296

The breakup of fair value of the investment is:

	December 31, 2020		December 31, 2019	
	(Rupees)	(%)	(Rupees)	(%)
Bank balances	15,096,686	100.00	12,665,296	94.78
Accrued income	-	-	697,277	5.22
	15,096,686	100	13,362,573	100

Above disclosure is based on unaudited financial statements of the provident fund.

32. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise major shareholders, key management personnel, employees' provident funds and companies with common directors. The transactions and balances with related parties, other than those disclosed elsewhere, are summarised as follows:

Name	Relationship	Nature of transactions	December 31, 2020 ----- (Rupees) -----	December 31, 2019
Shaheen Foundation	Parent Undertaking	Premium written	29,528,135	38,138,802
Shaheen Foundation	Parent Undertaking	Claim expense	7,295,385	8,012,119
Shaheen Foundation	Parent Undertaking	Premium due but unpaid	5,202,858	54,769,383
Shaheen Foundation	Parent Undertaking	Premium receivable written off	11,403,510	
Shaheen Foundation	Parent Undertaking	Outstanding claims	1,493,453	1,455,576
Shaheen Foundation	Parent Undertaking	Commission payable	-	14,031,814
Shaheen Foundation	Parent Undertaking	Commission no more payable	14,031,814	-
Shaheen Foundation	Parent Undertaking	Security deposits	3,317,246	3,317,246
Shaheen Foundation	Parent Undertaking	Rent of premises	11,708,206	15,307,427
Shaheen Foundation	Parent Undertaking	Advertisement expenses	398,950	554,203
Air Eagle (Private) Limited	Associate company	Premium written	1,059,409	-
Air Eagle (Private) Limited	Associate company	Premium due but unpaid	(4,095)	-
Contribution expense for PF trust	Others	Contribution	2,105,506	2,462,664

32.1 Insurance and claim related transactions with related parties are carried in normal course of business.

33. MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through P&L (Rupees)	Total
At beginning of previous year	16,863,255	52,547,258	99,536	69,510,049
Additions/ Reinvestment	78,239,583	3,474,139	-	81,713,722
Disposals (sale and redemptions)	(16,863,255)	-	-	(16,863,255)
Fair value net gains	-	1,735,712	41,271	1,776,983
At beginning of current year	78,239,583	57,757,109	140,807	136,137,499
Additions/ Reinvestment	89,046,219	5,886,453	-	94,932,672
Disposals (sale and redemptions)	-	-	-	-
Fair value net (losses) / gains	-	(902,674)	86,183	(816,491)
At end of current year	167,285,802	62,740,888	226,990	230,253,680

34. EARNING PER SHARE - BASIC AND DILUTED

	December 31, 2020	December 31, 2019
Profit for the year (Rupees)	35,608,618	60,000,108
Weighted average number of ordinary shares of Rs. 10 each (Number)	60,000,000	60,000,000
Earnings per share (Rupees)	0.59	1.00

34.1 The company has not issued any instrument which would dilute its basic earnings per share, when exercised.

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

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Financial instruments by category

Financial assets

Loans and receivables

Loans and other receivables	35,473,037	10,828,408
Insurance/ reinsurance receivables	178,150,469	252,529,338
Reinsurance recoveries against outstanding claims	14,562,758	12,744,301
Salvage recoveries accrued	2,185,000	4,421,100
Deposits	25,751,008	5,722,957
Cash and bank balances	14,685,842	23,318,700
	270,808,114	309,564,804

Held to maturity

Investments - debt securities	167,285,802	78,239,583
Investments - term deposits	372,619,866	427,570,597
	539,905,668	505,810,180

Available for sale

Investments - equity securities	62,740,888	57,757,109
---------------------------------	------------	------------

Fair value through P&L

Investments - equity securities	226,990	140,807
	873,681,660	873,272,900

Financial liabilities

Other financial liabilities

Outstanding claims including IBNR	127,305,856	128,202,751
Lease liabilities	17,164,141	77,959,648
Insurance/ reinsurance payables	76,467,277	61,895,461
Other creditors and accruals	47,497,986	66,957,396
Unclaimed dividend	1,840,186	1,911,962
	270,275,446	336,927,218

35.2 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 summarised as follows:

35.2.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to any single customer.

Credit risk of the Company arises principally from deposits, insurance/reinsurance receivables, loans and other receivables, held to maturity investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Loans and other receivables	35,473,037	16,775,387
Insurance/ reinsurance receivables	112,910,455	211,224,469
Reinsurance recoveries against outstanding claims	14,562,758	12,744,301
Salvage recoveries accrued	2,185,000	4,421,100
Deposits	25,751,008	5,722,957
Bank balances	14,491,940	23,023,770
	205,374,198	273,911,984

The Company did not hold any collateral against the above during the year.

The credit quality of loans, advances and other receivables can be assessed with reference to the historical performance and there are no defaults in recent history. 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.

The age analysis of insurance receivables (Gross) from other than related parties is as follows:

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Upto 1 year	44,919,123	49,142,667
1 - 2 years	13,364,439	20,165,184
2 - 3 years	15,873,994	24,989,697
Over 3 years	35,150,626	69,457,289
	109,308,182	163,754,837

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

The age analysis of receivables / Payable (Gross) from related parties is as follows:

Upto 1 year	4,182,608	10,846,293
1 - 2 years	(237,366)	23,965,760
2 - 3 years	(342,969)	12,657,579
	<u>3,602,273</u>	<u>47,469,632</u>

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

Bank	Rating agency	December 31, 2020	
		Short term	Long term
JS Bank Limited	PACRA	A-1+	AA-
Bank Alfalah Limited	PACRA	A-1+	AA+
Bank Al Habib Limited	PACRA	A-1+	AA+
MCB Bank Limited	PACRA	A-1+	AAA
Allied Bank Limited	PACRA	A-1+	AAA
Soneri Bank Limited	PACRA	A-1+	AA-
Bank of Punjab	PACRA	A-1+	AA
Summit Bank Limited	VIS	A-3	BBB-
Faysal Bank Limited	VIS	A-1+	AA
Meezan Bank Limited	VIS	A-1+	AA+

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 10.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 37.

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

	December 31, 2020			Total
	Within 1 year	2 - 5 years	More than 5 years	
	------(Rupees)-----			
Financial liabilities				
Outstanding claims including IBNR	127,305,856	-	-	127,305,856
Insurance/ reinsurance payables	76,467,277	-	-	76,467,277
Lease liabilities	17,164,141	-	-	17,164,141
Other creditors and accruals	47,497,986	-	-	47,497,986
Unclaimed dividend	1,840,186	-	-	1,840,186
	270,275,446	-	-	270,275,446
	December 31, 2019			Total
	Within 1 year	2 - 5 years	More than 5 years	
	------(Rupees)-----			
Financial liabilities				
Outstanding claims including IBNR	128,202,751	-	-	128,202,751
Insurance/ reinsurance payables	61,895,461	-	-	61,895,461
Lease liabilities	5,631,699	72,327,949	-	77,959,648
Other creditors and accruals	66,957,396	-	-	66,957,396
Unclaimed dividend	1,911,962	-	-	1,911,962
	264,599,269	72,327,949	-	336,927,218

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining sufficient cash and bank balances and term deposit receipts

35.2.3 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 optimising returns.

35.2.4 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.

	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	
(Rupees)						
FINANCIAL ASSETS						
Investments	539,905,668	-	539,905,668	62,967,878	-	602,873,546
Loans and other receivables	-	-	-	35,473,037	-	35,473,037
Insurance/ reinsurance receivables	-	-	-	178,150,469	-	178,150,469
Reinsurance recoveries against outstanding claims	-	-	-	14,562,758	-	14,562,758
Salvage recoveries accrued	-	-	-	2,185,000	-	2,185,000
Deposits	-	-	-	25,751,008	-	25,751,008
Cash and bank balances	4,666,646	-	4,666,646	10,019,196	-	14,685,842
December 31, 2020	544,572,314	-	544,572,314	329,109,346	-	873,681,660
FINANCIAL LIABILITIES						
Outstanding claims including IBNR	-	-	-	127,305,856	-	127,305,856
Insurance/ reinsurance payables	-	-	-	76,467,277	-	76,467,277
Other creditors and accruals	-	-	-	47,497,986	-	47,497,986
Unclaimed dividend	-	-	-	1,840,186	-	1,840,186
Lease liabilities	17,164,141	-	17,164,141	-	-	17,164,141
December 31, 2020	17,164,141	-	17,164,141	253,111,305	-	270,275,446
Interest risk sensitivity gap	527,408,173	-	527,408,173	75,998,041	-	603,406,214

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 statement of profit or loss.

