



همیشه کالاه

70TH ANNUAL REPORT

2021

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Vision Statement



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

Mission Statement



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



Core Values

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

Professionalism

Integrity

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

Empathy

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

Tradition

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



Company Information

Board of Directors

Khalid Bashir
[Chairman]
Nadeem Maqbool
Ahsan Bashir
Asadullah Khawaja
Attaullah A. Rasheed
Imran Maqbool
Shameen Azfar
Sharik Bashir

Ethics, Human Resource, Remuneration & Nomination Committee

Attaullah A Rasheed
[Chairman]
Shameen Azfar
[Member]
Nadeem Maqbool
[Member]
Niina Afridi
[Secretary]

Chief Executive Officer

Nadeem Maqbool

Chief Financial Officer

Amjed Bahadur Ali

Company Secretary

Fariq Mahmood Khan Rohilla

Audit Committee

Asadullah Khawaja
[Chairman]
Khalid Bashir
[Member]
Imran Maqbool
[Member]
Rao Ali Zeeshan
[Secretary]

Investment Committee

Ahsan Bashir
[Chairman]
Nadeem Maqbool
[Member]
Imran Maqbool
[Member]
Asadullah Khawaja
[Member]
Sharik Bashir
[Member]
Amjed Bahadur Ali
[Secretary]

Claim Settlement Committee

Imran Maqbool
[Chairman]
Attaullah A. Rasheed
[Member]
Afzal-ur-Rehman
[Member]
Hassan Mustafa
[Secretary]

Company Information

Underwriting Committee

Imran Maqbool
[Chairman]
M. K. Baig
[Member]
Afzal Ur Rehman
[Member]
M. A. Hannan Shadani
[Secretary]

Reinsurance & Co-Insurance Committee

Sharik Bashir
[Chairman]
Afzal Ur Rehman
[Member]
Kamran Safi Rizvi
[Secretary]

Risk Management & Compliance Committee

Shameen Azfar
[Chairman]
Nadeem Maqbool
[Member]
Sharik Bashir
[Member]
Amjed Bahadur Ali
[Member]
Niina Afridi
[Secretary]

Auditors

EY Ford Rhodes, Chartered
Accountants.

Legal Advisors

Arfin & Company Advocates

Registrar

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

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E : info.shares@famco.com.pk

Registered & Head Office

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Pakistan.

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E : info@pil.com.pk
W : www.pil.com.pk

Our Journey



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

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

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

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

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

Board of Directors



Nadeem Maqbool



Imran Maqbool



Ahsan Bashir



Asadullah Khawaja



Attaullah A Rasheed



Sharik Bashir



Shameen Azfar

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

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

Khalid Bashir | Chairman



Key Operating & Financial Data

	2021	2020	2019	2018	2017	2016
Paid-up capital	505,650	505,650	505,650	505,650	505,650	417,893
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	807,058	811,584	631,698	687,314	661,191	1,371,101
Total reserves	826,733	831,259	651,373	706,989	680,866	1,390,776
Total equity	1,332,383	1,336,909	1,157,023	1,212,639	1,186,516	1,630,514
Total assets	3,479,358	3,249,280	2,957,300	3,163,733	3,599,157	4,133,594
Premium written (Including Takaful Contribution)	770,470	607,425	633,067	685,474	1,008,991	1,309,617
Premium written	602,428	532,726	501,364	535,977	849,108	1,115,119
Net premium	246,737	195,194	223,329	290,309	517,834	623,366
Investment income	151,791	22,366	(135,584)	42,937	27,265	258,537
Impairment of financial assets	(9,397)	(26,996)	(167,430)	(75,581)	(104,933)	(98,302)
Profit / (loss) before taxation	(19,311)	(110,036)	(274,655)	53,390	(302,008)	(325,134)
Profit / (loss) after taxation	(27,534)	(117,112)	(239,761)	44,822	(315,977)	(330,709)
Return on equity (%)	(2.06%)	(9.39%)	(20.24%)	3.74%	(22.43%)	(20.42%)
Book value per share (Rs.)	26.35	26.44	22.88	23.98	23.47	39.02
Earnings / (loss) per share (Rs.)	(0.54)	(2.32)	(4.74)	0.89	(6.25)	(7.91)
Cash dividend (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Stock dividend (Bonus - %)	0.00%	0.00%	0.00%	0.00%	20.00%	10.00%

Chairman's Review

It is my pleasure to present the 70th Annual Report of your Company.

Operations

The Company's Conventional business reported a gain of 13.08% in gross written premium and 26.40% in net premium during the year December 31, 2021. The Investment income rose to Rs.151.79 million from Rs. 22.36 million of the same period last year which was due to a one time dividend. The loss before taxation also reduced to Rs. (19.31) million as compared to Rs. (110.03) million of last year.

The Company's Window Takaful Operations reported a gain of 124.9% in gross written contribution during the year December 31, 2021. The overall claim ratio increased as compared to last year due to which Takaful Operation deficit also increased to Rs. (14.42) million as against Rs. (0.45) million of last year.

Due to the ongoing effects of the COVID-19 pandemic, the world's economies continue to remain disrupted with supply shortages leading to inflationary pressures. However it is evident that inspite of challenges, the economies of most countries will continue on their path to recovery. Pakistan has done well with exports gaining strength but the challenge of combating inflation remains a major challenge with a balance required on the measures needed to counter the same. YoY inflation has increased in the recent months largely due to higher global commodity prices, electricity charges, house rent and transportation cost. However, government is taking administrative, relief and policy measures to ease out the inflationary pressures in the coming months.

Exports of goods and services settled well above the 3 billion USD mark and are expected to climb further in coming months to reach a new higher level for the foreseeable future. The government's fiscal consolidation efforts are paying off in terms of improved fiscal accounts. Pakistan is on a higher growth trajectory, compared to growth observed in FY2021. However, there is inflationary pressure due to low base effects and surge in global commodity prices. Both international food and oil prices are currently quoted at or near the upper regions of the present international commodity price cycles and drop is expected in coming months. Relief is coming from continuous government efforts, not to pass on proportionate global impact of prices on domestic consumers.

Premier Insurance is working hard to regain its profitability through confidence building with its traditional clients as well as focusing on new and innovative products. The company has been engaged in restructuring and cost control measures which has resulted in a more efficient management structure. We understand the need to be competitive in the new world order and this process will be a continuous efforts aimed at helping the company achieve better returns for its stakeholders and strive towards becoming an industry leader. The Company will continue to develop and deepen relationships with our customers and work with them in meeting their requirements.

The Management of the company will continuously endeavor to improve performance in the future. As one of the oldest financial institution of the country, we are hopeful to deliver sustainable growth in a challenging and competitive business environment.

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

Khalid Bashir

Chairman

چیز مین کا جائزہ

میں بلاشبہ انتہائی مسرت کے ساتھ کمپنی کی 70 ویں سالانہ رپورٹ پیش کر رہا ہوں۔

آپریشنز:

31 دسمبر 2021 کے دوران کمپنی کے روایتی کاروبار میں مجموعی تحریری پریمیوم میں 13.08 فیصد اور خالص پریمیوم میں 26.40 فیصد کا اضافہ ہوا۔ سرمایہ کاری آمدنی گزشتہ سال کی اسی مدت کے 22.36 ملین روپے سے بڑھ کر 151.79 ملین روپے ہو گئی جو کہ ایک وقتی ڈیویڈنڈ کی وجہ سے تھی۔ قبل از ٹیکس خسارہ بھی گزشتہ سال کے (110.03) ملین روپے کے مقابلے میں کم ہو کر (19.31) ملین روپے ہو گیا۔

31 دسمبر 2021 کے دوران کمپنی کے ونڈو ٹیکافل آپریشنز میں مجموعی تحریری کنٹری بیوشن میں 124.9 فیصد اضافہ ہوا۔ مجموعی گیمز کے تناسب میں گزشتہ سال کے مقابلے میں اضافہ ہوا جس کی وجہ سے ٹیکافل آپریشن کا خسارہ بھی بڑھ کر (14.42) ملین روپے ہو گیا جو گزشتہ سال (0.45) ملین روپے تھا۔

کورونا وبائی امراض کے جاری اثرات کے باعث عالمی معیشت سپلائی کی قلت اور افراط زر کے دباؤ کے باعث بدستور غیر مستحکم رہی۔ تاہم یہ واضح ہے کہ چیلنجز کے باوجود زیادہ تر ممالک کی معیشت بحالی کے راستے پر گامزن رہیں گی۔ پاکستان نے برآمداتی تقویت حاصل کرنے کے ساتھ ساتھ بہترین کارکردگی کا مظاہرہ کیا ہے لیکن مہنگائی کا مقابلہ کرنا ایک بڑا چیلنج ہے جس کے لیے ضروری اقدامات پر توازن کی ضرورت ہے۔ حالیہ مہینوں میں پورے سال بھر کی مہنگائی میں اضافہ ہوا ہے جس کی بڑی وجہ اشیاء کی عالمی قیمتوں، بجلی کے چارجز، مکان کا کرایہ اور نقل و حمل کی لاگت میں اضافہ ہے۔ تاہم حکومت آنے والے مہینوں میں مہنگائی کے دباؤ کو کم کرنے کے لیے انتظامی، ریلیف اور پالیسی اقدامات کر رہی ہے۔

ایشیا اور سرور کی برآمدات 3 ملین امریکی ڈالر تک کی سطح کو پہنچ گئیں اور مستقبل قریب کے لیے ایک نئی اعلیٰ سطح تک پہنچنے کیلئے آنے والے مہینوں میں مزید اضافہ کی امید ہے۔ بہتر مالیاتی کھاتوں کے لحاظ سے حکومت کی مالیاتی استحکام کی کوششیں نتیجہ خیز ثابت ہو رہی ہیں۔ پاکستان مالی سال 2021 میں شرح نمو کے مقابلے میں ترقی کی بلند رفتار پر ہے۔ تاہم، بنیادی اثرات کی کمی اور عالمی اجناس کی قیمتوں میں اضافے کی وجہ سے افراط زر کا دباؤ ہے۔ خوراک اور تیل دونوں کی بین الاقوامی قیمتیں فی الحال موجودہ بین الاقوامی اجناس کی قیمتوں سے زیادہ یا ان کے قریب ہیں اور آنے والے مہینوں میں ان میں کمی متوقع ہے۔ ملکی صارفین پر قیمتوں کے تناسب عالمی اثرات کی منتقلی سے نہیں بلکہ حکومتی کوششوں سے مسلسل ریلیف مل رہا ہے۔

پریمیئر انشورنس اپنے روایتی کلائنٹس کے ساتھ اعتماد سازی کے ساتھ ساتھ نئی اور اختراعی مصنوعات پر توجہ مرکوز کر کے اپنے منافع کو دوبارہ حاصل کرنے کے لیے سخت محنت کر رہی ہے۔ کمپنی تنظیم نو اور لاگت پر قابو پانے کے اقدامات میں مصروف ہے جس کے نتیجے میں انتظامی ڈھانچہ زیادہ موثر ہو گیا ہے۔ ہم نئے ورلڈ آرڈر میں مسابقتی ہونے کی ضرورت کو سمجھتے ہیں اور ہمارے اس عمل کا مقصد کمپنی کو اپنے اسٹیک ہولڈرز کے لیے بہتر منافع حاصل کرنے میں مدد کرنا اور صنعتی قائد بننے کی کوشش کرنا ہے۔

کمپنی اپنے صارفین کے ساتھ تعلقات کو فروغ دینا جاری رکھے گی اور ان کی ضروریات کو پورا کرنے کے لیے ان کے ساتھ کام کرے گی۔ کمپنی کی انتظامیہ مستقبل میں کارکردگی کو بہتر بنانے کی مسلسل کوشش کرے گی۔ ملک کے قدیم ترین مالیاتی ادارے میں سے ایک کے طور پر، ہم ایک چیلنجنگ اور مسابقتی کاروباری ماحول میں پائیدار ترقی کے لیے پرامید ہیں۔

میں اس موقع پر بورڈ آف ڈائریکٹرز، سیکریٹریز اینڈ ایگزیکٹو کمیشن آف پاکستان کی مسلسل حمایت و رہنمائی پر ان کا شکریہ ادا کرنا چاہتا ہوں اور ان کا بے حد مشکور ہوں۔ میں کمپنی کی فیلڈ فورس، آفیسرز اور اسٹاف اور تمام اسٹیک ہولڈرز کا بھی شکریہ ادا کرنا چاہتا ہوں۔

خالد بشیر

چیز مین

Report of the Directors to Members

The directors of your Company are pleased to present the 70th Annual Report of the Company together with the audited financial statements and Auditors' Report thereon for the year ended December 31, 2021.

Economic Situation

The period under review saw an upturn in economic activities in the world economies as the pandemic became somewhat under control because of coordinated efforts at vaccination. Pakistan's economy also showed resilience and witnessed a combination of recovery and growth with a real GDP growth of 3.94%. However the recovery brought with it an increase in inflation, prices of commodities, especially oil and a current account deficit which led to a significant weakening of the Pakistan rupee. The State Bank of Pakistan moved swiftly to counter this through a rapid increase in discount rates.

Pakistan received US dollar 2.75 billion under the IMF's new special program for the countries combating the pandemic. The government did focus on strengthening and enhancing social protection measures for those who could not recover from internal and external economic shocks. Pakistan Stock Exchange had a mixed year with mostly range-bound, the 100 index closed at 43,653 points at the year end.

Performance Review

Following is the overall performance of the Company for the year ended December 31, 2021

	Conventional		Takaful	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
	(Rupees in ` 000)			
Premium / contribution written	602,428	532,726	168,042	74,699
Net Premium / contribution	246,737	195,194	57,320	59,812
Underwriting Result	(211,059)	(183,788)	(16,394)	(3,567)
Investment Income / (loss)	151,791	22,366	403	2,149
(Loss) before taxation	(19,311)	(110,036)	(14,425)	(457)
(Loss) after taxation	(27,534)	(117,112)	-	-
(Loss) per share	(0.54)	(2.32)		

Conventional Operations

Gross Written Premium increased by 13.08% and Net Premium increased by 26.4% as compared to the corresponding period. The Fire, Marine and Health business increased by 8.52%, 29.29% and 28.58% respectively whereas Motor business reduced by 13.58% as compared to the last year.

Window Takaful Operations

Company's Window Takaful Operations reported an increase of 124.96% in gross contribution as compared to the last year. The main contributor of this growth are Fire, Motor and Health that are increased by 72.08%, 123.42% and 156.45% respectively. The overall claim ratio increased as compared to last year due to which Takaful Operation deficit has increased to Rs. (14.42) million as against Rs. (0.45) million of last year.

During the period under review, gross claims show significant increase on account of large claims in Fire and frequent claims in Health. Three major Fire claims were reported during the year under review affecting major insurance companies. Our share of the loss was mitigated through better risk retention measures on treaty and facultative arrangements. This helped us reduce our share of the losses. Without these losses the underwriting results would have been better by Rs. 53 Million. The company earned Investment income of Rs. 151.79 million compared to Rs. 22.37

Report of the Directors to Members

million in the same period last year. Increase witness in investment income was seen due to one-off dividend income of Rs. 131 million. The management has been continuously striving to reduce general and administrative expenses. In the period under review expenses under this head were lower by 10.79%. Other fixed costs are continuously decreasing which is evident from the comparison of last year because various cost control measure that are being reviewed on an ongoing basis.

Appropriation of Profit/ (Loss)

The loss after tax during this year is Rs. (27.53) million as against the loss after tax of Rs. (117.11) million of last year.

Credit Rating

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

Annual Evaluation of the Board's Performance

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

Future Outlook

Pakistan enters 2022 in a substantially less adverse position than the one in which it entered 2021. The growth momentum continues with a more supportive policy framework. GDP continues to march towards the 4.0% - 4.5% range and business confidence is at elevated levels.

In 2022, our focus will be on building on our current market share and increasing the same through better service as well as bringing new products into the market. With increased awareness of insurance, we hope to focus on retail business while maintaining and further improving our business with traditional clients.

Reinsurance/Re Takaful

Reinsurance market has been tough owing to three major losses in the Pakistan market but your Company has been able to renew its Reinsurance and Re-takaful arrangements which are placed with leading international companies, like SCOR Re Asia-Pacific Pte. Ltd., Korean Reinsurance Company, Echo Re, Qain Hai Re, Labuan Re-Takaful, Tunis Re-Takaful.

Corporate and Financial Reporting Framework

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

- I. Proper books of accounts have been maintained by the Company.
- II. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- III. Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- IV. The system of internal controls is sound in design and has been effectively implemented and monitored.
- V. There is no significant doubt about the Company's ability to continue as a going concern.

Report of the Directors to Members

- VI. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- VII. Key operating and financial data for the last six years is annexed with the report.
- VIII. The value of investments of Provident Fund based on an audited financial statements as at December 31, 2020 was Rs. 66.53 million.
- IX. The statement of pattern of shareholding in the Company as at 31 December 2021 is included with the Report.
- X. During 2021, six meetings of the Board were held, with at least one in each quarter, and were attended as follows:

Name of director	Meetings attended
Mr. Khalid Bashir (Chairman)	5
Mr. Nadeem Maqbool (CEO)	6
Mr. Imran Maqbool	6
Mr. Ahsan Bashir	6
Mr. Asadullah Khawaja	6
Mr. Attaullah A Rasheed	5
Mr. Sharik Bashir	6
Ms. Shameen Azfar	6

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

Compliance with the Code of Corporate Governance

A statement of compliance with the Code of Corporate Governance is annexed with this report.

Statement of Ethics and Business Practices

The Board has adopted the Statement of Ethics and Business Practices and placed the same on its website. This has been disseminated to all the employees who are required to observe these rules of conduct in relation to business and regulations.

Board of Directors

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

Directors' Remuneration Policy

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

Board Committees

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

Audit Committee, Ethics, Human Resource, Remuneration & Nomination Committee, Underwriting, Claims, Reinsurance

Report of the Directors to Members

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

Appointment of Auditors

The external auditors M/s. EY Ford Rhodes (Chartered Accountants) retire at the conclusion of the AGM. On the recommendation of the Board's Audit Committee, the Board of Directors has recommended the reappointment of M/s. EY Ford Rhodes (Chartered Accountants) as statutory auditors of the company for the next term i.e., year ending on December 31, 2022 for the approval of the members in the AGM.

Acknowledgement

We would like to thank our valued customers for their continued patronage and support and to our Re-Insurers, Securities and Exchange Commission of Pakistan and State Bank of Pakistan for their guidance and assistance.

