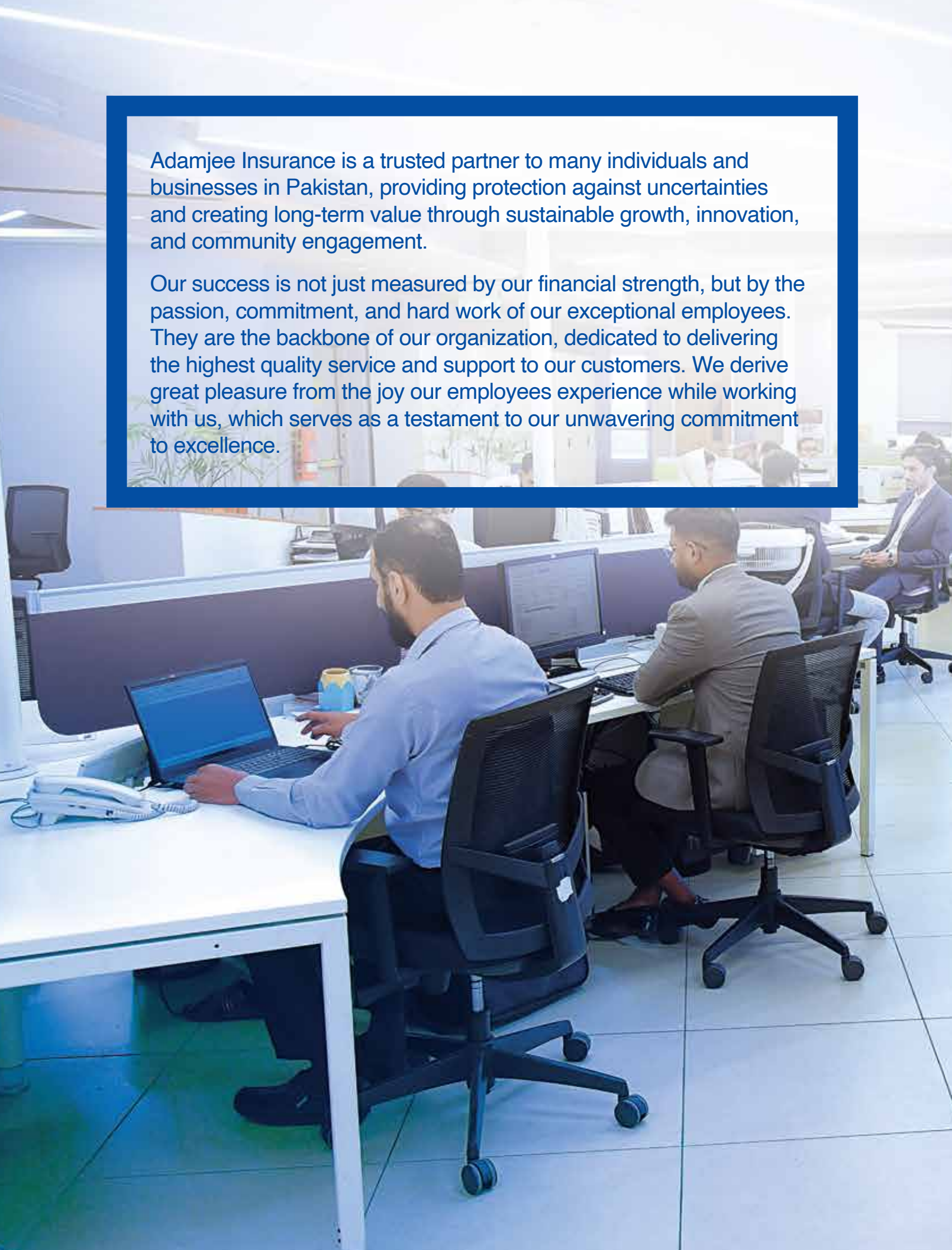


FACES OF **SUCCESS**

ANNUAL REPORT 2022

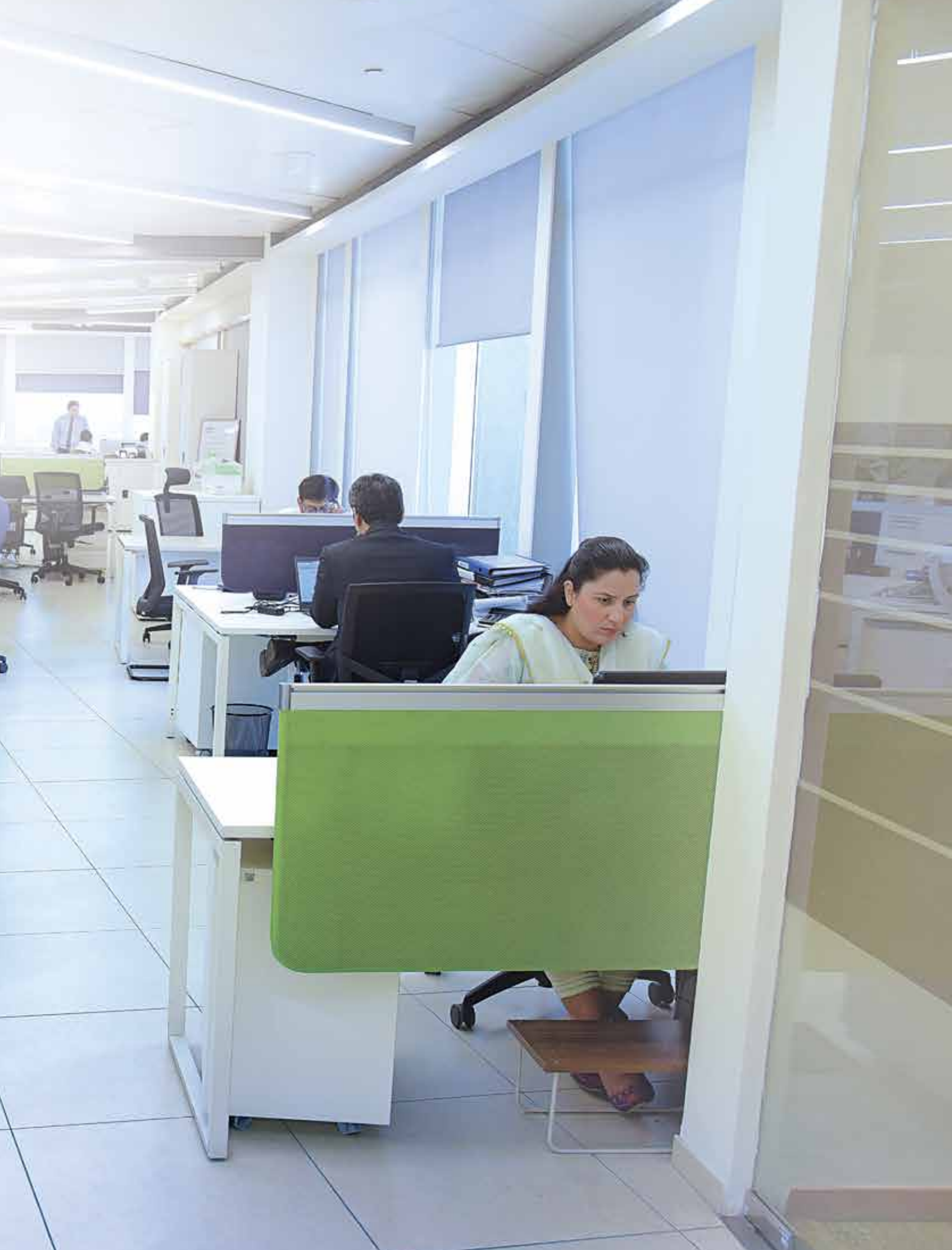






Adamjee Insurance is a trusted partner to many individuals and businesses in Pakistan, providing protection against uncertainties and creating long-term value through sustainable growth, innovation, and community engagement.

Our success is not just measured by our financial strength, but by the passion, commitment, and hard work of our exceptional employees. They are the backbone of our organization, dedicated to delivering the highest quality service and support to our customers. We derive great pleasure from the joy our employees experience while working with us, which serves as a testament to our unwavering commitment to excellence.



About Our Annual Report 2022

Coverage & Contents

Adamjee Insurance Company Limited (the Company) proudly presents its annual report for the year 2022. The Annual Report 2022 covers the twelve-month period from 1 January 2022 to 31 December 2022. Significant events, if any, that took place up to the date of authorization of financial statements and date of directors' report i.e. March 21, 2023 have also been explained in relevant sections of the report. The most recent previous report of the Company was dated 31 December 2021.

The Company has included following content elements for the users of this report:

- **Organizational overview & external environment**

This section introduces the users with our Vision & Mission, Core values, Code of conduct, ethics & values, Board of Directors and Management Team.

It also provides information regarding our business model, geographical presence, products & services, achievements and the external environment in which we operate.
- **Strategy and resource allocation**

This section appraises the users about our short, medium and long term strategic objectives, strategies adopted and available resources along with their allocation to achieve these objectives.
- **Risk and opportunities**

This section enables the users to understand key risks and opportunities facing the Company and how the Company is dealing with them.
- **Governance**

This section contains Directors' report, Statement of Compliance with the Code of Corporate Governance and enables users to understand our ownership and operating structure.

It also provides highlights regarding functioning of Board Committees as well as various Governance Policies of the Company.
- **IT Governance & Cybersecurity**

This section provides insight regarding IT Governance and Cybersecurity Policies of the Company and Company's use of Enterprise Resource Planning (ERP) System.
- **Performance and position**

This section provides the users with relevant information and analysis of financial performance of the Company

over the last six years.

- **Outlook**

This section provides information regarding outlook of the Company and status of projects in pipeline.
- **Stakeholders' relationship and engagement**

This section explains in detail the policies and measures being taken by the Company to engage and maintain healthy relationship with its stakeholders.
- **Sustainability and Corporate social responsibility**

This section highlights our efforts for sustainability and our contribution towards society to fulfil our social responsibility.
- **Financial Statements**

This section contains Unconsolidated Financial Statements, Consolidated Financial Statements and Financial Statements of Window Takaful Operations along with Auditors' Reports thereon.
- **Other Information**

This section contains Notice of Annual General Meeting, Pattern of shareholding and other necessary information.

Scope and Boundaries

The scope and boundaries of this report have been derived from following laws, rules, regulations and frameworks:

- International Financial Reporting Standards 'IFRS' issued by the International Accounting Standards Board 'IASB' as are notified under the Companies Act, 2017.
- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019.
- In case, requirements of IFRS differ, the provisions of or the directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019, have been followed.

- Listed Companies (Code of Corporate Governance) Regulations, 2019
- Code of Corporate Governance for insurers, 2016
- International Integrated Reporting Framework, and
- Guidelines for best practices on corporate reporting prescribed by the joint committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost & Management Accountants of Pakistan (ICMAP).

Adoption of IR Framework and Responsibility for the report

The Company always strives for best practices in corporate reporting for all stakeholders and general public. Our commitment towards adoption of International Integrated Reporting Framework by applying fundamental concepts and guiding principles, in addition to content elements, into our annual report is a forward step to give an overview of the Company's philosophy to explain connection between its financial and non-financial information.

The Board of Directors of the Company acknowledges its responsibility to ensure integrity of this annual report and assesses that the presentation of this report in accordance with the International Integrated Reporting Framework is still at the preliminary stage. However, the Company will continue to hone the information produced to make it even easier to understand, while considering the interests of stakeholders reading this report.

External Assurances

- Independent Auditors' Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance
Yousuf Adil Chartered Accountants
- Independent Auditors' Report on Audit of Unconsolidated Financial Statements
Yousuf Adil Chartered Accountants
- Independent Auditors' Report on Audit of Consolidated Financial Statements
Yousuf Adil Chartered Accountants

- Independent Reasonable Assurance Report to the Board of Directors on the Statement of Compliance with the Shariah Principles

Yousuf Adil Chartered Accountants

- Shariah Advisor's Report to the Board of Directors

Mufti Muhammad Hassaan Kaleem

- Independent Auditors' Report on Audit of Window Takaful Operations

Yousuf Adil Chartered Accountants

Basis of preparation and presentation

The information in this report has been included in accordance with the requirements of applicable laws, rules, regulations and frameworks as explained in 'Scope and boundaries' section. In addition to that the Company has benchmarked the materiality principle to gauge as to what information is to be disclosed in this report. Hence, this report contains only those matters which have material implications on the Company and its ability to create value over the short, medium and long term.

For feedback, suggestions and queries:
info@adamjeeinsurance.com

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Financial Highlights

Rs. 35.2

Billion

Gross Premium &
Contribution
Written

Rs. 7.39

Earning per share

Rs. 2.15

Billion

Investment income

Rs. 27.5

Billion

Investments

Rs. 24.9

Billion

Equity and reserves

Rs. 20.5

Billion

Claims paid

Rs. 73.8

Billion

Asset base

Rs. 2.6

Billion

Profit after tax

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A photograph of an office interior with a blue text box overlay. The office has white desks, a green chair, and a tiled floor. The text box is a dark blue rectangle with a white border, containing the text 'SECURING THE LANDSCAPE ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT'.

SECURING THE LANDSCAPE

**ORGANIZATIONAL
OVERVIEW AND
EXTERNAL
ENVIRONMENT**







“

I'm proud to work for a company that has a long history of **integrity and excellence** in the insurance industry.

”



“

Working at Adamjee Insurance means being part of a team that truly **cares about protecting** our customers' futures.

”

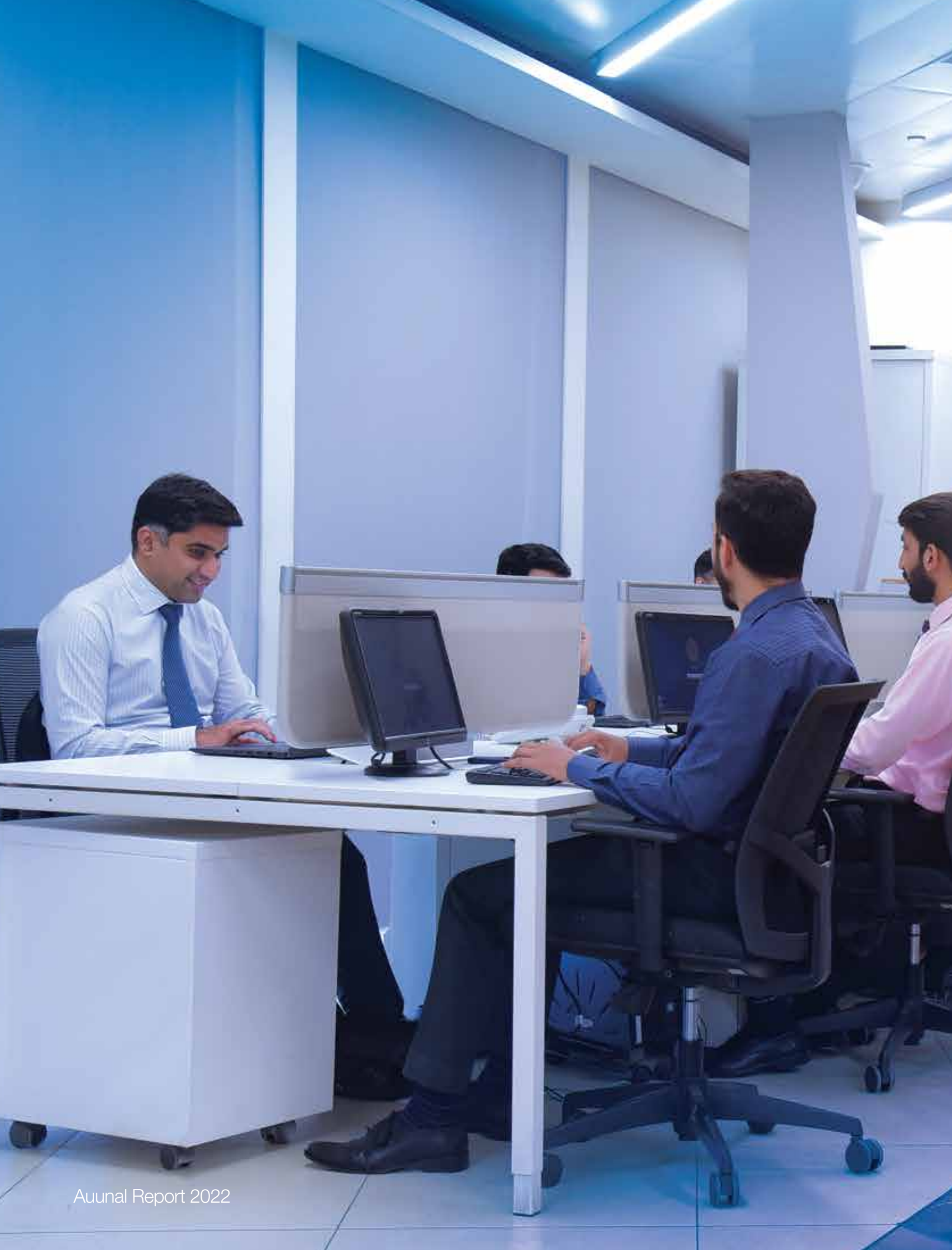


VISION & MISSION

Our will is to **Explore, Innovative** and **Differentiate**.

Our Passion is to provide **Leadership** to the insurance industry.





CORE VALUES

Integrity - Transparency and honesty without compromise

Humility - Empathy, self-esteem and respect in all relationships

Fun at Workplace - Work-life balance

Corporate Social Responsibility - Service to humanity

OUR GUIDING STRENGTH

STRATEGIC OBJECTIVES

- To keep leading the insurance market by providing the best customer service and maximizing the long term value for shareholders
- To add value to our stakeholders' relationship
- To maximize utilization of our digital infrastructure to enhance our productivity and reduce the operational cost, ensuring risk mitigation with regulatory compliance



Company Information

BOARD OF DIRECTORS

Umer Mansha	Chairman
Ibrahim Shamsi	Director
Imran Maqbool	Director
Khawaja Jalaluddin	Director
Muhammad Arif Hameed	Director
Sadia Younas Mansha	Director
Shaikh Muhammad Jawed	Director
Muhammad Ali Zeb	Managing Director & Chief Executive Officer

ADVISOR

Mian Muhammad Mansha

AUDIT COMMITTEE

Muhammad Airf Hameed	Chairman
Ibrahim Shamsi	Member
Shaikh Muhammad Jawed	Member
Umer Mansha	Member

ETHICS, HUMAN RESOURCE AND REMUNERATION COMMITTEE

Khawaja Jalaluddin	Chairman
Umer Mansha	Member
Ibrahim Shamsi	Member
Muhammad Ali Zeb	Member

INVESTMENT COMMITTEE

Shaikh Muhammad Jawed	Chairman
Umer Mansha	Member
Imran Maqbool	Member
Muhammad Ali Zeb	Member
Muhammad Asim Nagi	Member

COMPANY SECRETARY

Tameez ul Haque, FCA

CHIEF FINANCIAL OFFICER

Muhammad Asim Nagi, FCA

EXECUTIVE MANAGEMENT TEAM

Muhammad Ali Zeb
Muhammad Asim Nagi
Adnan Ahmad Chaudhry
Asif Jabbar
Muhammad Salim Iqbal

AUDITORS

Yousuf Adil
Chartered Accountants
134-A, Abu Bakar Block
New Garden Town
Lahore, Pakistan

SHARIAH ADVISOR

Mufti Muhammad Hassan Kaleem

SHARE REGISTRAR

CDC Share Registrar Services Ltd
CDC House, 99-B, Block-B, S.M.C.H.S.,
Main Shakra-e-Faisal, Karachi-74400
Tel: (92) 0800-23275
Fax: (92-21) 34326053

BANKERS

Askari Bank Limited
Abu Dhabi Commercial Bank, UAE
Allied Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
FINCA Microfinance Bank Limited
Habib Bank Limited
Habib Metropolitan Bank
Khushali Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
Mobilink Microfinance Bank Limited
National Bank of Pakistan
Samba Bank Limited
Soneri Bank Limited
The Punjab Provincial Cooperative Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited

REGISTERED OFFICE

Adamjee House, 80/A, Block E-1,
Main Boulevard, Gulberg III,
Lahore - 54000, Pakistan
Phone: (92-42) 35772960-79
Fax (92-42) 35772868
Email: info@adamjeeinsurance.com
Web: www.adamjeeinsurance.com

Code of Conduct, Ethics and Values

As one of the leading insurance companies of Pakistan, we have great responsibility to conduct our business with utmost honesty and integrity. We prioritize the interests of our various stakeholders and create an environment that helps the business to achieve sustainable growth.

At Adamjee Insurance Company Limited (AICL) we pay close attention to the way we conduct our business in line with the standards set by the Board. This code of conduct contains the guidelines for it. We strive to follow these guidelines at all levels which helps us to create value for our stakeholders.

This code is ingrained in our organizational values and helps us in protecting the interests of our shareholders, investors, customers, employees, regulators and business partners.

The Company is proud of the values with which it conducts business. It has and will continue to uphold the highest levels of business ethics and personal integrity in all types of Business activities, transactions and interactions.

This Code of Conduct serves to:

- Emphasize the Company's commitment to ethics and compliance with the laws and regulations
- Set forth basic standards of ethical and legal behavior
- Provide reporting mechanisms for known or suspected ethical or legal violations
- Help prevent and detect wrongdoings

Salient Characteristics of Code of Conduct, Ethics and Values

Integrity

All Members of Board of Directors and Employees shall behave honestly and ethically at all times and with all people. They shall act in good faith, with due care, and shall engage only in fair and open competition, by treating competitors, suppliers, customers, and colleagues ethically. In case of any breaches that cause damage to the reputation of the Company, strict action will be taken immediately.

Customers

AICL is committed to providing the best customer experience and offer value in terms of the quality of the service. We make sure that our customers are fully satisfied with our service.

Shareholders

AICL strictly follows the principles of the Code of Corporate Governance and works in accordance with international standards to provide reliable, timely and accurate information to shareholders.

Business Partners

AICL is committed to ensure mutually beneficial relationships with its business partners. There is continuous engagement and communication to make sure business is conducted ethically and in accordance with the law.

Community Involvement

Being part of the corporate community, AICL recognizes its responsibility towards the society and strives to work towards the betterment of the community.

Health, Safety and Environment

Health, Safety and Environmental (HSE) responsibilities constitute an essential part of AICL's operations. These become the core of the Company's activities. The Company hopes to safeguard people's health and minimize the environmental impact of their jobs. AICL's HSE policy observes all existing laws, regulations and amendments.

Compliance with Laws, Rules and Regulations

Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. In conducting business, the employees shall comply with applicable governmental laws, rules and regulations of the countries in which AICL operates. AICL ensures compliance with the Anti-Money Laundering (AML) Act, 2010, AML Rules, 2008 and the AML/CFT Regulations, 2018 together with the guidelines thereunder.

Use of Company assets

All employees should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation.

Confidentiality

Employees must maintain the confidentiality of the business information entrusted to them, except when disclosure is authorized. Business information includes information that might be harmful to the Company or its customers if disclosed. It also includes information that suppliers and customers have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.

Equal Employment opportunity

At Adamjee Insurance equal opportunities are given to all employees without any discrimination on the basis of age, race, ethnicity, religion and gender and these characteristics are not the basis of any employment decision.

Insider Trading

Employees should refrain from Insider trading at all costs and abide by the guidelines provided by SECP.

Conflict of Interest

A conflict can arise when an employee takes actions or has interests that may make it difficult to perform his or her work for the Company, objectively and effectively. Conflicts of interest may also arise when an employee or members of his or her family, receives personal benefits as a result of his or her position at the Company.

- An employee has a prime responsibility to the company and is expected to avoid any activity that could interfere with that responsibility.
- The Company purchases equipment, material, and services for various aspect of its operations. The employees are forbidden from holding any personal financial interest, directly or indirectly in any deal of supplying goods or services to the Company.
- Employees should not engage in any outside business or activity that might interfere with their duties and responsibilities to the Company.
- Any conflict of Interest should be reported to the respective line manager.

Anti-Bribery and Corruption

It is mandatory for all stakeholders to comply with the rules and laws set to govern corruption and bribery. Employees are prohibited to engage in such activities and in case of any breach, severe penalties will have to be faced.

Political Participation

No membership of any political party or involvement in any political movement is allowed. Moreover, from any political representatives / authorities influence is strictly prohibited.

Workplace Harassment

AICL will maintain an environment that is free from harassment and in which everyone is equally respected. Workplace harassment is defined as any action that creates an intimidating, hostile or offensive work environment. Such actions include, but are not limited to, sexual harassment, disparaging comments based on gender, race or religion.

Receiving gifts or Favors

All employees are expected to refrain from receiving any gifts or favors that gives the employee an unfair advantage and might affect the ability of the employee to take unbiased decisions. In case if a gift is received by an employee, it should be submitted to the supervisor as soon as possible.

External Communication & Media Relations

At AICL all employees should report to the Marketing Department and take written approval for any contact with media or writing any type of article which represent or misrepresent the Company position in any mean, Chairman, CEO, CFO and Company Secretary or employee nominated by CEO are authorized to contact media.

Use of Personal Devices at Work

Employees are only allowed to use their personal devices such as cell phones and laptops for business purposes such as attending business call. Personal should only be attended when it's unavoidable.

Whistle Blowing Policy

AICL has a formal whistle blowing policy in place to protect employees from any improper acts and provides them a medium to report any illegal, improper or unethical acts. The employees may also report questionable behavior by sending an email to voice@adamjeeinsurance.com (confidentiality will be ensured).

Chairman's Review



I am pleased to present my review to the shareholders of Adamjee Insurance Company Limited on the overall performance of the Board of Directors and effectiveness of the role played by the Board in achieving the Company's strategic objectives.

In the year 2022, Adamjee Insurance Company faced a number of challenges, including the ongoing economic uncertainty, low business sentiments, changing regulatory landscape, and intense competition. However, one challenge that particularly stood out was the devastating impact of the recent floods that affected large parts of the country. These floods caused widespread damage to infrastructure, homes, and businesses, and resulted in the loss of many lives. The continuing political and economic uncertainty together with dwindling foreign exchange reserves and curb on imports has resulted in a downward economic spiral which has engulfed our economy adversely.

Despite this challenging environment, Adamjee Insurance has remained steadfast in serving its customers and fulfilling its mission. We have continued to focus on securing the interest of our shareholders whilst maintaining a balance between regulatory obligations and operational performance. Our highly structured governance programme, with well-designed committees with appropriate objectives have been instrumental in ensuring that we remain on track to achieve our strategic objectives, even in the face of difficult circumstances.

Our Board of Directors has played an essential role in achieving our success, fulfilling their duties diligently and with expertise, which helped us surpass our budgeted growth targets and other strategic goals. We are proud to say that our employees, our most valuable asset, have remained central to our continued success, demonstrating commitment and dedication to the Company, even during these difficult times.

Finally, I would like to express my high appreciation for our customers' unwavering confidence and trust in us. We extend our gratitude to our business partners, reinsurers, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the Pakistan Stock Exchange for their support and guidance. We remain committed to serving our customers in the new year with renewed vigor.

Looking ahead, despite the headwinds, we are optimistic about the future and are fully prepared to meet the opportunities and challenges that lie ahead. We will continue to invest in our people, processes, and technology, to ensure that we remain at the forefront of the insurance industry in Pakistan. We are confident that with the support of our shareholders, business partners, and other stakeholders, we will be able to achieve our goals and realize our vision to remain the most trusted and respected name in the insurance industry in the years to come.

Umer Mansha
Chairman

میں آدم جی انشورنس کمپنی لمیٹڈ کے شیئر ہولڈرز کے سامنے بورڈ آف ڈائریکٹرز کی کارکردگی اور بورڈ کی جانب سے کمپنی کے مقررہ کردہ اہداف کے حصول کے لیے اپنائے گئے موثر کردار کی بابت اپنا جائزہ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

سال ۲۰۲۲ء میں آدم جی انشورنس کمپنی کو کئی اقسام کے چیلنجز کا سامنا کرنا پڑا جن میں معاشی غیر یقینی صورتحال، کاروباری رجحانات میں کمی، انضباطی ماحول میں تبدیلی اور شدید قسم کی مسابقت شامل رہیں۔ بہر حال اس ساری صورتحال میں جو سب سے نمایاں رہا وہ حالیہ سیلاب تھے جس کی تباہ کاریوں نے ملک کے بہت بڑے حصے کو شدید متاثر کیا۔ سیلابوں نے بڑے پیمانے پر انفراسٹرکچر کو تباہی سے دوچار کیا گھروں اور کاروباروں کو نقصان پہنچا اور متعدد افراد اپنی جانوں سے بھی گئے۔ مسلسل جاری سیاسی و معاشی بے یقینی، ساتھ ہی زر مبادلہ کے انتہائی محدود ذخائر اور درآمدات پر پابندی نے معاشی سرگرمیوں کو بری طرح متاثر کیا اور معیشت پر اس کے انتہائی منفی اثرات مرتب ہوئے۔

ان تمام مشکلات حالات کے باوجود آدم جی انشورنس اپنے صارفین کی خدمت کے اپنے مقصد کے حصول میں ہمہ وقت مصروف عمل رہی۔ ہم اپنی توجہ مسلسل اپنے کرم فرماؤں کے مفادات کے تحفظ پر مرکوز رکھی ساتھ ہی انضباطی ذمہ داریوں اور عملی کارکردگی میں توازن برقرار رکھنے سے بھی کسی طور غافل نہیں رہے۔ اگرچہ ہمیں کئی مواقعوں پر شدید مشکل حالات کا سامنا کرنا پڑا لیکن ہمارے شاندار گورننس پروگرام، ساتھ میں مناسب اہداف کی حامل عمدہ کلام و وضع کردہ کمیٹیوں نے ہمیں حکمت عملی کے اہداف کے حصول کے راستے پر گامزن رکھا۔

ہماری کامیابیوں کے حصول میں ہمارے بورڈ آف ڈائریکٹرز نے انتہائی اہم کردار ادا کیا، اپنی تمام صلاحیتوں کو انتہائی جانفشانی سے بروئے کار لائے اور اسی وجہ سے ہم اپنے تخمینہ شدہ میزانیہ کے اہداف سے آگے نکلے اور دیگر حکمت عملی کے مقاصد بھی پورے کیے۔ ہمیں آپ کو انتہائی فخر سے بتا رہے ہیں کہ ہمارے ملازمین ہمارا سب سے اہم اثاثہ ہیں، ہماری کامیابیوں کے تسلسل میں انہوں نے ہمیشہ مرکزی کردار ادا کیا اور حالیہ انتہائی مشکل حالات میں بھی ان کی جانفشانی، لگن اور ادارے کے ساتھ وابستگی میں کوئی فرق نہیں آیا۔

حتی طور پر میں اپنے صارفین کے ہم پر غیر متزلزل اعتماد کو سراہنا چاہوں گا۔ ہم اپنے کاروباری شراکت داروں، دہرے بیمہ کاروں، اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج کے ہر معاملے اور مشکل میں رہنمائی اور تعاون پر انتہائی شکر گزار ہیں۔ ہم نئے سال میں اپنے صارفین کی خدمت کے لیے نئے عزم جوش اور جذبے کے ساتھ ہمہ وقت تیار ہیں۔ مستقبل میں درپیش آنے والی مشکلات و خدشات کے باوجود ہم انتہائی پر امید اور تیار ہیں کہ ہمیں آگے بڑھنے کے ہر موقع سے فائدہ اٹھانا ہے اور مسائل سے نبرد آزما ہونا ہے۔ ہم اپنے لوگوں، طریق عمل اور ٹیکنالوجی میں سرمایہ کاری جاری رکھیں گے، تاکہ پاکستان کی انشورنس انڈسٹری میں ہمیں نمایاں مقام حاصل رہے۔

ہمیں بھرپور اعتماد ہے کہ ہمیں اپنے شیئر ہولڈرز، کاروباری شراکت داروں اور دیگر اسٹیک ہولڈرز کی بھرپور حمایت حاصل ہے اور اسی بناء پر اپنے اہداف حاصل کرنے میں کامیاب ہوں گے اور آنے والے برسوں میں انشورنس انڈسٹری میں سب سے زیادہ قابل بھروسہ و معتبر نام بننے اپنے وژن سے جڑے رہیں گے۔

عمر منشا

چیسر مین

CEO Message

I am pleased to present the Company's Annual Report for the financial year 2022.

With the grace of Almighty Allah, the Company has achieved a gross revenue of PKR 35.2 billion including takaful operations (2021: PKR 24.7 billion) and net profitability of PKR. 2.6 billion during the year 2022 which is the highest ever premium written and takaful contribution by Adamjee Insurance in Pakistan.

Despite facing numerous complexities, including a global economic downturn fueled by supply-chain disruptions, uncertain political and economic situation, devaluation of Pak Rupees resulting in cost -push inflation, and unprecedented destruction caused by floods in Pakistan, our strong performance has enabled us to meet many of our strategic targets, focused on business growth, process improvements, and seamless customer experience. Our effective execution of growth strategies and strong customer relations have helped us claim our leadership position in the industry and improve our market share.