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 statement of profit or loss.

35.2.5 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.

35.2.6 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, money market and term finance certificates market.

The following table summarises 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.

	Price change	Fair value	Effect on fair value
	(%)	----- (Rupees) -----	
December 31, 2020	5%	<u>62,967,878</u>	<u>3,148,394</u>
December 31, 2019	5%	<u>57,897,916</u>	<u>2,894,896</u>

36. 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. For health insurance contracts, significant risks arise from epidemics.

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

Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial / industrial / residential occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by Insurance Association of Pakistan (IAP). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is entered into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualise the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are entered into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the non-proportional treaty agreement.

Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

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.

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

Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim chain-ladder method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of IBNR.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for IBNR is based on historic reporting pattern of the claims, hence actual amount of IBNR may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and PDR 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 off reinsurance loss ratios taken on the basis of current year analysis for each class of business are as follows:

Class	December 31, 2020	December 31, 2019
	Assumed net loss ratio	
	----- (%) -----	
Fire and property	11.22	(0.36)
Marine, aviation and transport	19.63	8.73
Motor	27.55	40.37
Accident and health	51.93	74.69
Miscellaneous	47.89	22.65

Sensitivities

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, if the claims had (decreased) / increased by 10% with all other variables held constant, as at December 31, 2020 it would have increased / (decreased) the equity and profit or loss by Rs. 4.344 million (2019: Rs. 6.970 million).

37. REINSURANCE RISK

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

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

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

Rating	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Salvage recoveries accrued	Prepaid reinsurance premium ceded	December 31, 2020	December 31, 2019
	----- (Rupees) -----					
A- or above including Pakistan Reinsurance Company Limited	63,663,340	-	-	13,642,832	77,306,172	83,262,748
BBB	3,746,534	14,562,758	2,185,000	-	20,494,292	20,921,679
Others	3,330,140	-	-	-	3,330,140	4,230,008
	70,740,014	14,562,758	2,185,000	13,642,832	101,130,604	108,414,435

38. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital, i.e.

- its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the sustained development of its businesses.

The Company currently meets the minimum paid up capital requirement of Rs. 500 million as required by the Securities and Exchange Commission of Pakistan.

39. FAIR VALUE OF FINANCIAL AND NON-FINANCIAL ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, difference may arise between the carrying values and the fair value estimates.

Fair value hierarchy

The following table provides an analysis of financial and non-financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- **Level 1:** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Following are the assets where fair value is only disclosed and is different from their carrying value:

	December 31, 2020			December 31, 2019		
	Fair value measurement using					
	Level - 1	Level - 2	Level - 3	Level - 1	Level - 2	Level - 3
	----- (Rupees) -----					
Financial investments						
- Available for sale	62,740,888	-	-	57,757,109	-	-
- Fair value through P&L	226,990	-	-	140,807	-	-
Non - financial investments						
- Investment properties	-	-	135,385,104	-	-	130,423,000

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value	Unobserved-able inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment properties	135,385,104	yield	5% to 6%	The higher the terminal yield, the higher the fair value
		Expected rent growth rate	10%	The higher the rental growth rate, the higher the fair value
		Occupancy rate	90% to 95%	The higher the occupancy rate, the higher the fair value
		Rent free period	1 year on new leases	The higher the rent free period, the lower the fair value

The Company engages external, independent and qualified valuers to determine the fair value of the investment properties at the end of every financial year. As at 31 December 2020, the fair values of the investment properties have been determined by Anderson Consulting (Pvt.) Ltd and Industrial Consultants & Machinery Linkers (ICML). The last independent valuation of these land and buildings was performed as at 31 December 2019.

Available for sale investments are stated at market value in accordance with the requirements of the Insurance Rules, 2017 as disclosed in note 4.4.3 to these financial statements. Fair value through profit and loss investments are stated at quoted market prices as disclosed in notes 4.4.1. Further, investment properties are stated at market value as disclosed in note 4.6 to these financial statements.

	December 31, 2020 (Rupees)	December 31, 2019 (Rupees)
40. STATEMENT OF SOLVENCY		
Assets		
Property and equipment	10,894,894	10,005,785
Investment property	135,385,104	130,423,000
Investments		
Equity securities	62,967,878	57,897,916
Debt securities	167,285,802	78,239,583
Term deposits	372,619,866	427,570,597
Loans and other receivables	35,473,037	10,828,408
Insurance / Reinsurance receivables	178,150,469	252,529,338
Reinsurance Recoveries against O/S claims	14,562,758	12,744,301
Salvage recoveries accrued	2,185,000	4,421,100
Deferred Commission Expense	15,494,786	26,394,193
Taxation-payment less provision	3,103,815	1,096,139
Prepayments	13,642,832	10,928,649
Cash & Bank	14,685,842	23,318,700
Total assets of takaful operations - operator's fund	56,402,768	55,497,832
Total Assets (A)	1,082,854,851	1,101,895,541

	December 31, 2020 (Rupees)	December 31, 2019 (Rupees)
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
(d) Loan to employees	-	-
(h) Insurance/ reinsurance receivables	94,290,098	140,211,478
(k) Security deposits & other receivables	25,751,008	5,722,957
(q) Investments	-	6,369,862
(U)-(i) Vehicles	8,193,964	6,502,277
(U)-(ii) Office Equipments	877,174	1,181,870
(U)-(iii) Furniture and fixture which are not immovable property	1,381,486	1,871,469
(U)-(iv) Computer equipment	442,270	450,169
Window Takaful	804,290	143,758
Total of In-admissible assets (B)	131,740,290	162,453,840
Total Admissible Assets (C=A-B)	951,114,561	939,441,701
Total Liabilities		
Underwriting Provisions		
Outstanding claims including IBNR	127,305,856	128,202,751
Unearned premium reserves	92,605,542	133,134,440
Premium deficiency reserves	536,451	231,534
Unearned commission income	2,374,551	1,052,225
Premium received in advance	1,671,626	-
Insurance / Reinsurance Payables	76,467,277	61,895,461
Other Creditors and Accruals	112,271,565	146,205,383
Unclaimed dividend	1,840,186	1,911,962
Total liabilities of takaful operations - operator's fund	5,922,102	2,503,068
Total Liabilities (D)	420,995,156	475,136,824
Total Net Admissible Assets (E=C-D)	530,119,405	464,304,877
Minimum Solvency Requirement (higher of following)	150,000,000	150,000,000
Method A - U/s 36(3)(a)	150,000,000	
Method B - U/s 36(3)(b)	45,811,067	
Method C - U/s 36(3)(c)	38,341,162	
Excess in Net Admissible Assets over Minimum Requirements	380,119,404	314,304,877

41. NUMBER OF EMPLOYEES

Total employees of the Company at the year end	109	125
Average employees of the Company during the year	117	128

42. GENERAL

- 42.1** These financial statements were approved and authorised for issue in the Board of Directors meeting held on April 06, 2021.
- 42.2** The figures have been rounded off to the nearest rupee.
- 42.3** Comparative figures have been re-arranged and re-classified for the purpose of better presentation, the effect of which is not material.




Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman



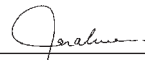
Air Commodore Mahmood Ahmad
(Retd.) Director



Khalid Saeed Mirza
Director



Sohail N. Kidwai
Chief Executive Officer



Nisar Ahmed Almani
Chief Financial Officer



Window Takaful Operations Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the members of **SHAHEEN INSURANCE COMPANY LIMITED**

Report on the Audit of Financial Statements of Window Takaful Operations

We have audited the annexed financial statements of **Shaheen Insurance Company Limited** - Window Takaful Operations (the "Operation"), which comprise the statement of financial position as at December 31, 2020, the statement of comprehensive income, the statement of changes in funds 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 funds 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 Operation's affairs as at December 31, 2020 and of the profit or loss, the changes in fund and its cash flows for the year then ended.

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 Operation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have not been provided with this information and therefore we do not report in this regard.

Responsibility 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 the Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Operation'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 Operation or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Operation'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 Operation'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 Operation'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 Operation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

- a) proper books of account have been kept by the Operation 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 funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and 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 operation'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 Hena Sadiq.