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

On behalf of the Board

Chairman

CEO/Director

Karachi, Dated: March 28, 2022

ڈائریکٹر کا نام حاضرا اجلاسوں کی تعداد

5	جناب خالد بشیر (چیئر مین)
6	ندیم مقبول (چیف ایگزیکٹو آفیسر)
6	عمران مقبول
6	احسن بشیر
6	اسد اللہ خواجہ
5	عطاء اللہ اے رشید
6	شارق بشیر
6	شامین اظفر

جوڈائریکٹر اجلاس میں حاضر نہ ہو سکے ان کو غیر حاضری کی رخصت دی گئی۔

ادارتی نظم و نسق کے ضابطہ کی پاسداری:

ادارتی نظم و نسق کے ضابطہ کی پاسداری کا بیانیہ اس رپورٹ کے ساتھ منسلک ہے۔

اخلاقیات اور کاروباری طور طریقوں سے متعلق بیانیہ:

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

بورڈ آف ڈائریکٹرز:

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

ڈائریکٹران کے معاوضہ کی پالیسی:

کمپنیز ایکٹ 2017، سیکشن 201 (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی پاسداری کرتے ہوئے کمپنی کے پاس چیئر مین، چیف ایگزیکٹو، نان ایگزیکٹو اور آزاد ڈائریکٹران کے معاوضہ سے متعلق ایک پالیسی ہے۔ بورڈ آف ڈائریکٹرز نے بورڈ، آڈٹ اور دیگر کمیٹیوں کے اجلاسوں میں شرکت کی فیس منظور کی ہے۔

بورڈ کی کمیٹیاں:

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

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

آڈیٹرز کی تقرری:

بیرونی آڈیٹرز میسرز ای وائی فورڈ رھوڈز (چارٹرڈ اکاؤنٹنٹس) AGM کے اختتام پر ریٹائر ہو جائیں گے۔ لہذا بورڈ کی آڈٹ کمیٹی کی سفارش پر اور ان کی اہلیت کے باعث بورڈ نے میسرز ای وائی فورڈ رھوڈز (چارٹرڈ اکاؤنٹنٹس) بطور کمپنی کے آڈیٹرز مقرر کی مدت یعنی 31 دسمبر 2022 تک ختم ہونے والے سال کے لئے ممبران کے روبرو ان کی منظوری کی سفارش کی ہے۔

اعتراف:

ہم اپنے قابل قدر لوگوں کی مسلسل سرپرستی اور تعاون اور اپنے ری انشوررز، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی رہنمائی اور مدد پر ان کے شکر گزار ہیں۔ آپ کے ڈائریکٹران کمپنی کے تمام آفیسرز، فیلڈ فورس اور اسٹاف کو گہری ستائش پیش کرتے ہیں جنہوں نے کمپنی کی ترقی میں اور اس کے مسلسل کامیاب آپریشنز میں اہم کردار ادا کیا۔

از طرف بورڈ

چیئر مین

سی ای او/ ڈائریکٹر

کراچی، مورخہ: 28 مارچ 2022

ان خساروں کے بغیر مذکورہ کی نتائج 53 ملین روپے تک بہتر ہوئے۔ کمپنی نے 151.79 ملین روپے کی سرمایہ کاری کی آمدنی حاصل کی جو گزشتہ سال کی اسی مدت میں 22.37 ملین روپے تھی۔ سرمایہ کاری کی آمدنی میں 131 ملین روپے کا اضافہ ایک طرف ڈیوڈنڈ آمدنی کی وجہ سے دیکھا گیا۔ انتظامیہ عمومی اور انتظامی اخراجات کو کم کرنے کے لیے مسلسل کوشاں ہے۔ زیر جائزہ مدت میں اخراجات 10.79 فیصد کم تھے۔ دیگر لاگتوں میں گزشتہ سال کے مقابلے میں مسلسل کمی آ رہی ہے کیونکہ لاگت پر قابو پانے کے مختلف اقدامات کا مسلسل جائزہ لیا جا رہا ہے۔

منافع/ (خسارہ) کی تخصیص:

دوران سال بعد از ٹیکس خسارہ (27.53) ملین روپے ہوا جبکہ گزشتہ سال بعد از ٹیکس خسارہ مبلغ (117.11) ملین روپے تھا۔

کریڈٹ ریٹنگ:

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

بورڈ کی کارکردگی کی سالانہ تنقید:

ادارتی نظم و ضبط کے ضابطہ کے تحت بورڈ نے اپنی کارکردگی کی سالانہ تنقید کیلئے ایک نظام تیار کیا ہے۔

مستقبل کی پیش بینی:

پاکستان 2022 میں داخل ہو رہا ہے جو کہ 2021 کے مقابلے میں منفی پوزیشن میں ہے۔ ترقی کی رفتار مزید معاون پالیسی فریم ورک کے ساتھ جاری ہے۔ جی ڈی پی 4.0% - 4.5% کی حد کی طرف بڑھ رہی ہے اور کاروباری اعتماد بلند سطح پر ہے۔

2022 میں، ہماری توجہ ہمارے موجودہ مارکیٹ شیئر کو بڑھانے اور بہتر سروس کے ساتھ ساتھ نئی پروڈکٹس کو مارکیٹ میں لانے پر مرکوز ہوگی۔ بیمہ کے بارے میں آگاہی میں اضافے کے ساتھ، ہم امید کرتے ہیں کہ روایتی کلائنٹس کے ساتھ اپنے کاروبار کو برقرار رکھتے ہوئے اور اسے مزید بہتر بناتے ہوئے ریٹیل کاروبار پر توجہ مرکوز کریں گے۔

دہریہ کاری/ دہراہکاف:

پاکستان کی مارکیٹ میں تین اہم نقصانات کے باعث دہریہ بیماری کاری مشکلات کا شکار رہی ہے لیکن آپ کی کمپنی بہت زیادہ مستحکم دہریہ بیمہ کاری اور دہریہ ہفکافل کے اہتمامات سے استفادہ کر رہی ہے جن کا شمار قائدانہ عالمی سکیورٹیز سے ہے جن میں SCOR Globa P&C، کورین ری انشورنس کمپنی، ایکوری، امیرٹس انٹرنیشنل، GIC ری دبئی، لایون ری ہفکافل، GIC ری ہفکافل شامل ہیں۔

ادارتی اور مالیاتی رپورٹنگ کا فریم ورک:

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

- ۱۔ کمپنی کے کھاتوں کی کتابیں مناسب انداز میں رکھی گئی ہیں۔
- ۲۔ کمپنی کے مالیاتی گوشواروں کی تیاری میں تسلسل کے ساتھ مناسب حساباتی پالیسیاں اختیار کی گئی ہیں اور حساباتی تخمینوں کی بنیاد محطاط اور مناسب فیصلوں پر ہے۔
- ۳۔ منظور شدہ رپورٹنگ کے عالمی مالیاتی معیارات (IFRS) جو کہ پاکستان میں نافذ ہیں ان کی مالیاتی گوشواروں کی تیاری میں بیرونی کی گئی ہے اور کسی بھی انحراف کو مناسب انداز میں مکشف کیا گیا ہے۔
- ۴۔ انٹرنل کنٹرول کے نظام کو مضبوط طرز پر بنایا گیا ہے اور اس کا موثر طور پر نفاذ کیا گیا ہے اور نگرانی کی جاتی ہے۔
- ۵۔ کمپنی کے مسلسل چلتے ہوئے ادارے کی حیثیت میں کوئی قابل ذکر شک وشبہ نہیں ہے۔
- ۶۔ کاروباری نظم و نسق کے بہترین طور طریقے جن کی وضاحت لسٹنگ ریگولیشنز میں کی گئی ہے سے کوئی بڑا انحراف نہیں ہوا۔
- ۷۔ گزشتہ چھ سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار اس رپورٹ کے ساتھ منسلک ہیں۔
- ۸۔ پروویڈنٹ فنڈ سے لگی سرمایہ کاریوں کی مالیت ان کے آڈٹ شدہ مالیاتی گوشواروں مختتمہ 31 دسمبر 2020 کے مطابق 66.53 ملین روپے ہیں۔
- ۹۔ 31 دسمبر 2021 کو کمپنی کی حصص داری کی ساخت اس رپورٹ میں شامل کی گئی ہے۔
- ۱۰۔ سال 2021 کے دوران بورڈ کے چھ اجلاس ہوئے، ہر سہ ماہی میں کم از کم ایک اور جن میں حاضری درج ذیل رہی:

ڈائریکٹرز رپورٹ برائے ممبران

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے آڈٹ شدہ مالیاتی گوشوارے برائے ختمہ سال 31 دسمبر 2021 اور آڈیٹرز رپورٹ کے ساتھ کمپنی کی 70 ویں سالانہ رپورٹ پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

معاشی صورتحال:

دوران جائزہ مدت عالمی معیشت میں اقتصادی سرگرمیوں میں رجحان دیکھا گیا کیونکہ ویکسینیشن کی کوششوں کے باعث وبائی مرض میں کافی حد تک قابو پایا گیا۔ پاکستان کی معیشت میں بھی بہتری آئی اور 3.94 فیصد کی حقیقی جی ڈی پی شرح نمو کے ساتھ ریکوری اور ترقی کے امتزاج کا مشاہدہ کیا گیا۔ تاہم ریکوری نے اس کے ساتھ مہنگائی، اجناس، خاص طور پر تیل کی قیمتوں اور کرنٹ اکاؤنٹ خسارے میں اضافہ کیا جس کے باعث پاکستانی روپے کی قدر میں نمایاں کمی ہوئی۔ ڈسکاؤنٹ ریٹس میں تیزی سے اضافہ کے ذریعے اسٹیٹ بینک آف پاکستان اس کا مقابلہ کرنے کیلئے حرکت میں آیا۔

IMF کے نئے خصوصی پروگرام کے تحت وبائی امراض کا مقابلہ کرنے والے ممالک کے طور پر پاکستان کو 2.75 بلین امریکی ڈالر وصول ہوئے۔ حکومت نے اندرونی اور بیرونی معاشی مسائل کے شکار افراد کے لئے سماجی تحفظ کے اقدامات کو مضبوط بنانے اور اس میں اضافہ پر توجہ دی۔ پاکستان اسٹاک ایکسچینج کی صورتحال ملی جلی رہی جو کہ سال کے اختتام پر 100 انڈیکس 43,653 پوائنٹس پر بند ہوا۔

کارکردگی کا جائزہ:

کمپنی کی مجموعی کارکردگی درج ذیل ہے:

نکاحل	روایتی	31 دسمبر 2020	31 دسمبر 2021
31 دسمبر 2020	31 دسمبر 2021	31 دسمبر 2020	31 دسمبر 2021
		(روپے '000)	
74,699	168,042	532,726	602,428
59,812	57,320	195,194	246,737
(3,567)	(16,394)	(183,788)	(211,059)
2,149	403	22,366	151,791
(457)	(14,425)	(110,036)	(19,311)
-	-	(117,112)	(27,534)
-	-	(2.32)	(0.54)

روایتی آپریشنز:

کمپنی کے مجموعی تحریری پریمیئم میں 13.08 فیصد اور خالص پریمیئم میں 26.4 فیصد اضافہ ہوا جس کا موازنہ گزشتہ سال کی اسی مدت سے کیا جاسکتا ہے۔ فائر، میرین اور صحت کے کاروبار میں بالترتیب 8.52 فیصد، 29.29 فیصد اور 28.58 فیصد اضافہ ہوا جبکہ موٹر ویکل کے کاروبار میں گزشتہ سال کی اسی مدت کے مقابلے میں 13.58 فیصد کمی ہوئی۔

ونڈ نکاحل آپریشنز:

کمپنی کے ونڈ نکاحل آپریشنز کے خام تحریری کٹری بیوشن میں گزشتہ سال کی اسی مدت کے مقابلے میں 124.96 فیصد اضافہ ہوا۔ شرح نمو کے اہم ذرائع فائر، میرین اور صحت کے کاروبار میں بالترتیب 72.08 فیصد، 123.42 فیصد اور 156.54 فیصد اضافہ ہوا، گزشتہ سال کے مقابلے میں مجموعی کلیم کے تناسب میں اضافہ ہوا جس کی وجہ سے نکاحل آپریشن کا خسارہ بڑھ کر (14.42) ملین روپے ہو گیا جو گزشتہ سال (0.45) ملین روپے تھا۔

زیر جائزہ مدت کے دوران، فائر کے بڑے کلیمز اور صحت میں متواتر کلیمز کے باعث مجموعی کلیمز میں نمایاں اضافہ ہوا۔ زیر جائزہ سال کے دوران تین بڑے فائر کلیمز رپورٹ کیے گئے جو بڑی انشورنس کمپنیوں کو متاثر کرتے ہیں۔ ٹریٹی اور فیکلٹیڈ انتظامات پر بہتر خطرے کو برقرار رکھنے کے اقدامات کے ذریعے ہمارے خسارہ کے حصہ کو کم کیا گیا۔ اس سے ہمیں خسارہ کو کم کرنے میں مدد ملی۔

Statement of compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019 for the Year ended December 31, 2021.

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

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

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

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

*The company has applied for the appointment of Mr. Attaullah A. Rasheed as independent director to SECP. However, SECP have not approved such request on the basis that Mr. Attaullah A. Rasheed has completed 3 consecutive term of directorship prior to fresh election held in 2020. The company is moving actively to fulfill the requirement of the Code.

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

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, excluding the listed subsidiary of a listed holding company, including this company.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFIs, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
5. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct, has ensured that appropriate steps have been taken to disseminate it

throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained by the company.
7. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations. These include material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers.
8. The meetings of the Board were presided over the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated. The Board has complied with the requirement of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
9. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and COG Regulations, 2019.
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 been provided appropriate material/guidelines on the orientation course as such they are fully aware of their duties and responsibilities. Two of the directors are certified under Directors' training program while other meet the criteria of eligibility having 15 years of experience on the Board of listed companies and 14 years of education as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019.
12. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, and complied with the relevant requirement of the Regulations.

13. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and CCG Regulations, 2019 and fully describes the salient matters required to be disclosed.
14. The Chief Financial Officer and the Chief Executive Officer duly endorsed the financial statements before the approval of the Board.
15. The director, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed the following Management Committees:

Underwriting Committee:

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

Claim Settlement Committee:

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

Reinsurance & Co-insurance Committee:

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

Risk Management & Compliance Committee:

Name of Member	Category
Ms. Shameen Azfar	Chairman
Mr. Nadeem Maqbool	Member
Mr. Sharik Bashir	Member
Mr. Amjed Bahadur Ali	Member
Ms. Niina Afridi	Secretary

18. The Board has formed the following Board Committees:

Ethics, Human Resource, Remuneration & Nomination Committee:

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

Investment Committee:

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

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

Audit Committee:

Name of Member	Category
Mr. Asadullah Khawaja	Chairman
Mr. Khalid Bashir	Member
Mr. Imran Maqbool	Member
Mr. Rao Ali Zeeshan	Secretary

20. The meetings of the Committees, except Ethics, Human Resource, Remuneration & Nomination Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the Committees have been formed and advised to the Committees for compliance.
21. The Board has set up an effective internal audit department which comprises of suitably qualified and experience staff for the purpose and are conversant with the policies and procedures of the company and are involved in the internal audit function on full time basis.
22. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. Moreover, the persons heading the underwriting, claim, reinsurance. Risk management and grievance functions/departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No, XXXIX of 2000):

Name of Person**Designation**

Mr. Nadeem Maqbool	Chief Executive Officer
Mr. Amjed Bahadur Ali	Chief Financial Officer
Mr. Fariq M.K Rohilla	Company Secretary
Mr. Sharik Bashir	Executive Director
Ms. Niina Afridi	Compliance Officer
Mr. M. K. Baig	Head of Marketing
Mr. Afzal ur Rahman	Head of Operations
Mr. Rao Ali Zeeshan	Head of Internal Audit
Mr. M. A. Hannan Shadani	Head of Underwriting
Mr. Kamran Safi Rizvi	Head of Reinsurance.
Mr. Hassan Mustafa	Head of Claims

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

24. The statutory auditors or the persons associated with them have not been appointed to provide other services in accordance with the Companies Act, 2017, the Regulations or any other regulatory requirements and the auditors have confirmed that they have observed IFAC guidelines in this regard.

25. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.

26. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code.

27. The Company has set up a risk management function, which carries out its tasks as covered under the Code.

28. The Board ensures that as part of the risk management system, the Company gets itself rated from PACRA which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency. On August 26, 2021 is "A" with Negative outlook.

29. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of any requirement of the Code.

30. The Board has set up a grievance function, which fully complies with the requirements of the Code.

31. The 'closed period', prior to the announcement of interim / final

results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.

32. Material/price sensitive information has been disseminated amongst all market participants at once through Pakistan Stock Exchange.

33. The Board has developed and approved the criteria for annual evaluation of its own performance as per the requirement of the code.

34. The Company has complied with the requirements relating to maintenance of register of person having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said register.

35. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

36. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

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

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

By Order of the Board

Chairman

Chief Executive Officer

Karachi, Dated:



EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Premier Insurance Limited (the Company)

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

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance prepared by the Board of Directors of **Premier Insurance Limited** for the year ended **31 December 2021** in accordance with the requirements of Code of Corporate Governance for Insurers, 2016 (the Code) and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulation).

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach.

We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code and Regulation as applicable to the Company for the year ended 31 December 2021.

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

Reference	Description
2	There is only one independent director on the Board of Directors of the Company.
36	The HR and Remuneration committee does not have any independent director. The Chairman of HR and Remuneration committee is not an independent director.

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Chartered Accountants

Place: Karachi

Date: 01 April 2022



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INDEPENDENT AUDITOR'S REPORT

To the members of Premier Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements, which comprise the statement of financial position as at **31 December 2021**, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2021 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter(s)

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

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S. No.	Key audit matters	How the matter was addressed in our audit
1	Liabilities in respect of insurance contracts	
	<p>As disclosed in notes 3.17 and 23.2 to the annexed financial statements, the Company's liability relating to outstanding claims including Incurred but not reported (IBNR) aggregating to Rs.1026.820 million, which represent 47.83% of the Company's total liabilities.</p> <p>Valuation of these claim liabilities involves management judgement regarding uncertainty in the estimation of claim payments, and assessment of frequency and severity of claims. Claims liabilities are recognized on intimation of the insured event based on management judgement and estimation based on the advice of an independent surveyor.</p> <p>Furthermore, the Company also maintains a provision for claims including IBNR based on the advice of an independent actuary. The actuarial valuation process involves significant judgement and the use of actuarial assumptions.</p> <p>Due to the high level of judgment and estimation required to determine the obligations relating to outstanding claims including IBNR, we consider it to be a Key Audit Matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> - Obtained an understanding and tested relevant controls over the process of capturing, processing and recording of information related to the claims, and recoveries from reinsurance arrangements; - Assessed the appropriateness of the Company's accounting policy for recording of claims in line with the requirements of applicable accounting and reporting standards; - Obtained an understanding of the work performed by the management for determining provision for claims Incurred But Not Reported and tested underlying data used; - Tested, on sample basis, claims transactions with the underlying documentation to evaluate whether the claims reported are recorded in accordance with the Company's policy and applicable insurance regulations, and assessed the sufficiency of reserving claim liabilities; - Inspected significant arrangements with reinsurers to obtain an understanding of contracts terms and tested on sample basis the recoveries from reinsurers based on their respective arrangements; - Used an external 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; and - Examined the adequacy of the disclosures made by the Company with regard to applicable accounting and reporting standards.

Signature

S. No.	Key audit matters	How the matter was addressed in our audit
2	<p>Revenue Recognition - Premium Earned</p> <p>Refer notes 3.13 and 22 to the financial statements relating to revenue recognition policy and net insurance premium respectively.</p> <p>The Company earns revenue primarily from premium income, which amounts to Rs. 560.935 million (2020: 496.474 million) representing 13% increase. This income stream comprises of five segments: (i) Fire and property damage, (ii) Marine, aviation and transport, (iii) Motor, (iv) Health and (v) Miscellaneous.</p> <p>We have identified revenue recognition from premium income as a key audit matter as it is one of the key performance indicators of the Company and hence due to risk over occurrence, revenue may not be appropriately recorded.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> - Obtained an understanding of, evaluated the design and tested the controls over the process of policy-writing, processing and recording of premium; - Assessed the appropriateness of the Company's accounting policy for recording of premium and in line with the requirements of applicable law, accounting and reporting standards; - Traced the premium recorded on sample basis from the underlying policies issued to insurance contract holders and applying substantive analytical procedures to corroborate with economic environment and usual policy-writing patterns; - Tested the policies on sample basis where policies were written close to year end and subsequent to year end, 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; - Assessed the appropriateness of disclosures in the financial statements in relation to premium income.

S. No.	Key audit matters	How the matter was addressed in our audit
3	<p>Existence and valuation of investments</p> <p>As disclosed in note 8 to the accompanying financial statements of the Company for the year ended 31 December 2021, the Company has investments in equity securities and units of open end mutual funds amounting to Rs.788.225 million, which have been classified under the available for sale category, representing 22.65% of total assets of the Company.</p> <p>These investments are valued based on the quoted prices and considered for impairment in case of a significant or prolonged decline in value.</p> <p>We have identified the valuation of investments as a key audit matter due to volatility of share prices during the year, its impact on the financial statements and the management judgements that may be required in making the assessments about the impairment of financial assets.</p> <p>(Refer to notes 3.15 and 8 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> - We reviewed the appropriateness of the accounting policies and practices followed by the Company to recognize impairment of equity investments on the basis of the requirements of the financial reporting standards. - We obtained an understanding of the procedures applied by the Company to identify impairments in the equity and mutual fund portfolio and observed the applications of such procedures; - We evaluated management's assessments of the indicators for impairment and compared the quoted values of equity investments and net asset values of mutual funds with their cost to check that the Company's policy for impairment is consistently applied and impairment charge is appropriately recognized; - We checked the valuations of equity investments on the basis of quoted market prices at the Pakistan Stock Exchange Limited and valuation of mutual funds based on net assets values as at 31 December 2021; and - We also assessed the adequacy of the overall disclosures in the financial statements in respect of the equity investment portfolio in accordance with the requirements of the financial reporting framework as applicable to the Company.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.