Our commitment to stakeholders and maximizing value for shareholders drives our growth strategy. We uphold high corporate standards and strict compliance with laws and regulations. Our ethical and diverse culture is fostered by leaders who provide clear and compelling direction, and employees who go the extra mile.

The Company has come a long way over the past ten years, yet there is still a lot more to accomplish. Our strategy remains to achieve continuous growth in the business and enhance the customer experience for all the insurance needs. Guided by our mission to exceed customer satisfaction and maintain our position as the market leader, our focus remains on excellence and investment in technology, which is poised to yield promising returns in the years ahead. We are committed to delivering the best possible value to our customers, leveraging the latest technology and offering seamless access to our products and services. We recognize that the journey ahead will be challenging, but we are well-prepared to navigate the evolving landscape of the insurance industry and remain at the forefront of innovation and customer-centricity.

We have made an effort towards openness in our communication and this we believe differentiates us from the rest in terms of disclosures, even we firmly believe that this forthrightness will only help grow stronger relationships with our shareholders and other stakeholders.

Finally, I would like to acknowledge the leadership of our Chairman and Board of Directors for making 2022 yet another successful year under their guidance, trust and support throughout the year. I am also grateful to the shareholders, bankers, employees and all other stakeholders for their contributions which acts as a catalyst for us to stretch our boundaries.

Muhammad Ali Zeb
Chief Executive Officer





Board of Directors



Umer Mansha
Chairman

Mr. Umer Mansha holds a bachelor's degree in Business Administration from USA. He has served on the Board of Directors of various listed companies for more than 23 years. He also holds the position of Chief Executive Officer of Nishat Mills Limited. In addition, he has been serving on the boards of various other businesses.

Other Directorships:

- Nishat Mills Limited
- MCB Bank Limited
- Adamjee Life Assurance Company Limited
- Nishat Dairy (Private) Limited
- Nishat Hotels and Properties Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Nishat Developers (Private) Limited
- Nishat Agriculture Farming (Private) Limited
- Hyundai Nishat Motor (Private) Limited,
- Nishat Agrotech Farm (Private) Limited
- Nishat Sutas Dairy Limited
- National Textile Foundation



Ibrahim Shamsi
Director

Ibrahim Shamsi is the Chief Executive Officer of Joyland (Pvt.) Limited and AA Joyland (Pvt.) Limited and is the Chairman of Cotton Web (Pvt.) Limited. Ibrahim earned his MBA from the Lahore University of Management Sciences (LUMS). He has done Advance Management Program from Harvard University, USA.

Other Directorships:

- Joyland (Pvt) Limited
- AFLAK Developers
- Agrohubs International (Pvt) Limited
- Avenew Marketing (Pvt) Limited
- Cotton Web Limited
- Dupak Developers Pakistan (Pvt) Limited
- Dupak Premier Properties (Pvt) Limited
- Dupak Properties (Pvt) Limited
- Dupak Residency (Pvt) Limited
- Dupak Tameer Limited
- Fortress Financials Services (Pvt) Limited
- Fortress Square Services (Pvt) Limited
- Fortress Developers (Private) Limited
- IBSAL Logistics Limited
- Joyland Construction Pvt Limited
- Joyland Entertainment (Pvt) Limited
- Joyland Limited
- MCB Islamic Bank Limited
- Siddiqsons Limited.
- Siddiqsons Tin Plate Limited
- Siddiqsons Energy Limited



Mohammad Arif Hameed
Director

Mohammad Arif Hameed is a former Managing Director of Sui Northern Gas Pipelines Ltd., a company he served for 37 years. He has vast managerial experience in Gas Distribution, Sales, Billing, Logistics Support, Procurement, and Legal. He has served as Director on the Boards of Sui Southern Gas Company Ltd., Inter State Gas System (Pvt.) Ltd., Petroleum Institute of Pakistan and LUMS. He is a Mechanical Engineer by profession and is registered with the Pakistan Engineering Council (PEC). He also holds a Masters in Administrative Sciences and is a Law Graduate from University of the Punjab, Lahore.



Imran Maqbool

Director

Imran Maqbool served as President & Chief Executive Officer of MCB Bank Limited (MCB) for nine years. Before taking on CEO position, he served MCB for ten years in senior management positions covering Retail, Islamic, Corporate, Special Assets and Sri Lanka Operations of the Bank. Prior to joining MCB in 2002, Mr. Maqbool worked in local banking operations of Bank of America and Citi Bank for more than 17 years. He is a seasoned professional with over 36 years of diverse banking experience. Mr. Maqbool has served as Board member of multinational and local companies, including Vice Chairman of Pakistan Banks' Association. He holds MBA degree from Institute of Business Administration (IBA) Karachi and MS in Management from MIT Sloan School of Management, Massachusetts USA.

Other Directorships:

- Adamjee Life Assurance Company Limited



Khawaja Jalaluddin

Director

Khawaja Jalaluddin is the Chairman of Masood Roomi - one of the most modern and vertically integrated textile setups exporting globally with professionals on board in multi-faceted business domains comprising of Textiles, Trading & Real Estates Development.

He is an MBA with professional accreditations and certifications from Switzerland in the field of textiles and finance from UK. His diversified professional experience, rich business portfolio and associations with various Government, Semi Government and Public Limited Companies, have helped them institutionalize pragmatic business solutions.

Besides serving on the boards of few corporate entities he is also actively involved in various educational & philanthropic projects for the wellbeing of the society to name a few:

- Ex-President Multan & DG Khan Chamber of Commerce and Industries
- Director Arif Habib Corporation Limited
- Executive Member Pakistan Business Council
- Director Punjab Board of Investment & Trade
- Chairman Institute of Cardiology, Multan
- Former Chairman Board of Management Nishtar Medical College and Hospital

Other Directorships:

- Masood Fabrics Limited
- Roomi Fabrics Limited
- Masood Holdings (Pvt) Limited
- Roomi Holdings (Pvt) Limited
- Masood Apparels (Pvt) Limited
- Masood Roomi Textile Mills (Pvt) Limited
- Roomi Home (Pvt) Limited



Sadia Younas Mansha

Director

Sadia Younas Mansha has more than 19 years of diversified professional experience in Textile, Knitwear, Dairy and Agriculture Farming. She is currently serving in the capacity of Managing Director of Nishat Dairy (Pvt) Limited and Nishat Agriculture Farming (Pvt) Limited. She is also the Chief Executive Officer of Golf View Land (Pvt) Limited.

Other Directorships:

- Golf View Land (Pvt) Limited
- Nishat Agriculture Farming (Private) Limited
- Nishat Sutas Dairy Limited
- Nishat Dairy (Private) Limited
- Pakgen Power Limited



Shaikh Muhammad Jawed **Director**

Shaikh Muhammad Jawed was previously a Director of Din Leather (Pvt) Limited and has vast experience of running a modern tannery. Due to his technical expertise, Din Leather has received several export performances awards, merits as well as best export performance trophies for the export of Finished Leather from Pakistan and the company's contribution is earning valuable foreign exchange for the country. Due to excellence in quality and supply, the company has also received a Gold Medallion Award from the International Export Association, UK. He has received technical education in Leather Technology from Leather Sellers College, UK.

Other Directorships:

- Adamjee Life Assurance Company Limited
- Din Textile Mills Limited
- Din Leather (Private) Limited
- Din Farm Products (Private) Limited



Muhammad Ali Zeb **Managing Director & Chief Executive Officer**

Muhammad Ali Zeb is a fellow member of the Institute of Chartered Accountants of Pakistan and completed post graduate diploma in Organizational Leadership from Said Business School, University of Oxford. He has over 28 years of diverse experience in the Manufacturing, Financial and Insurance sectors. He started his professional career from Nishat Mills in 1995 and joined Adamjee Insurance as the Chief Financial Officer in 2005 where he was promoted as Executive Director Finance. He was appointed as the Chief Executive Officer in 2008 and remained in this position until March 2011. Before rejoining Adamjee Insurance as the Chief Executive Officer in June 2013. Ali also served as the Chief Financial Officer at City School (Pvt) Limited. He has served as the Chairman, Insurance Association of Pakistan in 2014.

Other Directorships:

- Adamjee Life Assurance Company Limited
- MCB Bank Limited
- Nishat Sutas Dairy Limited

Roles and Responsibilities of Chairman

- Chairman provides leadership to the Board and presides the Board meetings.
- Establishes a strong governance structure in which not only the effectiveness of the overall Board, but also of an individual member, increases.
- Creates an environment that promotes open communication, strong corporate relations that allow every individual member to express their view points and have constructive debates at Executive and management level of the organization.
- Exercise strict impartiality on every matter and ensures to act in accordance with the provisions of the Companies Act 2017, Codes of the Corporate Governance and the Memorandum and Articles of Association of the Company.
- Ensures that the Company's policies and objectives set by the Board are in the best interests of the organization and encourage future development and sustainable long term growth.
- Conduct meetings with the Chief Executive Officer (CEO) to ensure that the objectives and strategies set by the Board are successfully implemented by the management.
- Makes sure that all the important issues and upcoming changes are thoroughly discussed in the Board meetings and a way forward is established.
- Ensures that shareholders' and other stakeholders' views are taken into consideration and effective communication is established between the stakeholders and the Board.



Management Team



Muhammad Ali Zeb

Managing Director & Chief Executive Officer

Muhammad Ali Zeb is a fellow member of the Institute of Chartered Accountants of Pakistan and completed post graduate diploma in Organizational Leadership from Saïd Business School, University of Oxford. He has over 28 years of diverse experience in the Manufacturing, Financial and Insurance sectors. He started his professional career from Nishat Mills in 1995 and joined Adamjee Insurance as the Chief Financial Officer in 2005 where he was promoted as Executive Director Finance. He was appointed as the Chief Executive Officer in 2008 and remained in this position until March, 2011. Before rejoining Adamjee Insurance as the Chief Executive Officer in June 2013. Ali also served as the Chief Financial Officer at City School (Pvt) Limited. He has served as the Chairman, Insurance Association of Pakistan in 2014.



Muhammad Asim Nagi

Executive Director Finance & Chief Financial Officer

Muhammad Asim Nagi has over 25 years of experience in Accounts and Finance. He is an Economics graduate from University College London and is a Fellow of the Institute of Chartered Accountants in England & Wales. Asim is also a member of the Institute of Chartered Accountants of Pakistan and a Fellow of the Association of Chartered Certified Accountants in United Kingdom. He has worked with a number of organizations at the management level in the UK, including Ernst & Young LLP and UHY Hacker Young LLP in London. His experience in UK comprised assurance and transaction advisory, in particular, IPOs, stock exchange flotations and reverse takeovers. He has also worked with A.F. Ferguson & Co., Chartered Accountants (a member firm of Pricewaterhouse Coopers) and has headed the Internal Audit function at DH Corporation Limited. Asim has been with Adamjee Insurance Company Limited since November 2011 and has served as the Executive Director Finance & Chief Financial Officer since 2014.



Adnan Ahmad Chaudhry

Executive Director Commercial

Adnan Ahmad Chaudhry has over 30 years of combined experience in engineering, manufacturing, and insurance sectors. He has done his Master's in Counselling and Coaching for Change from INSEAD. He is a qualified engineer B.E. (Electrical) from UET Lahore. He started his career in 1993 from Arden Engineering & Automation after which he moved to ALSTOM in 1995. He served as Senior Sales Engineer (Abu Dhabi Branch) at Al Hassan Group of Companies in 2000 and as General Manager Sales & Operations at Classic Needs Pakistan (Pvt.) Ltd. from 2003 to 2007.

Adnan has been with Adamjee Insurance since 2008, joined as the Head of Motor Department and became General Manager Operations in 2010 and has served as the Executive Director Commercial since 2013.



Asif Jabbar

Executive Director Technical

Asif Jabbar has 30 years of insurance experience in the areas of underwriting, risk management, operations, and sales. He started his career in 1993 with Adamjee Insurance Company Limited where he held different leadership roles. In 2012, he moved to Marsh Operations in Pakistan with Unique Insurance Brokers as Chief Operating Officer. As an insurance broker, the areas of his specialty were energy, property, and business interruption. In 2013, he rejoined Adamjee Insurance Company Limited as an Executive Director Technical. He specialises in Project Finance Insurance. He holds a Bachelor's degree in Commerce & Economics. He is a Fellow of the Chartered Insurance Institute, London and a Chartered Insurer from CII, London. He is also a CMLIT from London.



Muhammad Salim Iqbal

Executive Director Reinsurance

Muhammad Salim Iqbal has over 34 years of experience in the insurance and reinsurance sector. Salim started his career in 1987 from Wahidis Associates (Pvt.) Ltd. He then joined Adamjee Insurance in 1989 as Probationary Officer and was progressively promoted to the position of Deputy Chief Manager - Engineering Department in 1994, after which he joined Al-Dhafra Insurance Company, Abu Dhabi in 1995 as Manager Marine Aviation and Reinsurance. Salim returned to Pakistan in 2005 and joined New Jubilee Insurance Company as Head of Reinsurance. He later joined Adamjee Insurance Company Ltd. in 2006 as Deputy General Manager, Reinsurance. He moved on to IGI Insurance Limited in 2009 as Head of Underwriting and rejoined Adamjee Insurance in 2010 as General Manager Technical. Salim is currently serving as Executive Director Reinsurance. He is a Chartered Insurer and Life Member of Pakistan Engineering Council.

Muhammad Salim Iqbal is a qualified engineer B.E. (Civil Engg.) and Fellow of Chartered Insurance Institute (FCII). He has served as member of IAP's Fire Section Committee & Engineering Insurance Sub-committee in 2009-10 and was also a member of Marine Technical Committee of Emirates Insurance Association from 1997 till 2005.

Roles and Responsibilities of Chief Executive Officer

- Responsible for leading the Company's long term strategies that maximize shareholders value.
- Provides leadership to the management to efficiently and effectively run the business processes in accordance with the plans and policies approved by the Board. Furthermore, decides the course of actions needed to achieve the objectives set by the Board.
- Be a communication bridge between the Board and the management and convene meetings with Chairman on the critical issues that need to be discussed with the Board.
- Ensures that the management reports promptly to the Board with reliable and accurate information which helps the Board take important decisions.
- Engage in effective communication with various stakeholders and establish strong relationships.
- Undertake all necessary acts for ordinary course of business which are in the interest of the Company.
- Have the authority to appoint or terminate any employee except the appointment, remuneration and terms and conditions of employment of Chief Financial Officer, Company Secretary and Head of Internal Audit which is determined by the Board and they shall be removed only after the approval of the Board.
- To ensure that the Company maintains the highest standards in conducting the business with regard to applicable laws and regulations.
- To monitor risk management to make sure that management is able to control and mitigate risks.
- Ensure that effective and efficient internal controls are established and followed by the management.
- To ensure and uphold positive image of the Company.

Board Committees

Audit Committee:

Muhammad Arif Hameed	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Shaikh Muhammad Jawed	Member - Non-Executive Director
Umer Mansha	Member - Non-Executive Director

Investment Committee:

Shaikh Muhammad Jawed	Chairman - Non-Executive Director
Imran Maqbool	Member - Non-Executive Director
Umer Mansha	Member - Non-Executive Director
Muhammad Ali Zeb	Member - Executive Director
Muhammad Asim Nagi	Member - Chief Financial Officer

Ethics, Human Resources and Remuneration Committee:

Khawaja Jalaluddin	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Umer Mansha	Member - Non-Executive Director
Muhammad Ali Zeb	Member - Executive Director

Management Committees

Underwriting Committee:

Umer Mansha	Chairman
Muhammad Ali Zeb	MD & CEO
Asif Jabbar	Head of Underwriting

Claim Settlement Committee:

Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Syed Ameer Hassan Naqvi	Head of Claims

Risk Management & Compliance Committee:

Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Compliance /Claims
Tameez ul Haque	Company Secretary
Hafiz Muhammad Usman Zahid	Compliance Officer

Reinsurance & Coinsurance Committee:

Muhammad Ali Zeb	Chairman
Muhammad Salim Iqbal	Head of Reinsurance
Asif Jabbar	Head of Underwriting
Adnan Ahmad Chaudhry	Head of Commercial

Events Highlights 2022

MARCH

EARTH DAY

MARCH

**PAKISTAN DAY
CELEBRATION**

MARCH

**WORLD WATER
DAY**

APRIL

**WORLD
ENVIRONMENT
DAY**

APRIL

**INSURANCE
DAY
CELEBRATION**

MAY

**BLOOD
DONATION
DRIVE**

AUGUST

**INDEPENDENCE
DAY
CELEBRATION**

AUGUST

**WORLD NO
TOBACCO
DAY**

AUGUST

**EMPLOYEES
WELLBEING
SEMINAR**

SEPTEMBER

**INTERNATIONAL
WOMEN'S DAY**

SEPTEMBER

**SEMINAR ON
"TEXTILE RISK"**

OCTOBER

**PINK
RIBBON
DAY**

NOVEMBER

**ARC
SPORTS
FESTIVAL**

NOVEMBER

**TAKAFUL
TRAINING**

DECEMBER

**HEALTH, SAFETY
& ENVIRONMENT
AWARENESS
PROGRAM**

Company Profile

Adamjee Insurance Company Limited (AICL) is one of the largest general insurance companies in Pakistan, incorporated as a Public Limited Company on 28 September 1960 and is listed on Pakistan Stock Exchange Limited. AICL has a unique advantage of having regional presence in United Arab Emirates (UAE) and maintains its standing through an unwavering commitment to its corporate philosophy. AICL's competitive advantage is achieved by having the largest paid-up capital and reserves, and a well-diversified business portfolio.

A Truly Dynamic Business Setting

AICL aims to deliver innovative customer solutions, owing to its wide-ranging line of products. Its employees are dedicated to delivering their best for its valued customers, trained with all the skills necessary for a truly outstanding customer service. The Company's focus on strengthening and expanding its global presence is reflected in its tapping the growth potential available in the UAE market. AICL has life assurance operations under a separate entity namely, Adamjee Life Assurance Company Limited.

Delivering Value to Customers

Adamjee Insurance is broadly involved in underwriting the following classes of business:

- Fire and Property
- Marine Aviation and Transport
- Motor
- Accident & Health
- Miscellaneous Insurance

As a pioneer in the coverage of Oil & Gas (upstream & midstream), Wind and Thermal Energy Risks, AICL has successfully assumed the role of the leading player in Pakistan's insurance industry. The Company has also managed to secure business being brought in by foreign investors entering Pakistan to execute construction or infrastructure development projects. AICL's confidence lies in the large number of banking and financial sector clients that AICL insures. Some of AICL's high risk-value projects include risk-coverage provision to Petrochemical Factories and Industrial Risk projects. AICL also specializes in insuring Engineering and Telecom concerns.

Alternatively, AICL serves Pakistan's primary industry by providing coverage to the Textile and Sugar sectors. AICL is proud to be the premier insurer of Kidnap & Ransom, Professional Indemnity, Product Liability and other specialized lines in Pakistan. A wide range of Shariah-compliant Takaful Products are also offered through AICL's top-of-the-line Window Takaful Operations, serving customers from all walks of life, on a much larger scale.

AICL's customer-centric approach drives it forward in customer care. The Company's financial strength allows the timely settlement of hefty claims. A competent team of professionals works tirelessly to ensure comprehensive customer satisfaction and a 24/7 dedicated customer care call center is always on call.

Products And Services

(CONVENTIONAL/ TAKAFUL)



FIRE & PROPERTY

- Property All Risk
- Comprehensive Machinery
- Consequential Loss Of Profit
- Energy
- Ginning Stock Policy
- Home
- Fire Policy
- Shopowner's Comprehensive Policy



MOTOR

- Comprehensive Car
- Commercial Vehicle
- Motorcycle Comprehensive
- Motor Third Party Liability



ENGINEERING

- Machinery
- Electronic Equipment
- Boiler & Pressure Vessel
- Contractor's All Risks
- Erection All Risks
- Contractor's Plant & Machinery
- Comprehensive Projects



MISCELLANEOUS

- All Risk Valuable
- Bankers Policy
- Burglary
- Cash in Safe
- Cash in Transit
- Cellular Mobile Phone
- Contractual Liability
- Credit Card Travel Inconvenience Policy
- Crop
- Director & Officers Liability
- Doctor Professional Indemnity Policy
- Electronic & Computer Crime
- Employer's Liability policy
- Fidelity Guranatee Policy
- Foreign Exchange Dealers Policy
- General Professional Indemnity Policy
- Gosecure Travel
- Kidnap & Ransom
- Livestock
- Loss of Licence
- Neon Sign Policy
- Personal Accident
- Plastic Card
- Plate Glass
- Product Liability Policy
- Public Liability
- Workmen's Compensation



HEALTH

- Micro Health
- Group Health
- Retail Health



MARINE

- Marine Hull and Machinery
- Marine Cargo
- Marine Umbrella Liability
- Aviation

Awards & Accolades

2022

1st Position in Insurance Sector in Pakistan - Best Corporate Report Awards 2021 by ICAP & ICMAP

2022

Bronze Award in South Asia Insurance Sector – Best Presented Annual Report Awards 2021 by South Asian Federation of Accountants (SAFA)

2022

Silver Award in SAARC Anniversary Award 2021 for Corporate Governance Disclosure by South Asian Federation of Accountants (SAFA)

2022

Top 25 Companies Awards – 2021 by Pakistan Stock Exchange

2022

Best General Insurance Company in Pakistan in Global Insurance Awards by World Finance

2021

Winner of Asia's Outstanding Insurance Company in Pakistan by Asia Money

2021

1st Position in Insurance Sector - Best Corporate Report Award 2020 by Institute of Chartered Accountant of Pakistan

2021

Certificate of Merit - SAARC Anniversary Award 2020 for Corporate Governance Disclosure by South Asian Federation of Accountants (SAFA)

2021

Certificate of Merit in South Asia Insurance Sector – Best Presented Annual Report Awards 2020 by South Asian Federation of Accountants (SAFA)

2020

Winner of Asia's Outstanding Insurance Company in Pakistan by Asia Money

2020

Best General Insurance Company in Pakistan by World Finance

2020

Best General Insurance Company in Pakistan by World Finance

2019

Winner of Asia's Outstanding Insurance Company in Pakistan by Asia Money

2019

Best Domestic General Insurer in Pakistan by Insurance Asia, Singapore

2019

Best General Insurance Company in Pakistan by World Finance

2019

First insurance company in Pakistan having Tier-3 compliant Data Centre

2019

Best General Insurance Company in Pakistan by World Finance

2019

Breakthrough Insurer of the Year by YALLACOMPARE Banking and Insurance Awards UAE

2018

Awarded as the "Distinguished Insurance Company under One Belt One Road initiative" by Insurance Research Institute of Fudan University, China

2018

Best General Insurance Company in Pakistan by World Finance

2017

Best General Insurance Company in Pakistan by World Finance

2016

Best Company "Asia's 200 Best Under A Billion \$" by Forbes

2016

Environment, Health, Safety & Security Awards

2015

CSR Awards – Best Practices in Corporate Social Responsibility

2015

Environmental & Quality Standard Awards



Our Geographical Presence



Total No. of Employees (31 December 2022) | **865**

- Head Office and Registered Office
- Divisional Office, Branch Office & Specialised Product Branches
- Window Takaful Operations Zones/Branches



United Arab Emirates

Total No. of Employees
(31 December 2022)

73

- Main Office and Branch
- Branch Offices
- Claim Centre

Insurer Financial Strength Ratings

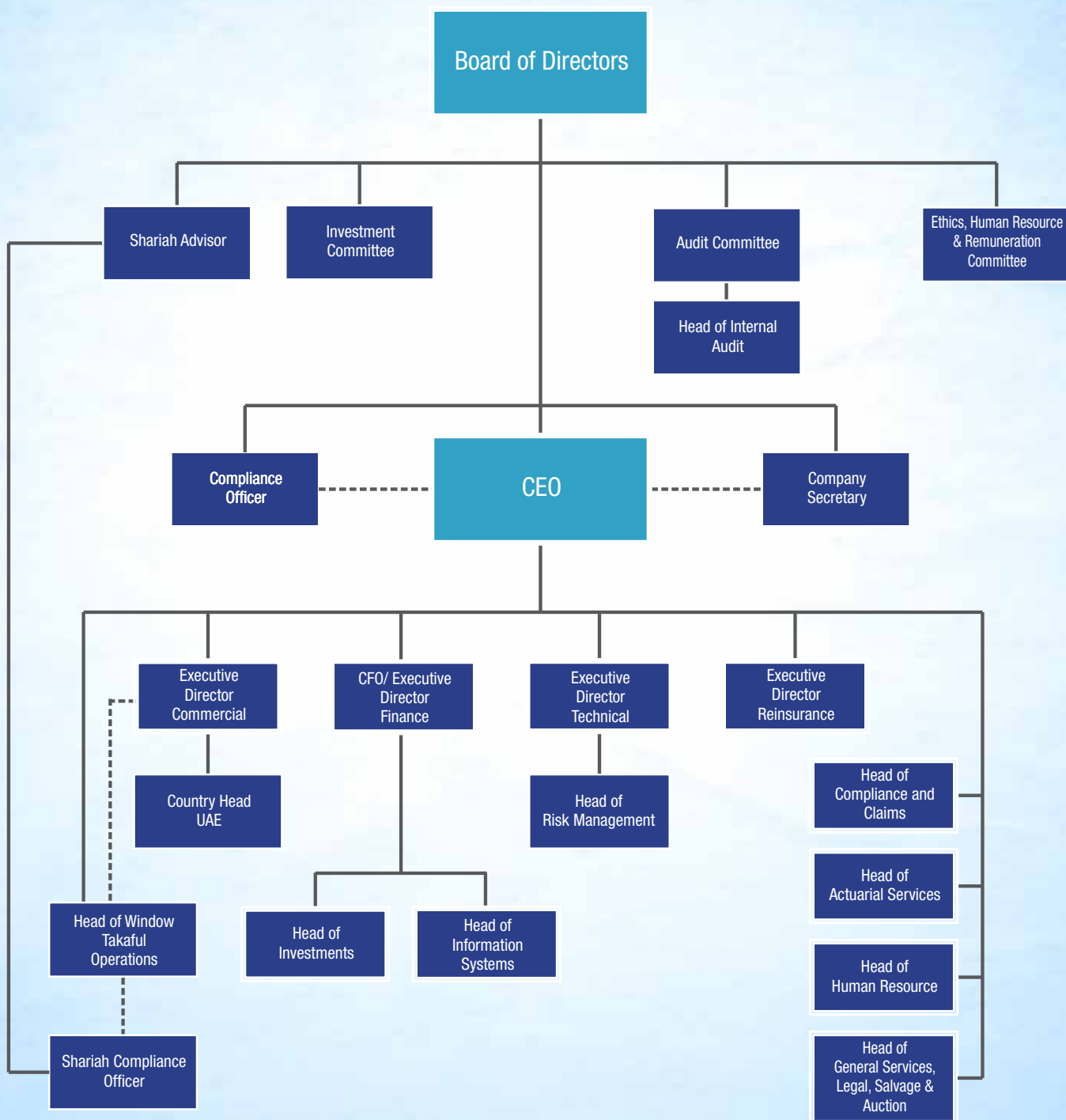
The diagram features a central white circle at the top containing the text 'IFS CREDIT RATINGS'. A white line with circular endpoints at the top and bottom connects this circle to two larger circles below. A white arrow points downwards from the bottom of the top circle to the top of the two bottom circles. The left bottom circle is white with a blue border and contains 'AA++ BY PACRA'. The right bottom circle is white with a dark blue border and contains 'B BY AM BEST - UK'. The background is a dark blue gradient with a subtle vertical line pattern.

**IFS
CREDIT
RATINGS**

AA++
BY PACRA

B
BY AM BEST
- UK

Organizational structure



— FUNCTIONAL REPORTING
 - - - - ADMINISTRATIVE REPORTING

ISO 9001:2015 Certified



Current issue date: 5 December 2022
Expiry date: 30 November 2025
Certificate identity number: 10464031

Original approval(s):
ISO 9001 - 30 May 2000

Certificate of Approval

This is to certify that the Management System of:

Adamjee Insurance Company Limited

Adamjee House 80/A, Block E-1, Main Boulevard, Gulberg-III, Lahore, Pakistan

has been approved by LRQA to the following standards:

ISO 9001:2015

Approval number(s): ISO 9001 – 0049955

This certificate is valid only in association with the certificate schedule bearing the same number on which the locations applicable to this approval are listed.

The scope of this approval is applicable to:

The QMS is applicable to:
1) Underwriting and Claims settlement in the Classes of Health, Engineering Marine, Non-Marine, Motor, Crop, Live Stock Travel.
2) Marketing, Sales and Associated activities of Risk Assessment, Reinsurance, Human Resource, Information System, Finance, Administration, Legal and Quality Assurance.

Luis Cunha

Area Operations Manager - North Asia & SAMEA
Issued by: LRQA Limited



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Issued by: LRQA Limited, 1 Trinity Park, Bickenhill Lane, Birmingham B37 7ES, United Kingdom

Competitive Landscape and Market Positioning

The state of competition in an industry depends on five basic forces, commonly described as 'Porter's Five Forces Framework'. According to this framework, competitiveness does not only come from competitors. Rather, the state of competition in an industry depends on five basic forces depicted in below diagram:



Threat of New Entrants

Barriers to entry in the insurance industry is considered to be at a medium level with recent interest by foreign insurance companies in entering Pakistan's insurance industry especially in microinsurance sector of the industry. However, with the Securities and Exchange Commission of Pakistan's (SECP) strict monitoring and regulation of the insurance industry, the threat of entrants is limited to certain extent. In addition, a reasonable high capital requirement to start an insurance business and a broad distribution network requirement, further reduces the threat.



Bargaining Power of Buyers

Most large insurance companies offer similar products and services. May it be property, marine, motor, health or life insurance; chances are there for similar services. Customer's inclination to substitute/another product to solve the same need constitutes a threat. AICL has introduced workable innovations in insurance products, including on demand and usage-based insurance products, which have great appeal for consumers looking for an alternative to the traditional products.



Bargaining Power of Suppliers

Customer's influence is a force to be reckoned as multiple alternatives for procuring products and service are available in the market. Customers have the right to demand lower prices and higher product quality. Large corporate clients paying millions of rupees in premiums have bargaining power too. With the online emergence of social media, and instantaneous access to awareness of coverages, pricing, and services, today's customer demand more personalized attention and care for the premiums paid. To meet these expectations, AICL has strengthened its user-friendly workflows for customer-facing processes, including underwriting, policy issuance, endorsements, and claims.



Threat of Substitute Products

Suppliers generally pressurize companies by raising prices, lowering quality, or tightly controlling product/service availability. Agents and brokers have historically leveraged the ability to influence policyholder choices into placing business with specific insurers. Employing the front-end tools to reach potential customers directly, AICL nullifies the bargaining power of suppliers. In addition, the prices in the insurance market is generally dictated by local or global performance of those reinsurers in the region.



Existing Competitors






Distribution channels of AICL are very well equipped and customized to serve and satisfy digitally native customer of the day. Through our strength of assets, diverse and widespread product mix provides an edge to AICL over its competitors in the industry. Companies are running lucrative media campaigns to retain the current customers and engage new customers by offering services at cost effective or affordable rates. Our long experience, tailor-made insurance plans and exceedingly prompt services have not only gained customer loyalties, but also provided us a competitive edge. Provision of maximum insurance protection at the most competitive rates keeps us competitive in the market.

The collective strength of these forces determines the ultimate profit potential of an industry and thus its attractiveness.

PESTEL Analysis

PESTEL (Political, Economic, Social, Technological, Environmental and Legal) analysis is a framework or tool used to identify key macro (external) factors that affect the business environment in which the organization operates and ultimately affect the objectives of the organization.

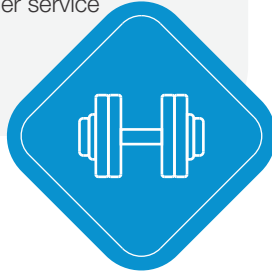
Understanding each factor is important for the growth of the organization and plays a pivotal role in planning the right strategies which helps the management in assessing the risks specific to the insurance industry to take informed decisions. Furthermore, the Company can understand the opportunities and threats in the external environment and this framework provides the basis for business planning process.