Chartered Accountants

Place: Karachi

Date: April 08, 2021

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

		Operator's Fund (OPF)		Participants' Takaful Fund (PTF)	
		December 31,	December 31,	December 31,	December 31,
		2020	2019	2020	2019
Note		(Rupees)			
ASSETS					
Qard-e-Hasna to Participants' Takaful Fund	5	21,000,000	-	-	-
Equipment - OPF	6	3,474	11,807	-	-
Intangible assets - OPF	7	27,795	94,455	-	-
Investments in TDRs	8	27,000,000	47,000,000	20,000,000	-
Other receivables	9	78,514	1,266,027	66,836	38,581
Takaful / retakaful receivables	10	-	-	1,636,441	934,221
Receivable from PTF	11	2,285,032	345,976	-	-
Deferred wakala fee		-	-	1,493,084	1,392,456
Deferred commission		744,434	770,811	-	-
Prepayments	12	1,343,722	1,098,364	610,014	-
Bank balances	13	3,919,797	4,910,392	713,560	3,878,964
		35,402,768	55,497,832	24,519,935	6,244,222
TOTAL ASSETS		56,402,768	55,497,832	24,519,935	6,244,222
EQUITY AND LIABILITIES					
Operator's fund					
Statutory fund		50,000,000	50,000,000	-	-
Accumulated profit		480,666	2,994,764	-	-
Total OPF's equity		50,480,666	52,994,764	-	-
Waqf / Participants' takaful fund					
Ceded money		-	-	500,000	500,000
Accumulated loss		-	-	(12,081,273)	(9,530,365)
Total PTF's equity		-	-	(11,581,273)	(9,030,365)
Qard-e-hasna from Operator's fund	5	-	-	21,000,000	-
LIABILITIES					
Underwriting provisions					
Outstanding claims including IBNR		-	-	2,174,370	2,513,667
Unearned contribution reserve		-	-	4,088,524	3,892,234
Unearned commission		32,104	-	-	-
Unearned wakala fees		1,493,084	1,392,456	-	-
Contribution received in advance		-	-	117,630	-
Takaful / retakaful payables	14	-	-	5,728,702	8,268,732
Payable to OPF	15	-	-	2,285,032	345,976
Other creditors and accruals	16	4,396,914	1,110,612	706,950	253,978
		5,922,102	2,503,068	15,101,208	15,274,587
TOTAL FUND AND LIABILITIES		56,402,768	55,497,832	24,519,935	6,244,222
Contingencies and commitments					
	17				

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

Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman

Air Commodore Mahmood Ahmad
(Retd.) Director

Khalid Saeed Mirza
Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
PTF revenue account			
Contribution earned	18	6,374,359	4,198,483
Contribution ceded to re-takaful	18	(6,494,701)	(6,615,000)
Underwriting result		(120,342)	(2,416,517)
Net claims	20	(3,216,964)	(3,706,178)
Direct expenses	22	(1,933)	-
Deficit before investment income		(3,339,239)	(6,122,695)
Other income	26	278,876	275,760
Investment Income	27	824,065	-
Less: Mudarib's fee	28	(314,610)	-
Loss for the year		(2,550,908)	(5,846,935)
Other comprehensive income:			
Unrealised (loss) / gain on available for sale investments		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(2,550,908)	(5,846,935)

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


Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman


Air Commodore Mahmood Ahmad
(Retd.) Director


Khalid Saeed Mirza
Director



Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	December 31, 2020	December 31, 2019
		----- (Rupees) -----	
Operator's revenue account			
Wakala fee	19	3,541,759	2,404,774
Commission expenses	23	(1,876,548)	(1,290,518)
Management expenses	24	(6,000,339)	(3,143,872)
		<u>(4,335,128)</u>	<u>(2,029,616)</u>
Mudarib's fee	28	314,610	-
Other expenses	25	(1,619,629)	(405,923)
Investment Income	27	3,018,842	5,647,475
Other income	26	161,843	9,697
(Loss) / profit before taxation		<u>(2,459,462)</u>	<u>3,221,633</u>
Taxation	29	(54,636)	-
(Loss) / profit after taxation		<u><u>(2,514,098)</u></u>	<u><u>3,221,633</u></u>
Other comprehensive income:			
Unrealised (loss) / gain on available for sale investments		-	-
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year		<u><u>(2,514,098)</u></u>	<u><u>3,221,633</u></u>

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


Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman


Air Commodore Mahmood Ahmad
(Retd.) Director


Khalid Saeed Mirza
Director



Sohail N. Kidwai
Chief Executive Officer



Nisar Ahmed Almani
Chief Financial Officer

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	Operator's fund (OPF)		Participants' Takaful fund (PTF)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees)			
OPERATING ACTIVITIES				
a) Takaful activities				
Contribution received	-	-	9,527,818	8,769,264
Re-takaful contributions paid	-	-	(9,034,731)	(1,653,751)
Claims paid	-	-	(3,556,261)	(2,342,199)
Commissions paid	(1,580,012)	(1,383,329)	-	-
Wakala fees received	2,017,941	3,404,159	-	-
Wakala fees paid	-	-	(2,017,941)	(3,404,159)
Net cash generated from underwriting activities	437,929	2,020,830	(5,081,115)	1,369,155
b) Other operating activities				
Management and other expenses paid	(4,874,031)	(3,474,803)	(1,933)	-
Prepayments	(245,358)	(902,499)	(610,014)	-
Other receivables	1,187,512	(812,510)	(28,255)	(13,543)
Other creditors and accruals	322,667	33,875	452,972	(334,036)
Net cash used in / generated from other operating activities	(3,609,210)	(5,155,937)	(187,230)	(347,579)
Total cash (used in) / generated from operating activities	A (3,171,281)	(3,135,107)	(5,268,345)	1,021,576
c) INVESTMENT ACTIVITIES				
Investment income received	3,180,686	5,657,172	1,102,941	275,760
Total cash generated from investing activities	B 3,180,686	5,657,172	1,102,941	275,760
d) FINANCING ACTIVITIES				
Qard-e-hasna received / (paid)	(21,000,000)	1,653,750	21,000,000	(1,653,750)
Total cash (used in) / generated from financing activities	C (21,000,000)	1,653,750	21,000,000	(1,653,750)
Net (decrease) / increase in cash and cash equivalents	A+B+C (20,990,595)	4,175,815	16,834,596	(356,414)
Cash and cash equivalents at the beginning of the year	51,910,392	47,734,577	3,878,964	4,235,378
Cash and cash equivalents at end of the year	30,919,797	51,910,392	20,713,560	3,878,964
Reconciliation to statement of profit or loss				
Operating cash flows	(3,171,281)	(3,135,107)	(5,268,345)	1,021,576
Increase in assets other than cash	970,524	968,869	1,441,117	(1,357,069)
Increase in liabilities	(3,419,034)	(194,309)	173,379	(5,787,202)
Depreciation / amortisation expense	(74,993)	(74,992)	-	-
Investment and other income - net	3,495,296	5,657,172	788,331	275,760
Mudarib fee	(314,610)		314,610	
(Deficit) / surplus for the year	(2,514,098)	3,221,633	(2,550,908)	(5,846,935)

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


Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman


Air Commodore Mahmood Ahmad
(Retd.) Director


Khalid Saeed Mirza
Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

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

	Operator's Fund		
	Statutory fund	Accumulated profit / (loss)	Total
	----- (Rupees) -----		
Balance as at December 31, 2018	50,000,000	(226,869)	49,773,131
Profit for the year	-	3,221,633	3,221,633
Balance as at December 31, 2019	50,000,000	2,994,764	52,994,764
Profit for the year	-	(2,514,098)	(2,514,098)
Balance as at December 31, 2020	50,000,000	480,666	50,480,666

	Participants' Takaful Fund		
	Cede Money	Accumulated loss	Total
	----- (Rupees) -----		
Balance as at December 31, 2018	500,000	(3,683,430)	(3,183,430)
Loss for the year	-	(5,846,935)	(5,846,935)
Balance as at December 31, 2019	500,000	(9,530,365)	(9,030,365)
Loss for the year	-	(2,550,908)	(2,550,908)
Balance as at December 31, 2020	500,000	(12,081,273)	(11,581,273)

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

Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman

Air Commodore Mahmood Ahmad
(Retd.) Director

Khalid Saeed Mirza
Director

Sohail N. Kidwai
Chief Executive Officer

Nisar Ahmed Almani
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. STATUS AND NATURE OF BUSINESS

Shaheen Insurance Operator Limited (the Operator) has been authorised to undertake Window Takaful Operations (WTO) on March 14, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

For the purpose of carrying on the Takaful business, the Operator has formed a Waqf (Participants' Takaful Fund (PTF)) on March 20, 2018 under the Waqf Deed with a Cede 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. STATEMENT OF COMPLIANCE

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

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

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

- 2.1** 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.