Chartered Accountants
Karachi
Date: 01 April 2022

Statement Of Financial Position

As at 31 December 2021

	Note	2021	2020
(Rupees in `000)			
Assets			
Property and equipment	5	213,569	221,735
Intangible assets	6	1,109	1,978
Investment properties	7	297,740	275,740
Investments			
- Equity securities	8	724,433	829,168
- Mutual funds	8	63,792	59,765
Investment in associate	9	405,040	373,069
Loans and other receivables	10	52,323	62,941
Insurance / reinsurance receivables	11	587,493	655,338
Reinsurance recoveries against outstanding claims	23	714,347	405,249
Salvage recoveries accrued		-	1,805
Deferred commission expense	24	19,206	19,549
Taxation - provision less payment		20,613	3,311
Deferred tax asset	21	47,833	46,425
Prepayments	12	166,616	155,688
Cash and bank	13	75,964	37,590
		3,390,078	3,149,351
Total Assets of Window Takaful Operations - Operator's Fund		89,280	99,929
Total Assets		3,479,358	3,249,280
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	14	505,650	505,650
Reserves	15	1,653,748	1,629,308
Accumulated losses	15	(827,015)	(798,049)
Total Equity		1,332,383	1,336,909
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	23	1,026,820	700,569
Unearned premium reserves	22	319,480	277,987
Unearned reinsurance commission	24	22,358	21,079
Retirement benefit obligations	16	7,690	5,296
Lease liabilities	18	10,218	10,222
Insurance / reinsurance payables		420,332	548,928
Other creditors and accruals	19	274,067	262,187
Unclaimed dividends		22,750	22,773
Total Liabilities		2,103,715	1,849,041
Total Liabilities of Window Takaful Operations - Operator's Fund		43,260	63,330
Total Equity and Liabilities		3,479,358	3,249,280
Contingencies and commitments		20	

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

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Statement Of Profit And Loss Account

For the Year Ended 31 December 2021

	Note	2021	2020
		(Rupees in '000)	
Net insurance premium	22	246,737	195,194
Net insurance claims	23	(231,182)	(112,290)
Net commission expense and other acquisition costs	24	(13,571)	(27,873)
Insurance claims and acquisition expenses		(244,753)	(140,163)
Management expenses	25	(213,043)	(238,819)
Underwriting results		(211,059)	(183,788)
Investment income	26	151,791	22,366
Rental income		4,163	4,028
Revaluation gain on investment property		22,000	4,105
Other income	27	30,629	43,671
Other expenses	28	(5,658)	(2,312)
Results of operating activities		(8,134)	(111,930)
Finance costs		(1,373)	(1,547)
Share of profit from associate		11,697	2,332
Profit / (loss) before tax from General Insurance Operations		2,190	(111,145)
(Loss) / profit before tax from Window Takaful			
Operations - Operator's Fund		(21,501)	1,109
Loss before tax		(19,311)	(110,036)
Income tax expense	29	(8,223)	(7,076)
Loss after tax		(27,534)	(117,112)
Loss per share - Rupees	30	(0.54)	(2.32)

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

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Statement Of Comprehensive Income

For the Year Ended 31 December 2021

	Note	2021	2020
		(Rupees in ` 000)	
Loss after tax		(27,534)	(117,112)
Other comprehensive income:			
Unrealized gain on available-for-sale investments during the year	35	2,166	166,861
Re-measurement of defined benefit plan for the year - net of tax		(1,432)	129
Share of other comprehensive income from associated company		22,274	130,008
Other comprehensive income for the year		23,008	296,998
Total comprehensive (loss) / income for the year		(4,526)	179,886

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

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Statement Of Changes In Equity

For the Year Ended 31 December 2021

	Share capital	Reserves								
		Capital reserves			Revenue reserves					
		Issued, subscribed and paid-up	Reserve for exceptional losses	Devaluation reserve	General reserve	Revaluation Reserves - Available for sale investments of the Company and associate	Revaluation Reserves - Property and Equipment	Accumulated losses	Total reserves	Total equity
(Rupees in ` 000)										
Balance as at 01 January 2020	505,650	19,490	185	996,851	280,054	35,859	(681,066)	651,373	1,157,023	
Loss for the year ended 31 December 2020	-	-	-	-	-	-	(117,112)	(117,112)	(117,112)	
Other comprehensive income for the year	-	-	-	-	296,869	-	129	296,998	296,998	
Total comprehensive Income / (loss) for the year ended 31 December 2020	-	-	-	-	296,869	-	(116,983)	179,886	179,886	
Balance as at 31 December 2020	505,650	19,490	185	996,851	576,923	35,859	(798,049)	831,259	1,336,909	
Balance as at 01 January 2021	505,650	19,490	185	996,851	576,923	35,859	(798,049)	831,259	1,336,909	
Loss for the year ended 31 December 2021	-	-	-	-	-	-	(27,534)	(27,534)	(27,534)	
Other comprehensive income / (loss) for the year	-	-	-	-	24,440	-	(1,432)	23,008	23,008	
Total comprehensive Income / (loss) for the year ended 31 December 2021	-	-	-	-	24,440	-	(28,966)	(4,526)	(4,526)	
Balance as at 31 December 2021	505,650	19,490	185	996,851	601,363	35,859	(827,015)	826,733	1,332,383	

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

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Statement Of Cashflows

For the Year Ended 31 December 2021

	Note	2021	2020
(Rupees in ` 000)			
Operating cash flows			
a) Underwriting activities			
Insurance premium received		676,055	511,238
Reinsurance premium paid		(448,210)	(235,813)
Claims paid	23	(502,036)	(194,701)
Reinsurance and other recoveries received	23	289,255	73,137
Commission paid		(40,112)	(55,740)
Commission received		44,585	42,792
Other acquisition costs paid		(16,000)	(22,782)
Management expenses paid		(207,935)	(256,770)
Net cash used in underwriting activities		(204,398)	(138,639)
b) Other operating activities			
Income tax paid		(9,079)	(11,490)
Other operating payments		6,422	(11,199)
Other operating receipts		24,266	35,164
Loans advanced, deposits (received) / made		(12,598)	11,401
Other liabilities paid / (received)		12,396	(7,024)
Total cash generated from other operating activities		21,407	16,852
Total cash used in all operating activities		(182,991)	(121,787)
Investment activities			
Profit / return received		161,208	49,192
Rental received		4,163	4,028
Payment for investments made		(256,561)	(68,063)
Proceeds from investments disposed		350,038	87,234
Fixed capital expenditure incurred		(1,477)	(5,029)
Proceeds from sale of property and equipment		(32,756)	4,374
Total cash flow generated from investing activities		224,615	71,736
Financing activities			
Finance cost paid		(17)	(1,547)
Dividend paid		(23)	(2,754)
Payment of lease liability		(3,210)	(3,254)
Total cash used in financing activities		(3,250)	(7,555)
Net cash generated from / (used in) all activities		38,374	(57,606)
Cash and cash equivalents at beginning of the year		37,590	95,196
Cash and cash equivalents at end of the year	13	75,964	37,590

Statement Of Cashflows

For the Year Ended 31 December 2021

	Note	2021	2020
(Rupees in ` 000)			
Reconciliation to profit and loss account			
Operating cashflows		(182,991)	(121,787)
Depreciation and amortization expense	25	(10,156)	(12,166)
Finance costs		(1,373)	(1,547)
Gain on sale of operating fixed assets	27	6,293	3,587
Net realized (loss) / gain on investments	26	(19,659)	25,386
Impairment in value of available for sale securities		(9,397)	(26,996)
Rental income		4,163	4,028
Dividend income	26	179,706	24,254
Other income	27	23,490	40,084
Share of profit of associates		11,697	2,332
(Loss) / profit from Window Takaful Operations - Operator's Fund	17	(21,501)	1,109
Increase in assets other than cash		224,872	72,546
Decrease in liabilities other than borrowings		(254,678)	(132,047)
Gain on revaluation of investment property		22,000	4,105
Loss after taxation		(27,534)	(117,112)
Definition of cash and cash equivalent			
Cash and cash equivalent comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits having maturing 3 months from the date of acquisition.			
Cash for the purpose of the statement of cash flows consists of:			
Cash and other equivalent			
Cash		-	-
Stamps in hand		258	184
		258	184
Current and other accounts			
Current accounts		6,624	10,354
PLS account		69,082	27,052
		75,706	37,406
Total cash and cash equivalent		75,964	37,590

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

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (the Company) was incorporated as a public limited Company in Pakistan in May 1952 and is engaged in general insurance business. The shares of the Company are listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 5th Floor, State Life Building No. 2A, Wallace Road, Off. I.I. Chundrigar Road, Karachi. The Company has been allowed to work as Window Takaful Operator since 02 October 2015 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

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

Head office - Registered Office

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

Branches

i) Province of Punjab, Pakistan:

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

ii) Province of Sindh, Pakistan:

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

iii) Province of Khyber Pakhtunkhwa, Pakistan:

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

iv) Islamabad Capital Territory

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

- International Financial Reporting Standards (IFRS), Interim Financial Reporting (IAS) 34 issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

2.1.2 The total assets of Operator Fund of WTO include an amount of Rs. 44,403 million (2020: Rs. 83,020 million) being Qard-e-Hasna receivable from Participant Takaful Fund of WTO. In accordance with the Takaful Rules, 2012, if at any point in time, assets in Participant Takaful Fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period.

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

Standard or Interpretation

- IFRS 16 and IAS 39 - Interest Rate Benchmark Reform Phase 2 (Amendments)
- Covid-19 related rent concessions beyond 30 June 2021 (Amendment to IFRS 16)

The adoption of the above Standards / amendments and improvements to accounting standards did not have any effect on the Company's financial statements.

2.5 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
- Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
- Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
- Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
- Classification of liabilities as current or non-current - Amendment to IAS 1	January 01, 2023
- Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 01, 2023
- IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 01, 2022
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

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

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

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
- IFRS 1 – First time adoption of IFRSs	01 July 2009
- IFRS 17 – Insurance Contracts	01 January 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

3.1.1 Operating assets

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

Rates of depreciation:

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

Buildings are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

to profit and loss account by applying the straight line method from the availability of assets to the date of disposal.

Rates of depreciation:

- Buildings 5%

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

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

3.1.2 Capital work in progress

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

3.1.3 Impairment of operating fixed assets

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

3.2 Intangible assets

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

Rate of amortization used is 30%.

3.2.1 Impairment of intangible assets

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

3.3 Investment properties

Investment property is measured at purchase cost on initial recognition including directly attributable to the acquisition of the investment property and subsequently at fair value with any change therein recognized in profit and loss account. The fair value is assessed by the involvement of an individual qualified valuation expert at the end of each reporting date. Subsequently cost is included in the carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account.

3.4 Insurance contracts

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

Fire and property damage

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

Marine, aviation and transport

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

Motor

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

Accident and health

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

Miscellaneous

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

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

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

3.5 Deferred commission expense / Acquisition cost

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

3.6 Unearned premium reserve

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

3.7 Premium deficiency reserve

The Company is required as per insurance rules 2017 and IFRS 4 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense and commission and other underwriting expenses, expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business at the balance sheet date. The charge for premium deficiency reserve is recorded in the profit and loss account.

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

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

3.8 Re-insurance contracts held

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

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

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

3.9 Reinsurance recoveries against outstanding claims

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

3.10 Receivables and payables related to insurance contracts

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

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

3.11 Segment reporting

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

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

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

3.12 Cash and cash equivalents

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

3.13 Revenue recognition

a) Premium / Underwriting result

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

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

b) Commission income

Commission income from other insurers / re-insurers is deferred and recognized as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any under the terms of reinsurance arrangement is recognized when the company's right to receive the same are established.

c) Investment income

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

d) Dividend income

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

e) Return on bank accounts

Return on bank accounts are accounted for on accrual basis.

f) Rental Income

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

3.14 Claim

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

3.15 Investments

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

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

3.15.1 Held-for-trading

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

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

3.15.2 Held-to-maturity

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

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

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

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

3.15.3 Available-for-sale

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

Quoted

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

Unquoted

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

3.15.4 Recognition / de-recognition of investments

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

3.15.5 Investment in Associates - Equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognized at cost and the carrying amount is adjusted to recognize the investor's share of the profit and loss, distribution received and change in the comprehensive income and equity of the investee at the end of each reporting period .

The carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to the profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

3.15.6 Impairment in investments

Impairment is recognized based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

3.16 Offsetting of financial assets and liabilities

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

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

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

Outstanding claims

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

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

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

Incurred But Not Reported (IBNR) Claims

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

3.18 Taxation

Current

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

Deferred

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

3.19 Staff retirement benefits

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

3.19.1 Employees' compensated absences

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

3.19.2 Defined contribution plan

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

3.19.3 Defined benefit plan

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

The latest actuarial evaluation was carried out as at December 31, 2021. The liability / asset recognized in the balance sheet is the present value of defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability/asset for the

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

3.20 Leases

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

3.21 Prepayment

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

3.22 Other creditors and accruals

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

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

3.23 Loans and other receivables

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

3.24 Financial Instruments

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

3.25 Lease liability and right of use asset

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease

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payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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

3.26 Earnings per share

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

3.27 Zakat

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

3.28 Dividend distribution

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

3.29 Management expenses

Management expenses note is prepared in accordance with the requirements of Insurance Rules, 2017. The Company adopts accrual basis of accounting for its expense recognition. All expenses of management have been allocated between conventional and window takaful operators fund on the basis of premium and contribution underwritten.

Notes To And Forming Parts Of The Financial Statements

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3.30 Contingencies

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

3.31 Share Capital and reserves

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2020.

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

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

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

Notes To And Forming Parts Of The Financial Statements

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5. PROPERTY AND EQUIPMENT

	Note	2021	2020
		(Rupees in 000)	
Operating fixed assets	5.1	179,073	186,991
Capital work-in-progress	5.2	26,109	26,109
Right of use assets	5.3	8,387	8,635
		213,569	221,735

5.1 Operating fixed assets

Particulars	2021									
	Cost				Accumulated Depreciation					Depreciation Rate
	As at 01 January 2021	Additions / (Disposals)	Transfers / Adjustments	As at 31 December 2021	As at 01 January 2021	Depreciation for the year / (disposals)	Transfers/ Adjustments	As at 31 December 2021	Written down value as at 31 December 2021	
	(Rupees in 000)									
Land	140,450	-	-	140,450	-	-	-	-	140,450	-
Building	21,551	-	-	21,551	11,993	1,004	-	12,997	8,554	5%
		-				-				
Computer equipment	21,898	452	-	13,539	18,212	1,159	-	10,809	2,730	30%
		(8,811)				(8,562)				
Office equipment	10,698	153	-	10,012	5,717	488	-	5,584	4,428	10%
		(839)				(621)				
Furniture and fixtures	25,488	-	-	25,440	17,391	808	-	18,163	7,277	10%
		(48)				(36)				
Vehicles (Owned)	58,643	872	14,102	66,996	43,618	2,832	10,246	51,362	15,634	20%
		(6,621)	-			(5,334)				
Vehicles (Leased)	15,196	-	(14,102)	-	10,002	1,033	(10,246)	-	-	20%
		(1,094)				(790)				
	293,924	1,477	-	277,988	106,933	7,325	-	98,915	179,073	
	(17,413)					(15,343)				

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

Particulars	2020									
	Cost				Accumulated Depreciation					Depreciation Rate
	As at 01 January 2020	Additions / (Disposals)	Transfers / Adjustments	As at 31 December 2020	As at 01 January 2020	Depreciation for the year / (disposals)	Transfers/ Adjustments	As at 31 December 2020	Written down value as at 31 December 2020	
	(Rupees in 000)									
Land	140,450	-	-	140,450	-	-	-	-	140,450	-
Building	21,551	-	-	21,551	10,987	1,006	-	11,993	9,558	5%
Computer equipment	21,015	934 (51)	-	21,898	16,884	1,365 (37)	-	18,212	3,686	30%
Office equipment	10,594	719 (615)	-	10,698	5,478	543 (304)	-	5,717	4,981	10%
Furniture and fixtures	25,399	89	-	25,488	16,491	900	-	17,391	8,097	10%
Vehicles (Owned)	63,745	- (5,102)	-	58,643	44,444	3,813 (4,639)	-	43,618	15,025	20%
Vehicles (Leased)	15,196	-	-	15,196	8,704	1,298	-	10,002	5,194	20%
	297,950	1,742	-	293,924	102,988	8,925	-	106,933	186,991	
		(5,768)				(4,980)				

5.1.1 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / Loss	Mode of Disposal	Purchaser	Location
(Rupees in 000)								
Honda Civic / AAT-645	1,676	1,091	585	2,135	1,550	Tender	Mr. Muhammad Amir	Karachi
Suzuki Cultus / LEC-10-1240	887	809	78	900	822	Tender	Mian M. Idress	Lahore
Suzuki Swift / AVW-754	1,107	978	129	1,080	951	Tender	Mr. Hassan Muhammad	Karachi
Suzuki Cultus / ATD-241	916	839	77	815	738	Tender	Mr. Saeed ur Rehman	Karachi
Honda CD 70 / KNF-0903	80	22	58	62	4	Insurance	IGI General - Theft Recovery	Karachi
Suzuki Swift / LEA-13-4595	982	660	322	1,200	878	Tender	Mr. Amir	Lahore
Suzuki Cultus / BEF-670	1,094	790	304	1,132	828	Tender	Mr. Meraj	Karachi
Computer Equipment - Write-off	8,811	8,562	249	-	(249)	Write-off	Write-off	Various
Software - Write-off	5,907	5,601	306	-	(306)	Write-off	Write-off	Various
Miscellaneous *	1,861	1,592	269	1,345	1,077	Tender	Various	Various
	23,321	20,944	2,377	8,669	6,292			

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

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

5.2 Capital work-in-progress

	Note	2021	2020
		(Rupees in 000)	
Property acquisition and renovation costs	5.2.1	26,109	26,109
		26,109	26,109

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

5.3 Right-of-use assets

	Note	2021	2020
		(Rupees in 000)	
The Company has recognized right-of-use assets in respect of the following leases:			
As at January 01		8,635	11,312
Adjustment for Reassessment		2,020	-
Less: reversal due to termination		-	(284)
		10,655	11,028
Depreciation expense		(2,268)	(2,393)
As at December 31		8,387	8,635

6. INTANGIBLE ASSETS

Particulars	2021							
	Cost			Accumulated Amortization				
	As at 01 January 2021	As at 31 December 2021	As at 01 January 2021	Amortization for the year / (Disposal)	As at 31 December 2021	Written down value as at 31 December 2021	Amortization Rate	
	As at 01 January 2021	Additions / (Disposals)	As at 31 December 2021	As at 01 January 2021	Amortization for the year / (Disposal)	As at 31 December 2021	Written down value as at 31 December 2021	Amortization Rate
	As at 01 January 2021	Additions / (Disposals)	As at 31 December 2021	As at 01 January 2021	Amortization for the year / (Disposal)	As at 31 December 2021	Written down value as at 31 December 2021	Amortization Rate
	(Rupees in 000)							%
Software	19,773	(5,907)	13,866	17,795	(5,038)	12,757	1,109	30%

Particulars	2020							
	Cost			Accumulated Amortization				
	As at 01		As at	As at 01	As at	Written down		
	January		31 December	January	Amortization	31 December	value as at	
	2020	Additions	2020	2020	for the year	2020	31 December	
							2020	Amortization
				(Rupees in 000)				Rate
Software	19,773	-	19,773	16,947	848	17,795	1,978	30%

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

7. INVESTMENT PROPERTY

	Note	2021	2020
		(Rupees in 000)	
Opening net book value/ cost as at 01 January		275,740	268,348
Additions and capital improvements		-	3,287
Unrealized fair value gain	7.1	22,000	4,105
Closing net book value as at 31 December		297,740	275,740

7.1 Investment properties consists of the following:

Particulars	Location	Note	Fair value as at 31 December, 2021	Improvement	Fair value as at 31 December, 2020	Gain 2021
				(Rupees in 000)		
Bungalow, Aga Khan Road	Islamabad	7.3	243,000	-	224,000	19,000
Office, Clifton	Karachi	7.3	20,240	-	20,240	-
Apartment, Silver Oaks	Islamabad	7.3	34,500	-	31,500	3,000
						22,000

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

7.2 The company earned rental income from the above mentioned properties amounting to Rs. 2.687 million (2020: Rs. 2.686 million).