 <p>POLITICAL</p>	 <p>ECONOMIC</p>	 <p>SOCIAL</p>	 <p>TECHNOLOGICAL</p>	 <p>LEGAL</p>
<p>The political stability of a country has always been a major factor in deciding the growth of an industry. Government has taken several decisions to overcome uncertainties of exports and gradually imposed duties on imports which is a positive step to reduce current account deficit. The efforts made by the Government towards maintaining law & order situation is also creating friendly environment for 'Ease of Doing Business'. Strict monitoring by Securities and Exchange Commission of Pakistan (SECP) ensures transparency for insurance sector. Government prioritized economic growth and better international relationships which helped in creating a better image of the country.</p>	<p>The 2022 year saw political turmoil, an economic crisis, and catastrophic /flooding in Pakistan. On the economic front, the country has been dealing with backbreaking inflation, a depreciating currency, and precariously low foreign reserves. Pakistan economy continued to witness a V-shaped economic recovery for the second consecutive period, in FY22. The country attained a real GDP growth of 5.97% which is higher than growth of 5.47% recorded last year. The current account deficit during the year stood at USD 13.8 Billion compared to a deficit of USD 0.5Billion during the same period last year. The huge deficit was due to surge in global commodity prices which resulted in an upward pressure on import payments. The remittances which always support in easing out of balance of payments were recorded at USD 26.1 Billion during the year and posted a growth of 7.6%. The average CPI for year 2022 as 11.3% as compared to 8.8% in the same last year. The financial turmoil has led to a downgrade in credit rating by Mood 's from stable to negative.</p>	<p>Global digitalization has changed not only the economic, but also the social vision of the world. The digitalization has determined the continuous flow of data containing information, knowledge, ideas and innovations. Covid-19 has pushed the insurance industry to expedite its transformation towards digital products to its customers and it has also changed the habits of the Pakistan's consumer market. As Islamic state, an increase in demand for takaful products has also been witnessed.</p>	<p>Innovative digital solutions are taking over the insurance market and have a very positive impact on the returns. Customers today look for convenience, so technological advancements have become a key factor in retaining and increasing the customer base. In addition, to that technology allows the Company to work with real-time information which gives it Company a competitive edge and informed decision-making tools.</p>	<p>The insurance industry in Pakistan has started to place increasing reliance on technology in distributing and selling insurance products, making it imperative for adequate measures to be taken to ensure that the information technology systems of the insurance companies and their partners and intermediaries are secure and resilient. Accordingly, the apex regulatory body for insurance companies in Pakistan, the SECP, recently issued the SEC Guidelines on Cyber security Framework for the Insurance Sector 2020, putting in place regulatory measures for threat and vulnerability reduction and deterrence. In the year 2022 the SECP issued a master circular compiling all statutory and regulatory requirements and instructions issued via circulars and directives to the insurance sector from 2005 to the end of 2021.</p>

SWOT Analysis

STRENGTHS

- Strong position in market with a paid-up-capital of Rs. 3.5 Billion
- IFS Rating of “AA++” by PACRA and “B” by AM Best, UK
- Holds the position of one of the largest insurance company of Pakistan for decades
- The only general insurer that has overseas operations and Strong geographical presence within Pakistan
- Strong and Reliable reinsurance partners
- Diversified business and product portfolio
- Dedicated management to ensure outstanding customer service



OPPORTUNITIES

- New opportunities and economic reforms with CEPC and other Infrastructural Projects
- Employing the digital technology infrastructure
- Exploring new overseas emerging markets
- Growth potential of the UAE market



WEAKNESSES

- Low insurance penetration in the country
- Natural disasters due to environmental changes may impact adversely
- Lack of awareness in Pakistan market about insurance products
- Due to religious beliefs customers avoid insurance products; hence, Takaful products

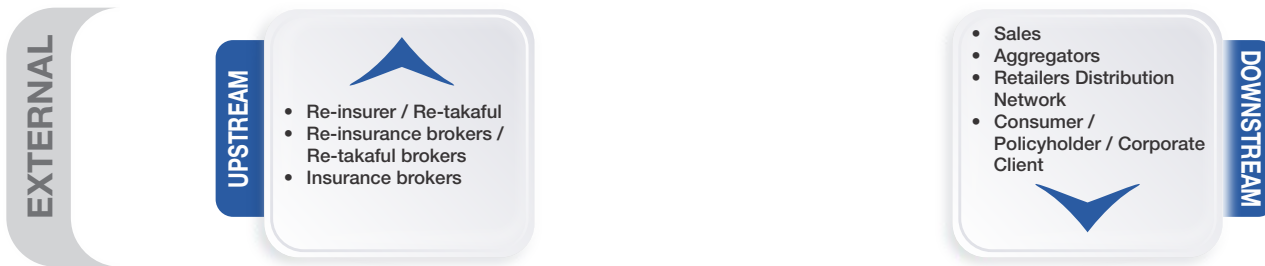


THREATS

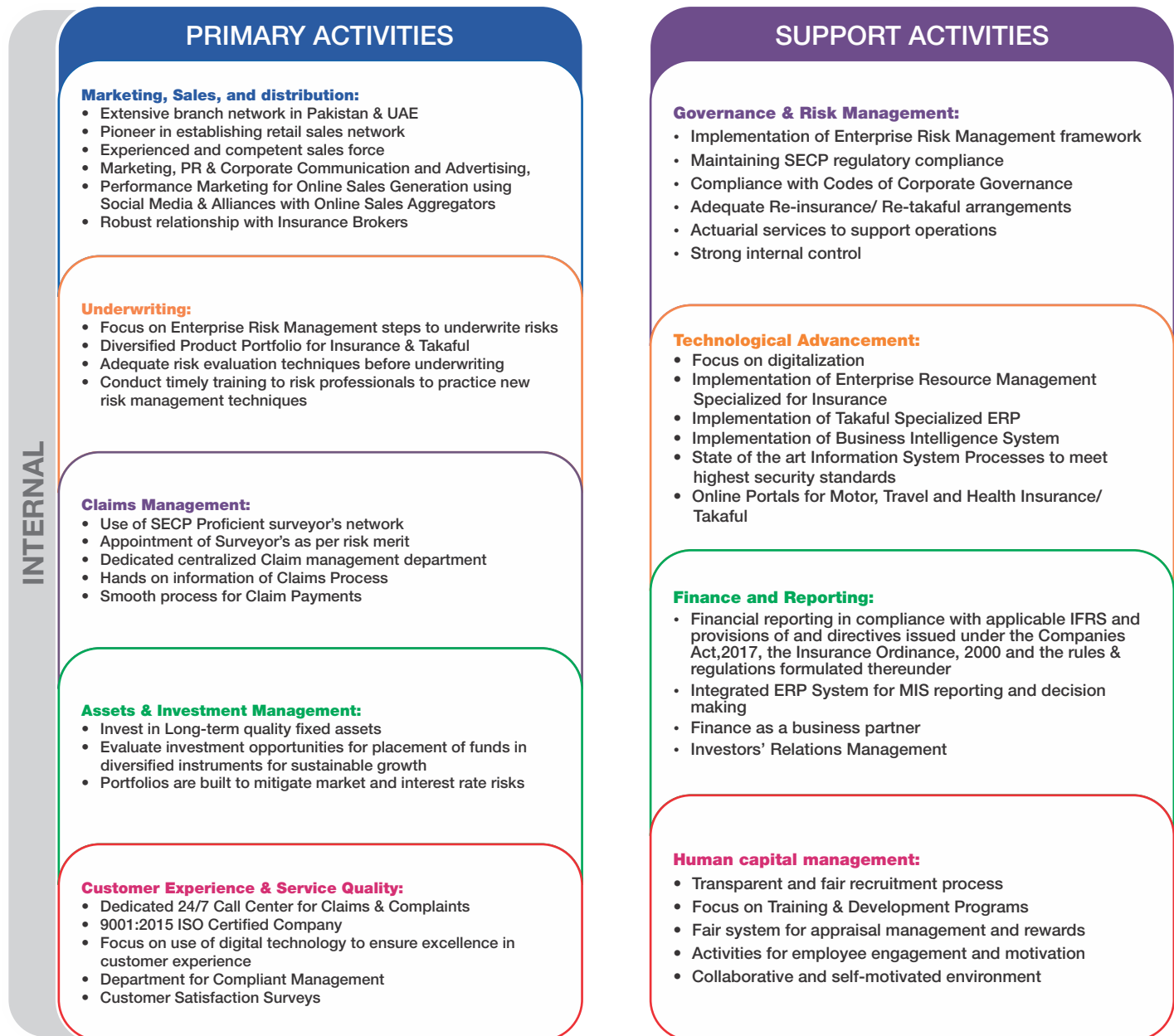
- Political and economic uncertainty
- Prevailing tense geopolitical situation of the region
- Frequent changes in regulatory environment
- Impact of the pandemic on the growth prospects of the insurance industry
- Cut-throat competition in the industry



Value Chain Framework



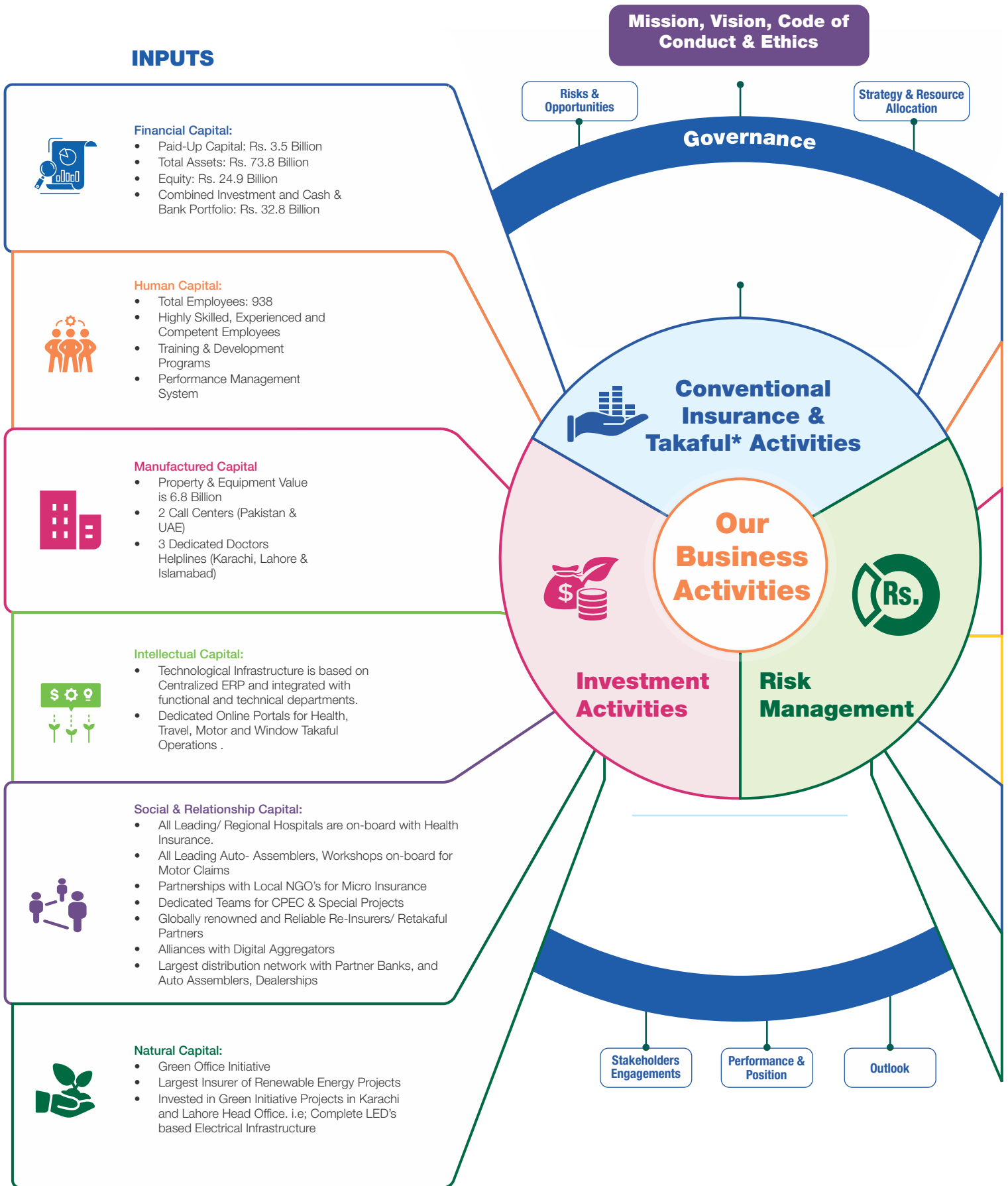
SUSTAINABLE LONG TERM VALUE





THE STRENGTH WITHIN
OUR LEADING
BUSINESS MODEL

Business Model & Value Creation



OUTPUTS

OUTCOMES



Financial Capital:

- Earnings Per Share (EPS): Rs. 7.39
- ROE: 12.6%
- Current Ratio: 1.4 times
- Liquid Assets/ Total Assets: 56.1%

- Gross Written Premium & Contribution: Rs.35.2 Billion
- Claims Paid: Rs. 20.5 Billion
- Total Investments: Rs. 27.5 Billion
- Profit after tax: Rs. 2.6 Billion



Human Capital:

- Female staff Ratio 18%
- Male staff Ratio 82%
- No. of Training Conducted: 20
- Employee Engagement Programs: 6

- More focus on customer centricity, Service excellence and customer engagement
- Increase innovation & Competitiveness
- Increase Employees Satisfaction



Manufactured Capital:

- Addition of 2 New Branch for Window Takaful Operations
- 3 Minutes Average Call Resolution Duration
- 24000+ Customers received Value Added Services
- 900+ Retail Distribution Network

- Digital sales increase in retail segment and multi channel distribution
- Strengthening actuarial capabilities & Market Expansion through analytics for existing and new product developments
- Strong in house team based service architecture



Intellectual Capital

- 98% Policies issued through Electronically.
- 4 New Product Developments
- 24000+ Customers received Value Added Services

- Credit Ratings: Pakistan Credit Rating Agency (PACRA) has given Highest Rating 'AA+++' and UK Based Rating Agency AM Best given 'B'
- Improving Governance Culture
- Increase Focus on Digitalization



Social & Relationship Capital:

- Edge for Presence in all remote locations of Pakistan
- Wellness Programs & Medical Camps
- Increase in Crop & Livestock Portfolio
- Better relationship with Brokerage Houses, International Re-Insurer/ Re-Takaul Partners

- Contribution to National Exchequer: Rs. 509 Million
- Increased Wellness Programs



Natural Capital:

- Plantation increased in Karachi and Lahore Offices
- Efficient use of Electricity & Water
- Reduction in Energy Cost
- Paperless environment initiatives

- WWF Certification
- Green Initiatives
- Improved Energy Mix

Legislative and Regulatory Environment

The Government of Pakistan and the regulatory authority, namely, Securities and Exchange Commission of Pakistan (SECP) have made various enactments, rules and regulations to regulate the Insurance Sector in the country. These enactments and the rules and regulations made thereunder aim to provide guidelines for the sector relating to various aspects of the insurance business including, but not limited to, minimum capital requirement for insurers, day to day insurance operations, know your customers (KYC), data maintenance and protection, anti-money laundering and counter financing of terrorism, accounting of transactions, presentation of financial statements, handling of complaints and grievances and so on. The policies of the Government of Pakistan tend to achieve transparency and promote adoption of best practices in all aspects of the insurance business.

Political Environment and other countries that may affect our ability to implement our strategy

Political stability in any country plays a vital role in promoting the environment that helps the businesses to grow. Since Pakistan came into being, the political environment has remained somewhat uncertain and unstable. This instability is also reflected in the uneven and irregular growth trends of the country. The current political crisis has negatively impacted the overall economy and is expected to influence performance of the

Company as well. Regional and global geo-political environments also affect the political and economic conditions of the country and thus affect the ability of the Company to implement its strategies.

Adamjee Insurance continuously monitors the changes in the political environment both at national and regional levels and re-aligns its strategies to the changing environment.

Effect of Seasonality on Business in Terms of Sales

Seasonality includes those changes that happen every year around the same time and impact the sales in a similar way every year. Most of the businesses in Pakistan begin their fiscal year in July and some in January so overall renewals are high and sales are at their peak during these periods. Motor insurance sales are affected in the month of Ramadan as lot of people plan to buy a new car before the occasion of EID.

For agriculture insurance when farmers start farming, at the start and end of Rabi and Kharif seasons, they need funds to start the processes and similarly at the end of the season they need funds for storage and transportation, hence, premiums of agriculture insurance increase during these times.

Travel insurance sales increase during holiday seasons.

Significant changes from prior years

There were no significant changes in this section from the prior years.



OUR STRATEGIC STRONGHOLD
**STRATEGY AND
RESOURCE
ALLOCATION**

Strategy and Resource Allocation

Strategic Objectives:-

Short, medium, and long-term objectives to meet the Company's vision and mission statement are as follow:

Short term	<ul style="list-style-type: none">• Utilize technology to enhance our productivity, reduce operational cost, ensuring risk mitigation while being fully compliant with laws and regulations.• Focus on improving technical profits• To further increase our market reach through product innovations to meet the changing needs of the customers
Medium term	<ul style="list-style-type: none">• Continuous technological advancement to maintain our strong market position and increase shareholders wealth• Focus on developing retail-based products and increase market share of Window Takaful Operations• Adding value to our stakeholders' relationship
Long term	<ul style="list-style-type: none">• To lead the insurance industry by providing outstanding customer service and maximizing the long-term value for shareholders• Expanding our geographical presence in UAE

Strategies in place to achieve our strategic objectives:

Being one of the leading insurance companies, we have a massive responsibility towards our customers, and we strive to meet the changing needs of our customers by utilizing our digital infrastructure and capabilities to provide them seamless experience. We make sure that we evaluate the risk factors efficiently and come up with innovative solutions to mitigate risk. We have highly trained and dedicated employees who continuously work towards delivering the best value to our customers.

We believe there is always a room for improvement and we keep looking for areas to improve. We practice the highest standards of corporate governance and abide by all the laws and regulations of the countries that we operate in. We will continue to build healthy relationships with all our stakeholders.

We believe in setting a high benchmark in the insurance industry and maintain our position as a market leader. We remain focused on achieving long term sustainable growth and maximize value for our shareholders. We will continue to make positive contributions to our community and strengthen our presence.

Strategic Objectives	Strategies to achieve objectives	KPI	Future relevance of KPI
Utilize technology to enhance productivity, reduce operational cost and ensure risk mitigation while being fully compliant with laws and regulations	<ul style="list-style-type: none"> • Introduction of digitalization in insurance industry • Automation of policies and procedures • Automation of all operational and support processes 	Reduction in Operational cost	This is an ongoing process and will remain relevant in future
Focus on improving technical profits	<ul style="list-style-type: none"> • Explore untapped market section to increase business pool • Further strengthen underwriting process • Improve reinsurance & retakaful treaties • Streamlining of operational cost • Consolidation of processes to bring in operational efficiencies 	Increase in Profitability from core business	This is an ongoing process and will remain relevant in future
To increase our market reach through product innovation to meet the changing needs of the customers	<ul style="list-style-type: none"> • Innovative and alternate product • Products for students • Development of rural market products for farmers • Cross product selling of Health & Motor • Micro Insurance in collaboration with leading NGO's 	Increase in Revenue and outreach	This is an ongoing process and will remain relevant in future
Continuous technological advancement to maintain our strong market position	<ul style="list-style-type: none"> • Upgradation of technological tools to achieve competitive advantage • Use of artificial intelligences and Robotic process automation 	Sustainable growth	This is an ongoing process and will remain relevant in future
Focus on developing retail-based products and increasing market share of Window Takaful Operations	<ul style="list-style-type: none"> • Strengthen relationships with our business partners • Open new branches for Window Takaful Operations • Fulfil takaful needs of customers and provide Shariah Compliant Products to Islamic Banks 	Enhance outreach and Improve Quality of services	This is an ongoing process and will remain relevant in future
Add value to our stakeholders' relationship	<ul style="list-style-type: none"> • Provide support for rural development through partnering with NGOs for micro-insurance • To ensure customer satisfaction in all customer dealings • Continue financial support to the community in various areas 	Corporate social responsibility	This is an ongoing process and will remain relevant in future
To lead the insurance industry by providing outstanding customer service and maximizing the long-term value for the shareholders	<ul style="list-style-type: none"> • Strengthen leadership position by bringing all round positivity • Anticipate the market dynamics and meet changing customers' needs • Expand techno-commercial teams working with local and international brokers 	Sustainable Growth	This is an ongoing process and will remain relevant in future
Increase our geographical presence and market share in UAE	<ul style="list-style-type: none"> • Introduction of motor insurance portal in UAE with new marketing strategy • Utilize AICL's closely working relations with brokers, online aggregators, and sales distributors to expand • Expand digital presence in all seven emirates followed by physical presence • Diversification in non-motor lines of business 	Market Penetration in UAE	This is an ongoing process and will remain relevant in future

Our Key Resources & Capabilities and Resource Allocation

Organizational resources are the assets available with an organization for utilization in production of goods and provision of services. Effective and efficient utilization of these resources is pivotal towards achievement of strategic objectives as resource allocation and strategy execution are interdependent. Strategy is dependent on resources, whereas resources leave influence on the strategy. Apart from other factors, the success of AICL at where it stands today is the result of in-depth and well thought out resource allocation planning, careful implementation and monitoring.

Financial Resources

Financial resources also termed as 'Financial Capital' include pool of funds that is available to an organization for use in the provision of services. Financial Capital is obtained through financing either equity or grants, or generated through operations or investments.

Major factors affecting availability, quality and affordability of financial capital include:

- Political environment
- General economic conditions
- Fiscal & Monetary policy

Financial Capital of the Company is utilized effectively and efficiently under the guidelines developed by the Board of Directors. Below is a brief synopsis of the major financial resources and their management:

a. Cash and Liquidity Management

Maintaining adequate liquidity to meet the claims liability and investing surplus funds to generate income is the primary objective of the cash and liquidity management function which is handled by the 'Treasury Department' of the Company. Treasury Department is equipped with competent professionals with relevant experience of multiple years and operates under the supervision of the Chief Financial Officer.

During the year, the Company has paid Rs. 20,481 million (2021: Rs. 12,249 million) on account of claims to the insured & takaful participants and Rs. 1,050 million (2021: Rs. 962.5 million) as dividends to the shareholders.

b. Investments Management

Investment function is responsible for handling all investments of the Company. The function as per requirements of the Code of Corporate Governance is segregated into Front, Middle and Back Office to ensure adequate internal controls. Further, the investment function is equipped with professionals with experience of multiple years and is headed by Investment Committee of the Board. Decisions regarding investments are taken by the Investment Committee in line with Investment Policy.

Investment position and its performance is also reviewed by the Board on quarterly basis.

Human Capital

Human capital also termed as 'Human Resource' is extremely important in myriad areas ranging from strategic planning to company image, customer satisfaction to legal compliance and so on. Hence, the importance of Human Capital for achieving organization's strategic objectives cannot be over emphasized.

Major factors affecting availability, quality and affordability of human capital include:

- Market competition to attract and retain adequately experienced and skilled human resource
- Continuous professional development through trainings to enhance skill set of human resource, especially to meet the requirements of digitalization and manage the remote / hybrid working environment
- Flexible culture offering adequate opportunities for growth

The Company has a team of around 938 competent employees with adequate experience, skills and qualifications to manage the day-to-day operations. Various trainings are conducted from time to time to enhance skills of the staff. Further, management takes keen interest in planning the succession for all key positions.

Ethics, Human Resource and Remuneration Committee of the Board oversees this function.

Manufactured Capital

Manufactured capital refers to manufactured physical objects that are available to an organization for use in the provision of services.

Major factors to consider for availability, quality and affordability of manufactured capital include:

- Potential delays in provision of required equipment from service providers
- Comprehensive 'Business Continuity Plan' to ensure availability of required property and equipment in the events of unexpected disruptions

The physical assets of the Company are broadly classified into:

- Land
- Buildings
- Furniture & fixtures
- Motor Vehicles
- Machinery & equipment
- Computer equipment

All of the physical assets of the Company are efficiently utilized for the purpose of business and adequately covered against potential threats through insurance coverage, managing access to the Company premises via biometric / proximity card identification, monitoring entry and exit points through surveillance cameras and security guards. Physical assets are managed through Fixed Assets Register with each asset assigned an

identification tag. Further, these assets are subject to both planned and surprise physical verification as well which is conducted from time-to-time basis.

Intellectual Capital

Intellectual Capital refers to organizational knowledge-based intangibles, including 'Intellectual Property' such as patents, copyrights, software, rights and licenses and 'Organizational Capital' such as knowledge, systems, procedures and protocols.

Major factors challenging the availability, quality and affordability of intellectual capital include:

- Continuous enhancement / upgradation of information technology infrastructure to achieve operational efficiencies and meet the requirements of digitalization
- Increasing competition to attract and retain adequately experienced and skilled human resource

Over the years, the Company has made sizeable investment in its information technology infrastructure and through its experience of operations spread over 60 years has also refined, standardized and documented its operating procedures. The procedures are flexible and adaptive to absorb innovations necessary to respond to changes initiated by external factors. The library of the said procedures is effectively and efficiently utilized to introduce new and alternate products, expand customer base, and resultantly increase profits.

Social and Relationship Capital

Social and Relationship Capital includes shared norms, common values and behavior, key stakeholder relationships, intangible association with organization's brand and reputation and organization's social license to operate.

Major factors to consider for availability, quality and affordability of social and relationship capital include:

- Identifying and fulfilling the growing needs of various stakeholders

- Provision of working environment that ensures protection of the staff's health and safety
- Promoting and monitoring the culture of strict adherence to the laws, regulations, and ethical standards to maintain and enhance positive public image of the Company

Social and relationship capital is one of the key assets that an organization has. It is the image and reputation of the organization that all stakeholders carry with them and plays an important role in achievement of strategic objectives and future growth. The Company realizes the due importance of social and relationship capital and assigns customer satisfaction as top priority in all customer dealings. The Company has maintained healthy relationship with customers, agents, surveyors, reinsurers, reinsurer brokers, vendors, banks and all other stakeholders.

Natural Capital

Natural Capital refers to all renewable and non-

renewable environmental resources and processes that provide services that support the past, current or future prosperity of an organization and includes air, water, land, minerals, forests, etc. Natural capital creates the ecosystems for human beings to survive. It is of utmost importance that an organization efficiently manages natural capital to avoid any harm to the ecosystems in the long term.

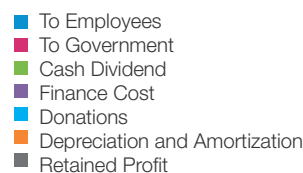
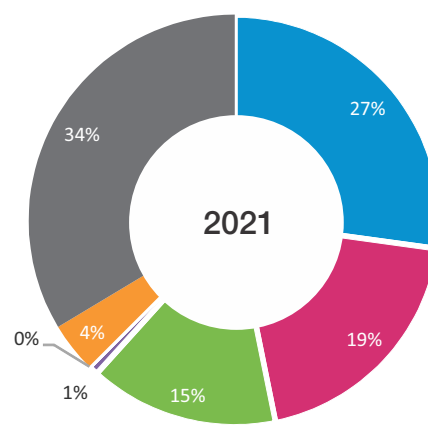
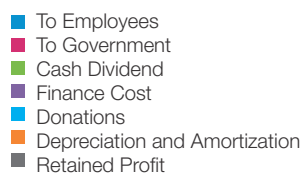
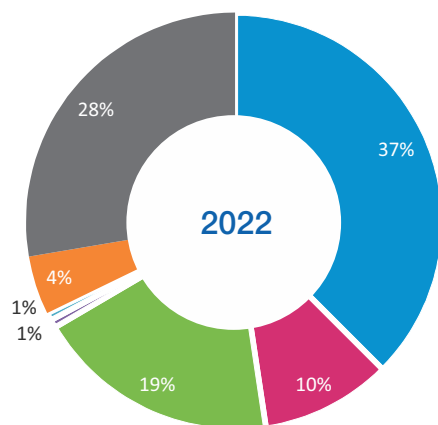
Major factors to consider for natural capital include:

- To protect environment by reducing carbon footprints
- To promote culture whereby natural resources are efficiently utilized

The Company continues to contribute to the sustainable environment by gradually moving towards paperless operations, installing energy conservative technologies, encouraging plantation across all its premises, and encouraging efficient use of water to reduce water wastage. The Company will continue to work towards promoting green office environment.

Statement of Value Addition and its Distribution

	2022		2021	
	(Rupees In '000')	%	(Rupees In '000')	%
WEALTH GENERATED				
Gross premium earned	29,800,654		20,999,883	
Investment and all other income	3,638,218		3,839,287	
	33,438,872		24,839,170	
Management and other expenses	(27,891,855)		(18,374,667)	
	5,547,017	100.00	6,464,503	100.00
WEALTH DISTRIBUTED				
To employees	2,080,084	37.50	1,757,356	27.18
To government	562,195	10.14	1,268,867	19.63
	2,642,279	47.63	3,026,223	46.81
To share holders				
Cash dividend	1,050,000	18.93	962,500	14.89
To providers of financial capital as finance cost	35,384	0.64	50,107	0.78
To society as donation	32,400	0.58	1,500	0.02
Retained in business				
Depreciation and amortization	251,941	4.54	250,179	3.87
Retained profit / (Loss)	1,535,013	27.67	2,173,994	33.63
	1,786,954	32.21	2,424,173	37.50
	5,547,017	100.00	6,464,503	100.00



Factors Affecting Strategy and Resource Allocation

Factors	Effect on Company's Strategy & Resource Allocation	Company's Response
Technological Changes	<p>Technology is rapidly changing. To push digital transformation initiatives forward and satisfy the demands of modern consumers, insurers today have become early adopters of the latest technologies.</p> <p>Globally, digital-first insurers and tech giants are entering the insurance space and are one of the forces pushing the industry as a whole towards an innovative mindset.</p> <p>Furthermore, digital transformation is no longer seen as aspirational, but something that is essential to drive the industry forward.</p>	<p>Adamjee Insurance has always been and shall remain to be at the forefront when it comes to enhancing and upgrading its processes to encourage innovation. Continuity in the adoption of the latest and advanced digital technologies has redefined the widened parameters of Adamjee Insurance's customer journey, customer experience, simplifying operations and facilitating sustainable long-term growth.</p>
Societal Changes	<p>We have analyzed the few of the impacts of societal changes as follows.</p> <ul style="list-style-type: none"> • Change in Consumer Behavior • Growing social inequalities demand greater business involvement on inclusive growth • The digital revolution is a game changer for wealth distribution across geographies and among economic actors • The environmental (and above all climatic) situation is exerting exponential pressure on business 	<p>As a responsible corporate, we have a significant role to play in delivering a positive societal impact for our employees and people across our value chain. Enhancing livelihoods, respecting human rights, and looking after our people adds value to the society and is a pragmatic and commercial approach that secures the long-term sustainability of our business.</p> <p>Our initiatives to overcome challenges of societal issues has addressed in Corporate Social Responsibility section.</p>
Environmental Changes	<p>During the past few decades, the awareness regarding environmental problems has increased which results in increased environmental costs to meet the requirements of environmental, health & safety laws and regulations resulting in squeezing profits but at the same time contributing in improving global climate, improved brand image and compliance with sustainability goals.</p>	<p>Being part of the services industry, the insurance sector typically has a very low environmental impact or footprint. Operations are limited to using conventional sources of energy for office / workplace lighting purposes and the sector is even looking at means to optimize consumption of electricity. However, the one area where the industry has a substantive impact is in building climate resilience in the agricultural sector. Through providing crop insurance services, not only does the sector support the farm and agriculture communities to make the transition to a low-carbon one, but also protects crops against damage in the event of any adverse weather-related events.</p>

Our Commitment to Addressing Integrity and Ethical Issues

We are committed to achieving our business objectives in a transparent, open, and accountable manner, and sustaining a culture of integrity in everything we do:

- Compliance to the policies, procedures and standards are mandatory for all our employees, and regular training and awareness sessions are conducted to ensure that the policies are clearly understood and acted upon.
- Placement of mechanism for integrity risk assessments on an ongoing basis.
- Our performance management systems are in alignment with the organization's ethical goals.

Initiatives for Promoting and Enabling Innovation

Adamjee insurance has embedded innovation in its strategic objectives and encourages the innovation throughout the organization. The Company has developed a centralized structure for innovation and has formed a Insurtech and Innovation Group. The Insurtech and Innovation Group is working under the supervision of the Management Committee and comprises of members from various functions. The objective of the Group is not only to develop Insurtech products but also develop brand new products, processes, and new ideas, or to approach existing products, processes, and ideas in new ways.

Further, new ways of thinking in order to design better solutions, services and solve the current problems is also encouraged and deliberated at the forum of our Insurtech and Innovation Group.

Strategy to Manage Liquidity and Repayment of Debts

Liquidity refers to the ability of an organization to fulfil its short-term liabilities when they become due. Managing liquidity is important as even the profitable organizations may find it difficult to run their operations smoothly in absence of adequate funds or liquid assets.

The key element of the Company's liquidity

management strategy is to maintain sufficient liquid assets to meet its claims and other liabilities. Liquidity requirements are kept into consideration while making investment decisions. Bank balance maintained with high rated scheduled banks amounts to Rs. 5,357 million (2021: 2,438 million). Further, liquid assets ratio is 0.9 times (2021: 1.2 times) as at 31 December 2022.

The Company was required and has successfully made repayments of loans amounting to Rs. 926.76 million in year 2022. As per the forecast of the management, the operational and investment income of the Company generated sufficient funds to meet the repayment of the liability on timely basis.

Liquidity position is closely monitored on routine basis under the supervision of the Chief Financial Officer.