3. BASIS OF PRESENTATION

The SECP wide its S.R.O. 1416(I) / 2019 dated November 20, 2019 has notified the General Takaful Accounting Regulations, 2019 (the Regulations) which has the prescribed format of the presentation of annual financial statements for takaful operations of insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP.

3.1 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention, except for certain investments which are carried at fair value.

3.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Operator's functional and presentational currency.

3.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2020

The following standards, amendments and interpretations are effective for the year ended December 31, 2020. These standards, interpretations and the amendments are either not relevant to the Operators' operations or are not expected to have significant impact on the Operators' financial statements other than certain additional disclosures:

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

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the statement of total comprehensive income the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Operator has adopted the temporary exemption which allows the Operator to defer the application of IFRS 9 until December 31, 2021.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

3.3.2 Temporary exemption from application of IFRS 9

As an insurance Operator, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance.

Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 given below:

December 31, 2020			
Fail the SPPI test		Pass the SPPI test	
Fair value	Change in unrealised loss	Fair value	Change in unrealised gain loss
----- (Rupees) -----			
Bank balances	-	4,633,357	-
Term Deposit	-	47,000,000	-
	-	51,633,357	-

3.3.3 The following standards, amendments and interpretations are effective for the year ended December 31, 2020. These standards, amendments and interpretations are either not relevant to the Operator's operations or are not expected to have significant impact on the Operator's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments Recognition and Measurement' and IFRS 7 'Financial Instruments Disclosures' - Interest rate benchmark reform	January 01, 2020

3.4 New accounting standards, amendments and IFRS interpretations that are not yet effective

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

	Effective from accounting period beginning on or after:
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

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

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

3.5 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only the period of the revision and future period if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements or judgments were exercised in application of accounting policies, are as follows:

	Note
- Estimation of technical reserves and underlying actuarial assumption	4.6
- Provision for claims	4.7
- Impairment of assets	4.17.4
- Fixed assets - useful lives and salvage value	4.18

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Takaful contracts

Takaful model is based on the principles of Wakala and Waqf. Takaful contracts are centered around the concepts of Ta'awun (mutual cooperation) and Tabarru (donation) with the overall objective of compensating losses on mutual cooperation basis. For achieving the above objectives, a separate Waqf is formed which owns Participants Takaful Fund (PTF) whereby Participants' contributions, net of government taxes (if any) received from its members (participants/policyholders) are credited. The Operator donates the cede money for the formation of Waqf in its separate capacity and acts as a Wakeel (Agent) against wakala fees for the services rendered. By virtue of being PTF members, the policyholders are provided membership benefits if a specified uncertain future event related to the covered benefits occurs which adversely affect the policyholders.

The Operator underwrites non-life Takaful membership benefits that can be categorized into Fire and Property Damage, Marine, Aviation and Transport, Motor, Accident and Health and Miscellaneous contracts as per Waqf Deed and Rules. PTF membership tenure may be agreed for a fixed term of one year, or less than one year. However, most of the membership tenures are for twelve months duration.

Fire takaful provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

Marine, aviation and transport takaful provides coverage against cargo risk, terminals, damages occurred in between the points of origin and final destination and other related perils.

Motor takaful provides comprehensive car coverage, indemnity against third party loss and other related covers.

Health takaful provides basic hospital care and major medical care including maternity care and outpatient care.

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

These membership 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 member.

4.2 Membership contribution

Members contribute in the form of donation to PTF. Once donated to PTF, members cannot claim the amount contributed. In order to determine the performance of PTF for a given time period, contribution is recognised on accrual basis.

Membership contribution net of Wakala fee under a policy is recognised over the period of Takaful coverage from the date of inception of the membership policy to which it relates to its expiry evenly over the period of the policy.

Administrative surcharge is recognised as contribution at the date of inception of membership policy to which it relates and agreed with the members in schedules. Contribution due but unpaid represents the amount due from participants on account of PTF membership. These are recognised at cost, which is the fair value of the contribution to be received less provision for any impairment, if any.

4.3 Unexpired membership contribution related to takaful benefits

PTF membership contribution relating to the unexpired period of takaful coverage is recognised as unearned contribution. This liability of the PTF is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Wakala fee on the portion of membership contribution relating to the unexpired period of takaful coverage is recognised as unearned Wakala fee by the Operator. This liability of the Operator is calculated by applying the aforesaid 1/24 method.

The related deferred portion of re-takaful contribution is recognised as a prepayment calculated by using the aforesaid 1/24 method.

4.4 Receivables and payables related to takaful coverage

Receivables and payables relating to takaful coverage are recognised when due. These include contribution due but unpaid and claims payable to PTF members/policyholders. If there is objective evidence that any contribution due but unpaid is impaired, the Operator reduces the carrying amount of that membership contribution receivable in PTF statement and reduces equivalent Wakala fee from the statement of comprehensive income.

4.5 Re-takaful contracts held

The Operator, on behalf of PTF, enters into re-takaful arrangements in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward re-takaful contribution is accounted for in the same period as the related contribution for the direct or accepted re-takaful business being ceded to re-takaful operator.

Re-takaful coverage is recognised as per respective re-takaful arrangement in the period of coverage. The unexpired portion of re-takaful contribution is shown as prepayment in PTF accounts which is calculated in the same manner as of unearned contribution.

Re-takaful liabilities represent balances due to re-takaful companies. Amounts payable are calculated in a manner consistent with the related re-takaful arrangement. Re-takaful assets represent balances due from re-takaful companies in PTF accounts. Amounts recoverable from re-takaful operators are calculated in a manner consistent with the provision for outstanding claims or settled claims associated with the re-takaful policies and are in accordance with the related re-takaful arrangements.

Amount due from other takaful/re-takaful are carried at cost less provision for impairment, if any. If there is objective evidence that the amount due from re-takaful is impaired, the Operator reduces the carrying amount of the re-takaful receivable to its recoverable amount and recognizes that impairment loss in the PTF statement of comprehensive income.

4.6 Provision for outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognised in respect of all claims incurred as at the reporting date which represents the estimates of the claims intimated or assessed before the end of the accounting year and are measured at the undiscounted value of expected future payments.

The actuary uses statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The method used is the chain-ladder method which involves the analysis of historic claims development factors and the selection of estimated development factors based on the historic pattern. The selected development factors are then applied to cumulative claims data for each accident year. Study of claim lag pattern is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic chain-ladder method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

4.7 Claims

General takaful claims include all claims occurring during the year, whether reported or not, including both internal and 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.

The Operator recognises liability in respect of all claims incurred but not paid up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a PTF membership policy. The liability for claims includes amounts relating to unpaid reported claims; claims incurred but not reported (IBNR) and expected claims settlement costs.

The provision for claims incurred but not reported (IBNR) is made at the reporting date in accordance with the advice of appointed actuary.

4.8 Re-takaful recoveries against outstanding claims

Claims recoveries receivable from re-takaful operators are recognised as an asset in PTF accounts at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

4.9 Commissions

Commission expense and other acquisition costs are charged to the statement of comprehensive income at the time the policies are accepted. Commission income from re-takaful operators is recognised on a quarterly basis as per terms and conditions agreed with the re-takaful operators. These are deferred and brought to account as income in accordance with the pattern of recognition of the contribution to which they relate.

4.10 Wakala & Mudarib fees

The Operator manages the PTF operations for the participants and charges a percentage of gross membership contribution including administrative surcharge as Wakala fee against the services. Wakala fee is recognised on the same basis on which the related contribution is recognised. Unexpired portion of Wakala fee is recognised as a liability of the Operator and an asset of PTF.

4.11 Creditors, accruals and provisions

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

Provisions are recognised when the Operator 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.

4.12 Takaful surplus

PTF surplus, if any, is attributable to the participants, after settlement of all claims and liabilities, is calculated after charging all direct cost and setting aside various reserves.

4.13 Qard-e-hasna

Qard-e-Hasna is provided by Operator to the PTF in case of deficit to keep it solvent. Operator would recover this Qard amount without any additional profit from the PTF once PTF recovers and is in surplus.

4.14 Revenue recognition

i) Underwriting result

The earned contribution less reinsurance, claims, commission and other acquisition cost and allocable expenses of management are reflected in the statement of comprehensive income as the underwriting result for each class of takaful business undertaken.

ii) Investment income

Profit on investments, profit on profit and loss sharing accounts and bank deposits are recognised on accrual basis.

4.15 Cash and cash equivalents

Cash and cash equivalents consist of cash, cheques and stamp in hand, balances with bank, short term deposits maturing within twelve months of the year end and liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

4.16 Financial instruments

All the financial assets and liabilities are recognised at the time when the Operator or PTF becomes a party to the contractual provisions of the instrument and de-recognised when the Operator or PTF loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of financial assets and financial liabilities is taken to income directly.