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

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For the Year Ended 31 December 2021

8. INVESTMENTS

	2021				2020			
	Cost	Impairment/ provision for the year	Revaluation surplus/ (deficit)	Carrying value	Cost	Impairment/ provision for the year	Revaluation surplus/ (deficit)	Carrying value
(Rupees in 000)								
Available-for-sale								
Related parties								
Listed shares	196,282	-	221,328	417,610	192,502	-	187,828	380,330
Unlisted shares	-	-	-	-	114,983	-	-	114,983
Other than related parties								
Unlisted shares	1,483	-	-	1,483	-	-	-	-
Listed shares	282,461	(9,396)	32,275	305,340	296,906	(26,996)	63,945	333,855
Mutual funds *	47,713	-	16,079	63,792	44,021	-	15,744	59,765
	527,939	(9,396)	269,682	788,225	648,412	(26,996)	267,517	888,933

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

9. INVESTMENT IN ASSOCIATE

	Note	2021	2020
(Rupees in 000)			
Balance as at 01 January		373,069	242,729
Share of profit		11,697	2,332
Less: Dividend received	7.1	(2,000)	(2,000)
Share of other comprehensive income		22,274	130,008
Balance as at 31 December		405,040	373,069

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

Year	Assets	Liabilities	Revenues	Profit / (loss) *	Other comprehensive (loss) / income	% Interest held
(Rupees in 000)						
As at December 31, 2021	410,364	(5,325)	2,650	11,697	22,274	8%
As at December 31, 2020	377,778	(4,709)	404	2,332	130,008	8%

The Company has accounted for investment in Crescent Powertec Limited as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Company have significant influence therein. The

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

conclusion is mainly reached on the basis of the facts that the Company's three director are also the Board member of Crescent Powertec Limited which comprise of five members, resulted in 60% (2020: 60%) representation on the Board of investee company.

* This majorly includes share of dividend income of associate.

10. LOANS AND OTHER RECEIVABLES

	Note	2021	2020
		(Rupees in 000)	
Mark-up and dividend receivable		2,527	547
Loans to employees	10.1	2,956	3,784
Deposits	10.2	33,956	34,965
Receivables against sale of Investment		-	11,630
Advance to agents		1,234	737
Other receivables		11,650	11,278
		52,323	62,941

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

10.2 These include Rs. 24 million (31 December 2020: Rs. 24 million) deposited under a court order in respect of a claim where the possibility of the eventual beneficiary being other than the Company is considered remote by the Company's legal advisor.

11. INSURANCE / REINSURANCE RECEIVABLES

	2021	2020
	(Rupees in 000)	
Premium due but unpaid	461,786	547,462
Less: Provision for doubtful receivables from insurance contract holder	(167,490)	(161,781)
	294,296	385,681
Amounts due from other insurers / reinsurers	399,487	370,993
Less: Provision for doubtful receivables from insurers / reinsurers	(106,290)	(101,336)
	293,197	269,657
	587,493	655,338

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

	Note	2021	2020
		(Rupees in 000)	
Balance at 01 January		(161,781)	(156,455)
Charge for the year - net		(6,024)	(5,326)
Write-off		315	-
Balance at 31 December		(167,490)	(161,781)

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

	Note	2021	2020
		(Rupees in 000)	
Balance at 01 January		(101,336)	(96,010)
Charge for the year - net		(6,024)	(5,326)
Write-off		1,070	-
Balance at 31 December		(106,290)	(101,336)

12. PREPAYMENTS

	Note	2021	2020
		(Rupees in 000)	
Prepaid reinsurance premium ceded	22	159,112	153,696
Other prepaid expense		7,504	1,992
Balance at 31 December		166,616	155,688

13. CASH AND BANK

	Note	2021	2020
		(Rupees in 000)	
Cash and cash equivalent			
- Policy and revenue stamps, bond papers		258	184
Cash at bank			
- Current accounts		6,624	10,354
- Savings account	13.1	69,082	27,052
		75,964	37,590

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

13.1 The rate of return on savings account held with various banks range from 5.12% to 7.30% per annum (December 31, 2020: 5.48% to 13.69%).

14 SHARE CAPITAL

14.1 Authorized Capital

2021	2020		2021	2020
Number of shares in '000			(Rupees in 000)	
75,000	75,000	Ordinary shares of Rs.10 each.	750,000	750,000

14.2 Issued, subscribed and paid-up share capital

2021	2020		2021	2020
Number of shares in '000			(Rupees in 000)	
200	200	Ordinary share of Rs. 10 each fully paid in cash	2,000	2,000
50,365	50,365	Ordinary shares of Rs.10 each issued as fully paid bonus share	503,650	503,650
50,565	50,565	As at 31 December	505,650	505,650

14.3 As at 31 December 2021, the number of shares held by the associated undertakings were 13,410,121 (2020: 13,428,803) of Rs.10 per share.

15 RESERVES

	Note	2021	2020
		(Rupees in 000)	
Capital reserves			
Reserve for exceptional loss	15.1	19,490	19,490
Devaluation reserve	15.2	185	185
		19,675	19,675
Revenue reserves			
General reserve		996,851	996,851
Revaluation reserve - AFS Investments and associate		601,363	576,923
Revaluation reserve - Property and equipment	15.3	35,859	35,859
Total revenue reserves		1,634,073	1,609,633
Total reserves		1,653,748	1,629,308
Accumulated losses		(827,015)	(798,048)
		826,733	831,259

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

15.2 Consequent of the devaluation of the Pakistani Rupee in 1972, security deposit with the government of Lebanon and balances with overseas banks were converted at the new rates of exchange. This resulted in an increase in value which was transferred to capital reserve in year 1973.

15.3 This reserve was created in the year 2018 upon transfer of properties from property and equipment to investment property.

16 RETIREMENT BENEFIT OBLIGATIONS

	Note	2021	2020
		(Rupees in 000)	
Gratuity	16.1	2,292	1,749
Employee compensated absences	16.11	5,398	3,547
		7,690	5,296

16.1 Liability in statement of financial position - Gratuity

	Note	2021	2020
		(Rupees in 000)	
Present value of defined benefit obligation	16.4	2,292	1,749
		2,292	1,749

16.2 Movement in the net liability recognized

	2021	2020
	(Rupees in 000)	
Balance at 01 January	1,749	1,179
Expense / (income) for the year	1,070	680
	2,819	1,859
Payments during the year	(695)	(114)
Experience adjustment	168	4
Balance at 31 December	2,292	1,749

16.3 Expense recognized in the profit or loss account

	2021	2020
	(Rupees in 000)	
Past service cost	851	559
Gain arising on plan settlements	-	-
Interest cost on defined benefit obligation	219	121
Expense / (income) chargeable to profit and loss account	1,070	680

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16.4 Reconciliation of the present value of the defined benefit obligations

	Note	2021	2020
		(Rupees in 000)	
Present value of obligation as at 01 January		1,749	1,179
Past service cost	16.3	851	559
Interest costs on defined benefit obligation	16.3	219	121
Benefit paid		(695)	(114)
Experience adjustment	16.5	168	4
Present value of obligation as at 31 December		2,292	1,749

16.5 Total re-measurements chargeable in other comprehensive income

	2021	2020
	(Rupees in 000)	
Re-measurement of plan obligation	168	4
Experience adjustments	168	4
Returns on plan assets, excluding interest income	168	4

16.6 Maturity profile of defined benefit obligation

Average duration of the defined benefit obligation is: 3.80 Years 4.84 Years

16.7 The estimated expenses to be charged to profit and loss account for the year 2022 is Rs. 250,486/

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

16.9 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	2021	2020
	(Rupees in 000)	
Principal actuarial assumptions used are as follows:		
Discount rate used for Interest Cost in Profit and loss charge	11.75%	9.75%
Discount rate used for year end obligation	11.75%	9.75%
Next salary is increased at	1-Jan-23	1-Jan-22
Retirement assumption	Age 60	Age 60
Base		
Discount rate +100 bps	2,214	1,684
Discount rate -100 bps	2,376	1,820

Notes To And Forming Parts Of The Financial Statements

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16.10 Historical data of gratuity scheme

	2021	2020	2019 (Rupees in 000)	2018	2017
Present value of defined benefits obligations	2,292	1,179	1,179	1,024	2,589
Experience adjustment arising on plan liabilities	168	4	430	(209)	(2,789)

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

	2021	2020
	(Rupees in 000)	
Balance at 01 January	3,547	3,268
Expense for the year	886	901
	4,433	4,169
Interest cost on defined benefit obligation	346	353
Payment during the year	(645)	(842)
Experience adjustment	1,264	(133)
	5,398	3,547

16.12 Expense recognized in the profit or loss account

	2021	2020
	(Rupees in 000)	
Current service cost	886	901
Interest cost	346	353
Past service cost	-	-
	1,232	1,254

16.13 Historical data of leave encashment scheme

	2021	2020	2019 (Rupees in 000)	2018	2017
Present value of defined benefit obligations	5,398	3,547	3,268	5,537	4,752
Experience adjustment arising on plan liabilities	1,264	(133)	(1,031)	760	(1,283)

Notes To And Forming Parts Of The Financial Statements

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16.14 Principal Actuarial Assumptions

Following are important actuarial assumptions used in the benefits valuation:

	2021	2020
Discount rate	11.75%	9.75%
Salary increase rate (p.a.)	11.75%	9.75%

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

16.16 The estimated expenses to be charged to profit and loss account for the year 2022 is Rs. 784,825.

16.17 Average duration of the defined benefit obligation is: 6.29 yrs.

17. WINDOW TAKAFUL OPERATIONS - OPERATOR'S FUND

	2021	2020
	(Rupees in 000)	
Assets		
Loan and other receivables	114	113
Receivable from PTF	22,336	10,990
Deferred commission expense	7,105	2,105
Cash and bank	15,322	3,701
	44,877	16,909
Qard-e-hasna contributed to PTF	44,403	83,020
Total Assets	89,280	99,929
Total Liabilities	133,293	122,442
Operator's revenue accounts		
Wakala fee	39,949	38,788
Commission expense	(7,757)	(8,480)
General, administrative and management expenses	(51,841)	(28,895)
Modarib's share of PTF Investment income	1,043	1,699
Profit on bank accounts	89	81
Other expenses	(2,984)	(2,084)
(Loss) / profit for the year	(21,501)	1,109

18. LEASE LIABILITIES

	Note	2021	2020
		(Rupees in 000)	
Vehicles	18.1	-	170
Right of use	18.2	10,218	10,052
		10,218	10,222

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

18.1 Vehicles

	2021			2020		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in 000)					
Not later than one year	-	-	-	172	(2)	170
Later than one year and not later than five years	-	-	-	-	-	-
	-	-	-	172	(2)	170

The total lease rentals due under the vehicle lease agreement was completed in April 2021. Taxes, repairs and insurance costs are to be borne by the Company.

18.2 Lease liability against Right of Use

	2021	2020
	(Rupees in 000)	
Opening balance	10,051	12,181
Adjustment for Reassessment	2,020	-
Payment / termination of lease liability	(3,210)	(3,603)
	8,861	8,578
Finance cost	1,356	1,473
Closing balance	10,217	10,051

19. OTHER CREDITORS AND ACCRUALS

	Note	2021	2020
		(Rupees in 000)	
Bonus payable		3,102	4,541
Commissions payable		176,671	176,250
Federal excise duty and sales tax		16,732	16,506
Salvage recoveries accrued		502	-
Federal insurance fee		-	505
Deposits and margins		3,727	3,727
Provision for rent	19.1	14,000	14,000
Others	19.2	59,333	46,658
		274,067	262,187

19.1 This represents provision for rent amounting to Rs.14 million (2020: Rs.14 million) against which the Company is in litigation with the landlord. The possibility of the eventual beneficiary being other than the Company is considered remote by the Company's legal advisor. However, the Company has made a provision of the disputed amount as a matter of prudence.

19.2 This includes outstanding claims in respect of which cheques aggregating to Rs.2.7 million (2020: Rs.2.7 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

following is the aging as required by SECP's circular 11 of 2014 dated 19 May 2014:

	2021	2020
	(Rupees in 000)	
1 to 6 months	-	-
More than 6 months	2,743	2,738
	2,743	2,738

Claims not encashed	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
	(Rupees in 000)					
2021	-	12	39	722	1,970	2,743
2020	-	33	722	237	1,746	2,738

20. CONTINGENCIES AND COMMITMENTS

20.1 Commitments

	2021	2020
	(Rupees in 000)	
Commitment for capital expenditure	15,038	15,038

20.2 The Company received a show cause notice dated 06 November 2019 from Securities Exchange Commission of Pakistan (SECP) on account of settlement of claim to Pakistan Chipboard (Pvt.) Limited amounting to Rs.199.699 million for implementation of the order dated 19 January 2018 passed by FIO. On 20 March 2020, SECP had passed an order to the Company, directing it to comply with the order passed by FIO on 19 January 2018. The management is of the view that claim is invalid based on the policy. Accordingly, the Company has filed an appeal against this order. Currently, the matter is pending and no provision has been made in the financial statements as the management believes that, based on the advice of its legal counsellor, that there will be no unfavorable outcome.

20.2 The Company received a show cause notice dated 26 April 2016 from Sindh Revenue Board (SRB) on account of not charging and paying Sindh Sales Taxes amounting Rs. 188.8 million for services received from foreign reinsurance companies from 2011 to 2014. The Company is of the view that the said amendment was imposed in the Sindh Sales Tax on Services Act, 2011 in the year 2014 that was prospective in nature and can not be made basis for recovery of the said sales tax for the above mentioned period and accordingly the Company filed an appeal with Commissioner Appeals (Sindh Revenue Board). Currently the matter is pending adjudication and no provision has been made in these financial statements as the Company believes, based on the advice of its legal advisor, that the matter will be decided in its favor.

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

21. DEFERRED TAX ASSET

	Note	2021	2020
		(Rupees in 000)	
Taxable temporary differences arising from:			
- Difference in accounting and tax base of property and equipment		(80,586)	(75,232)
Deductible temporary differences arising from:			
- Unused tax losses and other deductible temporary differences		128,419	121,657
	21.1	47,833	46,425

21.1 As at the year end, the aggregate amount of unused carry forward business losses (including depreciation) and other deductible temporary differences (mainly on account of provision against investments, provision against doubtful receivable) amounts to Rs.869.115 million (2020: Rs. 1,054 million), net deferred tax asset on which amounts to Rs. 252.043 million (2020: Rs: 305.792 million). However, the Company has recognized deferred tax asset on such deductible temporary differences to the extent of Rs. 47.832 million, after adjusting taxable temporary difference, in line with its accounting policy as disclosed in note 3.18 of these financial statements.

22. NET INSURANCE PREMIUM

	2021	2020
	(Rupees in 000)	
Written gross premium	602,428	532,726
Add: Unearned premium reserve opening	277,987	241,735
Less: Unearned premium reserve closing	(319,480)	(277,987)
Premium Earned	560,935	496,474
Less: Reinsurance premium ceded	319,614	330,576
Add: Prepaid reinsurance premium opening	153,696	124,400
Less: Prepaid reinsurance premium closing	(159,112)	(153,696)
Reinsurance expense	314,198	301,280
Net insurance premium	246,737	195,194

23. NET INSURANCE CLAIMS

	2021	2020
	(Rupees in 000)	
Claims paid	503,284	194,701
Less: Outstanding claims including IBNR opening	(700,569)	(682,106)
Add: Outstanding claims including IBNR closing	1,026,820	700,569
Claims expense	829,535	213,164
Less: Reinsurance and other recoveries received	289,255	73,137
Less: Reinsurance and other recoveries in respect of outstanding claims - opening	(405,249)	(377,512)
Add: Reinsurance and other recoveries in respect of outstanding claims - closing	714,347	405,249
Reinsurance and other recoveries revenue	598,353	100,874
Net insurance claims	231,182	112,290

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

- 23.1** The net provision for IBNR on the basis of actuarial valuation carried out as at December 31, 2021 amounted to Rs 39.142 million [2020: Rs 31.50 million].

23.2 Claim Development

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

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

Accident year	2015	2016	2017	2018	2019	2020	2021
(Rupees in 000)							
Estimate of ultimate claims cost:							
At end of accident year	409,671	559,674	392,050	192,225	139,051	147,485	280,325
One year later	465,916	571,476	331,168	182,372	110,263	132,523	-
Two years later	461,451	571,245	330,958	180,885	112,971	-	-
Three years later	455,697	570,220	324,198	181,243	-	-	-
Four years later	457,811	570,022	324,861	-	-	-	-
Five years later	458,071	567,851	-	-	-	-	-
Six years later	458,382	-	-	-	-	-	-
Current estimate of cumulative claims	458,382	567,851	324,861	181,243	112,971	132,523	280,325
Cumulative payments till date	447,443	394,514	319,896	171,822	110,218	117,872	174,124
Liability recognized in statement financial position	10,939	173,337	4,965	9,421	2,753	14,651	106,201

24. NET COMMISSION EXPENSE AND OTHER ACQUISITION COSTS

	2021	2020
(Rupees in 000)		
Commission paid or payable	40,533	41,461
Add: Deferred commission opening	19,549	20,156
Less: Deferred commission closing	(19,206)	(19,549)
Commission expense	40,876	42,067
Less: Commission received or recoverable from reinsurers	44,585	42,792
Add: Unearned reinsurance commission opening	21,079	15,263
Less: Unearned reinsurance commission closing	(22,358)	(21,079)
Commission from reinsurance	43,306	36,976
Net Commission expense	(2,429)	5,091
Add: Other acquisition costs:		
Tracking device expenses	1,094	6,107
Service charges	6,781	10,075
Other costs	8,125	6,600
	16,000	22,782
Net Commission expense and other acquisition costs	13,571	27,873

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

25. MANAGEMENT EXPENSES

	Note	2021	2020
		(Rupees in 000)	
Employee benefit cost	25.1	152,746	174,803
Travelling expenses		1,642	2,090
Advertisement and sales promotion		1,435	1,388
Printing and stationary		2,709	2,600
Depreciation		9,592	11,318
Amortization		564	848
Rent, rates and taxes		1,690	1,902
Legal and professional charges - business related		5,853	7,298
Electricity, gas and water		5,403	4,246
Entertainment		2,494	2,455
Vehicle running expenses		1,647	2,654
Office repairs and maintenance		4,990	5,220
Bank charges		297	448
Postages, telegrams and telephone		4,286	5,549
Insurance expense		3,057	3,075
Annual supervision fee SECP		1,056	1,121
Bad and doubtful debts		12,049	10,655
Others		1,533	1,149
		213,043	238,819

25.1 Employee benefit cost

	2021	2020
	(Rupees in 000)	
Salaries, allowance and other benefits	145,036	166,898
Charges for post employment benefit	7,710	7,905
	152,746	174,803

26. INVESTMENT INCOME

	2021	2020
	(Rupees in 000)	
Income from equity securities and mutual fund units		
Available for sale		
- Dividend income	179,706	24,254
Income from debts securities		
Available for sale		
- Amortization of discount - net	1,697	-
Net realized (loss) / gain on investments		
Available for sale		
- Equity securities	(19,659)	25,386
Total investment income	161,744	49,640
Less: Impairment in value of available for sale securities		
- Equity Securities	(9,397)	(26,996)
Less: Investment related expenses	(556)	(278)
	151,791	22,366

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

27. OTHER INCOME

	2021	2020
	(Rupees in 000)	
Return on bank balances	1,649	4,182
Exchange gain	70	4,920
Gain on sale of operating fixed assets	6,293	3,587
Liabilities no longer required written back	23,306	27,738
Miscellaneous	(689)	3,244
	30,629	43,671

28. OTHER EXPENSES

	2021	2020
	(Rupees in 000)	
Auditors' remuneration	2,766	1,941
Subscription	3,137	1,108
Donations	500	333
Inadmissible input tax expense	(620)	(195)
Others	(125)	(875)
	5,658	2,312

28.1 Auditors' remuneration

	2021	2020
	(Rupees in 000)	
Audit fee	1,450	1,045
Review of interim financial statements	409	302
Special certifications and sundry advisory services	907	594
	2,766	1,941

29. TAXATION

	2021	2020
	(Rupees in 000)	
Current tax	9,631	9,111
Deferred tax	(1,408)	(2,035)
	8,223	7,076

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

30. LOSS PER SHARE

	2021	2020
	(Rupees in '000)	
Loss after tax for the period	(27,534)	(117,112)
	(Number of shares in '000)	
Weighted average number of ordinary shares	50,565	50,565
	(Rupees)	
Loss per share	(0.54)	(2.32)

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

31. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Fees	-	-	1,940	1,640	-	-
Managerial remuneration	-	-	5,398	2,700	110,612	47,796
Leave encashment	-	-	-	-	-	437
Bonus	-	-	-	-	927	-
Fuel and travelling	-	-	956	797	7,903	7,608
Contribution to defined contribution plan	-	-	270	248	3,984	3,222
Rent and house maintenance	-	-	1,080	1,080	19,640	19,561
Utilities	-	-	1,080	3,456	16,098	26,736
Medical	-	-	-	-	2,829	2,981
Others	-	-	2,374	852	361	-
	-	-	13,098	10,773	162,354	108,340
Number of persons	1	1	7	7	41	41

Chief executive officer did not take any kind of remuneration from the Company.