Significant plans and decisions

Significant plans that are in-line with our mission & vision include the following:

- Expansion & Growth in our existing Portfolio
- Focus on retail-based product market including Health, Motor, Travel & Agricultural products
- Expansion of Window Takaful Operations in Pakistan
- Develop non-motor lines of business in UAE
- Product development with the help of digital technologies

Significant decisions regarding restructuring of the Group

Adamjee Life Assurance Company Limited (ALACL) was a wholly owned subsidiary of Adamjee Insurance Company Limited (AICL). On March 4, 2022 ALACL was listed on Pakistan Stock Exchange and 25 million shares of ALACL were offered for sale and subscribed. Now the Company owns 90% stake in ALACL.

Significant changes from prior years

There were no significant changes in objectives and strategies during the year.



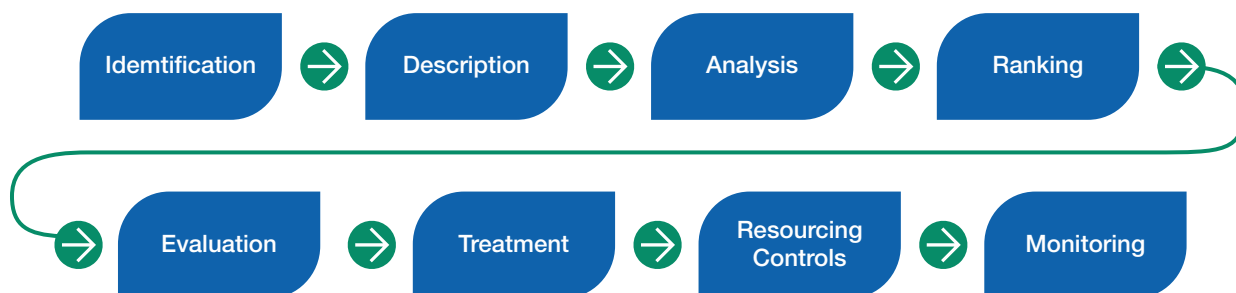


CAPITALIZING ON EVERY SITUATION

RISKS AND OPPORTUNITIES

Enterprise Risk Management (ERM) Framework

At Adamjee Insurance Company Limited (AICL), the Enterprise Risk Management (ERM) process is broken down into eight steps, which is depicted below:



Identification:

- By collaborating with a variety of departments, all the possible risks affecting the Company are identified, and to build an understanding about them, an in-depth knowledge about them is gathered.
- One of the primary sources of risk identification continues to be through interviews and discussions. Brainstorming sessions are conducted internally among the relevant stakeholders to identify the risks and opportunities affecting AICL. Questionnaires are also shared with the departments to get additional insights.
- Some risks and opportunities are identified once audits or inspections are carried out, both internal and external.
- Incident investigations and scenario analysis are also carried out which also help in recording specific risks and opportunities that are relevant to AICL.

Description:

- Risks are described in detail at this stage, and the exact source of the risk is established.

Analysis:

- Impact of the risk is estimated qualitatively, and its impact on AICL.
- Impact and probability of the risks are rated at this step, which assists in making a judgment about the

risk rating, which can either be Critical, High, Moderate or Low.

- A credible worst-case scenario is built and its impact on financial statements is checked based on its likelihood of occurrence. This helps in quantifying the risk.
- At this stage, immediate stakeholders are also identified. For example, in Capital Adequacy Risk, the immediate stakeholder would be Finance Department.

Ranking:

- Based on the Risk Analysis, the Risk is rated keeping in view its impact and probability of occurrence.
- Risk ranking is done based on its rating, which can be either Critical, High, Medium, or Low.

Evaluation:

At this stage, Risk is evaluated in terms of:

- Risk appetite of the Company, as per Board's guidance
- Tolerance level of the Risk, as per Board's guidance

Treatment:

- Risk treatment stance can either be to avoid the risk completely or reduce it.

- Residual risks are also established at this stage.

Resourcing Controls:

- Clear risk strategies are documented regarding each risk.
- Existing controls are also reviewed and a potential action for improvement is noted.

Monitoring:

- Risk is continuously monitored based on its recorded Impact, Probability and Risk Rating.
- It is ensured that the Risk Controls are always in place.
- Any fluctuations in observations regarding the Risk are reported to the stakeholders and the concerned authority.

Commitment of the Board in the ERM Process

The Board of Directors of AICL is fully committed and takes full responsibility for establishment and oversight of effective risk management systems and controls. The following measures have been taken by the Board:

Approve the ERM framework which should assist the

management to establish and maintain effective systems and controls to manage business risks. A comprehensive ERM framework ensures that all risks are identified, measured, monitored, and controlled on an on-going basis at all levels.

Establish a risk management committee at management level which should comprise of one Board Member and cross functional business executives who review and monitor the risks and their overall exposure. This committee then has the responsibility to ensure that the risk management program is implemented.

The Board has also delegated the responsibility of managing ERM framework to the CEO and the senior management who have the responsibility to identify, assess, manage, and report the risk events in a timely manner. The functional heads on the other hand have the responsibility to develop list of risks being faced by their respective units, both that are current and anticipated, along with the risk profile and action plans to mitigate those risks.

On a periodic basis, the key risk updates are shared with the Board and how they are being addressed by the management.

The Board also reviews and approves the Risk Tolerance and Appetite on annual basis. If there are sudden material changes in the circumstances, this activity is done on quarterly basis instead.

Key Risks

Following are the key risks that affect AICL, their consequences, their risk rating, and how the company has a control over them. The probability and risk rating of each risk offers insight over the likelihood and magnitude, whereas control offers insight over the steps that AICL has taken to avoid or reduce the specific risk.

Risk No.	Business Activity	Risk Name	Internal or External	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
1	Financial	Regulatory Risk i.e., unable to implement IFRS17	Internal	In case AICL is not able to implement IFRS17 by the deadline from the regulator, it might cause problems for AICL in both UAE and in Pakistan.	The company may face: 1. Fines from the regulator in both UAE and in Pakistan. 2. Any other consequences that the regulator might find appropriate.	Significant	Unlikely	High	AICL has: 1. Established a dedicated working group for IFRS17. 2. Dedicated enough resources at this stage to meet regulatory deadlines and monthly internal targets. 3. Increased engagement with Appointed Actuary. 4. Carried out financial impact assessments of IFRS17 internally to increase awareness about the regulation.
2	Financial	Credit Risk	External	The company is exposed to credit risk against the following counterparts: 1. Reinsurance / coinsurance counterparties. 2. Assets held with banks. 3. Derivatives. 4. Insurance debtors (Policyholders, brokers, and development officers). 5. Receivables from employees. 6. Receivables from other insurance companies.	If any counterparty fails to meet its obligations in accordance with agreed terms, it will cause a financial loss to the company, which will affect: 1. Capital requirements. 2. Credit rating. 3. Liquidity position.	Significant	Moderate	High	AICL aims to transact with financially sound and reputable parties having high credit worthiness to avoid potential of loss.
3	Financial	Reserve Risk	Both	There is volatility associated with actual runoff of claims. There is volatility in frequency as well as severity. Note that this includes all reserves established by claims department as well.	AICL will face unanticipated losses in certain quarters due to inadequate reserves, in case the actual IBNR is higher than expected IBNR.	Major	Moderate	High	Reserves are calculated with built in margins, especially for long tail claims, to ensure inadequacy is never experienced.
4	Strategic	Capital Adequacy / Solvency Margin Risk	External	This risk may arise due to: 1. Credit Risk in case key debtors' default. 2. Market risk in case there is a significant decline in investment value. 3. Inadequate claim reserves. 4. Poor underwriting. 5. Inappropriate reinsurance arrangements 6. Changes in solvency regulations.	This would result in: 1. An inability to meet minimum capital requirements, which will affect company's trade license renewal 2. Company's credit rating.	Significant	Moderate	High	AICL aims to maintain strong capital adequacy ratio or solvency margin which is above the regulatory requirement. Moreover, regular assessments of capital needs are made.
5	Strategic	Sovereign Risk	External	AICL will be exposed to sovereign risk in case the following events happen: 1. Worsening of foreign exchange balance of payments position. 2. Default by government of Pakistan in servicing of debts. 3. Unstable country credit rating by international rating agencies.	The company will face the following issues: 1. Inability to maintain credit rating required by UAE insurance law, which should impact the overseas operations. 2. Relationships with international reinsurance companies will deteriorate, resulting in high reinsurance cost or no reinsurance arrangements.	Major	Moderate	High	AICL aims to improve its foothold in the Middle East markets along with Pakistan. Hence, the company will: 1. Regularly carry out sovereign risk assessments and the impact on operations. 2. Monitor economic indicators such as foreign reserves, discount rate and exchange rate. 3. Invest in assets that are not severely affected by country's default. 4. Keep the revenue mix diversified.

Risk No.	Business Activity	Risk Name	Internal or External	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
6	Strategic	Political Risk	External	Company may fail to achieve its business objectives due to the following events: 1. Political instability. 2. Riots, terrorism, or wars. 3. Inadequate supplies of basic facilities in the country. 4. Deteriorating law and order situation. 5. Frequent power and gas outages.	Due to political instability in the country: 1. The company may fail to meet the business targets. 2. Service to customers will be affected. 3. Cost of doing business will increase.	Major	Moderate	High	AICL aims to achieve optimal level of service performance to its customers. Hence, the company will: 1. Regularly carry out political risk assessments and the impact on operations. 2. Monitor economic indicators such as foreign reserves, discount rate and exchange rate. 3. Keep the revenue mix diversified. 4. Issue instructions to underwriters to exercise prudent judgment before accepting risks, in case of deteriorating law and order situation. 5. Maintain adequate catastrophic cover from reinsurer.
7	Financial	Liquidity Risk	External	AICL is exposed to liquidity risk if any of the following events occur: 1. Financial obligation falls due earlier than anticipated. 2. Credit default by significant counterparty.	Company's inability to pay off its contractual obligations in a timely manner may result in: 1. Disputes with clients and litigations. 2. Delays in salaries to employees. 3. Delays in payment to government authorities. 4. Adverse impact on solvency and rating.	Significant	Unlikely	High	AICL aims to maintain adequate liquidity to be able to meet liabilities when they fall due. Hence, it is preferred to avoid this risk. There are automated management information systems in place that help in managing this risk adequately.
8	Operational	Processing of fake or fraudulent claims	Internal	Company may be exposed to risk of financial loss on processing of fake or false claims due to: 1. Ineffective claim authentication process. 2. Collusion of surveyors and employees. 3. Undocumented claims payment process.	This may result in financial loss to the company. There is a possibility of fines and penalties by the regulator as well.	Moderate	Moderate	High	AICL has a strong control over claim payments as per approved claims authorization matrix. The protocols have been defined in the internal claim manual. Moreover, claims are not processed without necessary documentation.
9	Operational	Credit Rating Risk	External	AICL faces a risk of not maintaining the credit rating. This will happen if AICL does not manage capital adequacy ratio, credit risk, market risk and liquidity risk appropriately.	Due to a deterioration in credit rating, AICL will face: 1. Reputation risk. 2. Loss of customer confidence. 3. Loss of market share. 4. Risk of low reinsurance arrangements.	Significant	Moderate	High	AICL aims to maintain a strong IFS rating and financial strength. Company will manage operational and financial aspects to keep its rating strong and steady. Company strength is benchmarked against rating agency criteria from time to time, and any concerns that are highlighted are raised immediately. Moreover, the management reviews financial strength quarterly, and how it impacts IFS rating.

Risk No.	Business Activity	Risk Name	Internal or External	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
10	Strategic and Financial	Currency and Inflation Risk	External	<p>Currency devaluation is already taking place which leads to high inflation.</p> <p>Continuous decrease in PKR value might result in increase in claim costs for AICL which will affect profitability.</p> <p>Additionally, a devalued currency will also lead to more volatility of foreign branch's profit and loss results.</p>	<p>Due to decrease in PKR value:</p> <ol style="list-style-type: none"> 1. Claim costs will increase, especially for Motor and Health lines of businesses. 2. Unearned premium reserve (UPR) runoff will become expensive if inflation is higher than the inflation assumption used at the time of pricing and underwriting. 3. A devalued currency will also lead to more volatility of foreign branch's profit and loss results. 	Moderate	Moderate	High	<ol style="list-style-type: none"> 1. AICL aims to minimize this risk through active modelling and scenario analyses which should help in strengthening the underwriting side. 2. Underwriting function is being equipped to reflect expected currency devaluation in inflation assumptions at pricing points. 3. Foreign exchange rates are observed and monitored on a regular basis. 4. A higher control is established on the claim processing side because decline in PKR value affects car and parts values and health claim costs.
11	Strategic and Financial	Climate Change Risk	External	<p>AICL faces the risk of higher claim costs resulting from rains and floods because of climate change. This might also result in disruption in operations at some branches.</p>	<p>Due to change in climate:</p> <ol style="list-style-type: none"> 1. Claim costs will increase if property is damaged because of severe rains and floods. 2. Operations might be disrupted in some areas. 	Significant	Moderate	High	<ol style="list-style-type: none"> 1. AICL aims to minimize this risk by maintaining adequate catastrophic cover from reinsurer. 2. Underwriting function is being equipped to reflect expected adverse climate change effects at pricing points. 3. AICL aims avoid operations disruption through technology, by offering online solutions to customers, and by empowering the human resource to work remotely when required.

Key Opportunities

Following are the key opportunities that are available to AICL. The probability and impact rating of each opportunity offers insight over the likelihood and magnitude, whereas strategy offers insight over the steps that AICL has taken to create value from the specific opportunity.

Opportunity	Internal or External	Description	Consequence	Strategy	Probability	Impact
Data	Internal	Data has become the most important thing in the modern world. It is not only important to gather all the data from target market, but it is also important to store it properly so that it can be used for the company's benefits.	AICL can make sure that all relevant data is gathered from the target market, such as policyholders. Once all data is gathered, it can be ensured that all data is stored properly, and can be extracted through relevant usable reports, where it shows key insights.	AICL can use new technology related to predictive analytics and data science to ensure that the stored data gives useful predictions and shows trends that might help AICL in decision making.	High	High
Reinsurance Needs	Both	With the years of data that is available with AICL, the company can predict how much reinsurance coverage is required.	By following adequate methodologies of assessing reinsurance requirements, the company can ensure that appropriate reinsurance is purchased, so that there is minimum risk of over reinsurance or under reinsurance.	With the help of automated software such as MetaRisk, AICL can predict with a certain level of confidence how much reinsurance is required, and what kind of reinsurance arrangements would be optimal.	High	High
Skilled Human Resources	Both	The success of service industry mostly depends on customer satisfaction to some extent. With skilled human resources, AICL can ensure that customer facilitation is kept a priority.	With skilled human resources, AICL will be able to make sure that customers get complete guidance, from insurance policy selection to claim handling.	AICL can either hire new skilled resources who are experts in this service industry or carry out internal professional trainings to train the existing staff.	High	High
Automating Manual Processes	Internal	Most of the companies are highlighting manual processes that consume time and energy and finding ways to automate them.	By eliminating slow and tedious processes, AICL will be able to find overall efficiency and will be able to meet its obligations adequately. This will also save time of employees, who will then have more quality time to invest in the organization. Automation should also improve overall customer experience.	From time to time, AICL can do audits of different processes such as internal administration process of employee expense reimbursement, or process of policy cancellations. Time should be devoted to how the processes can be made quicker. If required, technology can be acquired.	High	Moderate
Changing Customer Needs	External	Considering how the market dynamics are changing, there is an opportunity to observe how the customer needs are changing and cater to them. For example, COVID-19 motivated people to buy health insurance, whereas some people discontinued their insurances due to slow economy.	AICL can observe how the customer demands are changing and try to fill in the gaps by launching new products. Moreover, the company can also investigate and offer discounts on existing products in case there are margins, and in case that is what the mass population requires as per changing economic environment.	Several stakeholders in the company, such as Actuarial, Marketing and Underwriting can collaborate and see if discounts are viable and invest time in Research and Development of new insurance products.	High	High
Emerging Retail Segment	Both	The company has noted that there is a growth potential especially in the retail segment in lines such as motor, health, personal lines, travel, etc.	Due to the emerging retail segment, AICL will have to ensure that this segment is captured to improve the revenue streams of the company.	AICL has built a strategy to sell to the retail segment. One such strategy is to set up call centers to acquire the retail customers directly. Further strategies need to be built to develop retail focused products and market them adequately to the potential customers.	High	Moderate

Revamping and Innovating Enterprise Risk Management (ERM)

The Company is currently in the process of revamping and innovating ERM. A parallel structure is being implemented, whilst the previous structure is still operational.

Following are some of the highlights of the revamped ERM structure:

- The primary risk categories and secondary risk categories have been redefined and are now based on the recommendations of the Institute and Faculty of Actuaries.
- Some new fields have been added to the risk register, and they are as follows:
 - ✦ Credible worst-case scenario (CWCS)
 - ✦ Likelihood of CWCS over one year
 - ✦ Severity of CWCS in terms of impact on Profit & Loss statement
 - ✦ Expected Loss of CWCS
 - ✦ Risk category decision, which is a categorization into “Key Risk”, “Monitor with Key Risk Indication”, and “No Action Required”
 - ✦ Key risk indicator description and thresholds
- Going forward, in the revamped ERM structure, key risk indicator values will be measured against the key risk indicator thresholds on quarterly basis.
- Capital models have been set up using a world renowned subscription based model for major lines of businesses, which should provide Profit & Loss distributions.

Adequacy of Capital Structure

Share Capital and Reserves	2022	2021	2020
Rupees in thousand			
Authorized Share Capital	3,750,000	3,750,000	3,750,000
Issued, Subscribed and Paid-Up Capital	3,500,000	3,500,000	3,500,000
Reserves	3,527,175	5,486,879	4,486,946
Unappropriated Profit	17,891,764	16,402,885	14,247,913
Total Equity	24,918,939	25,389,764	22,234,859
Cash and Bank – Conventional Business	5,192,695	2,174,053	1,312,004
Cash and Bank – WTO Operator’s Fund	164,215	264,235	209,446

The table above shows highlights regarding adequacy of capital structure of AICL. Moreover, the Company has maintained healthy cashflows in the last 3 years, and there have been no instances of default in payments.

There is absolutely no inadequacy in the capital structure.

OUR PILLARS OF STRENGTH
**CORPORATE
GOVERNANCE**



Directors' Report

to the Members on Unconsolidated Financial Statements

On behalf of the Board of Directors, we are pleased to present the 62nd Annual Report of your Company together with the audited unconsolidated financial statements for the year ended 31 December 2022.

ECONOMIC OVERVIEW

The fiscal year 2022 started with signs of recovery in global as well as in Pakistan's economy especially after witnessing unprecedented pressures caused by the effects of COVID-19 pandemic and the related global and potential domestic lockdowns. Pakistan's real GDP grew by 6% approximately, for second consecutive year in FY-22. However, the growth trends were short-lived and soon after the start of year 2022, events started to unfold that negatively impacted the economic environment. Political instability, rising inflation, depleting foreign exchange reserves and unprecedented catastrophic floods, all these factors negatively impacted the economic environment and necessitated strict measures to stabilize the economy. Consequently, the Government of Pakistan took strict measures regarding import of non-essential items and the State Bank of Pakistan (SBP) continually increased the policy rate during 2022 to curb the aggregate demand and stabilize the economy. As a result, the Policy rate has been jacked up to 20% in March 2023 which was 9.75% in December 2021.

Concerning Pakistan Stock Exchange (PSX), the KSE-100 Index also remained under pressure and lost 9% of its value, closing at 40,420 in the year 2022 as compared to 44,596 in the year 2021.

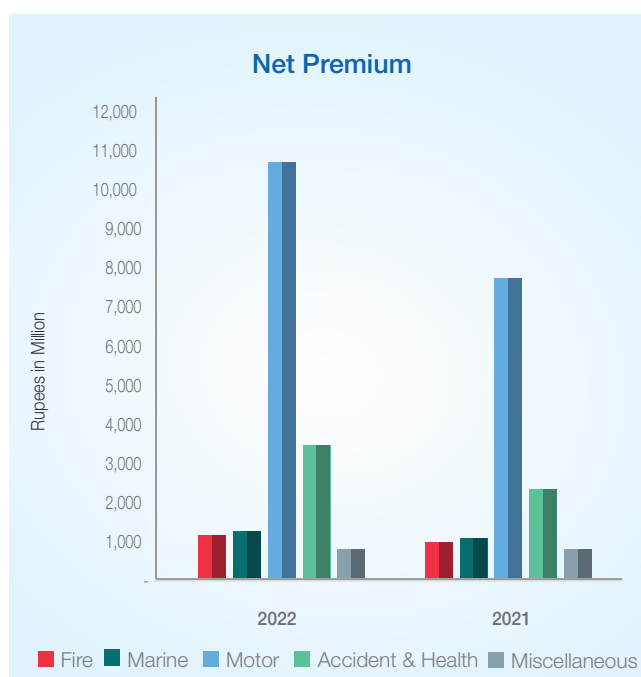
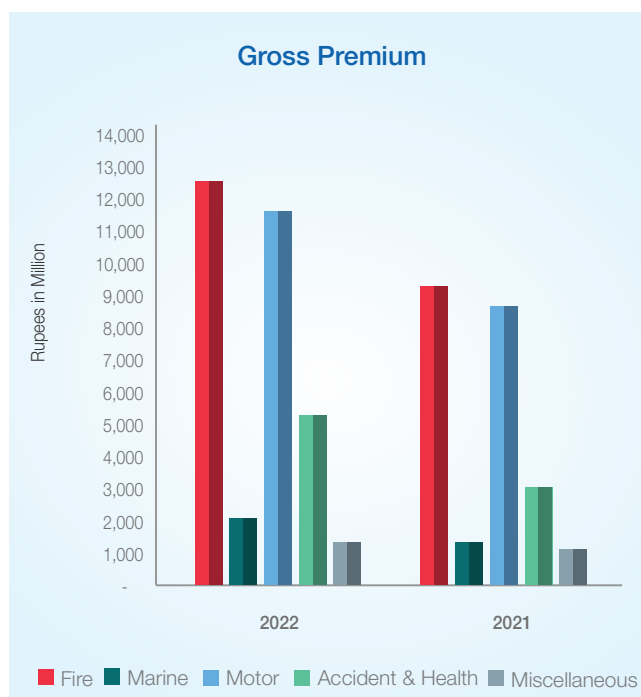
Standard & Poor's downgraded Pakistan's long-term credit rating to 'CCC+' with stable outlook.

COMPANY PERFORMANCE REVIEW

Despite the challenging environment, the Company performed well in 2022 as we closed the year delivering sound financial results with a premium growth of 40% in conventional business over the preceding year. We continued to follow the strategy of sustainable growth by focusing on further strengthening the risk and compliance management.

In 2022, the gross premium increased to Rs. 32,677 million (excluding Rs. 2,514 million contributions

generated through Window Takaful Operations) as compared to Rs. 23,320 million in 2021 (excluding Rs. 1,465 million contributions generated through Window Takaful Operations). The net insurance premium revenue was 52% (Rs. 16,980 million) of total gross premium underwritten as compared to the net insurance premium revenue of 54% (Rs. 12,552 million) in 2021.



The net claims ratio increased to 66% as compared to last year's ratio of 57% per annum due to increase in loss ratio of both Pakistan and UAE Operations.

The underwriting results reported a loss of Rs. 209 million in 2022 as against a profit of Rs. 672 million in 2021.

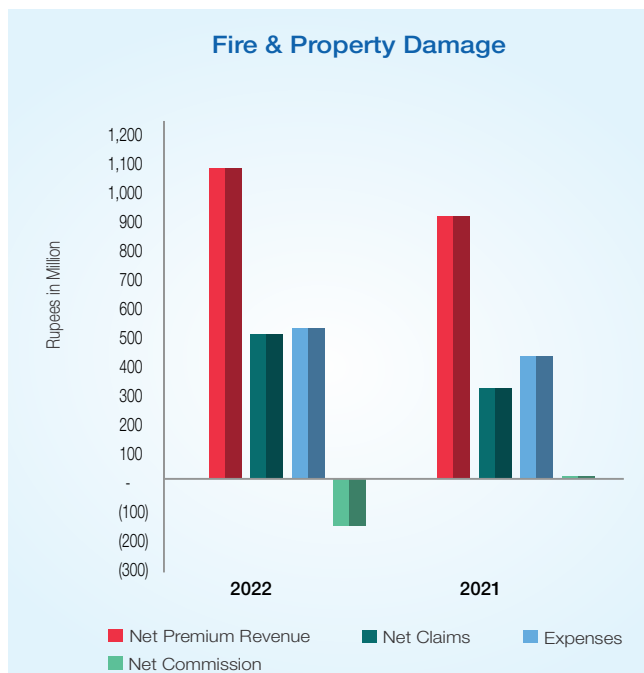
The return-on-investment portfolio remained at 8% in 2022 as compared to 8% in 2021.

Profit before tax amounted to Rs. 3,147 million in the year 2022 recording a decrease of 29% against the preceding year's profit of Rs. 4,405 million. While the Profit after tax also witnessed a decline of 18% to Rs. 2,585 million as against profits of Rs. 3,136 million in the preceding year.

PORTFOLIO ANALYSIS

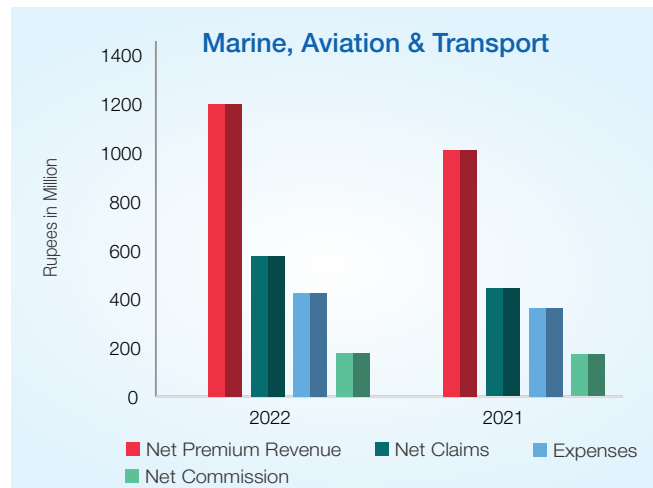
Fire & Property Damage

Fire and property class of business constituted 38% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 12,496 million (2021: Rs. 9,242 million). Net claims to net premium ratio increased to 47% in 2022 as compared to 34% in 2021. Despite this, the Fire and Property class posted underwriting profit of Rs. 216 million in 2022 as compared to Rs. 172 million in 2021.



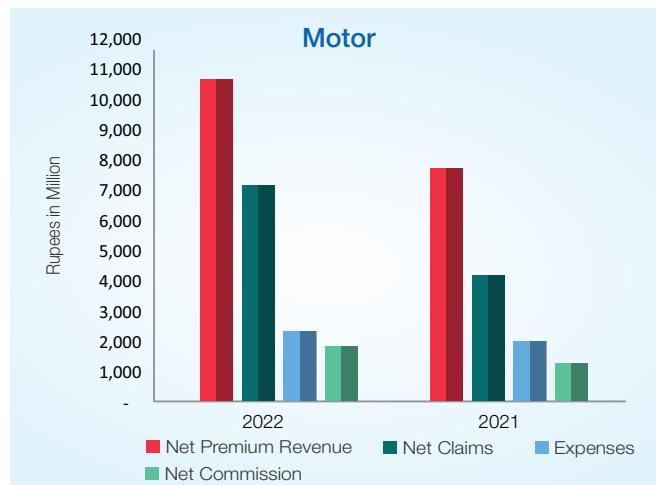
Marine, Aviation & Transport

Marine, Aviation & Transport class of business constituted 6% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 2,062 million (2021: Rs. 1,311 million). Net claims to net premium ratio increased to 48% in 2022 as compared to 44% in 2021. As a result, this portfolio showed underwriting profit of Rs. 22 million in 2022 as compared to Rs. 34 million in 2021.



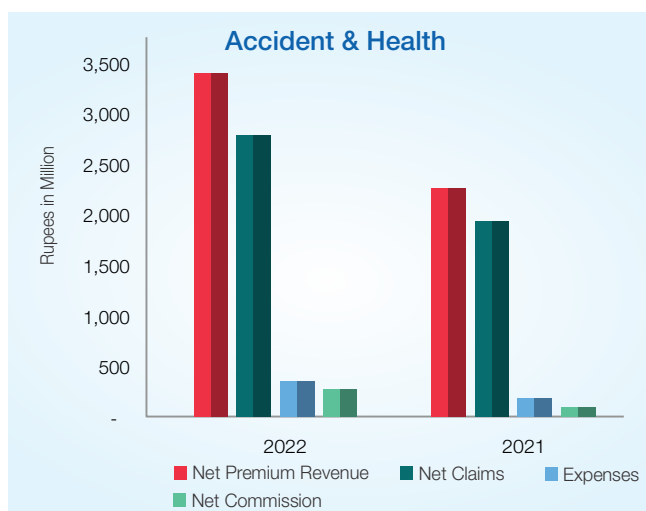
Motor

Motor class of business constituted 35% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 11,571 million (2021: Rs. 8,620 million). Net claims to net premium ratio increased to 67% in 2022 as compared to 54% in 2021. As a result, Motor class reported a loss of Rs. 579 million in 2022 as compared to profit of Rs. 339 million in 2021, owing to losses incurred in UAE operations.



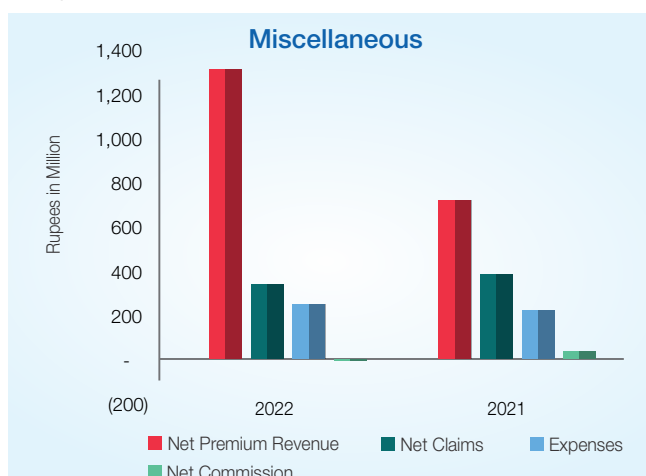
Accident & Health

The Accident & Health class of business constituted 16% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 5,240 million (2021: Rs. 3,031 million). Net claims to net premium ratio decreased to 82% in 2022 as compared to 85% in 2021. Net commission expense and management expenses cumulatively accounted for 18% of net premium revenue (2021: 10%) resulting in underwriting loss of Rs. 6 million (2021: Profit of Rs. 51 million).



Miscellaneous

The miscellaneous class of business constituted 4% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 1,308 million (2021: Rs. 1,116 million). Net claims to net premium ratio decreased to 47% in 2022 as compared to 54% in 2021. As a result, miscellaneous portfolio showed underwriting profit of Rs. 136 million in 2022 as compared to Rs. 77 million in 2021.



INVESTMENT INCOME

Investment income of the Company witnessed a decline of 14% mainly due to decrease in dividend income.

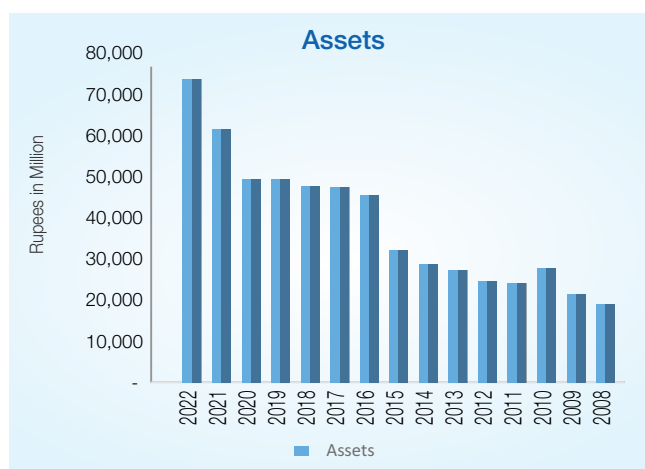
Dividend income decreased by 22% in 2022 owing to release of dividends by banking sector in 2021 that were put on hold in 2020 due to the temporary restriction on distribution of dividends imposed by State Bank of Pakistan. As a result, the overall income from investments amounted to Rs. 2,128 million in 2022 as against Rs. 2,469 million in 2021.