4.17 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to the statement of comprehensive income. All purchases and sales of investments that require delivery within the 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 investment. Subsequently, these are recognised and classified as follows:

4.17.1 At fair value through profit or loss - held for trading

These are classified as 'at fair value through profit or loss' if (a) acquired or incurred principally for the purpose of selling or re-purchasing in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).

Upon initial recognition these are designated by the Operator as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. At subsequent reporting dates, these investments are measured at fair value and any gains, and losses arising from the changes in fair value are included in the statement of comprehensive income for the period in which they arise.

4.17.2 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Operator has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

Held to maturity investments are subsequently measured at amortised cost using the effective interest method.

Gain or loss is also recognised in the statement of comprehensive income when held to maturity investments are derecognised or impaired, and through the amortisation process.

4.17.3 Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit or loss.

Quoted investments are initially recognised at cost inclusive of transaction costs. Unquoted investments are recorded at cost less impairment, if any.

Changes in the fair value of financial instruments classified as available-for-sale are recognised in other comprehensive income until derecognised or impaired, when the accumulated adjustments recognised in profit or loss are included in the statement of comprehensive income.

Unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

4.17.4 Impairment

The carrying amounts of assets are reviewed to determine whether there is any indication of impairment. If such indication exists the recoverable amount of the asset is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

4.17.5 De-recognition

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

4.18 Equipment

4.18.1 These are stated at cost less accumulated depreciation / amortization and impairment, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying straight line method. Depreciation is charged from the month the asset is available for intended use. No depreciation is charged from the month of disposal of the asset.

Rates of depreciation:

- Computer equipment 33.3%

Normal repairs and maintenance are charged to the statement of comprehensive income as and when incurred; major renewals and replacements are capitalised.

Gain or loss on disposal of fixed assets is taken to the statement of comprehensive income.

4.19 Intangibles

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 7 to the financial statements.

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

4.20 Offsetting of financial assets and financial liabilities

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

4.21 Operating segments

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000. Takaful Rules 2012 and the Insurance Rules, 2017 as the primary reporting format.

The Operator has five primary business segments for reporting purposes namely, fire and property damage, marine, motor, accident, health and miscellaneous. The nature and business activities of these segments are disclosed in note 4.1.

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

4.22 Contribution deficiency reserve

According to the requirements of the Insurance Rules, 2017, a contribution deficiency reserve needs to be created where the unearned contribution for any class of business is not sufficient to cover the liability after re-takaful from claims, and other supplementary expenses expected to be incurred after the reporting date in respect of the policies in that class of business. Any movement in the reserve is to be charged to the statement of comprehensive income..

For this purpose, loss ratios for each class, excluding health are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined. The liability of contribution deficiency in relation to Health and Personal accident takaful is calculated in accordance with the advice of actuary.

As at year end, a provision is created in respect of contribution deficiency reserve for those classes of business where it is estimated that the unearned contribution for that class will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of policies in force at the reporting date.

4.23 Reserve for unearned contribution

Reserve for unearned contribution is calculated by applying twenty fourths' method, except marine takaful for which unearned contribution is calculated by applying sixth's method.

4.24 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted.

Deferred

Deferred tax is recognised using the statement of financial position liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

4.25 Deferred commission expense

Commission expense incurred in obtaining and recording takaful policies are deferred and recognised as an asset. These costs are charged to the profit and loss account based on the pattern of recognition of contribution revenue.

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
5. QARD-E-HASNA TO PARTICIPANTS' TAKAFUL FUND		
Opening balance of Qard-e-Hasna	-	1,653,750
Qard-e-Hasna transferred from OPF during the year	21,000,000	-
Qard-e-Hasna returned by PTF during the year	-	(1,653,750)
Closing balance of Qard-e-Hasna	21,000,000	-

6. EQUIPMENT - OPF

December 31, 2020						
Particulars	Cost		Depreciation		Written down value as at 31 December	Depreciation Rate %
	Opening balance	Addition / (Disposals)	Closing balance	Opening balance	Depreciation for the year	
Computer hardware	25,000	-	25,000	13,193	8,333	33.33
					21,526	3,474
December 31, 2019						
Particulars	Cost		Depreciation		Written down value as at 31 December	Depreciation Rate %
	Opening balance	Addition / (Disposals)	Closing balance	Opening balance	Depreciation for the year	
Computer hardware	25,000	-	25,000	4,861	8,332	33.33
					13,193	11,807

7. INTANGIBLE ASSETS - OPF

December 31, 2020							
Particulars	Cost -----		----- Depreciation -----			Written down value as at 31 December	Amortisation Rate %
	Opening balance	Addition / (Disposals)	Closing balance	Opening balance	Amortisation for the year		
(Rupees) -----							
Computer software	200,000	-	200,000	105,545	66,660	27,795	33.33
December 31, 2019							
Particulars	Cost -----		----- Depreciation -----			Written down value as at 31 December	Amortisation Rate %
	Opening balance	Addition / (Disposals)	Closing balance	As at 1 January	Amortisation for the year		
(Rupees) -----							
Computer software	200,000	-	200,000	38,885	66,660	94,455	33.33

			OPF		PTF	
			December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Note		----- (Rupees) -----			
8.	INVESTMENTS IN TDRS					
	Held to maturity					
	Deposits maturing within 12 months	8.1	<u>27,000,000</u>	<u>47,000,000</u>	<u>20,000,000</u>	<u>-</u>
8.1	This includes term deposits with an Islamic Bank having maturity within 12 months (i.e. upto May 15, 2021). The rate of return on these term deposits is 7.10% to 8.50% (2019: 11.90%) per annum.					
			OPF		PTF	
			December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Note		----- (Rupees) -----			
9.	OTHER RECEIVABLES					
	Sindh sales tax receivable		-	296,000	-	-
	Accrued profit on bank deposits		78,514	770,027	58,158	20,618
	Advance commission		-	200,000	-	-
	GST receivable claims		-	-	8,678	17,963
			<u>78,514</u>	<u>1,266,027</u>	<u>66,836</u>	<u>38,581</u>
10.	TAKAFUL / RETAKAFUL RECEIVABLES					
	- Unsecured and considered good					
	Contribution due but unpaid		-	-	754,467	333,840
	Due from other takaful / retakaful		-	-	881,974	600,381
			<u>-</u>	<u>-</u>	<u>1,636,441</u>	<u>934,221</u>
11.	RECEIVABLE FROM PTF					
	Wakala fee		1,922,856	298,410	-	-
	Mudarib fee		362,176	47,566	-	-
			<u>2,285,032</u>	<u>345,976</u>	<u>-</u>	<u>-</u>
12.	PREPAYMENTS					
	Prepaid Re-Takaful Ceded		-	-	453,449	-
	Advance tax	12.1	1,343,722	768,364	156,565	-
	Others		-	330,000	-	-
			<u>1,343,722</u>	<u>1,098,364</u>	<u>610,014</u>	<u>-</u>
12.1	This includes tax deducted on profit on savings accounts.					
13.	BANK BALANCES					
	Cash at bank					
	Savings account	13.1	<u>3,919,797</u>	<u>4,910,392</u>	<u>713,560</u>	<u>3,878,964</u>
13.1	These carry mark-up at rates ranging between 3% to 5% (2019:10.5% to 13%) per annum.					

	December 31, 2020 ----- (Rupees) -----	December 31, 2019
14. TAKAFUL / RETAKAFUL PAYABLES		
Payable to re-takaful	<u>5,728,702</u>	<u>8,268,732</u>
15. PAYABLE TO OPF		
Wakala fee	<u>1,922,856</u>	<u>298,410</u>
Mudarib fee	<u>362,176</u>	<u>47,566</u>
	<u>2,285,032</u>	<u>345,976</u>

	OPF		PTF	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	-----Rupees-----			
16. OTHER CREDITORS AND ACCRUALS				
Federal insurance fee	-	-	23,788	9,361
FED payable	-	-	307,443	176,566
Sales tax on services	-	-	3,009	68,051
Tax payable	54,636	-	-	-
Commission payable	739,696	469,537	-	-
Auditors' fee	403,650	291,250	-	-
Others	527,988	349,825	372,710	-
Payable against common expenses - Conventional	<u>2,670,944</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,396,914</u>	<u>1,110,612</u>	<u>706,950</u>	<u>253,978</u>

17. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2020 and December 31, 2019.