32. NUMBER OF EMPLOYEES

The total and average number of employees during the year ended 31 December 2021 and 2020 are as follows:

	2021	2020
	(Number)	
As at year end	102	122
Average during the year	110	133

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

33. RELATED PARTY TRANSACTIONS

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

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

Name of related party	Relationship	2021						Balances		
		Transactions during the year					Others	Premium outstanding	Claims outstanding	Commission outstanding
		Premium underwritten	Premium received	Claims paid	Dividend received	Investment purchased (Rupees in 000)				
Associated Companies										
Mohammad Amin	Director	-	-	-	-	-	-	-	-	18,198
Mohammad Bashir Ltd.	Relationship									
First Equity Modaraba	Common	-	-	-	2,340	-	-	1	-	-
	Directorship									
Crescent Cotton Mills Limited	Common	9,408	11,639	4,015	-	-	-	5,650	1,840	-
	Directorship									
Crescent Fibres Ltd.	Common	19,672	20,800	6,565	45	-	-	10,709	2,035	-
	Directorship									
Crescent Powertec Limited	Common	1,583	2,375	-	2,000	-	-	455	25	-
	Directorship									
Crescent Steel & Allied Products Ltd.	Common	9,084	6,874	389	-	-	-	4,396	744	1,015
	Directorship									
Pak Elektron Limited	Common	-	55	-	-	-	-	12	-	-
	Directorship									
Shakarganj Limited	Common	4,949	4,686	1,079	-	-	-	6,051	1,725	-
	Directorship									
Shams Textile Mills Limited	Common	7,881	11,837	952	798	-	-	1,536	6,402	-
	Directorship									
State Life Insurance Corporation Of Pakistan Ltd	Common	-	-	-	-	-	4,286	-	-	-
	Directorship									
Suraj Cotton Mills Limited	Common	44,286	46,425	(19,826)	13,444	-	-	7,947	117,519	-
	Directorship									
The Crescent Textile Mills Limited.	Common	33,220	40,901	10,928	-	3,780	-	13,600	2,111	-
	Directorship									
Equity Textiles Limited	Common	10,016	11,532	421	-	-	1,671	4,533	20	-
	Directorship									
Individuals										
Directors		354	78	58	-	-	-	361	-	-
Total		140,451	157,202	7,179	18,627	3,780	5,957	55,252	132,421	19,213

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

Name of related party	Relationship	2020						Balances		
		Transactions during the year				Investment purchased	Others	Premium outstanding	Claims outstanding	Commission outstanding
		Premium underwritten	Premium received	Claims paid	Dividend received					
(Rupees in 000)										
Associated Companies										
Crescent Bahuman Limited	Common Directorship	30,172	43,587	13,765	-	-	-	79,092	11,050	-
Crescent Cotton Mills Limited	Common Directorship	9,216	14,424	6,540	-	-	-	4,880	3,649	-
Crescent Fibres Limited	Common Directorship	18,607	26,633	2,257	-	-	-	12,281	1,512	-
Crescent Powertec Limited	Common Directorship	1,592	1,912	1,434	2,000	-	-	978	50	-
Crescent Steel and Allied Products Limited	Common Directorship	9,829	9,935	2,830	-	-	-	4,206	136	2,194
Equity Textiles Limited	Common Directorship	8,419	9,781	828	-	-	1,289	4,562	25	-
Jubilee Spinning & Weaving Mills Limited	Common Directorship	-	-	-	-	-	-	3,796	-	10,405
Muhammad Amin Muhammad Bashir Limited	Common Directorship	-	72	-	-	-	-	-	-	12,590
Shakarganj Mills Limited	Common Directorship	5,962	6,137	2,979	-	-	-	6,156	2,000	-
Shams Textile Mills Limited	Common Directorship	6,585	6,522	2,792	-	-	-	3,453	5,400	-
Summit Bank Limited	Common Directorship	202	144	128	-	-	-	120	-	-
Suraj Cotton Mills Limited	Common Directorship	40,029	57,436	25,677	4,889	-	-	6,675	6,552	-
State Life Insurance Corporation Of Pakistan Ltd	Common Directorship	-	-	-	-	-	3,442	-	-	-
The Crescent Textile Mills Limited	Common Directorship	22,399	25,669	4,685	-	-	-	11,948	5,733	-
Individuals										
Directors		65	137	-	-	-	-	29	-	-
Total		153,077	202,389	63,915	6,889	-	4,731	138,176	36,107	25,189

33.1 Company's contribution toward staff provident fund during the year is Rs. 4.602 (2020 : 4.974) Million.

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

34. SEGMENT REPORTING

34.1 Segment profit or loss

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Rupees in 000)											
Premium receivable (inclusive of FED / Sales Tax, Federal insurance fee and Administrative surcharge)	283,611	262,647	47,167	36,452	75,049	86,579	201,246	156,520	57,658	49,823	664,731	592,021
Less: FED / sales tax	34,272	32,718	5,343	4,096	9,588	10,832	-	-	7,376	6,430	56,579	54,076
Less: Federal insurance fee	2,195	2,178	404	320	642	743	1,993	1,550	490	428	5,724	5,219
Gross written Premium (inclusive of Administrative surcharge)	247,144	227,751	41,420	32,036	64,819	75,004	199,253	154,970	49,792	42,965	602,428	532,726
Gross direct premium	218,536	217,003	39,320	31,091	62,658	72,576	199,094	154,854	48,573	42,477	568,181	518,001
Facultative inward premium	27,829	9,974	984	-	635	789	-	-	782	138	30,230	10,901
Administrative surcharge	779	774	1,116	945	1,526	1,639	159	116	437	350	4,017	3,824
Insurance premium earned	228,460	214,921	40,767	30,783	65,434	100,564	180,992	109,169	45,282	41,037	560,935	496,474
Insurance premium ceded to reinsurers	(222,557)	(224,669)	(21,439)	(18,322)	(3,480)	(2,989)	(40,524)	(33,217)	(26,199)	(22,084)	(314,198)	(301,280)
Net Insurance premium	5,904	(9,748)	19,328	12,461	61,954	97,575	140,468	75,952	19,083	18,953	246,737	195,194
Commission income from reinsurers	26,748	23,956	3,704	3,208	208	127	7,092	5,806	5,554	3,879	43,306	36,976
Net underwriting income	32,652	14,208	23,032	15,669	62,162	97,702	147,560	81,758	24,637	22,832	290,042	232,169
Insurance claims expense	(568,143)	(33,990)	(11,937)	(14,925)	(15,993)	(27,621)	(202,747)	(100,963)	(30,715)	(35,666)	(829,535)	(213,164)
Insurance claims recovered from reinsurers and other recoveries revenue	501,458	24,546	9,378	10,907	(6)	449	68,705	37,594	18,818	27,378	598,353	100,874
Net Insurance claims	(66,685)	(9,444)	(2,559)	(4,018)	(15,999)	(27,172)	(134,042)	(63,369)	(11,897)	(8,288)	(231,182)	(112,290)
Commission expense	(19,270)	(22,126)	(3,428)	(3,632)	(4,744)	(6,506)	(11,923)	(6,783)	(1,511)	(3,021)	(40,876)	(42,067)
Management expense	(86,769)	(103,003)	(15,483)	(14,753)	(24,852)	(48,196)	(68,741)	(52,320)	(17,198)	(20,548)	(213,043)	(238,819)
Other acquisition cost	(1,002)	(404)	(707)	(446)	(2,996)	(8,884)	(10,539)	(12,399)	(756)	(649)	(16,000)	(22,782)
Net insurance claims and expenses	(173,726)	(134,977)	(22,177)	(22,849)	(48,591)	(90,758)	(225,245)	(134,872)	(31,362)	(32,506)	(501,101)	(415,962)
Underwriting result	(141,075)	(120,768)	855	(7,180)	13,571	6,944	(77,685)	(53,113)	(6,725)	(9,672)	(211,059)	(183,788)
Investment income											151,791	22,366
Rental income											4,163	4,028
Revaluation gain on investment property											22,000	4,105
Other income											30,629	43,621
Other expenses											(5,658)	(2,312)
Finance cost											(1,373)	(1,547)
Share of profit from associate											11,697	2,332
Share of Profit / (loss) from WTO - Operator's Fund											(21,501)	1,109
Loss before tax											(19,311)	(110,036)

Notes To And Forming Parts Of The Financial Statements

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34.2 Segment assets and liabilities

The following presents segments assets and liabilities for the period December 30, 2021 and December 31, 2020:

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
(Rupees in 000)												
Segment assets	610,080	529,111	102,246	74,426	160,007	174,249	491,860	360,026	122,911	99,816	1,487,104	1,237,628
Unallocated corporate assets											1,992,255	2,011,652
Total assets											3,479,358	3,249,280
Segment Liabilities	733,927	662,042	123,002	93,124	192,489	218,027	591,709	450,477	147,863	124,893	1,788,990	1,548,562
Unallocated corporate liabilities											314,726	300,479
Total liabilities											2,103,715	1,849,041

35. MOVEMENT IN INVESTMENTS

	(Rupees in 000)
01 January, 2020	742,852
Additions	68,064
Disposals (sale and redemptions)	(61,847)
Fair value net gains (excluding net realized gains)	166,860
Designated at fair value through profit of loss upon initial recognition	-
Impairment losses	(26,996)
31 December, 2020	888,933
Additions	256,561
Disposals (sale and redemptions)	(350,038)
Fair value net gains (excluding net realized gain)	2,166
Impairment losses	(9,397)
31 December, 2021	788,225

36. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

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

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

36.1 Insurance Risk

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

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes.

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

Frequency and severity of claims

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

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

	2021	2020
	Maximum Gross Risk Exposure	Maximum Gross Risk Exposure
	(Rupees in 000)	
Fire and property damage	14,994,936	24,595,356
Marine, aviation and transport	808,340	357,147
Motor	30,000	37,500
Health	1,000	1,000
Miscellaneous	160,000	160,000

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

Uncertainty in the estimation of future claims payment

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

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initially recognized amount. The provision for claims incurred but not reported is recorded on actuarial advice which is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

Key assumptions

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

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

Class	2021	2020
	Assumed net loss ratio	
Fire and property damage	12%	28%
Marine, aviation and transport	21%	27%
Motor	100%	98%
Health	66%	63%
Miscellaneous	39%	23%

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and uses techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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

	Pre tax profit / (loss)		Shareholders' equity	
	2021	2020	2021	2020
(Rupees in 000)				
10% increase in loss	(23,118)	(11,229)	(23,118)	(11,229)
10% decrease in loss	23,118	11,229	23,118	11,229

Claims development

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

Geographical concentration of insurance risk

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

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

36.2 Financial risk

36.2.1 Financial instruments by category

	2021	2020
	(Rupees in 000)	
Financial assets		
Loans and receivables		
Loans and other receivables	52,323	61,132
Insurance / reinsurance receivables	587,493	655,338
Reinsurance recoveries against outstanding claims	714,347	405,249
Salvage recoveries accrued	-	1,805
Cash and bank balances	75,964	37,590
Available for sale		
Investments - equity securities	724,433	888,933
Financial liabilities		
At amortized cost		
Outstanding claims including IBNR	1,026,820	700,569
Lease liabilities	10,218	10,222
Insurance / reinsurance payables	420,332	548,928
Other creditors and accruals	260,067	248,187
Unclaimed dividend	22,750	22,773

36.2.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

36.2.2.1 Credit risk

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

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

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

	2021	2020
	(Rupees in 000)	
Bank deposits	75,707	37,406
Premium due but unpaid - net of provision	294,296	385,681
Amount due from other insurers / reinsurers - net of provision	293,197	269,657
Accrued investment income	2,527	547
Reinsurance recoveries against outstanding claim	714,347	405,249
Deposits and other receivables	52,323	61,132
	1,432,396	1,159,672

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 premium due but unpaid is as follows:	2021	2020
	(Rupees in 000)	
Up to 1 year	121,916	153,156
1 - 2 years	8,051	14,086
2 - 3 years	7,114	2,650
Over 3 years	324,705	377,569
	461,786	547,461

The age analysis of premium due but unpaid from related parties is as follows:	2021	2020
	(Rupees in 000)	
Up to 1 year	53,042	54,737
1 - 2 years	3,613	9,952
2 - 3 years	2,547	2,993
Over 3 years	(4,258)	69,266
	54,944	136,948

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

	Amount due from reinsurance operators	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2021	2020
	(Rupees in 000)				
A or above (including PRCL)	380,718	660,568	159,112	1,200,398	891,926
BBB	1,962	6,482	-	8,444	12,575
Others	16,807	47,297	-	64,104	25,438
Total	399,487	714,347	159,112	1,272,946	929,939

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

Bank	Rating agency	2021	
		Short term	Long term
MCB Bank Limited	PACRA	A-1+	AAA
JS Bank Limited	PACRA	A-1+	AA-
Faysal Bank Limited	PACRA / VIS	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
National Bank Limited	PACRA / VIS	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
FINCA Microfinance Bank Limited	PACRA / VIS	A-1	A
Habib Bank Limited	VIS	A-1+	AAA

36.2.3 Liquidity risk

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

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

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

	2021			Total
	Within 1 year	2 - 5 years	More than 5 years	
	(Rupees in 000)			
Financial liabilities				
Outstanding claims including IBNR	1,026,820	-	-	1,026,820
Lease liabilities	2,246	6,442	1,530	10,218
Insurance/ reinsurance payables	420,332	-	-	420,332
Other creditors and accruals	260,067	-	-	260,067
Unclaimed dividend	22,750	-	-	22,750
	1,732,215	6,442	1,530	1,740,187

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

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

36.2.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

The Company limits market risk by maintaining a diversified portfolio and its continuously monitoring. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

36.2.4.1 Interest rate risk

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

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

Maturity profile of financial assets and liabilities:

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

2021	Effective rate % per annum	Interest / Mark-up bearing			Non- interest / Non - mark-up bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in 000)								
FINANCIAL ASSETS								
Investments in equity securities		-	-	-	-	-	-	-
Investments in associates		-	-	-		405,040	405,040	405,040
Loans and other receivables		-	-	-	17,133	33,956	51,089	51,089
Insurance receivables		-	-	-	587,493	-	587,493	587,493
Reinsurance recoveries against outstanding claims		-	-	-	714,347	-	714,347	714,347
Salvage recoveries accrued		-	-	-	-	-	-	-
Cash	5.12 - 7.30	69,082	-	69,082	6,882	-	6,882	75,964
December 31, 2021		69,082	-	69,082	1,325,855	438,996	1,764,851	1,833,933

FINANCIAL LIABILITIES								
Outstanding claims including IBNR		-	-	-	1,026,820	-	1,026,820	1,026,820
Insurance payables		-	-	-	420,332	-	420,332	420,332
Other creditors and accruals		-	-	-	260,067	-	260,067	260,067
Lease liabilities		2,246	7,972	10,218	-	-	-	10,218
December 31, 2021		2,246	7,972	10,218	1,707,219	-	1,707,219	1,717,437

2021	Effective rate % per annum	Interest / Mark-up bearing			Non- interest / Non - mark-up bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in 000)								
OFF BALANCE SHEET ITEMS								
Capital commitments		-	-	-	-	15,038	15,038	15,038
December 31, 2021		-	-	-	-	15,038	15,038	15,038

Interest risk sensitivity gap		66,836	(7,972)	58,864	(381,364)	438,996	57,632	116,496
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Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

2020	Effective rate % per annum	Interest / Mark-up bearing			Non- interest / Non - mark-up bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in 000)								
FINANCIAL ASSETS								
Investments in equity securities		-	-	-	-	-	-	-
Investments in associates		-	-	-		373,069	373,069	373,069
Loans and other receivables		-	-	-	26,167	34,965	61,132	61,132
Insurance receivables		-	-	-	655,338	-	655,338	655,338
Reinsurance recoveries against outstanding claims		-	-	-	405,249	-	405,249	405,249
Salvage recoveries accrued		-	-	-	1,805	-	1,805	1,805
Cash	5.48 to 13.69	27,052	-	27,052	-	10,538	10,538	37,590

December 31, 2020		27,052	-	27,052	1,088,559	418,572	1,507,131	1,534,183
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FINANCIAL LIABILITIES								
Outstanding claims including IBNR		-	-	-	700,569	-	700,569	700,569
Insurance payables		-	-	-	548,928	-	548,928	548,928
Other Creditors and accruals		-	-	-	248,187	-	248,187	248,187
Lease liabilities		2,332	7,890	10,222	-	-	-	10,222
December 31, 2020		2,332	7,890	10,222	1,497,684	-	1,497,684	1,507,906

2020	Effective rate % per annum	Interest / Mark-up bearing			Non- interest / Non - mark-up bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in 000)								
OFF BALANCE SHEET ITEMS								
Capital commitments		-	-	-	-	15,038	15,038	15,038
December 31, 2020		-	-	-	-	15,038	15,038	15,038

Interest risk sensitivity gap		24,720	[7,890]	16,830	[409,125]	418,572	9,446	26,277
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Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

36.2.4.2 Currency risk

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

36.2.4.3 Other price risk

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

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

The following table summarizes the Company's other price risk as of 31 December 2021 and 2020. 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 in 000)	
December 31, 2021	5%	786,742	39,337
December 31, 2020	5%	773,950	38,698

36.2.5 Operational Risk

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

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

36.2.6 Capital management

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently the Company has a paid up capital of Rs. 505.65 million against the minimum required capital of Rs. 500 million set by the SECP for the year ended 31 December 2020. SECP has prescribed minimum paid-up capital requirement vide SRO 828 as per which minimum required capital for non-life insurer has to gradually increase as per given schedule.