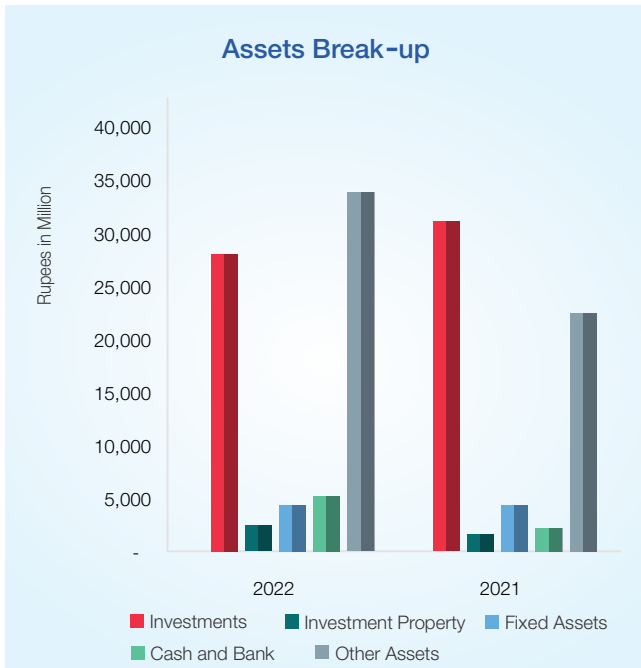
The break-up of investment income is as under:

	2022 (Rupees in million)	2021 (Rupees in million)
Dividend income	1,773	2,260
Return on fixed income securities	85	38
Income from term deposits	130	116
Gain on sale of 'available-for-sale' investments (net of impairment)	140	55
Net investment income	2,128	2,469

COMPANY'S ASSETS

Total assets of the Company as on 31 December 2022 amounted to Rs. 73,766 million as against Rs. 61,641 million in 2021. Total investments decreased by 10% at Rs. 27,975 million (including Rs. 900 million as advance against issue of shares) as compared to Rs. 31,069 million in 2021. The management's strategy is to optimize utilization of funds over a long-term investment horizon to maximize investment returns.





WINDOW TAKAFUL OPERATIONS

The Company's Window Takaful Operations – Operator's Fund closed the year with an increase of 72% in gross contribution written at Rs. 2,514 million as compared to Rs. 1,465 million in 2021 and has made a profit after tax of Rs. 220 million as compared to profit of Rs. 99 million in 2021.

OUTSIDE PAKISTAN OPERATIONS – UNITED ARAB EMIRATES & EXPORT PROCESSING ZONE

The Company has three fully functional branches located in Dubai, Sharjah and Abu Dhabi and one branch in Export Processing Zone (EPZ). The UAE branches are regulated under the relevant UAE laws applicable to the local insurance companies.

Outside Pakistan operations witnessed a growth of 63% in written gross premium (2021: 31%). However, net claims to net premium ratio increased to 74% in 2022 as compared to 58% in 2021. As a result, Outside Pakistan operations reported a loss before tax amounting to Rs. 743 million in 2022 as compared to profit of Rs. 210 million in 2021.

PROSPECTS FOR 2023

Amid the current political and economic environment, the prospects for the upcoming year 2023 are presenting mixed trends. Contractionary measures been taken by the Government of Pakistan are expected to reduce the aggregate demand while resumption of IMF program is essential for the economy and to obtain financial support from friendly countries. After achieving approx. 6% GDP growth rate for second consecutive year in FY 2022, the IMF has forecasted the GDP growth of around 2% for the FY 2023.

Insurance Industry in Pakistan observed several peaks and dips in recent years. However, it successfully managed to keep pace with the development of the economy and other sectors. Amid the current macro-economic and political environment, we foresee distressed growth trajectory of Insurance Sector during the year 2023.

DIRECTORS

Total number of directors was 8 during the year 2022 and comprises as under:

1. Total Number of Directors:

i. Male	7
ii. Female	1

2. Composition of Board:

i. Independent director	2
- Khawaja Jalal Uddin	
- Mohammad Arif Hameed	
ii. Non-Executive directors - Male	4
- Ibrahim Shamsi	
- Imran Maqbool	
- Shaikh Muhammad Jawed	
- Umer Mansha	
iii. Non-Executive director - Female	1
- Sadia Younas Mansha	

- iv. **Executive director** 1
- Muhammad Ali Zeb

ELECTION OF DIRECTORS

The three (3) years tenure of the Board of Directors was completed on 29 May 2022 in terms of the Companies Act, 2017. The shareholders in Extraordinary General Meeting held on 27 May 2022 elected following seven (7) non-executive directors including one female and two independent directors for a period of three years.

- Ibrahim Shamsi
- Imran Maqbool
- Khawaja Jalal Uddin
- Muhammad Arif Hameed
- Sadia Younas Mansha
- Shaikh Muhammad Jawed
- Umer Mansha.

APPOINTMENT OF CHIEF EXECUTIVE

Under the relevant provisions of the Companies Act, 2017, within fourteen days from the date of election of directors, the Board on 9 June 2022 reappointed Muhammad Ali Zeb as the Chief Executive Officer for a period of 3 years.

CHAIRMAN OF THE BOARD OF DIRECTORS

Muhammad Umer Mansha was reappointed as Chairman of the Board with effect from 9 June 2022 for a period of 3 years. In terms of the requirements of the Companies Act, 2017 the Chairman of the Board should be appointed within 14 days of the election of directors.

DIRECTORS' REMUNERATION

The Board of Directors has approved the remuneration of the members of the Board (Non-Executive Directors including independent directors) for attending meetings of the Board. The meeting fee of Rs. 25,000/- per meeting is paid to directors with effect from June 2022, prior to June 2022 the fee was Rs.10,000/- per

meeting. Travel expenses by air from city of residence to the city of the meeting are paid with hotel accommodation, if availed.

The aggregate amount of remuneration is mentioned at Note 39 of the Unconsolidated Financial Statements.

BOARD MEETINGS & ATTENDANCE

During year 2022, five meetings of the Board of Directors were held and attended by the Directors as under:

Directors	Jan to May	June to Dec
Umer Mansha	2	3
Ibrahim Shamsi	2	1
Imran Maqbool	2	3
Muhammad Anees (ceased on May 27, 2022)	2	-
Mohammad Arif Hameed	2	1
Sadia Younas Mansha	2	1
Shaikh Muhammad Jawed	2	3
Muhammad Ali Zeb – CEO	2	3
Khawaja Jala Uddin (w.e.f. May 29, 2022)	-	3

BOARD COMMITTEES & ITS MEMBERS

The Board has formed the following committees:

AUDIT COMMITTEE

Muhammad Arif Hameed	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Shaikh Muhammad Jawed	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member

ETHICS, HUMAN RESOURCES & REMUNERATION COMMITTEE

Khawaja Jalal Uddin	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member
Muhammad Ali Zeb	MD & CEO	Member

INVESTMENT COMMITTEE

Shaikh Muhammad Jawed	Non-Executive Director	Chairman
Imran Maqbool	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member
Muhammad Ali Zeb	MD & CEO	Member
Muhammad Asim Nagi	Chief Financial Officer	Member

STATEMENT OF COMPLIANCE WITH CODE(S) OF CORPORATE GOVERNANCE

Statement of compliance with code(s) of corporate governance is separately provided in Annual Report at page 95.

RISK MITIGATION

Risk Mitigation is a proactive review and plan for the organization's current and potential risks. One of the vital functions in risk mitigation at Adamjee Insurance is the Physical Risk Management of fixed assets being offered for insurance, whether Industrial, Infra-structure, Commercial or Private Dwellings. Risk Management involves assessment of various sections, processes and departments and it analyses the perils to which these fixed assets are exposed. Adamjee Insurance carries out risk surveys which give our underwriters an insight about pre-defined categories of risks and those risks which exceed certain financial thresholds, sometimes even before issuing an insurance quotation and/or an insurance policy. This is the reason why we have a dedicated team of well qualified and experienced risk surveyors who carry out the largest number of risk-surveys every year in the industry. The underwriters having such in depth information about the risk are in a much better position to accept or reject the risk with more conviction and confidence.

Once the risk is accepted for underwriting, a right price and appropriate terms are provided for the benefit of our valued customers. The recommendations made by the risk surveyors help the customers in improving their processes and operations, thus mitigating the risk exposures significantly.

The Company pays particular attention to the underwriting controls. Each class of insurance is headed by qualified and experienced underwriters, who manage

and control the underwriting in their respective class of business. The utmost aim in any underwriting process is to protect the bottom-line of the Company. This is achieved by accurately estimating the exposures and the probability of future losses and thereby developing appropriate terms and conditions for each proposed risk for insurance and also deciding carefully on the retention of each risk.

Underwriting involves a number of technical controlling protocols. These protocols include Risk Categorization Grid, defined underwriting authorities, Check lists for underwriters, guidelines by class of business, rate monitoring mechanism, underwriting peer reviews and practice for seeking guidance on large and intricate risks from Risk Exposure Group (REG). This Group is represented by Executive Director Technical, Executive Director Commercial, Head of Claims and Compliance and Executive Director Re-Insurance. The Risk Categorization Grid defines Very High Risks, High Risks, Medium Risks and Low Risks Categories.

The Company has a very effective Reinsurance Treaty Programme in place which along with Facultative Risk Wise arrangements provides a bespoke protection to the Company against different types of risks. Both Reinsurance and Coinsurance arrangements are effectively used as risk mitigating tools against all types of risk exposures and to augment Company's risk appetite.

GOVERNMENT OF PAKISTAN POLICIES AND THEIR IMPACT

The Government of Pakistan and the regulatory authority, namely, the Securities and Exchange Commission of Pakistan (SECP) have made various enactments, rules and regulations to regulate the Insurance Sector in the country. These enactments and the rules and regulations made thereunder aim to provide guidelines for the sector relating to various aspects of the insurance business including, but not limited to, minimum capital requirement for insurers, day to day insurance operations, know your customers (KYC), data maintenance and protection, anti-money laundering and counter financing of terrorism, accounting of transactions, presentation of financial statements, handling of complaints and grievances and so on. The policies of the Government of Pakistan tend to achieve transparency and promote adoption of best practices in all aspects of the insurance business.

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed in the Annual Report at page 425. The format of reporting, Form 34, has been slightly amended to comply with the reporting requirements under the Code of Corporate Governance for Insurers, 2016.

For the category of 'Executive', the Board of Directors has set the threshold for the year 2022. In addition to CEO, CFO, Head of Internal Audit and Company Secretary, officers in the cadre of Executive Director and above are included in the category of 'Executives'. The threshold is reviewed by the Board annually.

EARNINGS PER SHARE

During the year under review, earnings per share were Rs. 7.39/- (2021: Rs. 8.96/-). Detailed working has been reported in Note 38 to the Unconsolidated Financial Statements in this regard.

INTERNAL FINANCIAL CONTROLS AND ITS ADEQUACY

The Board has adopted policies and procedures for ensuring orderly and efficient conduct of its business including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial disclosures. The system provides, though not absolute, but reasonable assurance that adequate control mechanisms have been established within the operational businesses.

The Company's internal control system is commensurate with its size, scale, and complexities of its operations. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control system and suggests improvements to strengthen the same. It also reviews the quarterly Internal Audit Reports. Internal financial controls deployed within the Company have been found satisfactory throughout the year.

CSR activities

The CSR initiatives taken during the year 2022 have

been separately mentioned in the Annual Report at page 166.

Impact of Company's Business on Environment

The impact of Company's business on environment is actually next to nothing, since Adamjee does not have any manufacturing and/or energy-resource based business set-up. With around 938 employees, we feel that we have a responsibility for environmental protection and have involved ourselves in areas that we can influence in a positive manner. We are focusing on reducing the use of paper and gradually moving towards a paperless environment. We are sensitizing our staff to behave in an environmentally friendly manner to save on electricity/power consumption and water usage.

HUMAN RESOURCE

At Adamjee Insurance, we believe that Human Capital is our core asset. We nurture the seeds of growth and flourish because of our people, who keep adding value through utmost efforts. Our aim is to provide growth opportunities and inculcate a performance based culture where rewards are linked for the encouragement of our employees. That is why, our people are more engaged, feel secure and resultantly employees' satisfaction indicators, i.e. productivity, engagement index and turnover for year 2022 is inspiring in the Company.

ISO 9001:2015 CERTIFICATION

Adamjee Insurance has always strived to enhance customer satisfaction through continually improving in its quality management system practices, processes and standards. By the new version of ISO 9001:2015, Adamjee has once again assured customers that it will continue to fulfill their insurance, regulatory and quality requirements, adding even more value to its customer services. This upgraded standard is conferred by Lloyd's Register Quality Assurance.

The certification has a continuation of our adherence to internationally established standards for quality system.

At AICL, we are fully aware of how beneficial this standard (ISO 9001:2015) is for us which includes but not limited to well organized operating environment, better working conditions, increased job satisfaction and improved customer satisfaction.

IFS Ratings

During the year, The Pakistan Credit Rating Agency Limited (PACRA) has maintained the Insurer Financial Strength (IFS) rating of the Company as “AA++” (Double A Double Plus). This rating denotes a very strong capacity to meet policyholders’ contract obligations. Risk factors are considered modest and the impact of any adverse business and economic factors is expected to be very limited.

AM Best has affirmed the financial strength rating of the Company to “B (fair)” with stable outlook which denotes a strong risk-adjusted capitalization maintained by the Company.

SUBSIDIARY COMPANY

The Company has annexed its consolidated financial statements along with its separate financial statements. Adamjee Life Assurance Company Limited (ALACL) is a wholly owned subsidiary company of Adamjee Insurance Company Limited. A brief description of ALACL is given below.

ALACL was incorporated in Pakistan under the Repealed Companies Ordinance, 1984 on 4 August 2008 as a public unlisted company and commenced operations from 24 April 2009. ALACL till Feb 2020 was a subsidiary of AICL and an associate of IVM Intersurer B.V. (IVM), having 74.28% and 25.72% holdings, respectively in the capital of ALACL.

In February 2020, the Company acquired the remaining stake of 25.72% in ALACL from IVM, which made it a wholly owned subsidiary of the Company.

During the year 2021, 156,450,600 right shares at value of Rs. 10/- per share were offered by ALACL. These shares were subscribed by the Company. The paid-up capital of ALACL after issue of right shares was raised to Rs. 2,500 million.

10% stake in ALACL equivalent to 25 million shares was offered by the Company through book building. 75% shares, i.e. 18,750,000 shares were offered to successful bidders and 25% shares i.e. 6,250,000 shares to retail investors. During the first quarter 2022 ALACL was listed on Pakistan Stock Exchange.

EVENTS AFTER BALANCE SHEET DATE

There are no significant events that took place between the date of financial statements and date of this report.

RECOMMENDATION FOR DIVIDEND

An interim dividend @ 15% (Rupee 1.5 per share) (2021: @ 15% [Rupee 1.5 per share]) was paid during the year. The Board recommended final cash dividend @ 15% (Rupees 1.5 per share) (2021: @15% [Rupees 1.5 per share]).

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Companies Act, 2017, the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Codes) and is pleased to give the following statements:

- The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Act, 2017.
- The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes, wherever made, have been disclosed, and accounting estimates made are on the basis of prudent and reasonable judgment.
- Financial Statements have been prepared by the Company in accordance with the International Financial Reporting Standards as applicable in Pakistan. The departure therefrom (if any), is disclosed adequately and explained.
- The system of internal control is sound and is being implemented and monitored. However, such a system is designed to manage rather than eliminate

the risk of failure to achieve objectives and provide reasonable, but not absolute assurance against material misstatements or loss.

- The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.
- Key operating and financial data for the last six years is included in this Annual Report in summarized form.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2022, except those disclosed in the financial statements.
- The value of investments including accrued income of provident and gratuity funds on the basis of unaudited accounts as on 31 December 2022, is as follows:

	(Rupees in '000)
Provident Fund	1,117,618
Gratuity Fund	356,234

AUDITORS

The present auditors, namely, Yousuf Adil, Chartered Accountants being eligible gave consent to act as auditors for the next term.

The Board of Directors on suggestion of the Audit Committee recommended the appointment of Yousaf Adil, Chartered Accountants as statutory auditors for the next term.

STATUS OF PENDING INVESTMENT DECISION:

The decision to make investment in Nishat Mills Limited, MCB Bank Limited and Pakgen Power Limited under the authority of resolution passed on May 28, 2016, March 16, 2021 and November 30, 2022, respectively was not implemented fully. The status of decision is explained to members as under, as required vide Regulation 4 (2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulation, 2017.

STATUS OF INVESTMENT UNDER REGULATION 4 (2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017:


Description	Nishat Mills Ltd	MCB Bank Ltd	Pakgen Power Ltd
Date of approval	May 28, 2016	March 16, 2021	November 30, 2022
Total Investment	Rs 625 million	Rs. 3 billion	Rs 250 million
Amount of Investment made up to 31 December, 2022	Rs 161.053 million	Rs. 1.691 billion	-
Reasons for deviation from the approved timeline of investment, when investment decision was to be implemented in stipulated time	The special resolution is valid for 8 years, hence no deviation	The special resolution is valid for 3 years, hence no deviation	The special resolution is valid for 3 years, hence no deviation
Material changes in financial statement since date of resolution passed			
a. Breakup value per share	Jun 2015 Rs 216.56 Dec 2022 Rs 225.26	Dec 2020 Rs 162.85 Dec 2021 Rs 149.84	Dec 2021 Rs 60.64 Dec 2022 Rs 67.59
b. Earnings (loss) per share	Jun 2015 Rs 11.13 Dec 2022 Rs 29.33	Dec 2020 Rs 24.82 Dec 2021 Rs 26.31	Dec 2021 Rs 2.82 Dec 2022 Rs 8.43
c. Balance Sheet footing	Jun 2015 Rs101.14 billion Dec 2022 Rs 137.534 billion	Dec 2020 Rs1757.46 billion Dec 2021 Rs 1970.47 billion	Dec 2021 Rs 22,564 million Dec 2022 Rs 26,506 million

ACKNOWLEDGEMENT

The Company would like to thank its shareholders for the confidence they have shown in us. We express our sincere thanks to our customers, employees, strategic partners, vendors and suppliers.

We also appreciate the continuing support and guidance provided by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan during the year.

For and on behalf of the Board



Shaikh Muhammad Jawed
Director



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Lahore: March 21, 2023

آڈٹرز:

زیر التواء سرمایہ کاری کے فیصلے کی حیثیت:

نشاط ملز لمیٹڈ اور ایم سی بی بینک لمیٹڈ اور پاک چین پاور لمیٹڈ میں بالترتیب 28 مئی 2016ء، 16 مارچ 2021ء اور 30 نومبر 2022ء کو منظور شدہ قرارداد کے تحت سرمایہ کاری کرنے کا فیصلہ مکمل طور پر نافذ نہیں کیا گیا۔ کمپنیز کے ضابطہ ۴(۲) کے تحت ارکان کو فیصلے کی حیثیت کی وضاحت جیسا کہ بحوالہ (ایسوسی ایٹڈ کمپنیز یا ایسوسی ایٹڈ انڈر ٹیکنگ میں سرمایہ کاری) ریگولیشن 2017ء کی ذیل میں درکار ہے؛ کر دی گئی ہے۔

موجودہ آڈٹرز، یعنی میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کے بعد اگلی مدت کیلئے آڈٹرز کے طور پر کام کرنے کی رضامندی ظاہر کر دی ہے۔

بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی تجویز پر یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو اگلی مدت کیلئے قانونی آڈٹرز کے طور پر تعینات کرنے کی سفارش کی ہے۔


کمپنیز کے ریگولیشن ۴(۲) کے تحت سرمایہ کاری کی حیثیت (منسلک کمپنیز یا ایسوسی ایٹڈ انڈر ٹیکنگ میں سرمایہ کاری) ریگولیشن ۲۰۱۷ء:

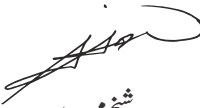
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c. Balance Sheet footing	Jun 2015 Rs 101.14 billion Dec 2022 Rs 137.534 billion	Dec 2020 Rs 1757.46 billion Dec 2021 Rs 1970.47 billion	Dec 2021 Rs 22,564 million Dec 2022 Rs 26,506 million

اعتراف:

کمپنی اپنے شیئرز ہولڈرز کے ہم پر اظہار اعتماد کیلئے ان کا شکریہ ادا کرنا چاہے گی ہم اپنے کسٹمرز، ملازمین، اسٹریٹیجک شرکاء داروں، وینڈرز اور سپلائرز کا تہہ دل سے شکریہ ادا کرتے ہیں۔ ہم سال بھر کے دوران سیورٹیز اینڈ ایکسیچج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی طرف سے فراہم کردہ مسلسل تعاون اور رہنمائی کو بھی سراہتے ہیں۔

بورڈ کیلئے اور اس کی جانب سے


محمد علی زید
نیجنگ ڈائریکٹر اور چیف ایگزیکٹو آفیسر


شیخ محمد جاوید
ڈائریکٹر

۲۱ مارچ ۲۰۲۳ء: لاہور

ذیلی کمپنی

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا گوشوارہ:

کارپوریٹ قوانین، قواعد و ضوابط جو وہاں بنائے گئے ہیں، کمپنی کے بورڈ آف ڈائریکٹرز کے مجموعی امور کو بیان کرتے ہیں۔ بورڈ اپنی کارپوریٹ ذمے داریوں سے پوری طرح واقف ہے جیسا کہ کمپنیز ایکٹ، 2017ء، کوڈ آف کارپوریٹ گورننس برائے بیمہ کنندگان، 2016ء اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019ء (کوڈز) کے تحت احاطہ کیے گئے ہیں اور درج ذیل گوشواروں کی فراہمی پر اظہارِ مسرت کرتے ہیں:

• کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے، اس کی حالت، اس کے آپریشن کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کو کافی حد تک پیش کرتے ہیں۔

• کمپنی نے کمپنیز ایکٹ ۲۰۱۷ء کے تحت اکاؤنٹس کی مناسب کتابوں کو برقرار رکھا ہے۔

• کمپنی نے مالی بیانات کی تیاری میں مسلسل مناسب اکاؤنٹنگ پالیسیز پر عمل کیا ہے۔ جہاں کہیں بھی تبدیلیاں کی گئی ہیں، ان کا انکشاف کیا گیا ہے، اور حساب کتاب کے تخمینے دانشمندانہ اور معقول فیصلے کی بنیاد پر کیے گئے ہیں۔

• پاکستان میں لاگو ہونے والے بین الاقوامی مالیاتی رپورٹنگ معیارات کے مطابق کمپنی کی طرف سے مالیاتی بیانات تیار کیے گئے ہیں۔ ان سے انحراف (اگر کوئی ہے)، مناسب طور پر ظاہر اور وضاحت کی گئی ہے۔

اندرونی کنٹرول کا نظام درست ہے اور اس پر عمل درآمد اور نگرانی کی جارہی ہے۔ تاہم، اس طرح کے نظام کو مقاصد کے حصول میں ناکامی کے خطرے کو ختم کرنے اور معقول فراہم کرنے کے بجائے انتظام کرنے کیلئے ڈیزائن کیا گیا ہے، لیکن مادی غلط بیانیوں یا نقصان کے خلاف قطعی یقین دہانی نہیں۔

• کمپنی کی مبادیات مضبوط ہیں اور اس کے جاری رہنے کی صلاحیت کے بارے میں کوئی شک نہیں ہے۔

• اس سالانہ رپورٹ میں گزشتہ چھ سالوں کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا خلاصے کی شکل میں شامل کیا گیا ہے۔

• ٹیکسز، ڈیوٹی، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں جو کہ 31 دسمبر 2022ء تک بقایا ہیں، سوائے ان مالیاتی گوشواروں کے جن کا انکشاف کیا گیا ہے۔

• 31 دسمبر 2022ء کو غیر آڈٹ شدہ کھاتوں کی بنیاد پر پروویڈنٹ اور گریجویٹ فنڈز کی جمع شدہ آمدنی سمیت سرمایہ کاری کی قیمت درج ذیل ہے:

1,117,618	پروویڈنٹ فنڈ
356,234	گریجویٹ فنڈ

کمپنی نے اپنے الگ الگ مالیاتی گوشواروں کے ساتھ ملحقہ مالیاتی گوشواروں کو جوڑ دیا ہے۔ آدجی لائف اشورنس کمپنی لمیٹڈ، (ALACL) آدجی انشورنس کمپنی لمیٹڈ (AICL) کی مکمل ملکیت والی ذیلی کمپنی ہے۔ ALACL کی ایک مختصر تفصیل ذیل میں دی گئی ہے:

ALACL کو پاکستان میں منسوخ شدہ کمپنیز آرڈیننس 1984ء کے تحت ۴ اگست 2008ء کو ایک پبلک ان لسٹڈ کمپنی کے طور پر شامل کیا گیا تھا اور اس نے 24 اپریل 2009ء سے کام شروع کیا تھا۔ ALACL فروری 2020ء تک AICL کا ذیلی ادارہ تھا اور IVM (Intersurer B.V. (IVM) کی ایک ایسوسی ایٹ ہے جس کی ALACL کے سرمائے میں بالترتیب 25.72% شیئر ہولڈنگ تھی۔

فروری 2020ء میں، کمپنی نے IVM سے ALACL میں 25.72% کا بقیہ حصہ حاصل کر لیا ہے، جس نے اسے کمپنی کا مکمل ملکیتی ذیلی ادارہ بنا دیا ہے۔

سال 2021ء کے دوران، ALACL کی طرف سے 10% فی شیئر کے حساب سے 156,450,600 رائٹ شیئرز کی پیشکش کی گئی۔ یہ حصص کمپنی کی طرف سے سبسکرائب کیے گئے تھے۔ رائٹ شیئرز کے اجراء کے بعد ALACL کا ادا شدہ سرمایہ بڑھا کر 2500 ملین روپے کر دیا گیا۔

بک بلڈنگ کے ذریعے ALACL میں 25 ملین شیئرز کے مساوی 10% حصص فروخت کرنے کیلئے انتظامات جاری ہیں۔ 75% حصص یعنی 18,750,000 شیئرز کا میاب بولی دہندگان کو اور 25% شیئرز یعنی 6,250,000 حصص خوردہ سرمایہ کاروں کو پیش کیے جائیں گے۔ 2022ء کی پہلی سہ ماہی کے دوران ALACL کو PSX پر درج کیا جائے گا۔

ALACL کی مالی کارکردگی اور پوزیشن سالانہ رپورٹ کے ساتھ منسلک مجموعی مالی گوشواروں میں دی گئی ہے۔

بیلنس شیٹ کی تاریخ کے بعد کے واقعات:

مالی گوشواروں کی تاریخ اور اس رپورٹ کی تاریخ کے درمیان کوئی قابل ذکر واقعات رونما نہیں ہوئے۔

ڈیویڈنڈ کیلئے سفارش:

ایک عبوری منافع منقسمہ 15% (1.5 روپے فی شیئر) کی شرح سے (@ 2021: 15%) [1.5 روپے فی شیئر] سال کے دوران ادا کیا گیا۔ بورڈ نے حتمی نقد منافع 15% (1.5 روپے فی شیئر) کی شرح سے (@ 2021: 1.5%) [1.5 روپے فی شیئر] کی سفارش کی ہے۔

انسانی وسائل

آد جی انشورنس میں، ہم سمجھتے ہیں کہ انسانی سرمایہ ہمارا بنیادی اثاثہ ہے۔ ہم اپنے لوگوں کی وجہ سے ترقی اور پھلنے پھولنے کے بیجوں کی پرورش کرتے ہیں، جو پوری کوششوں کے ذریعے قدر میں اضافہ کرتے رہتے ہیں۔ ہمارا مقصد ترقی کے مواقع فراہم کرنا اور کارکردگی پر مبنی ثقافت لانا ہے جہاں ہمارے ملازمین کی حوصلہ افزائی کیلئے انعامات منسلک ہوں۔ اسی لیے، ہمارے لوگ زیادہ مصروف ہیں، محفوظ محسوس کرتے ہیں اور اس کے نتیجے میں ملازمین کے اطمینان کے اشارے، یعنی پیداواری صلاحیت، مصروفیت کا اشارہ اور سال 2022ء کیلئے کمپنی کا ٹرن اوور بھی متاثر کن ہے۔

ISO 9001:2015 سرٹیفیکیشن

آد جی انشورنس نے ہمیشہ اپنے کوالٹی مینجمنٹ سسٹم کے طریقوں، عمل اور معیارات میں مسلسل بہتری کے ذریعے صارفین کی اطمینان کو بڑھانے کی کوشش کی ہے۔ ISO 9001:2015 کے نئے ورژن کے ذریعے، آد جی نے ایک بار پھر صارفین کو یقین دلایا ہے کہ وہ ان کی انشورنس، ریگولیشن اور معیار کے تقاضوں کو پورا کرتا رہے گا، اور اس کی کسٹمر سروسز میں مزید قدر کا اضافہ ہوگا۔ یہ اپ گریڈ شدہ معیار Lloyd's Register Quality Assurance کے ذریعے دیا گیا ہے۔

سرٹیفیکیشن میں معیار کے نظام کیلئے بین الاقوامی سطح پر قائم کردہ معیارات پر ہماری پابندی کا تسلسل ہے۔

AICL میں، ہم اس بات سے پوری طرح واقف ہیں کہ یہ معیار (ISO 9001:2015) ہمارے لیے کتنا فائدہ مند ہے جس میں بہتر منظم آپریٹنگ ماحول، بہتر کام کے حالات، ملازمت کی اطمینان میں اضافہ اور صارفین کی اطمینان میں اضافہ شامل ہے لیکن یہ سب کچھ اسی تک محدود نہیں۔

IFS کی درجہ بندی:

سال کے دوران، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی بیمہ کنندہ مالیتی استحکام (IFS) کی درجہ بندی کو "AA+ (بہت اعلیٰ)" کے طور پر برقرار رکھا ہے۔ یہ درجہ بندی پالیسی ہولڈرز کے معاہدے کی ذمے داریوں کو پورا کرنے کی بہت مضبوط صلاحیت کی نشاندہی کرتی ہے۔ خطرے کے عوامل کو معمولی سمجھا جاتا ہے اور کسی بھی منفی کاروبار اور اقتصادی عوامل کے اثرات بہت محدود ہونے کی توقع کی جاتی ہے۔

اے ایم بیسٹ نے مستحکم آؤٹ لک کے ساتھ کمپنی کے مالیتی استحکام کی درجہ بندی کو "B (ٹھیک)" قرار دینے کی توثیق کی ہے جو کہ کمپنی کی طرف سے برقرار رکھے گئے ایک مضبوط رسک ایڈجسٹ کیپٹلائزیشن کی نشاندہی کرتا ہے۔

'ایگزیکٹو' کی کیئر کیلئے بورڈ آف ڈائریکٹرز نے سال 2022 کیلئے حد مقرر کی ہے۔ سی ای او، سی ایف او، ہیڈ آف انٹرنل آڈٹ اور کمپنی سیکریٹری کے علاوہ ایگزیکٹو ڈائریکٹرز اور اس سے اوپر کے کیئر کے افسران بھی اس زمرے میں شامل ہیں۔ 'ایگزیکٹو' بورڈ ہر سال حد کا جائزہ لیتا ہے۔

فی شیئر کمائی

زیر نظر سال کے دوران فی حصص آمدنی 7.39 روپے (2021: 8.96 روپے) رہی۔ نوٹ ۳۸ میں اس سلسلے میں غیر متفقہ مالیاتی بیانات پر تفصیلی کام کی اطلاع دی گئی ہے۔

اندرونی مالیاتی کنٹرول اور اس کی موزونیت

بورڈ نے اپنے کاروبار کے منظم اور موثر طرز عمل کو یقینی بنانے کیلئے پالیسیز اور طریقہ کار اپنایا ہے جس میں کمپنی کی پالیسیز کی پابندی، اس کے اثاثوں کی حفاظت، دھوکہ دہی اور غلطیوں کی روک تھام اور ان کا پتہ لگانا، اکاؤنٹنگ ریکارڈ کی درستگی اور مکمل ہونا اور قابل اعتماد مالیاتی انکشافات کی بروقت تیاری شامل ہے۔ یہ نظام، اگرچہ مطلق نہیں، لیکن معقول یقین دہانی فراہم کرتا ہے کہ آپریشنل کاروباروں کے اندر مناسب کنٹرول میکانزم قائم کیے گئے ہیں۔

کمپنی کا اندرونی کنٹرول سسٹم اس کے سائز، پیمانے، اور اس کے آپریشنز کی پیچیدگیوں کے مطابق ہے۔ بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی اندرونی کنٹرول کے نظام کی موزونیت اور تاثیر کا فعال طور پر جائزہ لیتی ہے اور اسے مضبوط کرنے کیلئے بہتری کی تجویز پیش کرتی ہے۔ یہ سہ ماہی اندرونی آڈٹ رپورٹس کا بھی جائزہ لیتا ہے۔ کمپنی کے اندر تعینات اندرونی مالیاتی کنٹرول سال بھر میں تسلی بخش پائے گئے ہیں۔

CSR سرگرمیاں

سال 2022ء کے دوران اٹھائے گئے CSR اقدامات کا صفحہ 166 پر سالانہ رپورٹ میں الگ سے ذکر کیا گیا ہے۔