	December 31, 2020 ----- (Rupees) -----	December 31, 2019
18. CONTRIBUTION EARNED		
Written gross contribution	<u>10,112,408</u>	<u>7,180,614</u>
Less: Wakala fee	<u>(3,541,759)</u>	<u>(2,404,774)</u>
Contribution net of wakala fee	<u>6,570,649</u>	<u>4,775,840</u>
Add: Unearned contribution reserve opening	<u>3,892,234</u>	<u>3,314,877</u>
Less: Unearned contribution reserve closing	<u>(4,088,524)</u>	<u>(3,892,234)</u>
Contribution earned	<u>6,374,359</u>	<u>4,198,483</u>
Less:		
Retakaful contribution ceded	<u>6,041,252</u>	<u>6,615,000</u>
Add: Prepaid retakaful contribution opening	<u>-</u>	<u>-</u>
Less: Prepaid retakaful contribution closing	<u>453,449</u>	<u>-</u>
Retakaful expense	<u>6,494,701</u>	<u>6,615,000</u>
Net contribution	<u>(120,342)</u>	<u>(2,416,517)</u>
19. WAKALA EXPENSE		

The shareholders of the Operator manage the general takaful operations for the participants and charges 30% for fire, 30% for marine, 40% for motor, 20% for health and 35% for miscellaneous of the gross contribution written as wakala fee against the services.

	December 31, 2020 ----- (Rupees) -----	December 31, 2019 -----
Gross wakala fee	3,642,387	2,622,812
Add: Deferred wakala opening	1,392,456	1,174,418
Less: Deferred wakala closing	(1,493,084)	(1,392,456)
Wakala expense	3,541,759	2,404,774

20. NET CLAIMS

Claims paid	3,556,261	2,342,199
Less: Outstanding claims including IBNR opening	(2,513,667)	(1,149,688)
Add: Outstanding claims including IBNR closing	2,174,370	2,513,667
Claims expense	3,216,964	3,706,178

	Claims paid	Provision for outstanding		Claim expense	Retakaful & other recoveries		Net claim expense
		Opening	Closing		Opening	Closing	
	----- (Rupees) -----						
Fire & Property	-	161,119	152,613	(8,506)	-	-	(8,506)
Marine, Aviation & Transport	-	43,767	128,922	85,155	-	-	85,155
Motor	3,548,642	1,931,060	1,507,569	3,125,151	-	-	3,125,151
Miscellaneous	7,620	377,722	385,266	15,164	-	-	15,164
	3,556,262	2,513,668	2,174,370	3,216,964	-	-	3,216,964

21. BENEFIT / CLAIM DEVELOPMENT

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

Accident year	December 31, 2018	December 31, 2019 ----- (Rupees) -----	December 31, 2020
Gross estimate of ultimate claims cost:			
- At end of accident Year	-	1,201,878	2,897,383
- One year later	1,540,161	3,501,639	
- Two years later	1,620,681	-	
Current estimate of cumulative claims	3,160,842	4,703,517	2,897,383
Cumulative payments to date	(2,712,319)	(4,390,517)	(2,354,384)
Liability recognised in the statement of comprehensive income	448,523	313,000	542,999

- 21.1** The provision for IBNR on the basis of actuarial valuation carried out as at December 31, 2020 amounted to Rs. 0.841 million (2019: 0.527 million).

		PTF	
		December 31, 2020	December 31, 2019
		----- (Rupees) -----	
22. DIRECT EXPENSES	Note		
Coinsurance surcharge	22.1	<u>1,933</u>	<u>-</u>
22.1 This is the service charges deducted by coinsurers at 2.5% of gross premium revenue on policies in which the Operator is a coinsurer.			
		December 31, 2020	December 31, 2019
		----- (Rupees) -----	
23. COMMISSION EXPENSE			
Commission paid or payable		1,858,620	1,325,725
Add: Deferred commission opening		770,811	735,604
Less: Deferred commission closing		(744,434)	(770,811)
		<u>1,884,997</u>	<u>1,290,518</u>
Less:			
Commission received or recoverable		40,553	-
Add: Unearned reinsurance commission opening		-	-
Less: Unearned reinsurance commission closing		(32,104)	-
		<u>8,449</u>	
Commission expense		<u>1,876,548</u>	<u>1,290,518</u>
24. MANAGEMENT EXPENSES			
Salaries, wages and benefits		947,000	910,200
Depreciation / amortisation		74,993	74,992
Shariah advisory fee		1,133,340	1,133,340
Software maintenance		1,735,800	990,000
Others		103,831	35,340
Common expenses - Conventional		<u>2,005,375</u>	<u>-</u>
		<u>6,000,339</u>	<u>3,143,872</u>
25. OTHER EXPENSES			
Auditor's remuneration		403,650	373,750
Printing and stationery		23,350	27,940
Others		527,060	4,233
Common expenses - Conventional		<u>665,569</u>	<u>-</u>
		<u>1,619,629</u>	<u>405,923</u>

		OPF		PTF	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Note		----- (Rupees) -----			
26. OTHER INCOME					
Return on saving accounts	13	159,972	-	273,963	258,644
Others		1,871	9,697	4,913	17,116
		<u>161,843</u>	<u>9,697</u>	<u>278,876</u>	<u>275,760</u>
27. INVESTMENT INCOME					
Income from term					
- return on term deposit		<u>3,018,842</u>	<u>5,647,475</u>	<u>824,065</u>	<u>-</u>
28. MUDARIB'S FEE					
The shareholders of the Operator manage the participants' investments as a Mudarib and charge 40% Mudarib's share of PTF investment income.					
29. Taxation					
		PTF			
		December 31, 2020	December 31, 2019		
		----- (Rupees) -----			
Current tax		<u>54,636</u>			-

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

30. SEGMENT REPORTING

	December 31, 2020				
	Fire and property damages	Marine, aviation & transport	Motor	Miscellaneous	Aggregate
Participants' Takaful Fund	(Rupees)				
Contribution written (inclusive of federal excise duty, federal insurance fee, and administrative surcharge)	1,463,117	1,567,943	8,469,514	281,231	11,781,805
Less : Federal excise duty	(190,332)	(198,493)	(1,122,685)	(38,436)	(1,549,946)
Less : Federal insurance fee	(13,580)	(27,415)	(75,891)	(2,565)	(119,451)
Gross written contribution (inclusive of Administrative Surcharges)	1,259,205	1,342,035	7,270,938	240,230	10,112,408
Gross contribution direct	1,219,545	1,278,133	7,027,190	234,800	9,759,668
Admin surcharge	39,660	63,902	243,748	5,430	352,740
Takaful contribution earned	1,526,134	1,213,452	7,024,892	151,640	9,916,118
Re-takaful expense	(2,794,050)	(1,596,600)	(1,505,329)	(598,722)	(6,494,701)
Net takaful contribution	(1,267,916)	(383,148)	5,519,563	(447,082)	3,421,417
Rebate earned	-	-	-	-	-
Operation income	(1,267,916)	(383,148)	5,519,563	(447,082)	3,421,417
Claim expense	8,506	(85,155)	(3,125,151)	(15,164)	(3,216,964)
Re-takaful & other recoveries revenue	-	-	-	-	-
Net claims	8,506	(85,155)	(3,125,151)	(15,164)	(3,216,964)
Wakala expense	223,681	(326,041)	(2,062,047)	(1,377,352)	(3,541,759)
Direct expense	(1,933)	-	-	-	(1,933)
Net takaful claim & expense	230,254	(411,196)	(5,187,198)	(1,392,516)	(6,760,657)
Surplus/(deficit) before investment income	(1,037,662)	(794,344)	332,365	(1,839,598)	(3,339,239)
Net investment income					824,065
Other income					278,876
Mudarib Fee					(314,610)
Deficit for the period					(2,550,908)
Operator's Fund					
Wakala fee income	(223,681)	326,041	2,062,047	1,377,352	3,541,759
Commission expense	(754,473)	(195,761)	(664,059)	(262,255)	(1,876,548)
Management expense	(923,478)	(734,272)	(4,250,830)	(91,759)	(6,000,339)
					(4,335,128)
Investment income					3,018,842
General and administration expenses					(1,619,629)
Other Income					161,843
Mudarib fee					314,610
Profit before taxation					(2,459,462)
The following presents segments assets and liabilities as at December 31, 2020					
Segment assets	766,923	817,371	4,428,386	146,313	6,158,993
Unallocated assets					53,763,710
					59,922,703
Segment liabilities	1,692,903	1,804,262	9,775,208	322,971	13,595,344
Unallocated liabilities					7,427,966
					21,023,310