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

June 30, 2016	December 31, 2016	June 30, 2017	December 31, 2017 onwards
		(Rupees in 000)	
350,000	400,000	450,000	500,000

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

37. STATEMENT OF SOLVENCY

	2021
	(Rupees in 000)
Assets	
Property and equipment	213,569
Intangible assets	1,109
Investment properties	297,740
Investments in associate	405,040
Investments	
Equity securities	793,860
Loans and other receivables	83,754
Insurance / Reinsurance receivables	656,480
Reinsurance Recoveries against O/S claims	734,618
Salvage recoveries accrued	350
Deferred Commission Expense	50,346
Taxation - provision less payment	20,613
Deferred tax asset	47,833
Prepayments	179,643
Cash and bank deposits	121,746
Total assets related to operator's fund from Window Takaful Operations (including Qard-e-Hasna)	89,280
Total Assets (A)	3,695,981
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000	
(d) Loans to employees	2,956
(h) Insurance / reinsurance receivables	115,500
(k) Deposits and other receivables	24,000
(k) Cash and bank deposits	437
(i) Intangible assets	1,109
(j) Deferred tax assets	47,833
(p) Investments	330,008
(g) Investments	405,040
(u) - (i) Vehicles	15,634
(u) - (ii) Office equipment and computers	7,158
(u) - (iii) Furniture and fixtures	7,277
Total assets related to operator's fund from Window Takaful Operations (including Qard-e-Hasna)	89,280
Total of In-admissible assets (B)	1,046,232
Total Admissible Assets (C=A-B)	2,649,749

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

	2021
	(Rupees in 000)
Total Liabilities	
Underwriting provisions	
Outstanding claims including IBNR	1,097,415
Unearned premium reserves	408,447
Unearned commission income	24,492
Contribution deficiency reserve	4,160
Retirement benefit obligations	7,690
Borrowings	10,218
Insurance / reinsurance payables	445,838
Other creditors and accruals	298,285
Unclaimed dividends	22,750
Income tax liabilities	-
Total Liabilities (D)	2,319,295
Total liabilities related to operator's fund from Window Takaful Operations	43,260
Total Net Admissible Assets (E=C-D)	330,454
Minimum Solvency Requirement (higher of following)	
Method A - U/s 36(3)(a)	150,000
Method B - U/s 36(3)(b)	75,548
Method C - U/s 36(3)(c)	160,590
Excess in Net Admissible Assets over Minimum Requirements	169,864

38. PROVIDENT FUND

The Company operates an approved contributory provident fund (the fund) for its permanent employees. Details of net assets and investments as per unaudited 2021 (2020: audited) financial statements of the fund are as follows:

	2021	2020
	(Rupees in 000)	
Size of the fund	70,504	66,532
Cost of investments made	68,672	29,068
Fair value of investments	68,209	33,398
Investment - (%)	96.7%	50.2%

All investments in collective investment scheme, listed equity and listed debt securities from the provident fund have been made in accordance with the provisions of section 218 of Companies Act, 2017 and the conditions specified thereunder.

	2021	2020
	(Rupees in 000)	
Break-up of investments		
Mutual Funds	34,352	33,398
Treasury Bills	33,857	-
Bank balance	2,296	32,934

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

	2021		
	Fair Value Measurement		
	Level 1	Level 2 (Rupees in 000)	Level 3
Available for sale investments (measured at fair value)			
Equity securities	722,950	1,483	-
Mutual fund units	-	63,792	-
Debt securities - Treasury bills	-	-	-
	722,950	65,275	-

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

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on **March 28, 2022** by the Board of directors of the Company.

41. GENERAL

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

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

INDEPENDENT AUDITOR'S REPORT

To the members of Premier Insurance Limited - Window Takaful Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements, which comprise the statements of financial position as at **31 December 2021**, and the statements of comprehensive income, the statements of changes in fund and the statements of cash flows of **Premier Insurance Limited - Window Takaful Operations** for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statements of comprehensive income, the statements of changes in fund and the statements of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at 31 December 2021 and the results of its takaful operations for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.



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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Chartered Accountants

Karachi

Date: 01 April 2022

A member firm of Ernst & Young Global Ltd

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MUFTI UBAID UR RAHMAN ZUBAIRI

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

مفتي عبید الرحمن زبیری

فاضل جامعہ دارالعلوم کراچی

شرعی مشیر، پریمر ونڈو تکافل آپریشنز

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد لله رب العالمين والعاقبة للمتقين والصلوة والسلام على النبي والمرسلين وعلى آله واصحابه اجمعين وبعد:

Annual Shariah Review Report 2021

For the period ended December 2021

The company, Premier Insurance Limited started its Window Takaful Operations on 2nd Oct, 2015. (Hereafter referred as the PIL-WTO). As Shariah Advisor of PIL-WTO, I have examined the financial statements for the year ended 31st December 2021. In my opinion, and to the best of my understanding based on the provided information and explanation, I report as under:

Shariah Certification:

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

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

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



Mufti Ubaid ur Rahman Zubairi
Shari'ah Advisor
Premier Insurance Limited-Window Takaful Operations
18th March, 2022
14rd Rajab, 1443

+92 333 3200943 | ubaidzub@gmail.com

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

As at 31 December 2021

	Note	Operator's Fund		Participant's Takaful Fund	
		2021	2020	2021	2020
		(Rupees in ` 000)			
Assets					
Investments					
Mutual funds	6	-	-	5,035	6,820
Term deposits	7	-	-	600	600
Loans and other receivables	9	114	113	31,431	16,011
Takaful / retakaful receivables	11	-	-	68,987	36,023
Retakaful recoveries against outstanding claims	18	-	-	20,271	5,004
Qard-e-hasna contributed to PTF	8	44,403	83,020	-	-
Salvage recoveries accrued		-	-	350	72
Receivable from OPF / PTF	10	22,336	10,990	-	41,684
Deferred wakala expense	21	-	-	31,140	12,273
Deferred commission expense	22	7,105	2,105	-	-
Prepayments	12	-	-	13,027	5,901
Cash and bank	13	15,322	3,701	45,782	36,440
Total Assets		89,280	99,929	216,623	160,828
Funds and Liabilities					
Reserve attributable to:					
Operator's Fund (OPF)					
Statutory fund		50,000	50,000	-	-
Accumulated deficit		(94,013)	(72,512)	-	-
Balance of Operator's Fund		(44,013)	(22,512)	-	-
Participant's Takaful Fund (PTF) / Waqf					
Seed money		-	-	500	500
Revaluation reserves		-	-	(533)	(462)
Accumulated deficit		-	-	(43,327)	(28,901)
Balance of Participant's Takaful Fund / Waqf		-	-	(43,360)	(28,863)
Qard-e-Hasna		-	-	44,403	83,020
Liabilities					
PTF Underwriting provisions					
Unearned contribution reserve	17	-	-	88,967	35,064
Outstanding claims (including IBNR)	18	-	-	70,595	37,789
Contribution deficiency reserve		-	-	4,160	4,410
Reserve for Unearned retakaful rebate	20	-	-	2,134	1,167
		-	-	165,856	78,430
Unearned wakala fees	21	31,140	12,273	-	-
Takaful / retakaful payables		-	-	25,506	14,489
Payable to OPF / PTF	15	-	41,684	22,336	10,990
Other creditors and accruals	14	102,153	68,484	1,882	2,762
		133,293	122,441	49,724	28,241
Total Fund and Liabilities		89,280	99,929	216,623	160,828

Contingencies and commitments

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The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Statement Of Profit and Loss Account

For the Year Ended 31 December 2021

	Note	2021	2020
(Rupees in ` 000)			
Participant's Takaful Fund			
Contribution earned - net of wakala fee	17	74,190	72,034
Less: Contribution ceded to retakaful	17	(16,870)	(12,222)
Net contribution revenue	17	57,320	59,812
Re-takaful rebate earned	20	3,200	2,058
Net underwriting income		60,520	61,870
Net claims - reported / settled	18	(68,728)	(57,857)
- IBNR	18	(3,375)	4,935
Charge of contribution deficiency reserve		250	(4,410)
		(11,333)	4,538
Provision for doubtful contribution	11	(162)	(5,552)
Other direct expenses	19	(4,899)	(2,553)
Deficit before investment income		(16,394)	(3,567)
Investment income	25	403	2,149
Other income	26	2,609	2,660
Less: Modarib's share of investment income	27	(1,043)	(1,699)
Deficit for the year		(14,425)	(457)
Operator's Fund			
Wakala fee	21	39,949	38,788
Commission expense	22	(7,757)	(8,480)
General, administrative and management expenses	23	(51,841)	(28,895)
		(19,649)	1,413
Modarib's share of PTF investment income	27	1,043	1,699
Profit on bank accounts		89	81
Other expenses	24	(2,984)	(2,084)
(Loss) / Profit for the year		(21,501)	1,109

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Statement Of Comprehensive Income

For the Year Ended 31 December 2021

	2021	2020
	(Rupees in ` 000)	
Participant's Takaful Fund		
Deficit for the year	(14,425)	(457)
Other comprehensive income / (loss) for the year:		
Unrealized loss on available for sale securities	(72)	(1,019)
Total comprehensive loss for the year	(14,497)	(1,476)
Operator's Fund		
(Loss) / Profit for the year	(21,501)	1,109
Other comprehensive income / (loss) for the year:		
Unrealized income on available for sale securities	-	-
Total comprehensive (loss) / income for the year	(21,501)	1,109

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

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

For the Year Ended 31 December 2021

Attributable to Operator's Fund				
	Statutory fund	Unrealized gain / (loss) on revaluation of available-for-sale	Accumulated deficit	Total
	(Rupees in ` 000)			
Balance as at 01 January 2020	50,000	-	(73,621)	(23,621)
Net profit for the year	-	-	1,109	1,109
Other comprehensive income for the year	-	-	-	-
Balance as at 31 December 2020	50,000	-	(72,512)	(22,512)
Balance as at 01 January 2021	50,000	-	(72,512)	(22,512)
Net loss for the year	-	-	(21,501)	(21,501)
Other comprehensive income for the year	-	-	-	-
Balance as at 31 December 2021	50,000	-	(94,013)	(44,013)

Attributable to participants of the Participant's Fund				
	Seed Money	Unrealized gain / (loss) on revaluation of available-for-sale	Accumulated Deficit	Total
	(Rupees in ` 000)			
Balance as at 01 January 2020	500	557	(28,444)	(27,387)
Deficit for the year	-	-	(457)	(457)
Other comprehensive loss for the year	-	(1,019)	-	(1,019)
Balance as at 31 December 2020	500	(462)	(28,901)	(28,863)
Balance as at 01 January 2021	500	(462)	(28,901)	(28,863)
Deficit for the year	-	-	(14,425)	(14,425)
Other comprehensive loss for the year	-	(72)	-	(72)
Balance as at 31 December 2021	500	(534)	(43,326)	(43,360)

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Statement Of Cashflows

For the Year Ended 31 December 2021

Note	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
(Rupees in ` 000)				
Operating Activities				
a) Takaful activities				
			81,013	90,820
Contribution received	-	-	(10,399)	(11,313)
Re-takaful contributions paid	-	-	(56,562)	(68,875)
Claims / benefit paid	18	-	1,998	1,740
Re-takaful and other recoveries received	18	-	4,167	2,619
Commissions (paid) / re-takaful rebate received	(10,379)	(5,418)	-	-
Wakala fees received	47,470	29,807	(47,470)	(29,807)
Wakala fees paid	-	-	(1,043)	(1,699)
Modarib share received / (paid)	1,043	1,699		
Total cash generated / (used in) takaful activities	38,134	26,088	(28,296)	(16,515)
b) Other operating activities				
General and administration expenses paid	(36,112)	(30,979)	(4,329)	(8,105)
Other operating payments	-	720	-	-
Amounts due from other takaful / retakaful operators	-	-	32,964	6,526
Deposits and other receivables	31	(33)	15,332	(5,149)
Paid to Premier Insurance Limited	(30,335)	7,549	31,199	4,557
Accrued salvage recoveries	(278)	106	-	-
Other liabilities paid	1,475	(3,810)	880	(547)
Qard-e-hasna contributions	38,617	-	(38,617)	-
Total cash used in other operating activities	(26,602)	(26,447)	37,429	(2,719)
Total cash used in from operating activities	11,532	(359)	9,133	(19,234)
Investment Activities				
Investment income / (loss) received	-	-	137	(167)
Bank profit received	89	81	-	-
Sale of investment - net	-	-	72	36,650
Total cash generated / (used in) from investing activities	89	81	209	36,483
Total cash generated from all activities	11,621	(278)	9,342	17,250
Cash and cash equivalents at beginning of the year	3,701	3,979	36,440	19,190
Cash and cash equivalents at the end of the year	13	15,322	45,782	36,440

Statement Of Cashflows

For the Year Ended 31 December 2021

Note	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
(Rupees in ` 000)				
Reconciliation to profit and loss account				
Operating cash flows	11,532	(359)	9,133	(19,234)
Depreciation expense	-	-	-	-
Investment income	-	-	403	2,149
Increase in assets other than cash	16,436	7,833	46,452	64,910
(Increase) / Decrease in liabilities	(10,852)	(6,365)	(109,030)	(48,282)
Qard-e-hasna contributions	(38,617)	-	38,617	-
(loss) / Income for the year	(21,501)	1,109	(14,425)	(457)
Attributed to				
Operator's Fund	(21,501)	1,109	-	-
Participants' Takaful Fund	-	-	(14,424)	(457)
	(21,501)	1,109	(14,425)	(457)
Definition of cash and cash equivalent				
Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits having maturity of less than three months.				
Cash for the purpose of the statement of cash flows consists of:				
Cash and other equivalent				
Policy, revenue stamps and bond papers	-	29	-	-
Current and other accounts				
Current and savings accounts	15,322	3,672	45,782	36,440
Term deposit receipt	-	-	-	-
Total cash and cash equivalent	13	15,322	3,701	45,782
			36,440	

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PRESENTATION

The Securities and Exchange Commission of Pakistan ("SECP") vide its S.R.O 1416(I)/2019 dated 20th November, 2019 has prescribed format of the presentation of published financial statements for general takaful operator for takaful business.

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

2.1 Statement of Compliance

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

- International Financial Reporting Standards (IAS) 34, interim Financial Reporting issued by the International Accounting Standards Board (IASB) as for interim Financial Reporting notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

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

2.2 Basis of measurement

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

2.3 Functional and Presentation Currency

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies and the methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2020.

3.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period.

The Company has adopted the following amendments to IFRSs which became effective for the current period:

Standard or Interpretation

- IFRS 3 - Definition of a Business (Amendments)
- IAS 1/ IAS 8 - Definition of Material (Amendments)
- International Accounting Standard Board (IASB) revised Conceptual Framework
- IFRS 16 - Rent concessions on leased assets on account of Covid-19
- IFRS 14 - Regulatory Deferral Accounts

The adoption of the above Standards / amendments and improvements to accounting standards did not have any effect on the Company's financial statements.

3.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following IFRSs as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting period beginning on or after 01 January 2021:

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
- IFRS 3 - Revised Conceptual Framework (Amendments)	01 January 2022
- IAS 16 – Property, Plant and Equipments: proceeds before intended use	01 January 2022
- IAS 37 - Onerous Contracts: cost of fulfilling a contract	01 January 2022
- IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	01 January 2023

The above amendments are not likely to have an impact on Company's financial statements. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2021 but are considered not to be relevant to the Company's operations and therefore, are not detailed in these financial statements.

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

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
- IFRS 1 – First time adoption of IFRSs	01 January 2004
- IFRS 17 – Insurance Contracts	01 January 2023

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Takaful Contracts

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

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

Fire and property damage

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

Marine, aviation and transport

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

Motor

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

Accident and health

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

Miscellaneous

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

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

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

4.2 Deferred commission expense /acquisition cost

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

4.3 Reserve for unearned contribution

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

4.4 Contribution deficiency reserve

The Operator is required as per takaful rules 2012 and IFRS 4 to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after retakaful, from claims and other expenses, including retakaful expense and rebate and other underwriting expenses, expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business at the balance sheet date. The charge for contribution deficiency reserve is recorded in the profit and loss account.

The Operator determines adequacy of liability of contribution deficiency reserve by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned contribution reserve. Further, actuarial valuation has been carried out to determine amount of contribution deficiency reserve in respect of health takaful as required by SR0 16 (I) of 2012 issued by SECP on dated 09-Jan-2012.

4.5 Retakaful contracts held

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

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

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

4.6 Receivables and payables related to takaful contracts

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

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

4.7 Segment reporting

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

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

Based on its classification of takaful contracts issued, the Operator has five primary business segments for reporting purposes namely fire, marine, motor, accident and health and miscellaneous. The nature and business activities of these segments are disclosed in note 29.

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

4.8 Cash and cash equivalents

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

4.9 Revenue recognition

a) Contribution / underwriting result

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

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

b) Wakala fee

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

c) Retakaful rebate

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

d) Profit on Islamic investment products

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

e) Dividend income

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

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

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

4.10 Investments

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

Notes To And Forming Parts Of The Financial Statements

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Available-for-sale

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

Quoted

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

Held-to-maturity

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

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

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

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

4.11 Offsetting of financial assets and liabilities

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

4.12 Provision for outstanding claims/ benefits

PTF maintains provision in respect of all known claims against losses incurred up to the reporting date which is measured at the undiscounted value of expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim / benefits except as otherwise expressly indicated in a takaful contract.

4.13 Taxation

Current

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

Deferred

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

4.14 Takaful surplus

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

4.15 Impairment of operating fixed assets

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

4.16 Management expenses

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

4.17 Qard-e-hasna

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

4.18 Other creditors and accruals

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

4.19 Financial Instruments

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

4.20 Modarib fee

The Operator also manages the participants' investment as modarib and charges 35.00% (2020: 35.00%) of investment income and bank deposits earned by the PTF as Modarib fee. It is recognized on the same basis on which related revenue is recognized.

4.21 Contingencies

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

5. ESTIMATES AND JUDGEMENTS

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

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

and expectation of future events that are believed to be reasonable under the circumstances.

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

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

6. INVESTMENTS IN MUTUAL FUNDS - PTF

Note	2021			2020		
	Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / Provision for the year	Carrying value
(Rupees in ` 000)						
Classified at available for sale						
Mutual fund units	5,100	-	5,035	6,813	-	6,820
	5,100	-	5,035	6,813	-	6,820

7. INVESTMENTS IN TERM DEPOSITS - PTF

Note	2021			2020		
	Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / Provision for the year	Carrying value
(Rupees in ` 000)						
Classified at held to maturity						
Term deposit receipt	7.1 600	-	600	600	-	600
	600	-	600	600	-	600

7.1 This represents a term deposit with bank having profit at the average rate of 5.0% per annum (31 December 2020: 4.57%) having maturity till 20 January 2022.

8. QARD-E-HASNA

	2021	2020
(Rupees in ` 000)		
Balance as at the beginning of the year	83,020	83,020
Repayment during the year	(41,917)	-
Qard-e-Hasna contributed during the year	3,300	-
Balance as at the end of the year	44,403	83,020

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

Notes To And Forming Parts Of The Financial Statements

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

9. LOANS AND OTHER RECEIVABLES - Considered good

	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
	(Rupees in ' 000)			
Profit receivable	33	1	299	211
Federal excise duty	81	112	5,748	5,124
Others	-	-	25,384	10,676
	114	113	31,431	16,011

10. RECEIVABLE FROM OPF / PTF

	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
	(Rupees in ' 000)			
Wakala fee receivable	22,336	10,990	-	-
Inter fund receivable	-	-	-	41,684
	22,336	10,990	-	41,684

11. TAKAFUL / RETAKAFUL RECEIVABLES - Unsecured and considered good

	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
	(Rupees in ' 000)			
Contribution due but unpaid	-	-	63,453	31,584
Less: Provision for doubtful receivables takaful participants' holders	-	-	(5,714)	(5,552)
	-	-	57,739	26,032
Amounts due from other takaful / retakaful operators	-	-	11,248	9,991
	-	-	68,987	36,023

12. PREPAYMENTS

	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
	(Rupees in ' 000)			
Prepaid retakaful contribution ceded	-	-	10,121	5,575
Other prepaid expense	-	-	2,906	326
	-	-	13,027	5,901

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

13. CASH AND BANK

Note	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
(Rupees in ` 000)				
Cash and cash equivalent				
Policy, revenue stamps and bond papers	-	29	36	-
Cash at bank				
Current accounts	15	15	403	397
Profit & Loss sharing accounts	13.1	15,307	45,343	36,043
	15,322	3,701	45,782	36,440

13.1 The rate of return on profit and loss sharing accounts held with Islamic banks during the period range from 2.75% to 8.25% per annum (December 31, 2020: 2.75% to 6.55%).