کمپنی کے کاروبار کا ماحولیات پر اثر

ماحولیات پر کمپنی کے کاروبار کا اثر درحقیقت کچھ بھی نہیں ہے، کیونکہ آد جی کے پاس کوئی مینوفیکچرنگ اور / یا توانائی کے وسائل پر مبنی کاروبار کا سٹیٹ اپ نہیں ہے۔ تقریباً 938 ملازمین کے ساتھ، ہم محسوس کرتے ہیں کہ ماحولیات تحفظ بھی ہماری ذمے داری ہے اور ہم نے خود کو ایسے شعبوں میں شامل کیا ہے جن پر ہم مثبت انداز میں اثر انداز ہو سکتے ہیں۔ ہم کاغذ کے استعمال کو کم کرنے اور ہندرتج بغیر کاغذ کے ماحول کی طرف بڑھنے پر توجہ دے رہے ہیں۔ ہم بجلی / بجلی کے استعمال اور پانی کے استعمال کو بچانے کیلئے اپنے عملے کو ماحول دوست انداز میں برتاؤ کرنے کیلئے حساس بنا رہے ہیں۔

سرمایہ کاری کمیٹی

شیخ محمد جاوید	نان ایگزیکٹو ڈائریکٹر	چیئرمین
عمران مقبول	نان ایگزیکٹو ڈائریکٹر	رکن
عمر منشا	نان ایگزیکٹو ڈائریکٹر	رکن
محمد علی زیب	ایم ڈی اور سی ای او	رکن
محمد عاصم ناگی	چیف فنانشل آفیسر	رکن

کارپوریٹ گورننس کے کوڈز کے ساتھ تعمیل کا گوشوارہ

کارپوریٹ گورننس کے ضابطوں کی تعمیل کا گوشوارہ صفحہ 95 پر سالانہ رپورٹ میں الگ سے فراہم کیا گیا ہے۔

خطرات کی تخفیف:

خطرات کی تخفیف، ادارے کے موجودہ اور ممکنہ خطرات کیلئے ایک فعال جائزہ اور منصوبہ ہے۔ آدجی انشورنس میں خطرے کو کم کرنے میں ایک اہم کام بیمہ کیلئے پیش کیے جانے والے فلکڈ اثاثوں کا فزیکل رسک مینجمنٹ ہے، چاہے صنعتی، انفراسٹرکچر، کمرشل ہو یا پرائیویٹ ڈوبنگ۔ رسک مینجمنٹ میں مختلف حصوں، عمل اور محکموں کا جائزہ شامل ہوتا ہے اور یہ ان خطرات کا تجزیہ کرتا ہے جن سے یہ مقررہ اثاثے سامنے آتے ہیں۔ آدجی انشورنس رسک سروے کرتا ہے جو ہمارے انڈررائٹرز کو خطرات کے پہلے سے طے شدہ زمروں اور ان خطرات کے بارے میں بصیرت فراہم کرتا ہے جو بعض مالیاتی حدود کو عبور کرتے ہیں، بعض اوقات انشورنس کو ٹیشن اور / یا انشورنس پالیسی جاری کرنے سے پہلے بھی، یہی وجہ ہے کہ ہمارے پاس قابل اور تجربہ کار رسک سرویٹرز کی ایک سرشار ٹیم ہے جو صنعت میں ہر سال سب سے زیادہ رسک سروے کرتی ہے۔ خطرے کے بارے میں زیادہ سے زیادہ معلومات سے لیس انڈررائٹرز اس کے بعد زیادہ یقین اور اعتماد کے ساتھ خطرے کو قبول یا مسترد کرنے کیلئے بہتر پوزیشن میں ہوتے ہیں۔

ایک بار جب انڈررائٹنگ کیلئے خطرہ قبول کر لیا جاتا ہے، تو ہمارے قابل قدر صارفین کے فائدے کیلئے ایک صحیح قیمت اور مناسب شرائط فراہم کی جاتی ہیں۔ رسک سرویٹرز کی طرف سے دی گئی سفارشات صارفین کو ان کے عمل اور آپریٹرز کو بہتر بنانے میں مدد کرتی ہیں، اس طرح خطرے کے سامنے کو نمایاں طور پر کم کیا جاتا ہے۔

کمپنی انڈررائٹنگ کنٹریز پر خاص توجہ دیتی ہے۔ بیمہ کی ہر کلاس کی سربراہی اہل اور تجربہ کار انڈررائٹرز کرتے ہیں، جو اپنے متعلقہ طبقے کے کاروبار میں انڈررائٹنگ کا انتظام اور

کنٹرول کرتے ہیں۔ کسی بھی انڈررائٹنگ کے عمل کا سب سے بڑا مقصد کمپنی کے نچلے حصے کی حفاظت کرنا ہے۔ یہ ایکسپوزرز اور مستقبل میں ہونے والے نقصانات کے امکان کا درست اندازہ لگا کر اور اس طرح انشورنس کیلئے ہر مجوزہ خطرے کیلئے مناسب شرائط و ضوابط تیار کر کے اور ہر خطرے کو برقرار رکھنے کے بارے میں احتیاط سے فیصلہ کر کے حاصل کیا جاتا ہے۔

انڈررائٹنگ میں متعدد تکنیکی کنٹرولنگ پروٹوکول شامل ہیں۔ ان پروٹوکولز میں رسک کیٹگریزیشن گروڈ، متعین انڈررائٹنگ اتھارٹیز، انڈررائٹرز کیلئے چیک لسٹ، کاروبار کے طبقے کے لحاظ سے رہنما خطوط، شرح کی نگرانی کا طریقہ کار، انڈررائٹنگ پیپریویو اور رسک ایکسپوزر گروپ (REG) سے بڑے اور پیچیدہ خطرات پر رہنمائی حاصل کرنے کی مشق شامل ہیں۔ اس گروپ کی نمائندگی ایگزیکٹو ڈائریکٹر ٹیکنیکل، ایگزیکٹو ڈائریکٹر کمرشل، ہیڈ آف کلیئر ایجنڈ کمپلائنس اور ایگزیکٹو ڈائریکٹر انشورنس کرتے ہیں۔ خطرے کی درجہ بندی کا گروڈ بہت زیادہ خطرات، زیادہ خطرات، درمیانے خطرات اور کم خطرات کے زمرے کی وضاحت کرتا ہے۔

کمپنی کے پاس ایک بہت ہی موثر انشورنس ٹریٹی پروگرام ہے جو فیکٹیٹیو رسک وائزر انتظامات کے ساتھ ساتھ کمپنی کو مختلف قسم کے خطرات سے پہلے سے محفوظ فراہم کرتا ہے۔ از سر نو بیمہ اور مشترکہ بیمہ دونوں انتظامات کو موثر طریقے سے ہر قسم کے رسک ایکسپوزرز کے خلاف رسک کم کرنے والے ٹولز کے طور پر اور کمپنی کی خطرے کی بھوک کو بڑھانے کیلئے استعمال کیا جاتا ہے۔

حکومت پاکستان کی پالیسیز اور ان کے اثرات:

حکومت پاکستان اور ریگولیٹری اتھارٹی، یعنی سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے ملک میں انشورنس سیکٹر کو ریگولیٹ کرنے کیلئے مختلف قانون سازی کے عمل، قواعد و ضوابط بنائے ہیں۔ قانون سازی کے عمل اور اس کے تحت بنائے گئے قواعد و ضوابط کا مقصد بیمہ کاروبار کے مختلف پہلوؤں سے متعلق شعبے کیلئے رہنما خطوط فراہم کرنا ہے، بشمول بیمہ کنندگان کیلئے کم از کم سرمائے کی ضرورت، روزانہ کی بیمہ کی کارروائیاں، اپنے صارفین کو جاننا، (KYC) ڈیٹا کی دیکھ بھال اور تحفظ، انسداد منی لانڈرنگ اور دہشت گردی کی مالی معاونت کا انسداد، لین دین کا حساب کتاب، مالیاتی بیانات کی پیشکش، شکایات اور شکایات کا ازالہ وغیرہ۔ حکومت پاکستان کی پالیسیز شفافیت کو حاصل کرنے اور انشورنس کاروبار کے تمام پہلوؤں میں بہترین طریقوں کو اپنانے کو فروغ دیتی ہیں۔

شیر ہولڈنگ کا پیٹرن

شیر ہولڈنگ کا پیٹرن صفحہ 425 پر سالانہ رپورٹ میں منسلک ہے۔ رپورٹنگ کے فارمیٹ، فارم 34، کوڈ آف کارپوریٹ گورننس برائے بیمہ کنندگان، 2016ء کے تحت رپورٹنگ کی ضروریات کی تعمیل کرنے کیلئے قدرے ترمیم کی گئی ہے۔

ڈائریکٹرز کا انتخاب

بورڈ میٹنگز اور حاضری:

سال 2022ء کے دوران، بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز نے درج ذیل شرکت کی:

ڈائریکٹرز	جنوری تا مئی	جون تا دسمبر
عمر منشا	۲	۳
ابراہیم شمس	۲	۱
عمران مقبول	۲	۳
محمد انیس (۲۷ مئی ۲۰۲۲ تک)	۲	
محمد عارف حمید	۲	۱
سعدیہ یونس منشا	۲	۱
شیخ محمد جاوید	۲	۳
محمد علی زیب - سی ای او	۲	۳
خواجہ جلال الدین (۲۹ مئی ۲۰۲۲ سے موثر)	-	۳

کمپنیز ایکٹ ۲۰۱۷ء کے تحت بورڈ آف ڈائریکٹرز کی تین سالہ مدت کا اختتام ۲۹ مئی ۲۰۲۲ کو ہوا۔ ۲۷ مئی ۲۰۲۲ء کو شیئر ہولڈرز کے ایک غیر معمولی اجلاس میں نان ایگزیکٹو ڈائریکٹرز بشمول ایک خاتون اور دو آزاد ڈائریکٹرز کو ۳ برسوں کے لیے منتخب کیا گیا۔

- ابراہیم شمس
- عمران مقبول
- خواجہ جلال الدین
- محمد عارف حمید
- سعدیہ یونس منشا
- شیخ محمد جاوید اور
- عمر منشا

چیف ایگزیکٹو کی تقرری

کمپنیز ایکٹ 2017 کی متعلقہ شقوں کے مطابق، ڈائریکٹرز کے انتخاب کے 14 روز کے اندر 9 جون 2022ء کو بورڈ کی جانب سے محمد علی زیب کی بحیثیت چیف ایگزیکٹو 3 برس کے لیے دوبارہ تقرری کر دی گئی۔

بورڈ کمیٹیز اور اس کے ممبرز:

بورڈ نے درج ذیل کمیٹیز تشکیل دی ہیں:

آڈٹ کمیٹی

محمد عارف حمید	آزاد ڈائریکٹر	چیئر مین
ابراہیم شمس	نان ایگزیکٹو ڈائریکٹر	رکن
شیخ محمد جاوید	نان ایگزیکٹو ڈائریکٹر	رکن
عمر منشا	نان ایگزیکٹو ڈائریکٹر	رکن

بورڈ آف ڈائریکٹرز کے چیئر مین کا تقرر

محمد عمر منشا کی 9 جون 2022ء کو ۳ سال کے لیے بورڈ آف ڈائریکٹرز کی حیثیت سے تقرری کی گئی۔ کمپنیز ایکٹ 2017 کو تحت ڈائریکٹرز کے انتخاب کے 14 روز کے اندر بورڈ کے چیئر مین کا تقرر ہو جانا چاہیے۔

ڈائریکٹرز کا معاوضہ:

بورڈ آف ڈائریکٹرز نے بورڈ کے اجلاسوں میں شرکت کیلئے بورڈ کے اراکین (نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز) کے معاوضے کی منظوری دے دی ہے۔ میٹنگ فیس روپے 25000/- فی میٹنگ ڈائریکٹرز کو ادا کی جاتی ہے۔ رہائش کے شہر سے میٹنگ کے شہر تک ہوائی سفر کے اخراجات ہوٹل کی رہائش کے ساتھ ادا کیے جاتے ہیں، اگر فائدہ اٹھایا جائے۔ معاوضے کی مجموعی رقم کا ذکر غیر جامع مالیاتی گوشواروں کے نوٹ ۳۹ میں کیا گیا ہے۔

اخلاقیات، انسانی وسائل اور معاوضہ کمیٹی

خواجہ جلال الدین	آزاد ڈائریکٹر	چیئر مین
ابراہیم شمس	نان ایگزیکٹو ڈائریکٹر	رکن
عمر منشا	نان ایگزیکٹو ڈائریکٹر	رکن
محمد علی زیب	ایم ڈی اور سی ای او	رکن

۲۰۲۳ء کے امکانات:

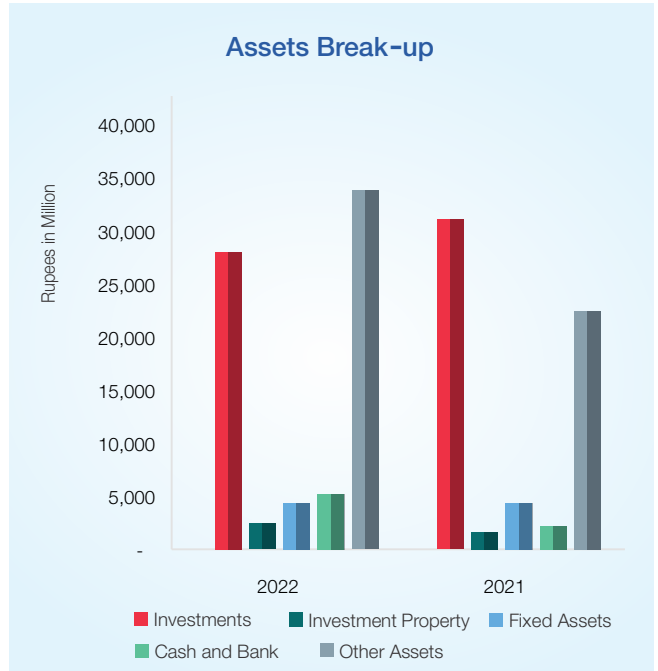
موجودہ سیاسی و معاشی صورتحال میں آئندہ سال 2023ء ملے جلے رجحانات کا سامنا کرنا پڑ سکتا ہے۔ حکومت پاکستان کی جانب سے اختصاری اقدامات کی مجموعی پر طلب میں کمی کا امکان ہے جبکہ آئی ایم ایف پروگرام کی بحالی معیشت کے لیے بہت ضروری ہے ساتھ ہی اس سے دوست ممالک سے مالی امداد کے حصول میں بھی مدد ملے گی۔ مسلسل دوسرے مالی سال 2022ء میں جی ڈی پی کی شرح میں تقریباً فی صد حصول کے بعد آئی ایم ایف نے مالی سال 2023ء کیلئے جی ڈی پی میں ۲ فی صد بہتری کی پیش گوئی کی ہے۔

پاکستان میں انشورنس انڈسٹری نے حالیہ برسوں میں کئی اتر چڑھانوں کا سامنا کیا۔ تاہم، یہ کامیابی سے معیشت اور صنعت کے دیگر شعبوں کی ترقی کے ساتھ رفتار برقرار رکھنے میں کامیاب رہا۔ موجودہ میکرو اکنامک اور سیاسی ماحول میں، ہم سال 2023ء کے دوران انشورنس سیکٹر کی پریشان کن نمو کی پیش گوئی کرتے ہیں۔

ڈائریکٹرز

سال 2022ء کے دوران ڈائریکٹرز کی کل تعداد ۸ تھی اور درج ذیل پر مشتمل ہے:

ڈائریکٹرز کی کل تعداد:	
i.	مرد
ii.	خاتون
۲ بورڈ کی تشکیل:	
i.	آزاد ڈائریکٹر
-	خواجہ جلال الدین
-	محمد عارف حمید
ii.	غیر ایگزیکٹو ڈائریکٹرز - مرد
-	ابراہیم شمسی
-	عمران مقبول
-	شیخ محمد جاوید
-	مرنشا
iii.	غیر ایگزیکٹو ڈائریکٹر - خاتون
-	سعدیہ یونس منشا
iv.	ایگزیکٹو ڈائریکٹر
-	محمد علی زب



ونڈو تکافل آپریشنز:

کمپنی کے ونڈو تکافل آپریشنز - آپریٹرز نے اس سال مجموعی تحریری شراکت میں 72 فی صد اضافے کے ساتھ سال 2021ء میں 1465 ملین روپے کے مقابلے میں 2514 ملین روپے رہی جبکہ سال 2021ء میں 99 ملین بعد از ٹیکس منافع کے مقابلے میں اس سال 220 ملین روپے کا منافع ریکارڈ کیا گیا۔

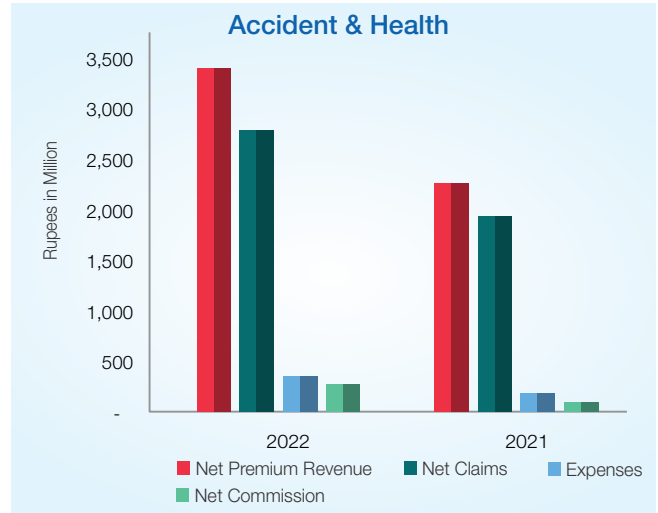
پاکستان کے باہر آپریشنز - متحدہ عرب امارات اور ایکسپورٹ پروسیسنگ زون

کمپنی کی تین مکمل طور پر فعال شاخیں ہیں جو دبئی، شارجہ اور ابو ظہبی میں واقع ہیں اور ایک برانچ ایکسپورٹ پروسیسنگ زون (EPZ) میں ہے۔ متحدہ عرب امارات کی شاخیں مقامی انشورنس کمپنیز پر لاگو متحدہ عرب امارات کے متعلقہ قوانین کے تحت ریگولیٹ ہوتی ہیں۔

پاکستان سے باہر آپریشنز میں 63 فی صد بہتری دیکھنے میں آئی اور تحریری مجموعی پر بیمہ میں گزشتہ سال کے مقابلے میں 2021ء میں 31 فی صد اضافہ ہوا۔ بہر حال خالص دعویٰ کیا گیا اور خالص پر بیمہ کی شرح میں 2022ء میں 74 فی صد اضافہ دیکھنے میں جو کہ 2021ء میں 58 فی صد رہا تھا۔ بیرون پاکستان آپریشنز میں 2022ء کے دوران ٹیکس سے قبل 743 ملین روپے کا خسارہ رہا جبکہ 2021ء میں 210 ملین روپے کا منافع دیکھا گیا تھا۔

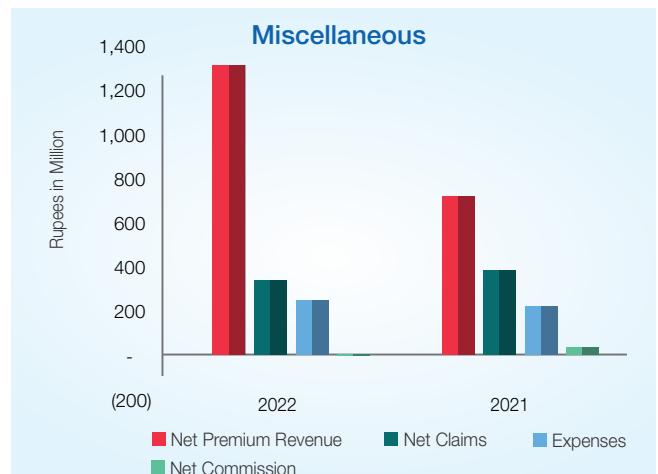
حادثہ اور صحت:

ایکسیڈنٹ اینڈ ہیلتھ کلاس کل بزنس پورٹفولیو کا 13 فی صد ہے۔ سال کے دوران، کمپنی نے 2021ء میں 3,031 ملین روپے کے مقابلے میں 5,240 ملین روپے کا مجموعی پریمیم درج کیا ہے۔ خالص دعویوں کے خالص پریمیم کا تناسب 2021 میں 85 فی صد کے مقابلے میں کم ہو کر 82 فی صد رہا۔ اس پورٹفولیو نے 2021 میں 51 ملین روپے کے منافع کے مقابلے میں موجودہ سال کے اندر 6 ملین روپے کا انڈر رائٹنگ خسارہ ظاہر کیا ہے۔



متفرق:

کاروبار کی متفرق کلاس کل پورٹفولیو کے 4% کی تشکیل کرتا ہے۔ کمپنی نے 2021ء میں 1,116 ملین روپے کے مقابلے میں 1,308 ملین روپے کا مجموعی پریمیم ظاہر کیا ہے۔ خالص دعویوں کا خالص پریمیم کا تناسب جو کہ 2022ء میں 47 فیصد رہا جو کہ 2021ء میں 54 فی صد تھا۔ نتیجے کے طور پر موجودہ سال میں پورٹفولیو نے 2022ء میں 136 ملین روپے کے کا انڈر رائٹنگ منافع ظاہر کیا جو کہ 2021ء میں 77 ملین روپے تھا۔



سرمایہ کاری کی آمدنی:

کمپنی کی سرمایہ کاری کی آمدنی میں 14 فی صد کی دیکھی گئی جس کی بنیادی وجہ ڈیویڈنڈ آمدنی میں کمی ہے۔

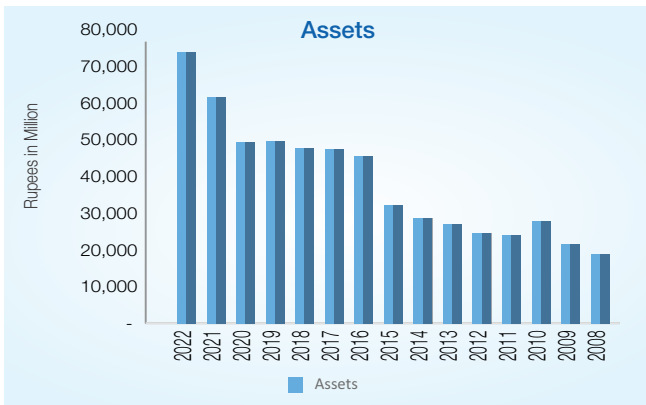
2022ء میں ڈیویڈنڈ کی آمدنی میں 22 فی صد کی دیکھی گئی جس کی وجہ بینکنگ سیلفر کی جانب سے 2021ء میں جاری کیے گئے ڈیویڈنڈ تھے جو کہ اسٹیٹ بینک آف پاکستان کی جانب سے عائد کردہ ڈیویڈنڈز کی تقسیم پر عارضی پابندی کی وجہ سے 2020ء میں روکے گئے۔ اس کے نتیجے میں، سرمایہ کاری سے مجموعی آمدنی 2021ء میں 2,469 کے مقابلے میں 2022ء میں 2,128 ملین روپے ہو گئی۔

سرمایہ کاری کی آمدنی کی تقسیم درج ذیل ہے:

2022	2021	
(روپے ملین میں)		
1,773	2,260	ڈیویڈنڈ آمدنی
85	38	فلڈ انکم سیورٹیز پر واپسی
130	116	ٹرم ڈپازٹس سے آمدنی
		ادستیا برائے فروخت سرمایہ کاری
140	55	کی فروخت پر فائدہ / نقصان (خالص نقصان)
2,128	2,469	خالص سرمایہ کاری آمدنی

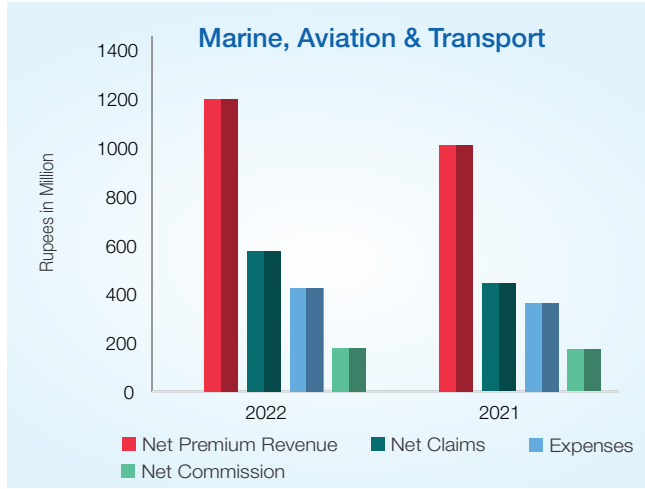
کمپنی کے اثاثے:

31 دسمبر 2022ء تک کمپنی کے کل اثاثے 73,766 ملین روپے جبکہ گذشتہ برس یعنی 2021 میں 61,641 ملین روپے تھے۔ کل سرمایہ کاری 10 فی صد کی کے ساتھ 27,975 ملین روپے (بشمول 900 ملین روپے ایڈوانس جو کہ شیئرز کے اجراء کے لیے) جو کہ 2021ء میں 31,069 ملین روپے تھی۔ انتظامیہ کی حکمت عملی سرمایہ کاری کے منافع کو زیادہ سے زیادہ کرنے کیلئے طویل مدتی سرمایہ کاری کے افق پر فنڈز کے استعمال کو بہتر بنانا ہے۔



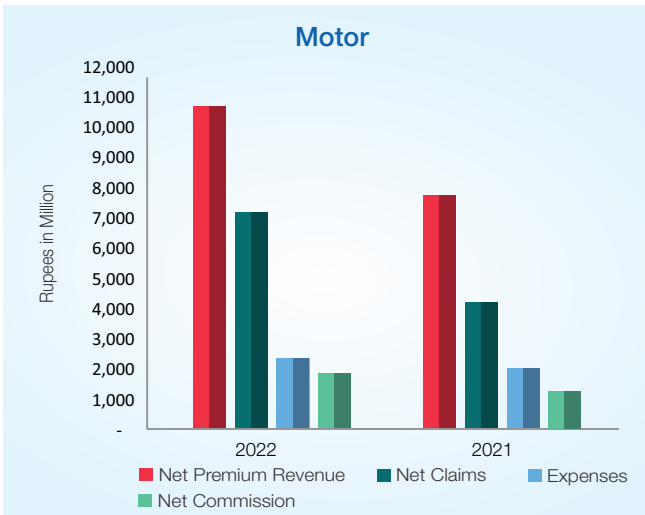
میرین، ایوی ایشن اور ٹرانسپورٹ:

میرین، ایوی ایشن اور ٹرانسپورٹ کل پورٹ فولیو کا 6 فیصد ہے۔ کمپنی نے موجودہ سال کے دوران 2021ء کے 1,311 ملین روپے کے مقابلے میں 2,062 ملین روپے کا مجموعی پریمیم ظاہر کیا ہے۔ خالص دعویوں کا تناسب 48% رہا جو پچھلے سال 44% تھا۔ اس پورٹ فولیو نے موجودہ سال 2022ء میں 22 ملین روپے کا انڈر رائٹنگ منافع ظاہر کیا جو کہ 2021ء میں 34 ملین روپے تھا۔



موٹر:

کاروبار کی یہ کلاس کل پورٹ فولیو کا 35 فیصد ہے۔ سال کے دوران، کمپنی نے 2021ء میں 8,620 ملین روپے کے مقابلے میں 11,571 ملین روپے کا مجموعی پریمیم ظاہر کیا ہے۔ 2021ء میں 54% کے مقابلے میں موجودہ سال 2022ء کے خالص پریمیم کے خالص دعویوں کا تناسب 67 فیصد رہا۔ نتیجے کے طور پر موٹر کلاس میں 2022ء میں 579 ملین روپے کا خسارہ دیکھنے میں آیا جبکہ 2021ء میں یہ 339 ملین روپے کا منافع تھا۔



خالص تناسب دعوی پچھلے سال کے 57 فیصد سالانہ کے مقابلے میں بڑھ کر 66 فیصد ہو گیا جس کی وجہ پاکستان کے ساتھ ساتھ متحدہ عرب امارات آپریشنز کے نقصان کے تناسب میں اضافہ ہے۔

انڈر رائٹنگ نتائج نے 2022ء میں 209 ملین روپے کا نقصان ظاہر کیا جو کہ گذشتہ برس 2021ء میں 672 ملین روپے کا منافع تھا۔

انویسٹمنٹ پورٹ فولیو پر منافع پچھلے سال کے 8 فیصد برقرار رہتے ہوئے 8 فیصد رہا۔

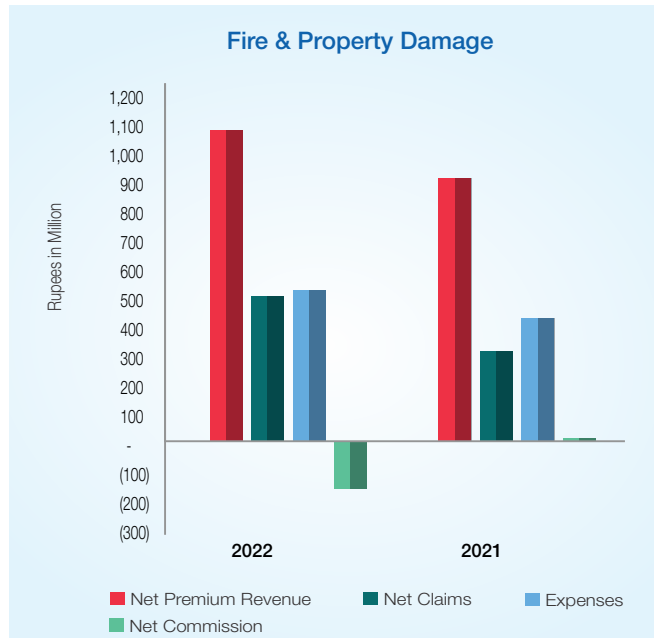
منافع قبل از ٹیکس 29 فیصد کمی کے ساتھ 3,147 ملین روپے رہا جبکہ گذشتہ برس یہی منافع 4,405 ملین روپے تھا۔ جب کہ منافع بعد از ٹیکس پچھلے سال کے مقابلے میں 18 فیصد کمی کے ساتھ 2,585 ملین روپے ہو گیا جو کہ

گذشتہ برس 3,136 رہا تھا۔

پورٹ فولیو تجزیہ

آگ اور جائیداد

کلاس آگ اور جائیداد کل کاروباری پورٹ فولیو کا 38 فیصد ہے۔ سال کے دوران، کمپنی نے 12,496 ملین روپے کا مجموعی پریمیم درج کیا جو کہ 2021ء میں 9,242 ملین روپے تھا۔ خالص دعویوں کا خالص پریمیم کا تناسب اس سال پچھلے سال 34 فیصد سے بڑھ کر 47 فیصد ہو گیا۔ نتیجتاً فائر اینڈ پراپٹی کلاس کو 2021ء میں 172 ملین روپے کا انڈر رائٹنگ منافع بڑھ کر 216 ملین روپے ہو گیا۔



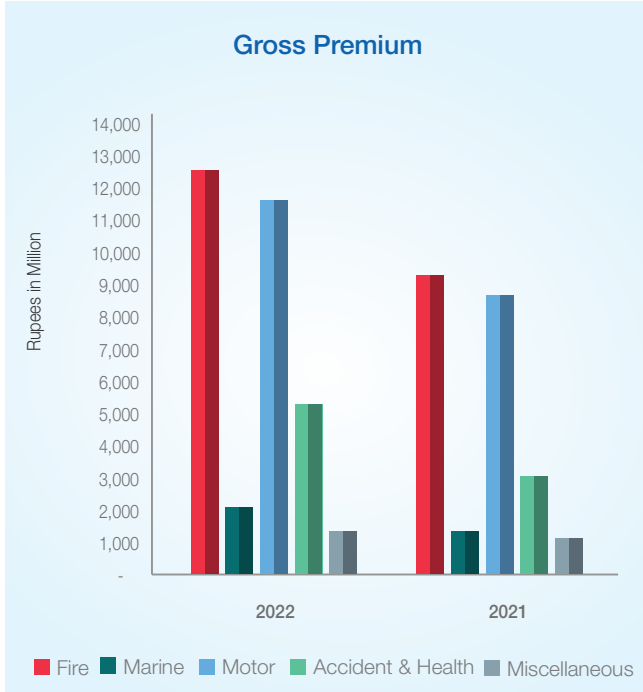
ڈائریکٹر کی رپورٹ

غیر اشتهال شدہ حسابات پر ممبران کو ڈائریکٹر کی رپورٹ

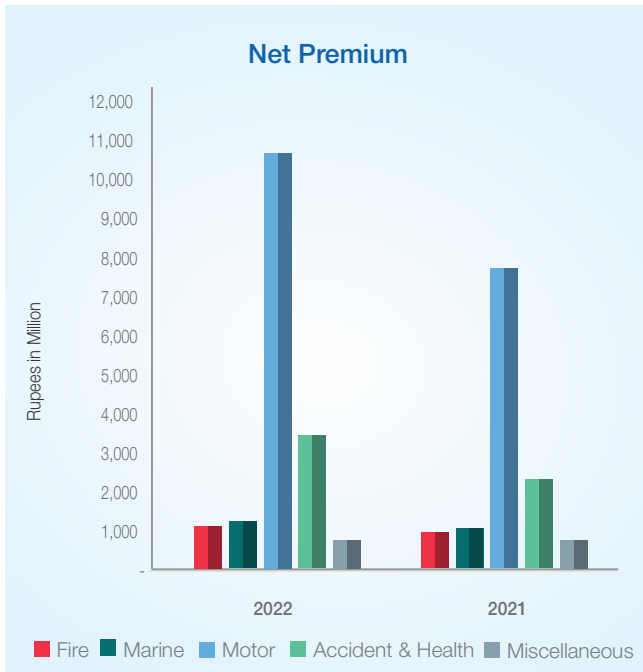
روپے ہو گئے (جس میں ونڈو تکافل آپریشنز کے ذریعے پیدا کردہ 2,514 ملین روپے شامل نہیں)۔ کل انشورنس پر بیمہ منافع مجموعی انڈر رائٹن پر بیمہ کم کا 52 فی صد (16,980 ملین روپے) رہا، جبکہ 2021ء میں کل انشورنس پر بیمہ کم روپیو 54 فی صد یعنی 12,552 ملین روپے تھا۔