December 31, 2019					
	Fire and property damages	Marine, aviation & transport	Motor	Miscellaneous	Aggregate
Participants' Takaful Fund	(Rupees)				
Contribution written (inclusive of federal Excise duty, federal insurance fee, and administrative surcharge)	1,175,268	581,266	6,962,490	(342,240)	8,376,784
Less : Federal excise duty	(146,137)	(83,333)	(941,620)	46,435	(1,124,655)
Less : Federal insurance fee	(10,193)	(4,929)	(59,568)	3,175	(71,515)
Gross written contribution (inclusive of Administrative Surcharges)	1,018,938	493,004	5,961,302	(292,630)	7,180,614
Gross contribution direct	984,613	471,339	5,715,558	(286,328)	6,885,182
Admin surcharge	34,325	21,665	245,744	(6,302)	295,432
Takaful contribution earned	1,611,187	345,072	4,762,485	(115,486)	6,603,257
Re-takaful expense	(2,898,000)	(1,656,000)	(1,440,000)	(621,000)	(6,615,000)
Net takaful contribution	(1,286,813)	(1,310,928)	3,322,485	(736,486)	(11,743)
Rebate earned	-	-	-	-	-
Operation income	(1,286,813)	(1,310,928)	3,322,485	(736,486)	(11,743)
Claim expense	(161,119)	(36,189)	(3,402,050)	(106,820)	(3,706,178)
Re-takaful & other recoveries revenue	-	-	-	-	-
Net claims	(161,119)	(36,189)	(3,402,050)	(106,820)	(3,706,178)
Wakala expense	(1,198,159)	(129,781)	(3,081,878)	2,005,044	(2,404,774)
Direct expense	-	-	-	-	-
Net takaful claim & expense	(1,359,278)	(165,970)	(6,483,928)	1,898,224	(6,110,952)
Surplus/(deficit) before investment income	(2,646,091)	(1,476,898)	(3,161,443)	1,161,738	(6,122,695)
Net investment income					275,760
Deficit for the period					(5,846,935)
Operator's Fund					
Wakala fee income	1,198,159	129,781	3,081,878	(2,005,044)	2,404,774
Commission expense	(567,180)	(81,945)	(686,715)	45,322	(1,290,518)
Management expense	(767,101)	(164,292)	(2,267,464)	54,985	(3,143,872)
					(2,029,616)
Investment income					5,657,172
General and administration expenses					(405,923)
Other Income					-
Profit before taxation					3,221,633
The following presents segments assets and liabilities as at December 31, 2019					
Segment assets	488,615	236,411	2,858,644	(140,207)	3,443,463
Unallocated liabilities					58,293,591
					61,742,054
Segment liabilities	4,134,473	3,665,337	10,027,770	(3,928,181)	13,899,399
Unallocated liabilities					3,878,256
					17,777,655

31. TRANSACTIONS WITH RELATED PARTIES

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

The Operator has not incurred any transactions with related parties during the period.

32. MOVEMENT IN INVESTMENTS

	Operator's Fund (OPF) Held to maturity	Participants' Takaful Fund	Total
	----- (Rupees) -----		
Opening balance	47,000,000	-	47,000,000
Transfer from OPF to PTF	(20,000,000)	20,000,000	-
Additions	-	-	-
Disposals	-	-	-
Closing balance	27,000,000	20,000,000	47,000,000

33. MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The Operator issues contracts that transfer Takaful risk. This section summarises the risk and the way the Operator manages it.

33.1 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 minimise takaful risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Operator underwrites mainly fire & property, motor, marine cargo and transportation, health 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 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.

33.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, 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 the reporting date.

Class	December 31, 2020			
	Gross claim liabilities	Net claim liabilities	Gross contribution liabilities	Net contribution liabilities
	(Percentage)			
Fire and property damage	7%	7%	13%	13%
Marine, aviation and transport	6%	6%	8%	8%
Motor	69%	69%	77%	77%
Miscellaneous	18%	18%	2%	2%

Class	December 31, 2019			
	Gross claim liabilities	Net claim liabilities	Gross contribution liabilities	Net contribution liabilities
	(Percentage)			
Fire and property damage	7%	7%	20%	20%
Marine, aviation and transport	1%	1%	0%	0%
Motor	77%	77%	5%	5%
Miscellaneous	15%	15%	0%	0%

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:

Class	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Fire and property damage	181,889,965	181,889,965
Marine, aviation and transport	368,016,000	371,196,375
Motor	31,500,000	22,000,000
Miscellaneous	17,500,000	1,000,000

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

33.1.2 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under takaful contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the reporting date. The details of estimation of outstanding claims (including IBNR) are given under note 4.6.

33.1.3 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. The Operator has taken actuarial advice for the determination of IBNR claims which has been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

The contribution liabilities have been determined such that the total contribution liability provisions (unearned contribution reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

33.1.4 Sensitivity analysis

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

	PTF	
	December 31, 2020	
	Revenue	Equity
	----- (Rupees) -----	-----
Impact of change in claim liabilities by + 10%		
Fire and property damage	(15,261)	(10,836)
Marine, aviation and transport	(12,892)	(9,153)
Motor	(150,757)	(107,037)
Miscellaneous	(38,527)	(27,354)
	<u>(217,437)</u>	<u>(154,380)</u>
Impact of change in claim liabilities by - 10%		
Fire and property damage	15,261	10,836
Marine, aviation and transport	12,892	9,153
Motor	150,757	107,037
Miscellaneous	38,527	27,354
	<u>217,437</u>	<u>154,380</u>

33.2 Financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, profit rate risk and other price risk). The Operator's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Operator's financial performance.

The Board of Directors has overall responsibility for establishment and over sight of the Operator's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

33.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The 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 carrying amounts of the following financial assets represent the Operator's maximum exposure to credit risk:

	OPF		PTF	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- (Rupees) -----			
Financial assets:				
Bank balances	3,919,797	4,910,392	713,560	3,878,964
Investments in TDRs	27,000,000	47,000,000	20,000,000	-
Takaful / retakaful receivables	-	-	1,636,441	934,221
Accrued profit	78,514	770,027	58,158	20,618
	30,998,311	52,680,419	22,408,159	4,833,803

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

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

33.2.3 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.

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.

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.

December 31, 2020					
OPF			PTF		
Carrying amount	Upto one year	Greater than one year	Carrying amount	Upto one year	Greater than one year
----- (Rupees) -----					
Financial liabilities					
Takaful / retakaful payables	-	-	5,728,702	5,728,702	-
Other creditors and accruals	4,396,914	4,396,914	706,950	706,950	-
	4,396,914	4,396,914	6,435,652	6,435,652	-

December 31, 2019					
OPF			PTF		
Carrying amount	Upto one year	Greater than one year	Carrying amount	Upto one year	Greater than one year
----- (Rupees) -----					
Financial liabilities					
Takaful / Retakaful payables	-	-	8,268,732	8,268,732	-
Other creditors and accruals	1,110,612	1,110,612	252,978	252,978	-
	1,110,612	1,110,612	8,521,710	8,521,710	-

33.2.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices such as profit rates, foreign exchange rates and equity prices.

The Operator limits market risk by investing only in term deposit receipts offering lucrative returns.

33.2.5 Foreign currency risk

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

33.2.6 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As on December 31, 2020, the Window Takaful Operations had no financial instruments valued at fair value nor any variable rate instrument. It is therefore the Window Takaful Operations is not exposed to other price risk.

33.3 Fair value of financial instruments

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price).

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values.

The Operator's accounting policy on fair value measurements of its investments is discussed in note 4.16 to these financial statements.

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

33.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Operator's operations either internally within the Operator or externally at the Operator's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Operator's activities.

The Operator's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for stakeholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Senior management ensures that the Operator's staff have adequate training and experience and fosters effective communication related to operational risk management.

33.5 Capital risk management

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

The Operator 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 Operator may adjust the amount of dividend paid to shareholders or issue new shares.

The Operator currently meets the minimum paid up capital requirement i.e. 500 million as required by the Securities and Exchange Commission of Pakistan.


34. NUMBER OF EMPLOYEES	December 31, 2020	December 31, 2019
	----- (Number) -----	----- (Number) -----
Total employees of Company at year end	<u>2</u>	<u>3</u>
Average employees of Company during the year	<u>2</u>	<u>3</u>

35. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue on April 06, 2021 by the Board of Directors of the Operator.

36. GENERAL

All amount have been rounded off to the nearest rupees.