14. OTHER CREDITORS AND ACCRUALS

Note	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
(Rupees in ` 000)				
Payable to Premier Insurance Limited	90,621	59,697	-	-
Federal takaful fee	-	-	39	45
Sales tax on services	-	-	19	49
Commission payable	11,571	9,193	-	-
Auditor's fee	416	299	-	-
Others	14.1	(455)	1,824	2,668
	102,153	68,484	1,882	2,762

14.1. This includes outstanding claims in respect of which cheques aggregating to Rs. 0.421 million (2020: Rs. 0.3 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the aging as required by SECP's circular 11 of 2014 dated 19 May 2014:

	2021	2020
(Rupees in ` 000)		
1 to 6 months	-	-
More than 6 months	421	382
	421	382

Claims not encashed	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
2021	-	21	34	146	221	421
2020	-	13	106	196	67	382

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

15. PAYABLE TO OPF / PTF

	Operator's Fund		Participant's Takaful Fund	
	2021	2020	2021	2020
	(Rupees in ` 000)			
Wakala fee receivable	-	-	22,336	10,990
Inter fund receivable	-	41,684	-	-
	-	41,684	22,336	10,990

16. CONTINGENCES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2021 (31 December 2020: Nil)

17. NET CONTRIBUTION

	2021	2020
	(Rupees in ` 000)	
Written gross contribution	168,042	74,699
Less: Wakala fee	(39,949)	(38,788)
Contribution Net of Wakala Fee	128,093	35,911
Add: Unearned contribution reserve opening	35,064	71,187
Less: Unearned contribution reserve closing	(88,967)	(35,064)
Contribution earned	74,190	72,034
Less: Retakaful contribution ceded	21,416	14,682
Add: Prepaid retakaful contribution opening	5,575	3,115
Less: Prepaid retakaful contribution closing	(10,121)	(5,575)
Retakaful expense	16,870	12,222
Net contribution	57,320	59,812

18. NET CLAIMS EXPENSE

	2021	2020
	(Rupees in ` 000)	
Claims paid or payable	56,562	68,875
Less: Outstanding claims including IBNR opening	(37,789)	(52,440)
Add: Outstanding claims including IBNR closing	70,595	37,789
Claims expense	89,368	54,224
Less: Retakaful and other recoveries received	1,998	1,740
Less: Retakaful recoveries against outstanding claims - opening	(5,004)	(5,442)
Add: Retakaful recoveries against outstanding claims - closing	20,271	5,004
Retakaful and other recoveries revenue	17,265	1,302
Net claim	72,103	52,922

18.1 Claim Development

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

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

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Accident year	2016	2017	2018	2019	2020	2021
Estimate of ultimate claims cost:						
			(Rupees in ` 000)			
At end of accident year	33,559	85,862	79,897	91,096	67,173	84,666
One year later	37,812	83,984	82,894	83,583	55,237	-
Two years later	38,493	79,192	80,343	82,450	-	-
Three years later	36,092	78,895	80,245	-	-	-
Four years later	36,037	78,844	-	-	-	-
Five years later	36,034	-	-	-	-	-
Current estimate of cumulative claims	36,034	78,844	80,245	82,450	55,237	84,666
Cumulative payments till date	35,949	77,326	80,033	82,155	54,073	40,328
Liability recognized in statement financial position	86	1,519	212	295	1,164	44,338

19. DIRECT EXPENSES - PTF

	2021	2020
	(Rupees in ` 000)	
Tracking services	59	182
Service charges	2,993	2,235
Others	1,847	136
	4,899	2,553

20. RETAKAFUL REBATE - PTF

	2021	2020
	(Rupees in ` 000)	
Rebate from re-takaful received	4,167	2,619
Add: Deferred rebate opening	1,167	606
Less: Deferred rebate closing	(2,134)	(1,167)
Rebate from retakaful earned	3,200	2,058

21. WAKALA FEE - OPF

	2021	2020
	(Rupees in ` 000)	
Gross wakala fee	58,816	26,145
Add: Deferred wakala opening	12,273	24,916
Less: Deferred wakala closing	(31,140)	(12,273)
Net wakala fee	39,949	38,788

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

22. COMMISSION EXPENSE - OPF

	2021	2020
	(Rupees in ` 000)	
Commission paid or payable	12,757	4,999
Add: Deferred commission opening	2,105	5,586
Less: Deferred commission closing	(7,105)	(2,105)
Commission expense	7,757	8,480

Notes To And Forming Parts Of The Financial Statements

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23. GENERAL, ADMINISTRATIVE AND MANAGEMENT EXPENSES - OPF

	2021	2020
	(Rupees in ` 000)	
Employee benefit cost	42,105	24,712
Rent, rates and taxes	482	267
Communications	462	399
Fuel and power	1,507	595
Travelling expenses	458	293
Entertainments	696	344
Advertisements and sales promotions	2,703	67
Repair and maintenance	938	732
Printing and stationery	754	351
Vehicle running expenses	459	372
Annual supervision fee SECP	262	298
Miscellaneous	1,015	465
	51,841	28,895

24. OTHER EXPENSES - OPF

	Note	2021	2020
		(Rupees in ` 000)	
Auditors' remuneration	24.1	631	489
Inadmissible input tax expense		(12)	-
Fees and subscription		2,365	1,595
		2,984	2,084

24.1 Auditors' remuneration

	2021	2020
	(Rupees in ` 000)	
Audit fee	272	192
Interim review	112	82
Shariah audit	144	106
Others	103	109
	631	489

25. INVESTMENT INCOME - PTF

	2021	2020
	(Rupees in ` 000)	
Income from mutual funds		
Realized gain on sale of mutual fund units	375	754
Dividend income	-	1,352
Income from term deposits		
Return on term deposits	28	43
	403	2,149

Notes To And Forming Parts Of The Financial Statements

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26. OTHER INCOME - PTF

	2021	2020
	(Rupees in ` 000)	
Profit on bank deposits	2,576	2,706
Exchange gain / (loss)	33	(46)
	2,609	2,660

27. MODARIB FEE

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

28. RELATED PARTY TRANSACTIONS

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

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

Name of related party	Relationship	2021						
		Transactions during the year			Balances			
		Contribution underwritten	Contribution received	Claims paid	Commission paid	Commission outstanding	Claims outstanding	Commission outstanding
(Rupees in 000)								
Associated Companies								
Crescent Fibres Limited	Common Directorship	3,272	2,781	15	-	1,362	36	-
Crescent Steel and Allied Products Limited	Common Directorship	659	818	-	-	113	-	59
Equity Textiles Limited	Common Directorship	2,135	2,231	367	-	322	512	-
Muhammad Amin Muhammad Bashir Limited	Common Directorship	-	-	-	-	-	-	674
Premier Financial Services (Pvt.) Ltd	Common Directorship	293	414	-	-	-	6	-
Shakarganj Limited	Common Directorship	2,630	3,740	196	-	3,767	115	-
Shams Textile	Common Directorship	237	327	-	-	-	-	-
Suraj Cotton Mills Limited	Common Directorship	2,184	2,543	834	-	(573)	92	-
The Crescent Textile Mills Limited	Common Directorship	1,523	1,871	-	-	379	131	-
First Equity Modaraba	Common Directorship	282	216	178	-	105	20	-
Total		13,215	14,941	1,589	-	5,475	913	733

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

28.1 Operator's contribution toward staff provident fund during the year is Rs. 1.333 (2020: Rs.0.74) million.

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

29. SEGMENT INFORMATION

29.1 Participants Takaful Fund Segment profit and loss

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Rupees in 000)											
Contribution receivable (inclusive of Federal Excise Duty / Sales Tax, Federal Takaful Fee and Administrative surcharge)	15,251	8,922	6,593	5,357	81,901	36,761	74,213	28,938	4,370	1,843	182,327	81,821
Less: Federal excise duty	1,905	1,165	787	659	9,402	4,312	-	-	526	244	12,620	6,381
Less: Federal takaful fee	129	77	57	47	708	316	735	286	38	16	1,666	742
Gross written contribution (inclusive of administrative surcharge)	13,217	7,680	5,749	4,651	71,792	32,133	73,478	28,652	3,806	1,583	168,041	74,699
Gross direct contribution	12,777	7,588	5,463	4,490	68,675	30,489	73,418	28,624	3,718	1,555	164,051	72,746
Facultative inward contribution	323	11	85	-	1,035	538	-	-	-	-	1,443	549
Administrative surcharge	117	82	201	162	2,082	1,105	60	28	87	27	2,547	1,404
Less: Wakala expense	(3,393)	(1,716)	(1,986)	(1,454)	(17,578)	(21,997)	(16,438)	(13,164)	(553)	(457)	(39,949)	(38,788)
Takaful contribution earned	9,695	4,904	5,675	4,154	50,222	62,847	46,966	37,610	1,581	1,307	114,139	110,822
Takaful contribution ceded to retakaful operators	(8,261)	(4,047)	(4,980)	(3,499)	(2,569)	(3,567)	-	-	(1,060)	(1,109)	(16,870)	(12,222)
Net takaful contribution	(1,959)	(859)	(1,291)	(799)	30,075	37,283	30,528	24,446	(32)	(258)	57,320	59,812
Rebate earned	1,783	903	1,119	805	54	96	-	-	244	253	3,200	2,058
Net underwriting income	(176)	44	(172)	6	30,129	37,379	30,528	24,446	212	(5)	60,520	61,870
Takaful claims	(15,768)	(959)	(3,025)	(104)	(14,893)	(19,960)	(55,479)	(32,988)	(203)	(213)	(89,368)	(54,224)
Takaful claims recovered from retakaful	14,257	796	2,759	357	-	-	-	149	250	-	17,265	1,302
Net claim	(1,511)	(163)	(266)	253	(14,893)	(19,960)	(55,479)	(32,839)	47	(213)	(72,103)	(52,922)
Contribution deficiency reserve	(12)	(571)	(6)	(346)	(69)	(2,388)	250	(4,410)	(4)	(118)	250	(4,410)
Provision for doubtful contribution	(144)	(262)	(62)	(159)	(780)	(1,098)	(3,872)	(979)	(41)	(54)	(4,899)	(2,553)
Other direct expense	(144)	(262)	(62)	(159)	(780)	(1,098)	(3,872)	(979)	(41)	(54)	(4,899)	(2,553)
Surplus before investment income	(1,844)	(952)	(506)	(246)	14,387	13,933	(28,644)	(15,911)	214	(389)	(16,394)	(3,567)
Investment income											403	2,149
Other Income											2,609	2,660
Less: Modarib's share of investment income											(1,043)	(1,699)
Deficit transferred to accumulated surplus											(14,425)	(457)

Segment assets and liabilities

The following presents segments assets and liabilities as at 31 December 2021 and 31 December 2020:

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Rupees in 000)											
Segment assets	10,522	10,048	4,577	7,168	57,153	28,914	58,495	17,894	3,030	2,358	133,775	66,382
Unallocated corporate assets											82,848	94,446
Total assets											216,623	160,828
Segment Liabilities	14,724	9,100	6,404	5,511	79,978	38,074	81,857	33,949	4,240	1,876	187,202	88,509
Unallocated corporate liabilities											28,378	18,162
Total liabilities											215,580	106,671

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

29.2 Operators Fund

Segment profit and loss

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Rupees in 000)											
Wakala fee earned	3,393	1,716	1,986	1,454	17,578	21,997	16,438	13,164	553	457	39,949	38,788
Commission expense	(1,163)	(754)	(390)	(370)	(4,909)	(5,625)	(1,055)	(1,645)	(239)	(86)	(7,756)	(8,480)
Management expense	1,772	415	1,168	386	(27,200)	(18,011)	(27,610)	(11,810)	29	125	(51,841)	(28,895)
	4,002	1,377	2,764	1,470	(14,532)	(1,639)	(12,227)	(291)	344	496	(19,648)	1,413
Modarib's share of PTF investment income											1,043	1,699
Profit on bank deposits											89	81
Other expenses											(2,984)	(2,084)
(Loss) / Profit before taxation											(21,501)	1,109

Segment assets and liabilities

The following presents segments assets and liabilities as at 31 December 2021 and 31 December 2020:

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Rupees in 000)											
Segment assets	559	216	243	131	3,035	906	3,107	807	161	45	7,105	2,105
Unallocated corporate assets											82,175	97,824
Total assets											89,280	99,929
Segment Liabilities	2,449	1,262	1,065	764	13,304	5,279	13,616	4,708	705	260	31,140	12,273
Unallocated corporate liabilities											102,153	110,168
Total liabilities											133,293	122,441

30. MOVEMENT IN INVESTMENTS

	OPF	PTF		Total
	Available for sale	Available for sale	Held to maturity	
	(Rupees in 000)			
01 January 2020	-	40,782	600	41,382
Addition	-	17,462	600	18,062
Disposal (sale and redemption)	-	(50,405)	(600)	(51,005)
Designated at available for sale upon initial recognition	-	(1,019)	-	(1,019)
31 December 2020	-	6,820	600	7,420
Addition	-	5,100	2,400	7,500
Disposal (sale and redemption)	-	(6,813)	(2,400)	(9,213)
Designated at available for sale upon initial recognition	-	(72)	-	(72)
31 December 2021	-	5,035	600	5,635

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

31. MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

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

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

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

31.1 Takaful Risk

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

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

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

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

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

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

concentration of claims and contribution liabilities (in percentage terms) by class of business at balance sheet date.

The Operator also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighbouring 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:

	2021	2020
	(Rupees in ` 000)	
Class		
Fire and property damage	334,000	422,186
Marine, aviation and transport	201,759	205,500
Motor	52,500	18,900
Miscellaneous	1,000	24,000
Health	33,000	800

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

Sensitivity analysis

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

	PTF			
	2021		2020	
	Revenue	Equity	Revenue	Equity
	(Rupees in 000)			
Impact of change in claim liabilities by + 10%				
Fire and property damage	(1,597)	(1,597)	(96)	(96)
Marine, aviation and transport	(312)	(312)	(10)	(10)
Motor	(1,694)	(1,694)	(1,996)	(1,996)
Health	(3,098)	(3,098)	(3,299)	(3,299)
Miscellaneous	(358)	(358)	(21)	(21)
	(7,059)	(7,059)	(5,422)	(5,422)

	PTF			
	2021		2020	
	Revenue	Equity	Revenue	Equity
	(Rupees in 000)			
Impact of change in claim liabilities by - 10%				
Fire and property damage	1,597	1,597	96	96
Marine, aviation and transport	312	312	10	10
Motor	1,694	1,694	1,996	1,996
Health	3,098	3,098	3,299	3,299
Miscellaneous	358	358	21	21
	7,059	7,059	5,422	5,422

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

31.2 Financial risk

Maturity profile of financial assets and liabilities:

OPF	Mark-up bearing			Non - mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in 000)						
Financial assets							
Investments	-	-	-	-	-	-	-
Loans and other receivables	-	-	-	22,369	-	22,369	22,369
Cash and bank	-	15,307	15,307	-	15	15	15,322
31 December 2021	-	15,307	15,307	22,369	15	22,384	37,691
Financial liabilities							
Other creditors and accruals	-	-	-	416	101,737	102,153	102,153
31 December 2021	-	-	-	416	101,737	102,153	102,153

PTF	Mark-up bearing			Non - mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in 000)						
Financial assets							
Investments	600	5,035	5,635	-	-	-	5,635
Loans and other receivables	-	-	-	25,683	-	25,683	25,683
Takaful receivables	-	-	-	68,987	-	68,987	68,987
Retakaful recoveries against outstanding claims	-	-	-	20,271	-	20,271	20,271
Cash and bank	-	45,343	45,343	439	-	439	45,782
31 December 2021	600	50,378	50,978	115,380	-	115,380	166,358
Financial liabilities							
Claims payable	-	-	-	70,595	-	70,595	70,595
Other creditors and accruals	-	-	-	1,882	-	1,882	1,882
Takaful payables	-	-	-	25,506	-	25,506	25,506
31 December 2021	-	-	-	97,983	-	97,983	97,983

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

PTF	Interest / Mark-up bearing			Non - mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in 000)						
Financial assets							
Investments	600	-	600	6,820	-	6,820	7,420
Loans and other receivables	-	-	-	211	-	211	211
Takaful receivables	-	-	-	36,023	-	36,023	36,023
Retakaful recoveries against outstanding claims	-	-	-	5,004	-	5,004	5,004
Cash and bank	-	36,043	36,043	-	397	397	36,440
31 December 2020	600	36,043	36,643	48,058	397	48,455	85,098
Financial liabilities							
Claims payable	-	-	-	37,789	-	37,789	37,789
Other creditors and accruals	-	-	-	2,668	-	2,668	2,668
Takaful payables	-	-	-	14,489	-	14,489	14,489
31 December 2020	-	-	-	54,946	-	54,946	54,946

31.3 Credit risk

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

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

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

	2021	2020	2021	2020
	OPF		PTF	
	(Rupees in 000)			
Financial assets:				
Bank balances	15,322	3,701	45,782	36,440
Takaful / retakaful receivables	-	-	68,987	36,023
Retakaful recoveries against outstanding claims	-	-	20,271	5,004
	15,322	3,701	135,040	77,467

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

Bank	Rating agency	2021	
		Short term	Long term
Meezan Bank Limited	VIS	A-1+	AAA
Bank Islami Pakistan Limited	PACRA	A-1	A+
Dubai Islamic Bank Pakistan Limited	VIS	A-1+	AA

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

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

	2021	2020
	(Rupees in ` 000)	
Up to 1 year	53,367	24,571
1 - 2 years	2,945	871
2 - 3 years	284	289
Over 3 years	6,856	5,853
	63,452	31,584

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

	2021	2020
	(Rupees in ` 000)	
Up to 1 year	3,677	6,235
1 - 2 years	1,798	602
2 - 3 years	-	179
Over 3 years	-	(366)
	5,475	6,651

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

	Amount due from retakaful operators	Retakaful recoveries against outstanding claims	Other retakaful asset	2021	2020
A or above (including PRCL)	10,834	20,271	10,121	41,226	20,062
BBB	190	-	-	190	448
Others	224	-	-	224	60
Total	11,248	20,271	10,121	41,640	20,570

31.4 Liquidity risk

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

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

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

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

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For the Year Ended 31 December 2021

	2021			
	OPF		PTF	
	Upto one year	more than one year	Upto one year	more than one year
	(Rupees in 000)			
Claims payable	-	-	70,595	-
Other creditors and accruals	102,153	-	1,882	-
Takaful payables	-	-	25,506	-
Total	102,153	-	97,983	-

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

31.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

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

31.6 Operational Risk

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

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

Notes To And Forming Parts Of The Financial Statements

For the Year Ended 31 December 2021

32. STATEMENT OF SOLVENCY

		2021
		(Rupees in ` 000)
Assets		
Investments		5,635
Loans and other receivables		31,431
Takaful / retakaful receivables		68,987
Retakaful recoveries against outstanding claims		20,271
Salvage recoveries accrued		350
Deferred wakala expense		31,140
Prepayments		13,027
Cash and bank deposits		45,782
Total Assets (A)		216,623
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
(q) Investments		
(k) Deposits and other receivables		
(h) Insurance / reinsurance receivables		3,131
Total of In-admissible assets (B)		3,131
Total Admissible Assets (C=A-B)		213,492
Total Liabilities		
Underwriting provisions		
Outstanding claims including IBNR		70,595
Unearned contribution reserve		88,967
Contribution deficiency reserve		4,160
Unearned retakaful rebate		2,134
Takaful / retakaful payables		25,506
Payable to OPF / PTF		22,336
Other creditors and accruals		1,882
Total Liabilities (D)		215,580
Total Net Admissible Assets (E=C-D)		(2,088)

32.1 As of the year end, the total liabilities are more than the total admissible assets by Rs.2.088 million, however, subsequent to the year end, WTO is compliant with the solvency margin after taking Qard-e-Hasna from Operators' Fund.

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable

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For the Year Ended 31 December 2021

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

	2021		
	Fair Value Measurement		
	Level 1	Level 2 (Rupees in 000)	Level 3
PTF			
Available for sale investments (measured at fair value)	-	5,035	-
Mutual fund units	-	5,035	-

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

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **March 28, 2022** by the Board of Directors of the Operator.