بورڈ آف ڈائریکٹرز کی طرف سے، ہمیں 31 دسمبر، 2022 کو ختم شدہ سال کیلئے آڈٹ شدہ غیر جامع مالیاتی گوشواروں کے ہمراہ آپ کی کمپنی کی 62 ویں سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

معاشی جائزہ:



مالی سال 2022 عالمی معاشی حالت سمیت پاکستان کی معیشت کی بہتری و بحالی کے آثار لیے شروع ہو اخاص طور پر ایسی صورت حال جس کا ماضی میں کبھی بھی سامنا نہیں کرنا پڑا کو وڈ 19 کی وبا اور اسکے نتیجے میں عالمی و مقامی سطح پر لاک ڈاؤنز کا نفاذ رہا۔ پاکستان کا حقیقی جی ڈی پی مسلسل دوسرے مالی سال یعنی 2022 میں بھی تقریباً فی صد تک بڑھا، ملکی معیشت کو بری طرح متاثر کرنے والے حالات بہتری کی جانب بڑھ رہے تھے مگر ملکی سیاسی صورت حال، ہو شربامہنگائی، زرمبادلہ کے ذخائر میں مسلسل کمی اور غیر متوقع وتباہ کن سیلاب نے مجموعی طور پر ملکی معیشت پر انتہائی منفی اثرات مرتب کیے اور ملک میں معاشی استحکام کے لیے سخت اقدامات لینا ضروری ہو گیا۔ جس کے نتیجے میں حکومت پاکستان کی جانب سے غیر ضروری اشیاء کی دآ مد کے خلاف سخت فیصلے لیے ساتھ ہی اسٹیٹ بینک آف پاکستان (ایس بی پی) کی جانب سے سال 2022ء میں پالیسی ریٹ میں تواتر کے ساتھ اضافہ کیا جاتا رہا تاکہ مجموعی طلب کو کم کر کے معیشت کو استحکام دیا جاسکے۔ اس صورت حال میں دسمبر 2021ء میں 9.75 فی صد رہنے والا پالیسی ریٹ بڑھ کر مارچ 2023 میں 20 فی صد ہو چکا ہے۔



پاکستان اسٹاک ایکسچینج (پی ایس ایکس) خصوصاً اس کا کے ایس ای-100 انڈیکس مسلسل شدید دباؤ کا شکار رہا اور اس کی قدر میں 9 فی صد کمی واقع ہوئی، جو کہ 2021ء کے 44,596 کے مقابلے میں 2022ء میں 40,420 پر بند ہوا۔

اسٹینڈرڈ اینڈ پورز نے پائیدار توقع کے ساتھ پاکستان کی طویل المدتی کریڈٹ درجہ بندی کی تنزلی کرتے ہوئے اسے 'سی سی سی پلس' (CCC+) قرار دیا ہے۔

کمپنی کی کارکردگی کا جائزہ:

مشکل حالات اور غیر یقینی صورت حال کے باوجود، سال 2022ء کیلئے کمپنی کی کارکردگی متاثر کن رہی کیونکہ ہم نے پچھلے سال کی نسبت روایتی کاروبار میں 40 فی صد کے اقساط کے اضافے کے ساتھ اچھے مالی نتائج فراہم کیے۔ ہم نے خطرات اور کمپلائنس مینجمنٹ کو مزید مستحکم کرنے پر متوجہ ہوتے ہوئے پائیدار نمو کی حکمت عملی کے تسلسل کی پیروی جاری رکھی۔

سال 2022ء میں، مجموعی پر بیمہ سال 2021 میں 23,320 ملین روپے (علاوہ شدہ ونڈو تکافل آپریشنز کے 1,465 ملین روپے) کے مقابلے میں بڑھ کر 32,677 ملین

Statement of Compliance with Listed Companies

(Code of Corporate Governance) Regulations, 2019, and Code of Corporate Governance for Insurers, 2016

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

The Insurer has applied the principles contained in the Codes in the following manner:

1. The Insurer encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors (the Board). At present, the Board includes 8 directors:
 - I. 7 Male
 - II. 1 Female

Category	Names
Independent Directors	Khawaja Jalal Uddin Mohammad Arif Hameed
Executive Director	Muhammad Ali Zeb
Non-Executive Directors (Male)	Ibrahim Shamsi Imran Maqbool Shaikh Muhammad Jawed Umer Mansha
Non-Executive Director (Female)	Sadia Younas Mansha

All independent directors meet the criteria of independence as laid down under the Codes.

The independent directors are appointed in terms of Section 166 (3) of the Companies Act, 2017 (the "Act") through the process of election prescribed under Section 159 of the Act.

The Board has fixed the number of directors to be elected as seven (7) which included two (2) as independent directors which were duly elected by the shareholders in their extraordinary general meeting held on 27 May 2022. Following the election of directors, the Board of Directors appointed a chief executive who is a deemed director in terms of Section 188 of the Act.

The fraction has not been rounded up to one as the Board believes and understands that two (2) independent directors are sufficient and have requisite competencies, skills, knowledge, and experience to fulfill their obligations as per requirements of the applicable law and regulations.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. 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 NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

4. No casual vacancy occurred on the Board during the year 2022.
5. The Company has prepared a statement of ethics and business practices and 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, and the key officers, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
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. The Board arranged one Orientation course(s)/training programs after election of directors in May 2022 for its directors to apprise them of their duties and responsibilities. During the year 2022, one director attended Directors Training Program.
12. There was no change of Chief Financial Officer and Company Secretary during the year. The appointment of Head of Internal Audit has been approved by the Board, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
13. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
15. The directors, Chief Executive Officer and 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 of Corporate Governance for Insurers, 2016.

17. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Category
Umer Mansha	Chairman
Muhammad Ali Zeb	MD & CEO
Asif Jabbar	Head of Underwriting

Claim Settlement Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Syed Ameer Hassan Naqvi	Head of Claims

Risk Management & Compliance Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Compliance /Claims
Tameez ul Haque	Company Secretary
Hafiz Muhammad Usman Zahid	Compliance Officer

Reinsurance & Coinsurance Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Salim Iqbal	Head of Reinsurance
Asif Jabbar	Head of Underwriting
Adnan Ahmad Chaudhry	Head of Commercial

18. The Board has formed the following Board Committees:

Ethics, Human Resources and Remuneration Committee:

Name of the Member	Category
Khawaja Jalaluddin	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Muhammad Ali Zeb	Member - Executive Director
Umer Mansha	Member - Non-Executive Director

Investment Committee:

Name of the Member	Category
Shaikh Muhammad Jawed	Chairman - Non-Executive Director
Imran Maqbool	Member - Non-Executive Director
Umer Mansha	Member - Non-Executive Director
Muhammad Ali Zeb	Member - Executive Director
Muhammad Asim Nagi	Member - Chief Financial Officer

19. The Board has formed an Audit Committee. It comprises of four members, of whom one is an independent director and 3 are non-executive directors. The chairman of the Committee is an independent / non-executive director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category
Muhammad Arif Hameed	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Shaikh Muhammad Jawed	Member - Non-Executive Director
Umer Mansha	Member - Non-Executive Director

20. The terms of references of the Committees have been formed, documented and advised to the Committees for compliance.

21. The frequency of meetings of the committees were as per following;
- Audit Committee: quarterly meetings;
 - Ethics, Human Resource and Remuneration Committee: Twice a year;
 - Investment Committee: quarterly meetings
 - Management Committees: quarterly meetings
22. The Board has outsourced the internal audit function to A.F. Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function on a full-time basis.
23. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claims, 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	Designation
Muhammad Ali Zeb	Chief Executive Officer
Muhammad Asim Nagi	Chief Financial Officer
Hafiz Usman Zahid	Compliance Officer
Shahraiz Hussain	Actuary
Tameez ul Haque	Company Secretary
Imran Ali	Head of Internal Audit
Asif Jabbar	Head of Underwriting
Syed Ameer Hassan Naqvi	Head of Claims & Compliance
Muhammad Saleem Iqbal	Head of Reinsurance
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Grievance Department
Asif Bashir	Head of Takaful

24. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme 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, that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
25. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
26. The Board ensures that the appointed actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.
27. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
28. The Board ensured that the risk management system of the Company is in place as per the requirement of the Code of Corporate Governance for Insurers, 2016.

29. The Company has set up a risk management function / department, which carries out its task as covered under the Code of Corporate Governance for Insurers, 2016.
30. The Board ensures that as part of the risk management system, the Company gets itself rated from the credit rating agency which is being used by its risk management function / department and the respective Committee as a risk monitoring tool. The rating assigned by PACRA and AM Best was 'AA++' and 'B' in March 2022 and October 2022, respectively.
31. The Board has set up a grievance function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
32. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 and all the requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with.
33. Explanation for not constituting Nomination Committee:

S. No	Non Mandatory Requirement	Regulation No.	Explanation
1	Nomination Committee	29 (1)	Currently, the Board has not constituted a separate Nomination Committee as it was not mandatory and the functions are being performed by the Human Resource & Remuneration Committee.

By Order of the Board



Umer Mansha
Chairman

Date: 21 March 2023

Independent Auditors' Review Report

TO THE MEMBERS OF ADAMJEE INSURANCE COMPANY LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 AND LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (the Regulations) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Adamjee Insurance Company Limited for the year ended December 31, 2022 in accordance with the requirements of regulation 36 the Listed Companies (Code of Corporate Governance) Regulations, 2019 and provision Ixxvi of Code of Corporate Governance for Insurers, 2016.

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

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 Regulations as applicable to the Company for the year ended December 31, 2022.

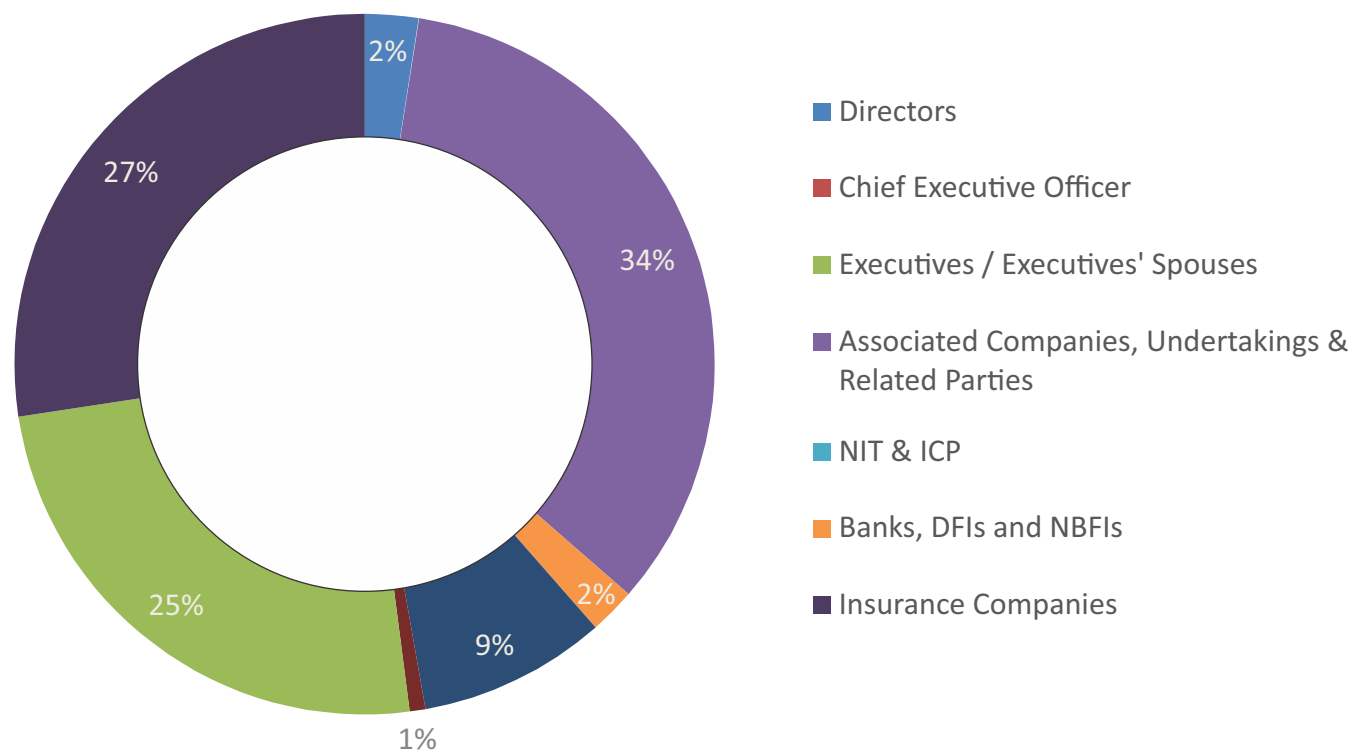

Chartered Accountants

Place: Lahore
Date: March 29, 2023
UDIN: CR2022100881Ud4xNXAh

Ownership / Shareholding Structure

Ownership Structure

The Company has a diversified ownership structure as detailed below:



Categories Of Shareholders	Number of Shares	Stake %
Directors	8,677,705	2.479
Chief Executive Officer	7,073	0.002
Executives / Executives' Spouses	104	-
Associated Companies, Undertakings & Related Parties	118,751,050	33.929
NIT & ICP	-	-
Banks, DFIs and NBFIs	7,449,583	2.129
Insurance Companies	30,347,854	8.671
Modaraba and Mutual Funds	2,580,345	0.737
General Public	86,303,818	24.658
Others	95,882,468	27.395
	<u>350,000,000</u>	<u>100.000</u>

Operating Structure

The Board of Directors has delegated authority to the Chief Executive Officer (CEO) to manage the day-to-day operations of the Company. Board Meetings are held every quarter to review the performance of the Company. The CEO presents details of the important events held during the period. The Board of Directors has constituted Board Committees which lay down guidelines for the functioning and operations of various departments. Departments are headed by learned and experienced professionals who run the operations through committed and skilled managers and staff.

Standing Operating Procedures have been formulated, documented and explained to all concerned and are available as ready reckoners. Responsibilities of each individual, may he/she be an executive, midline manager or a lower staff have been defined and displayed at the sight of his/her duty.

Important, crucial and sensitive issues are resolved during the meetings of Head of Departments/ Team Leaders with the CEO and / or during the Management Committee meetings. Issues staying unresolved especially those relating to Underwriting, Re-insurance, Claim Settlement and Risk Management are put before the relevant Committee for review and decisions.

To effectively manage the employees and improve their emotions, teamwork, build trusting relationships and increase employee retention, AICL's core values "Humility - Empathy, Self-esteem & Respect in all relationships" and "Fun at workplace - Work-life balance" are enforced.

Relationship with Group Companies & its Nature

Adamjee Life Assurance Company Limited (ALACL) is a subsidiary of Adamjee Insurance Company Limited (AICL) with AICL having 89.99% holding in ALACL. Common directorship of Directors among other companies is the main basis of relationship. Such companies are categorized as related parties / associated companies, of AICL. Complete list of such companies has been provided in Note 40 of unconsolidated financial statements.

Independent directors and justification for their independence

The Listed Companies (Code of Corporate Governance) Regulations, 2019 in Regulation 6 makes it mandatory that each Listed Company shall have at least two or three members of the Board, whichever is higher, as independent directors.

The Companies Act, 2017 in Section 166 directs that an independent director to be appointed shall be selected from a data bank maintained by Pakistan Institute of Corporate Governance - an institute notified by the Commission.

In compliance of the above Regulations (CCG) and the Act, the below two directors were selected:

- Mr. Khawaja Jalal Uddin
- Mr. Mohammad Arif Hameed

Statement on how board operates

Under the Companies Act, 2017 and Memorandum & Articles of Association of the Company, the control of the Company's affairs vests with the Board. In order to facilitate them to operate, Chief Executive Officer (CEO) is appointed by the Board executing a Power of Attorney in CEO's favor to delegate authority and empower him to run the Company's operations. CEO operates within the parameters of the delegated authority. Delegated authority is subject to review by the Board. The Board meets at regular intervals to keep an eye on operations and performance of the Company.

Decisions taken by the Board

The following are the important decisions which are taken by board of directors.

- To issue shares
- To borrow moneys
- To invest the funds
- To appoint or change Chief Executive of the company & determine his remuneration.
- To fill the casual vacancy on the Board.
- To approve Financial Statements, quarterly, half yearly and yearly.
- To recommend final dividend and to declare interim dividend.
- To ensure that Rules and Regulations governing the Company are complied with properly.

- To approve business plan including budget.

Decisions taken by Management

All day-to-day operations are handled by the management team under the supervision of the CEO with a focus on the business plan and guidelines given by the Board. Management team performs duties within the powers delegated to them.

The management team sometimes comes across situation where they need guidance of superior authority the CEO refers these matters to the Chairman of the Board who either suggests the way to resolve or refers the matter to Board of Directors

Performance evaluation of the Chairman, Board members, Board Committees and CEO

The Board of Directors constituted a committee comprising of two non-executive directors, Ibrahim Shamsi and Shaikh Muhammad Jawed, to evaluate performance of the chairman, board members, board committees and CEO. The Committee conducted a meeting which was coordinated by the Company Secretary. The performance of the chairman, board members, board committee and CEO was evaluated and during meeting various points were explained by the Secretary. The Committee submitted report on evaluation to all the directors.

Board's performance evaluation by external consultant

Performance of the Board during the year was evaluated by the committee of directors formed for this purpose. However, the Company did not avail the services of external consultant during the last three years to evaluate performance of the Board.

Formal orientation Courses for the Directors

During the year, the Board has been reconstituted after the election of directors in May 2022. For the elected directors, an orientation session was held in October 2022. A consultant on corporate laws, after board

meeting, briefed the directors about their duties, responsibilities and about other matters.

Directors Training Program

One non-executive director, Imran Maqbool attended Director Training Program (DTP) during the year 2022. Newly elected director, Khawaja Jalal Uddin has already attended DTP in 2021, while no director availed the exemption.

External oversight of functions

In order to enhance the credibility of systems, following functions and/or information is validated/reviewed by the external specialists:

- **External Audit**

Yousuf Adil Chartered Accountants, being statutory auditors of the Company, perform audit of unconsolidated financial statements, consolidated financial statements and financial statements of window takaful operations along with related information system. They express their opinion on these financial statements and also provide a Management Letter wherein control deficiencies, if any, identified during their course of audit are highlighted and responded to by the management.

- **Internal Audit**

The Company has outsourced its Internal Audit Function to A. F. Ferguson & Co., Chartered Accountants (A member firm of the PwC network). They perform internal audit of various functions and departments of the Company on regular basis and submit their findings to Head of Internal Audit. Head of Internal Audit communicates these findings to the Audit Committee along with the management responses thereto.

- **Compliance with the Codes of Corporate Governance**

Yousuf Adil Chartered Accountants, the statutory auditors of the Company, perform review, on annual basis, of the Company's Statements of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Code of Corporate Governance for Insurers, 2016.

- **Compliance with Shariah Principles**

With respect to the Window Takaful Operations of the Company, the external auditors Yousuf Adil Chartered Accountants examine the 'Statement of Compliance with Shariah Principles' and express their opinion as to whether the statement presents fairly the status of compliance of Takaful Operations with the Takaful Rules, 2012.

- **ISO 9001:2015 Certification**

Adamjee Insurance being ISO 9001:2015 certified has established procedure for quality assurance. An independent firm 'Lloyd's Register Quality Assurance' conducts audit of these procedures twice a year to ensure compliance with applicable standards.

Policy for Related Party transactions

The Company has formulated policy for related party transactions in accordance with the requirements of the Companies Act, 2017, Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 and Listed Companies (Code of Corporate Governance) Regulations, 2019. The policy has been duly approved by the Board of Directors.

The Company has related party relationships with its associates, subsidiary company, directors, employee retirement benefit plans, provident fund, key management personnel and other parties. Transactions are entered into with such related parties in ordinary course of business on arm's length basis for the issuance of policies to and disbursements of claims incurred by them, payments of rentals for the use of premises rented to / from them, payment & receipt of dividends and others.

These transactions have been reported and approved by the Board of Directors of the Company as recommended by the Audit Committee of the Board.

List of related parties along with summary of all transactions with them have been disclosed in annexed financial statements. Please refer to note no. 8, 9, 11, 12, 13, 14, 16, 18, 32 and 40 in unconsolidated financial statements.

Policy for actual and perceived conflict of interest

The Company is committed to the highest standards of corporate governance. In order to avoid, manage and monitor actual as well as perceived conflict of interest, the Chairman intimates in writing to all directors at the beginning of their term about their duties and making it obligatory for them to avoid or disclose any conflict of interest, whenever arises, in performing their professional duties for the Company.

Any director of the Company who is in any way interested in any contract or arrangement to be entered into by the Company is required to disclose the nature of his interest. Such director neither takes part in board meeting in which such contract or transaction is approved by the Board nor votes on such item.

Further, if the majority of the directors are interested in any contract, arrangement or transaction, the approval is acquired from shareholders by way of passing special resolution, as required under the Companies Act, 2017. However, this requirement is not applicable if the transaction is in the ordinary course of business on an arm's length basis.

During the year, there were no such transactions / contracts / arrangements with related parties in which any of the directors had any direct interest or which were outside the normal course of the Company's business.

The Company Secretary maintains a Register containing details of contracts in which directors have interest.

Governance of Risk and Internal Controls

Audit Committee of the Board has also been vested with the mandate of Risk Management. The Board oversees the governance of risk and internal control through its Audit Committee. More detailed insight has been provided in the Directors' Report, Audit Committee's Report and Risk and Opportunities section of the report.

Board's policy on diversity

Adamjee Insurance has a firm belief that diversity is an important factor in contributing to the company's success as people with unique characteristics in terms of gender, knowledge, expertise and skill set add value and help the organization achieve its goal. At Adamjee, inclusiveness is always promoted in the organization's culture. Diversity and inclusion are the foundation for the Company's code of conduct and culture where every member of board and employee comes from diverse backgrounds, at an individual level which includes capability, experiences, knowledge and at a social level which includes race, ethnicity, culture, religion and others. The Company believes that a diverse workforce plays a very significant role in enhancing efficiency at all levels of the organization.

Directors' Remuneration

The Board of Directors has approved the remuneration of the members of the Board (Non-Executive Directors including independent directors) for attending meeting of the Board. The meeting fee of Rs. 25,000/- per meeting is paid to directors effective from June 2022 (before June 2022, meeting fee of Rs. 10,000/- per meeting was paid). Travel expense by air from city of residence to the city of the meeting are paid along with hotel accommodation, if availed.

Policy regarding fee earned by Executive Director against his services as non- executive director in other companies

Muhammad Ali Zeb – Managing Director & Chief Executive Officer of the Company serves at the board of following companies:

- Adamjee Life Assurance Company Limited (Subsidiary of Adamjee Insurance Company Limited)
- MCB Bank Limited
- Nishat Sutas Dairy Limited

Meeting fee earned by Muhammad Ali Zeb for serving on the Board of the above-mentioned companies is retained by him because he does not serve on the board as nominee of AICL.

Policy for security clearance of foreign directors

The Company's Board of Directors consists of eight members and none of them is a foreign director. Hence, security clearance is not required. In case any foreign director is elected or appointed on the Board, the Company will obtain security clearance, at the time of appointment of such director, from Ministry of Interior Affairs – Government of Pakistan.

Board meeting outside Pakistan

During the year 2022, all the board meetings were convened in Pakistan using video-link facility.

Human Resource Management Policies including succession plan

Human Resource (HR) plays a pivotal role in smooth running of the routine operations of an organization and in achieving its goals. Therefore, the Company recognizes the importance of efficient and effective management of HR. The Company's talent-acquisition policies stems from unbiased criteria to hire individuals from any backgrounds provided they match the qualification and experience requirements. The Company also arranges various trainings, both, in-house and external, for the development of required skills among the employees. Other skill development techniques i.e. job rotation, cross-functional transfers, assigning additional responsibilities etc. are also used to enhance knowledge and skill set of employees.

Succession planning is a process for identifying and developing new leaders, who can replace old leaders when they move on. Succession planning increases the availability of experienced and capable employees who are prepared to assume these roles as they become available. The Company has an effective and efficient 'Succession Plan' for its employees. Being an equal opportunity employer, the Company is committed to creating a work environment that promotes employee safety, growth and goal attainment.

Social and environmental responsibility policy

Adamjee Insurance's social responsibility program

addresses the key concerns in society related to health and education. The Company also reassures its responsibility towards its chief stakeholders in terms of overall sustainability through compliance, ethics and corporate citizenship. AICL has undertaken an array of initiatives, including improved communication and extensive training, to cultivate these aspects of its operations.

AICL has always strived to develop capabilities that are at par with the international players in the global insurance industry and this gives AICL an edge in the market. AICL ensures that initiatives are taken to include internal awareness campaigns, specific trainings in detailed regulatory areas and focused efforts on sensitive areas such as conflict of interest.

With environmental regulations becoming increasingly strict and of utmost importance, environmental consciousness has become one of the key concepts in AICL's policy and consistently awareness sessions on environmental issues are conducted. AICL's advanced digital infrastructure allows it to work towards promoting paperless operations. Online services and electronic documentation help in reducing paper consumption which creates a very positive impact on the environment. In addition, AICL has also been awarded Certification of Green Office by WWF – 'To Reduce Carbon Footprint' which is a program that helps an organization cut down costs, reduce waste and create more environmental awareness. AICL has taken steps to reduce carbon footprint by reducing business travel and shifting to digital methods such as video conferencing.

Moreover, for energy conservation, AICL has installed LED technology in all of its offices and replaced conventional air conditioners with DC inverters. AICL also works towards reducing dry waste with proper system in place where the waste can be reused as raw material for other industries.

AICL aims to continue with its initiatives for environmental conservation in years to come and make sure that it adopts the global best practices.

Legitimate needs & interests of and communication with stakeholders

The needs and interests of stakeholders along with policy for communication and engagement with stakeholders has been described in detail in 'Stakeholder Relationship and Engagement' section of

the report.

Investors' relationship and grievance policy

The Company assigns the grievances from investors as well as from policyholders their due importance and strives hard to resolve them as soon as possible. Handling the grievances to the satisfaction of the parties involved and in such a way that it turns out to be a win-win situation for stakeholders is important for the public image and as a learning for better service delivery in future.

The Company has provided on its website all necessary details regarding logging of complaints.

Below is the detail, also available on the Company's website, of designated person for handling investors' as well as policyholders' complaints and grievances:

Hafiz Muhammad Usman Zahid

Head of Regulatory Compliance

ADAMJEE HOUSE 80/A, Block E-1, Main Boulevard, Gulberg-III, Lahore - 54000

Phone: 111-242-111 (Ext. 8056)

Email: info@adamjeeinsurance.com

Whistle blowing policy

The Company is committed to the highest possible standards of ethical, moral and legal business conduct. In keeping with this commitment, the Company has developed a 'Whistle Blowing Policy' detailing therein procedures to be followed for filing complaints under the policy and manners as to how these complaints are to be handled.

The objective of the whistle blowing policy is to provide an open communication channel to our employees and external parties such as shareholders, vendors, customer etc. to raise concerns, expose irregularities, help uncover financial malpractices, prevent fraud & forgeries, eliminate personal harassments, improper conduct or wrongdoing and to address the concerns or attend to grievances of those associated, without any fear of retaliation or adverse consequences.

During the year 2022, no such instance was reported to the Audit Committee.

Policy for safety records of the company

The Company maintains records as per the requirements of the applicable laws and assigns due importance to the safety and availability of records stored in physical as well as digital form. Physical files and documents of the Company are placed in designated cabinets and racks in record rooms ensuring that these are protected from physical and environmental damages. Backups of records in digital forms are taken on regular basis and are stored on both onsite and offsite locations. Offsite backup tapes are maintained in secure and fire-resistant storage locations. Samples from these backup tapes are restored on periodic basis to ensure the health of backup tapes.

Shareholders participation in General Meetings

The measures taken by the Company to provide reasonable opportunity to the shareholders for participation in general meetings of the Company are described in detail in 'Stakeholder Relationship and Engagement' section of the report.

Business continuity plan (BCP)

Businesses today face an unprecedented number of exposures with the potential to interrupt business activities. The frequency and severity of these exposures also seem to be increasing. Business continuity is a "holistic management process" that identifies potential threats to an organization and the impacts to business operations, those threats, if realized, might cause. It is the provision of a framework for building organizational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.

The Company has developed a comprehensive 'Business Continuity & Disaster Recovery Plan'. Salient characteristics of the plan includes:

- Identification of key business services essential for the Company's operations

- Identification and prioritization of the key activities and resources and policies and measures adopted for safeguarding of these activities and resources including but not limited to backing up of data
- Identification and evaluation of all sorts of possible threats that can interrupt business activities and can last over different time spans ranging from hour(s) to day(s) or even month(s)
- Impact analysis that these threats could have on the business of the Company
- Recovery strategies to be followed, if any of such threats is materialized, to recover from disastrous situation with clear identification of roles of each member of disaster recovery team

The primary objective the Company's BCP is to continue and manage business operations under certain circumstances by the introduction of appropriate resilience strategies, recovery objectives, business continuity, operational risk management considerations and crisis management to resume operations before unacceptable levels of impact arise.

The most recent example BCP came in action was during Covid-19 lockdowns in 2020, when the Company's BCP was triggered and executed successfully.

Salient features of TOR and attendance in meetings of the Board Committees

The board of directors of the Company has formed three board committees:

Audit Committee

Below are the salient features of the terms of reference of the Audit Committee:

- Determination of appropriate measures to safeguard the Company's assets
- Review of annual and interim financial statements of the Company, prior to their approval by the Board, focusing on:

- ✦ major judgmental areas
 - ✦ significant adjustments resulting from the audit, if any
 - ✦ going concern assumption
 - ✦ any changes in accounting policies and practices
 - ✦ compliance with applicable accounting standards
 - ✦ compliance with these Regulations and other statutory and regulatory requirements and
 - ✦ all related party transactions
 - Review of preliminary announcements of results prior to external communication and publication
 - Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)
 - Review of management letter issued by external auditors and management's response thereto
 - Ensuring coordination between the internal and external auditors of the Company
 - Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company
 - Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto
 - Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of revenues and claims, receipts and payments, assets and liabilities and the reporting structure are adequate and effective
 - Review of the Company's statement on internal control systems prior to endorsement by the Board and internal audit reports
 - Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body
 - Determination of compliance with relevant statutory requirements
 - Monitoring compliance with these Regulations and identification of significant violations thereof
 - Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures
 - Recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the Audit Committee and where it acts otherwise it shall record the reasons thereof
 - Consideration of any other issue or matter as may be assigned by the Board
- Four meetings of the audit committee were convened during the year and below is the attendance of the members of the committee:

Name of members	Status	Jan to May 2022 Two meetings held	June to Dec 2022 Two meetings held
Muhammad Anees	Chairman (Independent director) (ceased on May 27, 2022)	2	-
Muhammad Arif Hameed	Chairman (Independent director) (with effect from May 29, 2022)	-	1
Ibrahim Shamsi	Member (Non-executive director)	2	1
Shaikh Muhammad Jawed	Member (Non-executive director)	2	2
Umer Mansha	Member (Non-executive director)	2	2

Report of the Audit Committee

The Board Audit Committee (“the Committee”) comprises four members, three of whom are non-executive directors and one independent director, who is the Chairman of the Committee.

During the year, the Committee was reconstituted in May 2022 after the election of directors.

Before reconstitution, following were the members of the Committee:

Name of members	Status	Role
Muhammad Anees	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Shaikh Muhammad Jawed	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member

After reconstitution, the Committee now comprises the following members:

Name of members	Status	Role
Muhammad Arif Hameed	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Shaikh Muhammad Jawed	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member

All members of the Committee have relevant knowledge and experience of finance, audit and accounting matters and most of them also fulfil the definition of being ‘financially literate’. Further, the Board is satisfied that the members of the Committee are competent and possess necessary skills and experience required to fulfil their responsibilities.

The Committee convened four meetings during the year.