Air Marshal Muhammad Arif
Pervaiz (Retd.) Chairman



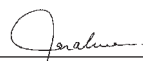
Air Commodore Mahmood Ahmad
(Retd.) Director



Khalid Saeed Mirza
Director



Sohail N. Kidwai
Chief Executive Officer



Nisar Ahmed Almani
Chief Financial Officer

**PATTERN OF SHARE HOLDING
HELD BY THE SHARE HOLDERS AS AT DECEMBER 31, 2020**

No. of Shareholders	From	To	Total Shares Held
186	1	100	2,639
104	101	500	36,556
77	501	1,000	64,751
176	1,001	5,000	422,133
43	5,001	10,000	326,390
22	10,001	15,000	289,164
9	15,001	20,000	166,500
9	20,001	25,000	215,500
4	25,001	30,000	114,923
4	30,001	35,000	133,500
1	35,001	40,000	37,000
3	40,001	45,000	128,712
4	45,001	50,000	193,500
4	50,001	55,000	210,500
2	55,001	60,000	115,500
3	60,001	65,000	188,500
1	65,001	70,000	69,500
3	70,001	75,000	221,500
1	90,001	95,000	93,000
1	95,001	100,000	100,000
2	100,001	105,000	207,000
1	110,001	115,000	110,500
1	125,001	130,000	126,000
1	195,001	200,000	200,000
1	210,001	215,000	212,500
1	220,001	225,000	225,000
1	295,001	300,000	300,000
1	305,001	310,000	307,500
2	395,001	400,000	800,000
1	830,001	835,000	834,000
1	2,495,001	2,500,000	2,500,000
1	3,135,001	3,140,000	3,136,963
1	6,345,001	6,350,000	6,345,296
1	41,565,001	41,570,000	41,565,473
673			60,000,000

CATEGORIES OF SHARE HOLDERS AS REQUIRED UNDER (CCG) AS ON DECEMBER 31,2020

Name	Holding	%AGE
Directors, Chief Executive Officer, and their spouse and minor children	3,500	0.0058%
Associated Companies, undertakings and related parties. (Parent Company)	44,065,473	73.4424%
NIT and ICP	0	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
Insurance Companies	5,500	0.0092%
Modarabas and Mutual Funds	0	0.0000%
Shareholders holding 10% or more	47,910,769	79.8513%
General Public		
a. Local	4,495,459	7.4924%
b. Foreign	0	0.0000%
Others (to be specified)		
Foreign Companies	6,345,296	10.5755%
Joint Stock Companies	5,084,772	8.4746%

NAME OF SHAREHOLDERS 10% OR MORE OF TOTAL CAPITAL AS ON DECEMBER 31, 2020

Name	Holding	%AGE
SHAHEEN FOUNDATION PAF	41,565,473	69.2758%
THE HOLLARD COMPANY LIMITED (CDC)	6,345,296	10.5755%
	47,910,769	79.8513%

INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE CATEGORIES OF SHAREHOLDER AS AT DECEMBER 31,2020

Name	Holding	%AGE
<u>DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN</u>		
AIR MARSHAL MOHAMMAD ARIF PERVAIZ (RETD)	500	0.0008%
AIR VICE MARSHAL SALMAN AHSAN BOKHARI (RETD)	500	0.0008%
AIR COMMODORE MAHMOOD AHMAD (RETD)	500	0.0008%
AIR COMMODORE JAMSHED IQBAL (RETD)	500	0.0008%
AIR COMMODORE AHSAN MUHAMMAD KHAN (RETD)	500	0.0008%
GROUP CAPTAIN JAVED AKHTER KHAN (RETD)	500	0.0008%
MR. KHALID SAEED MIRZA	500	0.0008%
	3500	0.0058%

ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES:

SHAHEEN FOUNDATION PAF	41,565,473	69.2758%
CENTRAL NON PUBLIC FUND . PAF	2,500,000	4.1666%
	44,065,473	73.4424%



PROXY FORM

I/We, _____ of _____
being member of Shaheen Insurance Company Limited and holder of _____
ordinary shares as per Share Register Folio No. _____ and/or CDC Participant ID
No. _____ and Account/Sub-Account No. _____
hereby appoint _____ of _____ as
my /our proxy to attend and vote for me/ us and on my/our behalf at the Annual General Meeting of
the Company to be held on Thursday, April 29, 2021 at 10.30 a.m. at the Head Office of Shaheen Airport
Services (SAPS) situated at SAPS Complex, Malir Avenue, Jinnah International Airport, Karachi and at
any adjournment thereof.
Signed this _____ day of, _____ 2021.

Witness: 1

Signature _____

Name _____

CNIC No. _____

Address _____

Signature on
Revenue
Stamp of Rs. 5/-

Witness: 2

Signature _____

Name _____

CNIC No. _____

Address _____

Notes:

1. The Proxy Form duly completed and signed along with attested copies of CNIC/Passport of the member, Proxy holder and the witnesses must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting. Original CNIC/Passport will be produced by the Proxy holder at the time of the meeting.
2. No persons shall be appointed as a Proxy unless he/she is a member of the company.
3. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the representative shall be submitted along with Proxy Form to the Company.
4. CDC account holders and their proxies must attach attested photocopy of their CNIC/Passport with the Proxy Form.

مختار نامہ

میں / ہم _____ کا/ کے _____
 بحیثیت رکن شاہین انشورنس کمپنی لمیٹڈ اور حاصل حصص، _____ برطابق شیئرز رجسٹرڈ فوئیو نمبر _____ اور/ یا سی
 ڈی سی پارٹنیشنٹ (شرکت) آئی ڈی نمبر _____ اور اکاؤنٹ (کھاتہ) سب اکاؤنٹ (ذیلی کھاتہ) نمبر _____
 محترم/محترمہ _____ کا/ کے _____
 کو اپنے/ہمارے ایماء پر بروز جمعرات مورخہ 29 اپریل، 2021، بوقت صبح 10:30 بجے کو بمقام ہیڈ آفس شاہین انشورنس سروسز (سپیس) واقع سپیس کمپلیکس
 لیبر ایونیو، جناح انٹرنیشنل انشورنس پورٹ، کراچی پر منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی التوا کی صورت میں اپنا / ہمارا مختار
 (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔
 آج بروز _____ بتاریخ _____ 2021 دستخط کیے گئے۔

گواہان

پانچ روپے مالیت کے رسیدی ٹکٹ پر دستخط

دستخط کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں

۱- دستخط: _____
 نام: _____
 پتہ: _____
 کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: _____

۲- دستخط: _____
 نام: _____
 پتہ: _____
 کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: _____

نوٹ

- ۱- اس فارم کو پُر اور دستخط کر کے ممبر، پراکسی (مختار) اور گواہان کے کمپیوٹرائزڈ قومی شناختی کارڈ/ پاسپورٹ کی مصدقہ نقول کے ہمراہ اجلاس شروع ہونے سے کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ پتے پر جمع کرایا جائے۔ مختار (پراکسی فارم) کو اصل شناختی کارڈ/ پاسپورٹ اجلاس کے وقت پیش کرنا ہوگا۔
- ۲- کسی بھی شخص کو مختار (پراکسی) مقرر نہیں کیا جاسکتا الا یہ کہ وہ کمپنی کا رکن ہو۔
- ۳- کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراکسی فارم) کے ہمراہ بورڈ آف ڈائریکٹرز کی قرارداد/ مختار نامہ اور نمائندے کے دستخط کے نمونہ بھی جمع کرائے جائیں گے۔
- ۴- سی ڈی سی اکاؤنٹ ہولڈر اور ان کے مختار کیلئے ضروری ہے کہ مختار نامہ (پراکسی فارم) کے ہمراہ اپنے کمپیوٹرائزڈ شناختی کارڈ/ پاسپورٹ کی مصدقہ نقول بھی جمع کرائیں۔

www.jamapunji.pk



**Be aware, Be alert,
Be safe**

Learn about investing at
www.jamapunji.pk

Key features:

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

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



Jama Punji is an investor Education Initiative of Securities and Exchange Commission of Pakistan

[jamapunji.pk](https://www.facebook.com/jamapunji.pk)

[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



INSURANCE

1. FIRE
2. AUTO
3. MARINE
4. HEALTH
5. HOME & SHOP
6. AVIATION
7. ENGINEERING
8. PERSONAL ACCIDENT
9. BONDS & GUARANTEES
10. TRAVEL
11. PROFESSIONAL IDEMNITY
12. CASH TRANSIT/CASH IN CASH



10th Floor, Shaheen Complex M.R. Kayani Road, Karachi-74200
Tel # (9221) 3263 0370-75 (06 Lines) 32213950-51 (02 Lines)
Fax # (9221) 32626674, Web: www.shaheeninsurance.com