35. GENERAL

35.1 There is no individual class of business within the category of 'miscellaneous', where the gross contribution of the class of business is 10% or more of the gross premium revenue of the Operator.

35.2 The comparative information has been reclassified, rearranged or additionally restated in these financial statements, wherever necessary, to facilitate comparative and to confirm with changes in presentation in the current year. However there were no material reclassification / restatements to report.

35.3 All amounts have been rounded to the nearest thousand Rupees.

Chief Executive
Officer

Chairman

Director

Director

Chief Financial
Officer

Pattern of Shareholding

As at December 31, 2021

Information as required under Code of Corporate Governance

Shareholder's category	Number of Shareholders	Number of shares held
Associated Companies, Undertaking and Related Parties (name wise details)		
CRESCENT COTTON MILLS LTD	1	303,384
CRESCENT FIBRES LTD	1	69,621
CRESCENT POWERTEC LIMITED	1	9,266,031
EQUITY TEXTILES LIMITED	1	1,579,749
M/S.MUHAMMAD AMIN MUHAMMAD BASHIR LTD.	1	213
MOHD AMIN MOHA BASHIR LTD	1	11,510
SHAMS TEXTILE MILLS LIMITED	1	739,069
SURAJ COTTON MILLS LTD.	1	1,298,971
THE CRESENT TEXTILE MILLS LTD	1	141,573
TOTAL >>	9	13,410,121
Mutual Funds (name wise details)		
TOTAL >>	-	-
Directors and their spouse		
AHSAN BASHIR	1	394,411
ASMA IMRAN MAQBOOL	1	153,299
BEGUM TANVEER KHALID BASHIR	1	160,329
IMRAN MAQBOOL	1	489,278
KHALID BASHIR	1	553,387
NADEEM MAQBOOL	1	478,724
NAZIA MAQBOOL	1	202,251
SHARIK BASHIR	1	357,720
SHAMEEN AZFAR	1	10,920
TOTAL >>	9	2,800,319
Executives		
TOTAL >>	3	6,112
Public Sector Companies and Corporations		
TOTAL >>	7	6,076,389
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds		
TOTAL >>	8	873,635
Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details)		
CRESCENT POWERTEC LIMITED	1	9,266,031
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	5,474,410
TOTAL >>	2	14,740,441

Categories of Shareholding

As at December 31, 2021

SNO.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	9	2,800,319	5.54
2	Associated Companies, Undertakings and related Parties	9	13,410,121	26.52
3	NIT and ICP		-	-
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	4	860,771	1.70
5	Insurance Companies	3	5,474,810	10.83
6	Modarabas and Mutual Funds	2	158	0.00
7	Share holders holding 10%	2	14,740,441	29.15
8	General Public :			
	a. local	1,953	26,104,908	51.63
	b .Foreign			
9	Others	40	1,914,018	3.79
Total (excluding : share holders holding 10%)		2,020	50,565,105	100.00

Category Details of Shareholding

As at December 31, 2021

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

SNO.	FOLIO	NAME	HOLDING
1	03277-104904	SHARIK BASHIR	357,720
2	03277-105031	SHAMEEN AZFAR	10,920
3	03277-48704	NADEEM MAQBOOL	478,724
4	03277-48705	NAZIA MAQBOOL	202,251
5	03277-9900	IMRAN MAQBOOL	489,278
6	03525-4544	AHSAN BASHIR	394,411
7	03525-5627	ASMA IMRAN MAQBOOL	153,299
8	03525-72378	KHALID BASHIR	553,387
9	03525-96446	BEGUM TANVEER KHALID BASHIR	160,329
TOTAL >>			2,800,319

Associated Companies, Undertakings and related Parties

SNO.	FOLIO	NAME	HOLDING
1	635	M/S.MUHAMMAD AMIN MUHAMMAD BASHIR LTD.	213
2	02113-1292	MOHD AMIN MOHD BASHIR LTD	11,510
3	02113-2720	EQUITY TEXTILES LIMITED	1,579,749
4	03277-31027	CRESCENT FIBRES LTD	69,621
5	03525-16675	CRESCENT COTTON MILLS LTD	303,384
6	03525-48327	SURAJ COTTON MILLS LTD.	1,298,971
7	03525-48328	SHAMS TEXTILE MILLS LIMITED	739,069
8	03525-48329	CRESCENT POWERTEC LIMITED	9,266,031
9	03525-8794	THE CRESENT TEXTILE MILLS LTD	141,573
TOTAL >>			13,410,121

Banks, Development Financial Institutions, Non Banking Financial Institutions

SNO.	FOLIO	NAME	HOLDING
1	133	M/S. BIBOJEE INVESTMENT LIMITED.	12,526
2	00083-36	IDBL (ICP UNIT)	99
3	03525-100145	ESCORTS INVESTMENT BANK LIMITED	198
4	03277-7003	PAKISTAN INDUSTRIAL DEVELOPMENT CORP.	847,948
TOTAL >>			860,771

Insurance Companies

SNO.	FOLIO	NAME	HOLDING
1	673	M/S.STATE LIFE INSURANCE CORPN.OF PAK.	283
2	02683-23	STATE LIFE INSURANCE CORP. OF PAKISTAN	5,474,410
3	03277-8997	THE CRESCENT STAR INSURANCE CO.LTD.	117
TOTAL >>			5,474,810

Modarabas and Mutual Funds

SNO.	FOLIO	NAME	HOLDING
1	1501	M/S.FIRST INTERFUND MODARABA.	117
2	1781	M/S.FIRST CONFIDENCE MODARABA.	41
TOTAL >>			158

Category Details of Shareholding

As at December 31, 2021

Others

SNO.	FOLIO	NAME	HOLDING
1	110	M/S.THE PAN ISLAMIC STEAMSHIP CO.LTD	65
2	169	M/S.AUSTRALASIA BANK LTD.	2,923
3	345	M/S.MUTUAL TRADING CO.LTD.	1
4	362	M/S.TAYYAB KATCHI & CO.LIMITED.	5,314
5	389	M/S.GOLDEN VALLEY TRADING CO.LTD.	3,525
6	503	M/S.VALIKA INVESTMENT CORPN.LTD.	5,184
7	593	INDUSTRIAL DEVELOPMENT BANK LIMITED	1,128
8	985	M/S.CRESCENT TRADING CORPN.(PVT) LTD	9,095
9	1144	ALI TRUST, LAHORE.	41
10	1665	M/S.SITARA ENTERPRISES (PVT) LTD.	177
11	2279	M/S. N.H. SECURITIES (PVT) LTD.	23
12	2350	M/S.PROGRESSIVE GARMENTS (PVT) LTD.	11,797
13	2352	M/S.CRESCENT SPINNING MILLS LTD.	7,372
14	2577	M/S.AMIN BASHIR VENTURES (PVT) LTD.	12,290
15	3032	TRUSTI BONUS FBR	33,476
16	3042	TRUSTEE TO 5% BONUS FBR	42,135
17	3068	TRUSTEE TO 5% BONUS FBR 10% BOUNS	15,864
18	3069	TRUSTEE TO BOUNS FRACTION SHARES COMPANY SECRETARY	1,032
19	3082	TRUSTEE TO BONUS FRACTION SHARE COMPENY SECRETARY	958
20	01917-33	PRUDENTIAL SECURITIES LIMITED	2,340
21	01917-41	PRUDENTIAL SECURITIES LIMITED	122
22	02287-14	ISE TOWERS REIT MANAGEMENT COMPANY LIMITED	293
23	02287-22	ISE TOWERS REIT MANAGEMENT COMPANY LIMITED	8,548
24	03210-28	Y.S. SECURITIES & SERVICES (PVT) LTD.	912
25	03277-1048	MILLWALA SONS (PRIVATE) LIMITED	29
26	03277-2582	JUBILEE SPINNING & WEAVING MILLS LIMITED	18,682
27	03277-13417	MNG.COMMITTEE OKHAI MEMON MADRESSAH ASSO	72,055
28	03277-64371	DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	270,510
29	03277-9352	TRUSTEES CRESCENT STEEL&ALLIED PROD PN.F	12,589
30	03277-9699	BURMA OIL MILLS LTD	191,697
31	03525-57191	SARFRAZ MAHMOOD (PRIVATE) LTD	741
32	03525-63817	NH SECURITIES (PVT) LIMITED.	933
33	03525-87235	MAPLE LEAF CAPITAL LIMITED	1
34	04440-20	ZAFAR MOTI CAPITAL SECURITIES (PVT) LTD.	562
35	04580-23	CAPITAL VISION SECURITIES (PVT) LTD.	167
36	04705-87224	FEDERAL BOARD OF REVENUE	239,711
37	07278-28	WASI SECURITIES (SMC-PVT) LTD.	1
38	10231-27	MSMANIAR FINANCIALS (PVT) LTD.	465
39	10827-4720	J HOLDINGS (PRIVATE) LIMITED	925,000
40	14241-22	FIKREES (PRIVATE) LIMITED	16,260

TOTAL >> 1,914,018

Pattern of Shareholding

As at December 31, 2021

NO OF SHAREHOLDERS	NO. OF SHAREHOLDINGS		Total Shares
	FROM	TO	
566	1	100	16,385
453	101	500	121,336
203	501	1,000	149,843
395	1,001	5,000	963,431
104	5,001	10,000	765,705
62	10,001	15,000	755,251
32	15,001	20,000	547,230
27	20,001	25,000	601,374
23	25,001	30,000	628,028
15	30,001	35,000	484,438
14	35,001	40,000	521,301
9	40,001	45,000	387,957
2	45,001	50,000	97,674
9	50,001	55,000	474,508
1	55,001	60,000	59,500
3	60,001	65,000	188,332
7	65,001	70,000	476,163
8	70,001	75,000	577,561
6	80,001	85,000	497,170
6	85,001	90,000	526,441
2	90,001	95,000	185,585
2	100,001	105,000	207,008
1	105,001	110,000	106,051
2	115,001	120,000	234,371
1	120,001	125,000	123,403
3	125,001	130,000	383,826
5	130,001	135,000	665,572
2	135,001	140,000	276,574
1	140,001	145,000	141,573
5	150,001	155,000	766,495
1	160,001	165,000	160,329
1	165,001	170,000	168,101
1	170,001	175,000	171,013
2	175,001	180,000	350,787
1	180,001	185,000	181,131
1	190,001	195,000	191,697
1	195,001	200,000	198,457
1	200,001	205,000	202,251

Pattern of Shareholding

As at December 31, 2021

1	205,001	210,000	207,324
1	215,001	220,000	218,005
1	235,001	240,000	239,711
1	250,001	255,000	254,023
1	270,001	275,000	270,510
1	280,001	285,000	282,384
1	300,001	305,000	303,384
3	305,001	310,000	918,996
2	325,001	330,000	657,000
1	345,001	350,000	348,307
1	350,001	355,000	354,077
2	355,001	360,000	713,605
1	390,001	395,000	394,411
1	435,001	440,000	439,997
1	455,001	460,000	459,441
1	475,001	480,000	478,724
2	485,001	490,000	976,335
1	505,001	510,000	505,643
1	520,001	525,000	524,566
1	530,001	535,000	532,000
1	545,001	550,000	550,000
1	550,001	555,000	553,387
1	565,001	570,000	568,461
1	575,001	580,000	577,149
1	665,001	670,000	669,701
1	700,001	705,000	701,259
1	735,001	740,000	739,069
1	845,001	850,000	847,948
1	865,001	870,000	866,558
1	910,001	915,000	912,640
1	920,001	925,000	925,000
1	1,180,001	1,185,000	1,183,054
1	1,215,001	1,220,000	1,219,423
1	1,295,001	1,300,000	1,298,971
1	1,575,001	1,580,000	1,579,749
1	5,470,001	5,475,000	5,474,410
1	9,265,001	9,270,000	9,266,031

2,020

50,565,105

Branch Network

Karachi

Head Office

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

Phone: 021-32416331-4

Fax: 021-32416572

Clifton Branch

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

Phone: 021-32416331-4

Fax: 021-32416572

CSD South Karachi

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

Phone: 021-32416331-4

Fax: 021-32416572

Lahore

Zonal Office Lahore

162 Shadman II Lahore.

Phone: 042-35407001-5

Fax: 042-35407006

CSD North Lahore

162 Shadman II Lahore.

Phone: 042-35407001-5

Fax: 042-35407006

Mall Branch Lahore

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

Phone: 042-37230602-03

Multan Branch

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

Phone: 061-4515007-9

Fax: 061-4587143

Islamabad Branch

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

Phone: 051-2803024-5

Fax: 051-2348169

Faisalabad Branch

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

Phone: 041-2632211-3

Fax: 041-2617802

Sialkot Branch

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

Phone: 052-3572192-93

Fax: 052-3572194

Gujranwala Branch

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

Phone: 055-3256432

Peshawar Branch

Lamsy Arcade, 1st Floor, Fakhar-e-Alam Road, Peshawar Cantt.

Phone: 091-5273757 / 5277809

Fax: 091-5277809

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 70th Annual General Meeting (“AGM”) of PREMIER INSURANCE LIMITED (“Company”) will be held on Thursday April, 28 2022, at 9:30 am at Registered Office, 5th Floor, State Life Building No. 2A, Wallace Road, Karachi to transact the following business:-

Ordinary Business

1. To confirm minutes of the Extra Ordinary General Meeting of the Company held on June 28, 2021;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2021, the reports of the Directors and Auditors thereon and the review of the Chairman.
3. To appoint Auditors of the Company and fix their remuneration. The shareholders are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors, M/s EY Ford Rhodes, Chartered Accountants for appointment as auditors of the Company.

By Order of the Board

Fariq Mahmood Khan Rohilla
Company Secretary

Karachi: **April 07, 2022**

Notes

AGM by Video-link facility

In line with the directions issued to listed companies by the Securities and Exchange Commission of Pakistan, vide its Letter No. SMD/SE/2(20)/2021/117 dated December 15, 2021, Circular No. 4 of 2021 dated February 15, 2021 and Circular No. 6 of 2021 dated March 3, 2021, the Company has also made arrangements for the shareholders to attend AGM through electronic means.

Those shareholders who are planning to attend the AGM physically, shall be required to provide evidence of being fully vaccinated to comply with the directions of the Government.

The members and their proxies who wish to attend the AGM are requested to register themselves by providing the following information along with valid copy of Computerized National Identity Card (both sides)/passport, attested copy of board resolution / power of attorney (in case of corporate shareholders) at email company.secretary@pil.com.pk at least two working days before the AGM.

Name of member	CNIC No.	CDC Account No/ Folio No.	Cell Number.	Email address
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The members who are registered after the necessary verification shall be provided a video link by the Company on the email address they provided to the Company for this purpose. The Login facility will remain open from the start of the meeting till its proceedings are concluded.

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

Closure of Share Transfer Books

The Members Register of the Company shall remain closed from April 22, 2022 to April 28, 2022 (both days inclusive). Transfers received in order at our Registrar, FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, Pakistan by the close of business on April 21, 2022 will be treated in time for the purpose of attending, speaking and voting at the AGM.

Participation in the Annual General Meeting

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

Placement of Documents on Company's Website

The Company has placed a copy of the Notice of AGM, Annual Financial Statements for the year ended December 31, 2021 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: www.pil.com.pk

Electronic Transmission of Financial Statements and Notices

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

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

Deposit of Physical Shares in to CDC Accounts

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

Dividend, Electronic Credit Mandate (Mandatory)

Pursuant to the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode by making direct remittance into their respective bank account designated by the entitled shareholder(s) ("the bank account"). Therefore, in order to receive dividends directly into their bank account, shareholders holding shares in physical form are requested to fill in "Electronic Credit Mandate Form" available on Company's website i.e. www.pil.com.pk and send the completed form along with a copy of a valid CNIC or provide the following information to the registrar of the Company M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.

Folio Number: _____

Name of Shareholder: _____

Title of the Bank Account: _____

Email address: _____

International Bank Account (IBAN) (24 digits): _____

Name of Bank: _____

Name of Bank Branch and Address: _____

Cellular Number of Shareholder: _____

Landline Number of Shareholder: _____

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

Signature of Member

Change of Address

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

UPDATE UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKING) REGULATION 2017.

The Company had already invested Rs 10.11 million in 4.68 million Modaraba Certificates of First Equity Modaraba. On June 28, 2021, the shareholders approved a further investment of Rs 20 million in First Equity Modaraba. However, the same could not be materialized yet because the script did not reached at the desirable rate. There has been no material adverse change in the financial statements of First Equity Modaraba since its approval on June 28, 2021.

Share Registrar:

FAMCO Associates (Pvt) Limited

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

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

Phones: (21) 34380101-2

Fax : (21) 34380106

Email : info.shares@famco.com.pk

Subject Consent for Electronic Transmission of Annual Report

Dear Sirs,

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

I understand that the transmission of Annual Report via the Email shall meet the requirements as mentioned under Section 50,158,233 and 236 of the Companies Ordinance, 1984.

Name of Shareholder(s): _____

Fathers / Husband Name: _____

CNIC: _____ NTN (if any): _____

Participant ID / Folio No: _____ Telephone: _____

Mailing address: _____

Email address:

Date: _____

Premier Insurance Limited
State Life Building No. 2A
5th Floor, Wallace Road Karachi

Signature
(In case of corporate shareholders,
the authorized signatory shall sign)

Premier Insurance Limited

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

Proxy Form Annual General Meeting

I/We _____ of _____
being a member of Premier Insurance Limited and holder of Ordinary shares as per Registered Folio No _____ and/or CDC Participant I.D.No _____
Sub-Account No _____ CNIC No _____
or Passport No _____ hereby appoint _____
of _____ who is also a member of the company, having Folio No _____
or failing him/her _____ as my/our Proxy in my/our
absence to attend, speak and vote for me/us and on my/ our behalf at the Annual General Meeting of
the company to be held on Thursday April, 28 2022, time 9:30 am at Registered Office, Karachi.

Signed this _____ day of _____ 2022

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

Rupees Five
Revenue
Stamp

Signature of Shareholder

Note:

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

پریمیر انشورنس لمیٹڈ

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

نائب / پراسی فارم

سالانہ جنرل میٹنگ

میں / ہم _____ ولد _____ بحیثیت ممبر پریمیر انشورنس لمیٹڈ کے عام شیئر
_____ رکھتا / رکھتی ہوں بمطابق رجسٹرڈ فلیو نمبر _____ اور / یا _____ سی ڈی سی _____ کے شراکت دار، شناختی کارڈ
نمبر _____ ذیلی اکاؤنٹ نمبر _____ قومی شناختی کارڈ نمبر _____ یا پاسپورٹ نمبر _____
اپوائنٹ _____ جو کہ کمپنی کا پہلے سے ممبر ہے، بمطابق فلیو نمبر _____
یا ناکام رہا / رہی _____ کیلئے _____ بطور میرے نائب میری غیر موجودگی میں حاضر
ہوگا / ہوگا اور میرے لئے میری معرفت ووٹ ڈالے جو کہ کمپنی کے سالانہ اجلاس عام بمطابق 28 اپریل 2022 بوقت 9:30am بجے رجسٹرڈ آفس کراچی میں منعقد ہوگا۔

دستخط مورخہ _____ دن _____، 2022۔

۱۔ گواہ: _____

دستخط: _____

نام: _____

پتہ: _____

قومی شناختی کارڈ نمبر: _____

۲۔ گواہ: _____

دستخط: _____

نام: _____

پتہ: _____

قومی شناختی کارڈ نمبر: _____

نوٹ:

۱۔ ایک ممبر (رکن) جو اجلاس میں شرکت نہیں کر سکتا، وہ اس فارم کو مکمل کرے اور دستخط کرنے کے بعد اجلاس شروع ہونے سے کم از کم 48 گھنٹے قبل رجسٹرڈ آفس، بمقام پانچویں منزل، اسٹیٹ لائف بلڈنگ نمبر A-2، والیک روڈ، کراچی کے پتے پر ارسال کر دے۔

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

ریونیو اسٹیٹمپ پانچ روپے

دستخط شیئر ہولڈرز



Since 1952 as a life-time companion we have delivered distinctive general insurance services across the country with diligence, zeal and commitment. Yet our journey to excel continues; to do more and better for our clients.

Premier Insurance Limited

www.pil.com.pk