Role of the Committee towards financial statements

- The Committee is fully aware of its role in discharging its responsibilities for the significant issues in relation

to the financial statements. Following are some of the key aspects the Committee considers in this regard:

- ✦ The Committee reviews the annual and interim financial statements of the Company before these financial statements are recommended by the Committee to the Board for approval. This review by the Committee ensures the overall integrity of financial statements and focuses on:
- ✦ Areas involving significant management judgements and assessing whether the judgements used by the management are appropriate.

- ✦ Significant adjustments resulting from the audit, if any.
- ✦ Validity of the Company's ability to operate as going concern.
- ✦ Compliance with applicable accounting standards along with any significant changes in accounting policies and practices.
- ✦ All related party transactions.
- ✦ Adequacy of disclosures
- ✦ Proper and accurate accounting records have been maintained by the Company.

During this review, the Committee also obtains assurance from Head of Internal Audit that financial statements are prepared in accordance with all applicable regulatory requirements, present true and fair view of the state of the Company's affair and are free from material misstatements.

- The Committee reviews preliminary announcements of results before those are made public.
- The Committee reviews the management letter issued by external auditors and the management's response to the observations highlighted by external auditors.

Committee's approach towards risk management and internal controls

The Committee oversees the Company's Enterprise Risk Management (ERM) function and Internal Control Framework. Risk management committee reports to the Audit Committee on quarterly basis regarding potential existing and emerging risks being faced by the Company along with monitoring mechanism in place to address the identified risks. These risks are analyzed with reference to their:

- Proper identification and categorization
- Consequences
- Impact on the Company's operations
- Probability of occurrence, and
- Controls in place to manage or mitigate the risks

The Committee also updates the Board of Directors of these risks, monitoring mechanism and controls in place.

Role of Internal Audit to risk management and internal control

The internal audit is entrusted with the responsibility to assess the risk management process for its

appropriateness and internal controls for their adequacy and effectiveness. The Company has an in-house Head of Internal Audit with unrestricted access to the Committee, while the internal audit activities are outsourced to one of the big four firms namely, A. F. Ferguson & Co. (A member firm of PwC network). The Internal Audit Team conducts audit of different functions and departments of the Company and submit its finding on quarterly basis. Both Head of Internal Audit and Internal Audit Team have unrestricted access to management, staff, information systems and data files to ensure transparency and effectiveness of their audit processes.

Head of Internal Audit communicates the risks and deficiencies identified by the internal audit team to the Committee along with management's response thereto.

The Committee based on the findings of the internal audit function assesses the adequacy and effectiveness of the internal controls.

External Audit Process

The Committee has assessed the effectiveness of external audit process by evaluation the technical expertise, relevant experience, independence, adherence to timelines and satisfactory rating assigned by the Institute of Chartered Accountants of Pakistan to the audit firm.

Current statutory auditors, Yousuf Adil Chartered Accountants, being eligible for reappointment expressed their consent and the Committee having assessed the effectiveness of their audit process recommends to the Board that 'Yousuf Adil Chartered Accountants' be appointed as statutory auditors of the Company for the next term.

The Company does not obtain non-audit services i.e. tax consultancy from the statutory auditors.

The Committee has evaluated the Annual Report of the Company and is satisfied that the annual report of the Company is fair, balanced and understandable and also that it provides necessary information for shareholders to assess the Company's position and performance, business model and strategy.

Review of Receivables

To ensure that the Company continues to maintain

sufficient liquidity to meet its policyholder and other liabilities and is able to recover its receivables, the Committee continued exercising strict monitoring of the receivable and cash & bank position of the Company in current year as well. The Committee using the video-link facility convened meetings with Chief Financial Officer (CFO) on quarterly basis where CFO appraised the Committee regarding status of receivable balances, satisfactory pace of recovery of these receivable balances and cash & bank position of the Company.

The Committee is satisfied with the liquidity position of the Company.

IFRS 17 related matters

The Insurance businesses are subject to face major changes in reporting environment as IFRS 17 'Insurance Contracts', a new accounting and reporting standard, is globally applicable from January 01, 2023. However in Pakistan IFRS 17 has not yet been adopted by the Securities & Exchange Commission of Pakistan. This new standard is set to bring major structural changes to the financial statements of the Company. The Committee, during meetings convened with CFO using video-link facility, evaluated the Company's level of preparedness to adopt and implement IFRS-17 'Insurance Contracts'. CFO appraised the Committee regarding measures being taken by the Company, in both Pakistan and UAE, for smooth implementation of IFRS-17.

Salient measures explained by CFO to the Audit Committee are as below:

In the context of Pakistan Operations:

CFO explained the Committee that the Securities and Exchange Commission of Pakistan provided a phased approach for mandatory adoption of IFRS 17. The approach has four phases as below:

Phase	Deliverable	AICL's Progress	Timeline
1	Gap analysis	Completed	September 30, 2021
2	Financial Impact Assessment 1	Completed	June 30, 2022
	Financial Impact Assessment 2	Completed	September 30, 2022
	Financial Impact Assessment 3	Completed	December 30, 2022
3	System Design and Methodology	Instructions from SECP are awaited	
4	Parallel Run and Implementation		

However, the instructions from SECP are awaited regarding system design & methodology and the reporting system would be selected after these instructions from SECP.

In the context of UAE Operations:

CFO explained the Committee that 'Gap Analysis' and 'Financial Impact Assessment' have also been completed in context of UAE operations and the Company has also shortlisted few IFRS 17 reporting systems. For time being, the the Company shall be doing parallel reporting both under IFRS 4 and IFRS 17 commencing from January 1, 2023 in UAE, with the involvement of its in-house actuarial team.

The Committee concluded that the measures being taken by the management for smooth implementation of IFRS-17 were satisfactory.

Whistle Blowing mechanism

As part of its review of the whistle blowing mechanism and instances reported, the Committee noted that no whistle blowing instance was reported to the Committee during the year 2022.

Performance of the Audit Committee

The Board of Directors of the Company reviews the performance of the Audit Committee on periodic basis. During the year, the Board constituted a committee comprising of two non-executive directors to evaluate performance of Audit as well as other Board Committees. This evaluation of performance, in context of Audit Committee, considers various factors including quality of the Audit Committee's report as well as various recommendations forwarded by the Audit Committee to the Board.



Muhammad Arif Hameed
Chairman Audit Committee
Adamjee Insurance Company Limited
Lahore

Ethics, Human Resources and Remuneration Committee

Below are the salient features of the terms of reference of the Committee:

- Recommendation to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer level.
- Undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its Committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the Directors' Report disclosing therein name and qualifications of such consultant and major terms of his / its appointment.
- Recommending human resource management policies to the Board.
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit.
- Consideration and approval on recommendations of the Chief Executive Officer on such matters for key management positions who report directly to the Chief Executive Officer.

Two meetings of the Committee were convened during the year with below attendance:

Name of members	Status	Jan to May 2022 One meeting held	June to Dec 2022 One meeting held
Muhammad Anees	Chairman (Independent Director) (Ceased on May 27, 2022)	1	-
Khawaja Jalal Uddin	Chairman (Independent Director) (with effect from May 29, 2022)	-	1
Ibrahim Shamsi	Member (Non-Executive Director)	1	1
Umer Mansha	Member (Non-Executive Director)	1	1
Muhammad Ali Zeb	Managing Director & Chief Executive Officer	1	1

Investment Committee

Below are the salient characteristics of the role and responsibilities of the Investment Committee:

- Formulate investment policy of the Company for Board's approval and ensure implementation of the policy
- Define and monitor allowable exposure to various asset classes i.e. listed equities, unlisted equities, government securities, term finance certificates, mutual funds, real estate etc.
- Define and monitor allowable exposure in single entity and in related parties
- Define, in investment policy, minimum rating requirement for rated instruments and other criterion for non-rated instruments
- Define ineligible asset classes and securities
- Ensure compliance with respect to issues relating to liquidity, exposure limits, stop loss limits including securities trading, management of all investment risks, management of assets and liabilities, scope of internal and external audit of investments and investment statistics and all other internal controls of investment operations
- Monitor solvency position of the Company to ensure that requirement relating to minimum solvency as laid down in Insurance Ordinance, 2000 and rules and regulations made thereunder is met at all times.

- To assist the Board in reviewing the investment policy and its implementation at least once a year
- Ensure adequate controls are implemented in investment functions and responsibilities are duly segregated into front, mid and back office
- Review and approve investment and divestment proposals
- Analyze performance of different sectors, impact of government policies on these sectors and decide line of action
- Ensure that all proposed investment transactions comply with the investment policy and regulatory guidelines
- Review the overall investment portfolio of the Company with the objective of assessing adequacy of return being generated by the portfolio

Four meetings of the Investment Committee were convened during the year and below is the attendance of the members of the committee:

Name of members	Status	Jan to May 2022 One meeting held	June to Dec 2022 Three meetings held
Shaikh Muhammad Jawed	Chairman with effect from May 29, 2022 (Non-Executive director)	-	3
Umer Mansha	Chairman till May 27, 2022 (Non-Executive director)	1	3
Imran Maqbool	Member (Non-executive director)	1	3
Muhammad Ali Zeb	Managing Director & Chief Executive Officer	1	3
Muhammad Asim Nagi	Chief Financial Officer	1	3

Presence of the Chairman of Audit Committee in AGM

The Chairman of the Audit Committee remains present at the AGM to answer questions on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

Use of external search consultancy in appointment of chairman or non-executive director

The Board of the Company was reconstituted in May 2022 after election of directors. The Company used the database of 'Pakistan Institute of Corporate Governance' (PICG), an institute notified by the Commission, to appoint independent directors.

Chairman's significant commitments

Chairman's significant commitments refer to his engagement in other entities. Umer Mansha, Chairman of the Board of Directors of the Company, has the following significant commitments:

Company	Designation
Nishat Mills Limited	Chief Executive Officer
Adamjee Life Assurance Company Limited	Director
MCB Bank Limited	Director
Nishat Hotels & Properties Limited	Director
Nishat Developers (Pvt.) Limited	Director
Nishat Dairy (Pvt.) Limited	Director
Nishat (Raiwind) Hotels and Properties (Pvt.) Limited	Director
Nishat Agriculture Farming (Pvt.) Limited	Director
Hyundai Nishat Motor (Pvt.) Limited	Director
Nishat Agrotech Farms (Pvt.) Limited	Director
Nishat Sutas Dairy Limited	Director
National Textile Foundation	Director

Umer Mansha is also serving at MCB Bank Limited as the Chairman of the Board's Business Strategy & Development Committee, Information Technology Committee, Committee on Physical Planning & Contingency Arrangements and Write-off & Waiver Committee and is also a member of Audit Committee and Risk Management & Portfolio Review Committee.

Governance Practice exceeding legal requirements

Adamjee Insurance assigns paramount importance to compliance of all applicable laws, rules and regulations and strives hard to exceed minimum legal requirements in its governance and operating structure as well as provide information to stakeholders above and beyond regulatory requirements to ensure transparency. Some of the Company's governance practices which exceed the minimum legal requirements include:

- The Company has only one executive director (Managing Director & Chief Executive Officer) on the Board whereas Listed Companies (Code of Corporate Governance) Regulations, 2019 allows two executive directors (one third of total members of the board as executive directors).
- Provision of additional information in the annual report of the Company, not required by any laws.
- As per the Insurance Ordinance, 2000 and the Insurance Rules, 2017 non-life insurance companies are required to base the determination of the liabilities for unexpired risk and incurred but not reported claims on the advice of actuary for Accident and Health business only. The Company in exceeding the minimum requirement bases the determination of these liabilities for all lines of business in Pakistan on the advice of external actuary.
- The Company has established an in-house Actuarial Services Department as against the requirement of the Insurance Ordinance, 2000 for life insurers only to appoint an actuary.
- The Company has voluntarily adopted the best corporate reporting practices / guidelines prescribed by the joint committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost & Management Accountants of Pakistan (ICMAP).

Anti-Money Laundering and Countering Financing Terrorism Policy

Anti-Money Laundering and Counter Financing Terrorism (AML/ CFT) form the base line steps for the economies of this modern world, especially among the players of financial sector. Money Laundering (ML) and Terrorism Financing (FT) have harmful and injurious implications for a country's economic stability and good governance. Pakistan was grey-listed in June 2018 by Financial Action Task Force (FATF) because of its alleged ties with Islamist militant groups and its weak policies on anti-money laundering and combating the financing of terrorism (AML-CFT) regulations. Despite its best and concerted ongoing efforts necessary to ensure transparent and legal economic activity, it still continues with the same status of a non-cooperative nation running grey economy. Grey-listed nations suffer severe economic consequences such as: reduced foreign direct investments; imports and exports restrictions; sanctions on remittances, and limited access to international financial institutions.

Throughout the past decade, the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) have been issuing various guidelines, circulars, and recently revised the most wanted and FATF centric regulations on AML / CFT 2020 for proper and vigorous enforcement, providing sufficient clarifications in improving domestic and international compliance.

Despite the fact that the risk level for ML / FT is not even rated as medium in the general insurance industry, Adamjee Insurance Company Limited (AICL) remained committed to fulfilling its obligations under above said directives and formulated a comprehensive policy and procedure approved by the Board of Directors of the Company. AICL's AML / CFT policy aims at safeguarding the interests of all stakeholders by combining modern techniques on the subject. This necessitated not only the Company's interest in its ongoing efforts for aligning its AML/ CFT steps with technological development in its operations/ procedures and equipping related tools with the most recent possible learning. At AICL, we are fully aware of the fact that the AML / CFT steps, once introduced will do well for some time, but will prove not sufficient to deal with the rapidly evolving aspects of new ML / TF risks. To face such arising eventualities and contingencies, the Board is committed to setting examples by leading from the front.

Access to Reports and Enquiries

Financial Reports

Annual Report 2022 and Quarterly reports may be downloaded from the Company's website: www.adamjeeinsurance.com or printed copies can be obtained by writing a request to the Company Secretary.

Shareholders' Enquiries

Shareholder's enquiries about their shares, dividends and share certificate can be directed to Company Secretary or Share Registrar at the following address.

Company Secretary
9th Floor, Adamjee House,
I.I. Chundrigar Road, Karachi.
CDC Share Registrar Services Limited
CDC House, 99-B, Block B, S.M.C.H.S,
Sharah-e-Faisal, Karachi.

Stock Exchange Listing

Adamjee Insurance Company Limited shares are listed on Pakistan Stock Exchange. The symbol code of the Company is AICL.

Chief Executive Officer's Review

CEO presentation video explaining the business overview, performance, strategy and outlook is available at the Company's website :
<https://www.adamjeeinsurance.com/pak/investors.php#ceo-message>

Statement of Unreserved Compliance of International Financial Reporting Standards (IFRS) Issued by International Accounting Standards Board (IASB)

Management recognizes the responsibility of preparation and presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019.

Accordingly, the Company's financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

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

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

The annexed 2022 financial statements are duly audited by the statutory auditors of AICL in accordance with the International Standards of Auditing as applicable in Pakistan. Statutory auditors has issued an unqualified opinion and confirmed that the financial statements are prepared in conformity with the accounting and reporting standards as applicable in Pakistan.

The Board of Directors has reviewed and approved the annexed unconsolidated, consolidated and WTO financial statements. On behalf of the Board of Directors, the financial statements are signed by the Chairman, and two nominated Directors along with the Chief Executive Officer and the Chief Financial Officer.

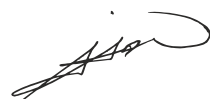
Statement Under Section 46(6) of the Insurance Ordinance, 2000

The incharge of the Management of the business was Muhammad Ali Zeb, Managing Director & Chief Executive Officer and the report on the affairs of business during the year 2022 signed by Muhammad Ali Zeb, Shaikh Muhammad Jawed and approved by the Board of Directors is part of the Annual Report 2022 under the title of "Directors' Report to Members" and

- a. In our opinion the annual statutory accounts of Adamjee Insurance Company Limited set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 (Ordinance) and any rules made thereunder,
- b. Adamjee Insurance Company Limited has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements; and
- c. as at the date of the statement, the Adamjee Insurance Company Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements.




Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer



A photograph of a server room with rows of server racks. The room is dimly lit with a strong blue light. The server racks are filled with various components, and many small lights are visible on the front panels. The perspective is from a low angle, looking down the length of the server aisle.

IT GOVERNANCE AND CYBERSECURITY

Enterprise Information Technology and Cybersecurity Governance

The Company's IT governance is the alignment of leadership, organizational structures, and processes to actualize and sustain the organizational objectives using information technology. Over the past few years, the Company has worked diligently to establish effective IT governance. This has helped in prioritizing and optimizing the IT investments decision-making process.

IT governance includes all the key stakeholders in the organization starting with the executive management and the Board of Directors. It also includes employees, customers, investors, and the regulator.

IT Governance Policy

Information governance is an accountability and decision-making framework put in place to ensure that the creation, storage, use, disclosure, archiving and destruction of information is handled in accordance with legal requirements and to maximize operational efficiency. It includes the processes, roles, policies and standards that ensure the compliant and effective use of information in enabling an organization to achieve its goals.

AICL IT governance policy is intended to set out the high-level principles of information governance across the organization and to highlight key information and related policies to employees.

The primary goals of IT Governance are to focus on:

- Stakeholder value of business investments in IT
- Financial transparency
- Customer-oriented service culture
- Agile responses to a changing business environment

- Optimization of service delivery costs
- Operational and staff productivity
- Compliance with internal policies
- Product and business innovation culture

Cybersecurity Policy

Insurance sector and cyber security in Pakistan has become highly competitive. To lead in this evolving market, insurance companies need to secure their information technology environment with strong security governance, latest technologies, security processes and mindset. This need has enabled AICL to be a market leader in security and protection of its policy holder's data with its secure architecture, skilled resources and stringent processes.

The Securities and Exchange Commission of Pakistan (SECP) Guidelines on Cybersecurity Framework for Insurance Sector, 2020 became effective from 1st July 2020. AICL, always a step ahead, started adopting this framework prior to its official promulgation. The main objective was to protect the policy holder data and Company infrastructure from any unwarranted threats. Following steps have been taken to comply with the Cybersecurity guidelines issued by the SECP:

- A Cybersecurity Strategy has been developed in light of SECP's guidelines. It is based on our core guiding principles aligned with the Company's vision.
- A Cybersecurity Framework offers a blueprint for meeting all the regulatory requirements as well as putting in place the best possible defense against cyber-attacks. AICL has opted NIST (National Institute of Standards and Technology) as the Cybersecurity Framework (CSF) which is the best in its class.
- AICL has a Virtual Chief Information Security Officer

(vCISO) who develops and manages the implementation of its Cybersecurity program.

- ISO/IEC 27001 is being utilized for drafting Information Security Policies and Procedures.
- IT Risk Assessment is being carried out to ensure all vulnerabilities and shortfalls are addressed and managed properly. Assimilation of the assessment with Enterprise Risk Management of the organization is in progress.
- Vulnerability assessment and penetration testing (VAPT) is performed by a third party in order to identify and fill the gaps and to strengthen the security posture of the Company.
- AICL is in the process of implementing Security Information and Event Management (SIEM) solution to strengthen the security monitoring.
- AICL has developed and rolled out a comprehensive Cybersecurity Awareness Program for all the employees. This awareness has enabled the employees to think from security perspective before taking any action in their day-to-day work. The Cybersecurity Awareness trainings contain specialized content to highlight and address the importance of Information/Data Security, Privacy and Social Engineering. This training programs are also helping in enabling our employees to act as a human firewall in combating with any malicious attempt.

The idea is to incorporate Cybersecurity protocols in Adamjee Insurance's core so that it is easier to combat with any security threats or incidents in a more structured and efficient way.

Board's Role and responsibility in IT Governance and Cybersecurity

The Board of Directors plays an important role in the governance process. They are not only responsible for

overseeing management but also play an important role as a strategic advisor on the services that the IT function provides to the organization and all its stakeholders.

The Board approves the internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk bearing capacity of the organization and re-evaluates them on a regular basis as part of the strategy and goal setting of the Organization.

Board members understand that cyber-attacks are likely, and they exercise their oversight role to ensure that executives and managers have made proper and appropriate preparations to respond and recover in case of any breach.

All the matters related to cybersecurity are being monitored by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on periodic basis. In case of any potential cyber threat, an instant update is shared by CISO.

The Board is also apprised of the current posture of cybersecurity in the Board meetings.

Early Warning System

The Company has 24/7 operational Security Operation Center (SOC) which acts as a front line of defense as well as early warning system. The SOC is integrated with all the critical applications and devices. Besides, the Network Operations Center (NOC) is established to monitor the network level traffic.

Independent Security Assessment

As part of the Company's cybersecurity policies and procedures, a third-party is engaged every year for a detailed independent security assessment of the technology environment.

Resilient Contingency and Disaster Recovery

The Disaster Recovery Plan (DRP) of the Company is based on the best practices of IT Governance. It provides a comprehensive set of baseline controls comprising best practices for IS Disaster Recovery Plan.

The main purpose of the DRP is to provide guidelines in the event of an emergency; the plan helps in ensuring that vital technical and organizational conditions are effectively restored within the stipulated timeframe.

The main objective is as follows:

- The impact of prolonged interruption of computing facilities.
- The adverse impact of lost data.
- The time to recover from a critical server failure.
- The number of decisions that must be made following a disaster.
- AICL's dependence on the participation of any specific person or group of people in the recovery process.
- The need to develop, test and improve new procedures, programs, or systems during recovery.

Advancement in digital transformation

In order to advance in digital transformation to leverage 4.0 Industrial revolution to improve transparency,

reporting and governance, the Company has implemented / is working on the following;

- Automation of 'Know Your Customers' (KYC) through Robotic Process Automation (RPA)
- Cloud based automation of Health Endorsement Collaboration solution
- Artificial Intelligence based vehicle survey and damage assessment solutions are under process of implementation.

Employees Education and Training on Cybersecurity

Since humans are the weakest link in the security chain so the Company has designed a security awareness program for all the employees which is run by CISO on regular basis. Attending the security awareness sessions is mandatory for all employees. Security Awareness Training helps employees understand the importance of cybersecurity and teaches them how to identify potential threats and respond appropriately.

Board disclosure on Company's use of Enterprise Resource Planning (ERP) software

Over the years, the Company has made huge investment in its information technology infrastructure and through its experience of operations spread over 60 years continues to upgrade the Enterprise Resource Planning systems (ERP) to fulfil information needs, achieve operational efficiencies and meet the requirements of the digitalization as well as changing needs of the stakeholders.

Integration of Core Business Processes & Modules

The use of our core enterprise solutions and their integration is as below:

- PREMIA as core business application for conventional business which includes all core modules required to support insurance operations
- GTS (by Centegy Technologies) as a core business application for takaful business which includes all core modules required to support takaful operations
- Harmony (by Sofcom) as a core HR operations application
- IBM Cognos BI as business intelligence solution and for consolidation of data from all the business applications in order to have single source of information
- Portals – Call Center, Dealerships, Surveyors, Tracker Companies, Workshops, Part Supplier, Banks, and back office operations
- Mobility Solutions

Management support in the effective implementation and continuous updation

Management of the Company recognizes the importance of continuous updation and effective implementation of all technological solutions in order to cater for the changing information needs of the stakeholders as well as achieve operational efficiencies. All the technology initiatives and implemented applications/services are being monitored by Information Technology Steering Committee (ITSC) who is responsible to ensure right solutions to be selected with right teams to implement and within the specified time.

User trainings of ERP software

User trainings are arranged both periodically and on need basis, especially for newly recruited staff, to ensure that users are well versed with the Company's ERP software and related risks and control environment. Further, the Company also has set up an information system related Help-Desk to resolve the complaints of the users.

Management of risks or control risk factors on ERP projects

AICL ensures a customized approach to managing risks throughout the life cycle of implementation and operation of ERP projects. A six-step risk management framework of the Project Management Body of Knowledge (PMBok) is followed, in which the steps are risk management planning, risk identification, qualitative risk analysis, quantitative risk analysis, risk response planning, and risk monitoring and control.

Company's assessment of system security, access to sensitive data and segregation of duties

In order to ensure system security, segregation of duties and monitor access to sensitive data, the Company's has the following controls:

- Strong passwords are enabled with a secure method to change the password
- Passwords are encrypted and mandatorily required to be changed periodically
- Users do not have access to underlying database
- Role based user IDs are assigned
- Audit logs are enabled to monitor the activities

- Users' authorization matrix has been implemented and is reviewed periodically

Further, a third-party is engaged every year for a detailed independent security assessment of the technology environment.

Key Capabilities of the Company's Information Technology Infrastructure:

Key capabilities of the Company's information technology infrastructure include the following:

- Tier-3 Compliant Data Center
- Cloud based collaboration solution of Microsoft Office 365

- IBM Cognos Business Intelligence – for better insights

- Oracle based end-to-end core business applications

- Cisco based infrastructure

- IBM, HP & Sangfor Storages

- Security Incident & Event Management Solution for better control on cybersecurity

- Endpoint Detection & Response (EDR) to detect and mitigate cyber threads on endpoints devices

- Cisco Identity Services Engine (ISE) to simplify identity management across diverse devices and applications



A FORCE TO BE RECKONED WITH
**PERFORMANCE
AND POSITION**

Performance Evaluation Against Targets / Budgets

The Company prepares Annual Business Plan including Annual Budget for the coming year. The Annual Budget is reviewed and approved by the Board and performance of the Company against budgeted targets is monitored by the Board on quarterly basis.

The objective of Annual Budget is to use it as a control tool to periodically gauge the operational performance of the Company against the annual targets. The Budget objectives are communicated to the relevant managers at the start of the year which also acts as a yard stick for evaluating the performance of different functions and departments on periodic basis and make corrective decisions and actions, if required. Annual Budget is also broken down into monthly budget to compare the actual results with budgeted figures to identify monthly variances together with their reasons which are subject to rigorous review and follow up in subsequent monthly performance reviews. The process enables the management to ensure all the functions and departments are aligned towards achieving the overall Company objectives.

BUSINESS GROWTH

The Company has shown strong growth in gross premium written both from last year and from the Budget as well. This is due to double digit growth shown by all classes of business during the year. The Company has managed to achieve this strong growth despite tough competitive business environment faced.

INVESTMENT INCOME

Current year witnessed decrease in investment income from the corresponding period. This is mainly due to the higher amount of dividend income of the Company during the last year. During the period ending December 2020, the State Bank of Pakistan through its External Relations Department had advised banking companies to suspend the quarterly dividend distribution by Banks and DFIs for the FY2020 to curb the growing concerns of COVID-19. As a result, the banking companies restricted their normal dividend payouts, causing dividend income from banking sector to decrease sharply during FY2020. Resultantly, during the year ending December 2021, the banking companies released substantial amount of dividends which was hampered due to SBP's restrictions in the previous year.

OPERATIONAL PROFITABILITY

The profitability of the Company suffered decline during the current year mainly due to higher net loss ratio of 66% during current year as compared to 57% net loss ratio in the last year. This was primarily attributable to higher than expected losses suffered in UAE operations. Further, the Investment income of the Company also showed decrease from last year due to decrease in dividend income. The operational expenses of the Company also increased significantly from the last year. The Company also had to bear charge of Workers' Welfare Fund of Rs. 148 million which further reduced the profitability of the Company. However, the Management of the Company took timely corrective measures to ensure the Company is steered towards right direction as far as profitability objectives are concerned.

Six Years Financial Performance (2017 - 2022)

		2022	2021	2020	2019	2018	2017
Balance Sheet							
Paid Up Capital	Rs. Mln	3,500	3,500	3,500	3,500	3,500	3,500
Reserves	'''	3,527	5,487	4,487	4,555	3,784	5,001
Equity	'''	24,919	25,390	22,235	21,380	19,663	20,364
Investments (Book Value)	'''	25,535	25,966	22,589	21,781	21,006	18,649
Investments (Market Value)	'''	27,075	31,069	26,596	25,888	24,114	23,749
Investment Property	'''	2,427	1,632	787	402	-	-
Fixed Assets	'''	4,356	4,339	4,171	4,301	3,593	2,632
Cash & Bank Deposits	'''	5,193	2,174	1,312	1,177	2,211	2,279
Other Assets	'''	34,716	22,426	16,654	17,770	17,926	18,727
Total Assets	'''	73,766	61,641	49,520	49,538	47,845	47,388
Total Liabilities	'''	48,847	36,251	27,285	28,158	28,182	27,023
Operating Data - Conventional							
Gross Premium	'''	32,677	23,320	18,279	22,507	20,387	18,522
Net Premium	'''	16,980	12,552	13,295	15,434	13,806	11,535
Net Claims	'''	11,285	7,204	7,987	9,877	8,386	7,434
Net Commission	'''	2,072	1,523	1,833	1,507	1,280	1,090
Underwriting Result	'''	(209)	672	376	654	816	557
Financial Charges	'''	35	50	15	8	-	-
Total Expenses	'''	4,087	3,212	3,161	3,100	3,438	2,683
Investment Income	'''	2,128	2,469	1,093	1,372	1,285	1,494
Profit Before Tax	'''	3,147	4,405	1,910	2,533	2,174	2,121
Profit After Tax	'''	2,585	3,136	1,876	1,813	1,239	1,221
- Window Takaful Operations							
Gross contribution written	'''	2,514	1,465	1,526	1,213	1,102	743
Net contribution revenue	'''	1,152	654	745	617	669	262
Net takaful claims - reported / settled	'''	1,281	610	692	531	402	300
Underwriting Result - PTF	'''	(102)	39	46	72	(8)	(38)
Surplus / (Deficit) - PTF	'''	(7)	78	92	110	7	(31)
Wakala fee	'''	641	431	409	324	253	176
Profit before taxation	'''	339	139	164	108	79	67
Profit after taxation	'''	220	99	116	77	53	47
Cash Flow Summary							
Operating activities	'''	627	1,402	648	(93)	1,892	1,060
Investing activities	'''	4,450	(259)	280	3	(1,274)	(1,210)
Financing activities	'''	(2,058)	(282)	(793)	(944)	(685)	(1,383)
Share Information							
No. of Shares (Million)		350	350	350	350	350	350
Net Assets per share / Break-Up Value Per Share (Rs.)		71.20	72.54	63.53	61.09	56.18	58.18
Share Price at Year End (Rs.)		28.17	40.00	39.32	42.09	42.02	52.00
Highest Share Price During Year (Rs.)		44.95	47.22	47.45	47.70	60.25	82.50
Lowest Share Price During Year (Rs.)		26.60	32.66	24.10	26.00	38.10	43.02
KSE 100 Index		40,420	44,596	43,755.38	40,735.08	37,066.67	40,471.48
Market Price To Break-Up Value - P/B Ratio (Times)		0.40	0.55	0.62	0.69	0.75	0.89
Face Value (per share)		10.00	10.00	10.00	10.00	10.00	10.00
Market Capitalization (Rs. Mln)		9,860	14,000	13,762.00	14,731.50	14,707.00	18,200.00
Distribution							
Dividend Per Share (Rs.)		3.00	2.75	2.75	2.50	2.00	4.00
Total Dividend - (Rs. Mln)		1050.00	962.50	962.50	875.00	700.00	1,400.00
Cash Dividend %		30.00	27.50	27.50	25.00	20.00	40.00
Bonus Shares %		-	-	-	-	-	-
Total Dividend %		30.00	27.50	27.50	25.00	20.00	40.00

Six Years Financial Performance (2017 - 2022)

Horizontal Analysis - Balance Sheet and Income Statement

	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017
	Rs. Mln						% increase /(decrease) over preceding year					
Balance sheet												
Assets												
Cash and Bank Deposits	5,193	2,174	1,312	1,177	2,211	2,279	138.87	65.70	11.5	(46.8)	(3.0)	(40.2)
Loans to Employees	65	52	45	49	45	43	25.00	15.56	(9.1)	10.0	4.7	138.9
Investments	27,075	31,069	26,596	25,888	24,114	23,749	(12.86)	16.82	2.7	7.4	1.5	(2.4)
Deferred Taxation	-	-	-	-	-	-	-	-	-	-	-	-
Current Assets-others	33,601	21,651	16,020	17,295	17,499	18,444	55.19	35.15	(7.4)	(1.2)	(5.1)	14.4
Fixed Assets	4,356	4,339	4,171	4,301	3,594	2,632	0.39	4.03	(3)	19.7	36.6	110.6
Investment Property	2,427	1,632	787	402	-	-	48.71	107.37	95.8	100.0	-	-
Total assets of Window Takaful	1,049	724	589	426	382	241	44.89	22.92	38.2	11.6	58.5	143.4
Total Assets	73,766	61,641	49,520	49,538	47,845	47,388	19.67	24.48	(0.0)	3.5	1.0	3.8
Equity and Liabilities												
Total Equity	24,919	25,390	22,235	21,380	19,663	20,365	(1.86)	14.19	4.0	8.7	(3.4)	(6.9)
Underwriting Provisions	36,089	23,937	19,380	20,848	20,784	20,639	50.77	23.52	(7.0)	0.3	0.7	20.1
Deferred Taxation	806	2,031	1,375	1,330	944	1,567	(60.32)	47.67	3.4	40.9	(39.8)	(29.5)
Deferred Liabilities	201	270	212	225	199	154	(25.56)	27.36	(5.8)	13.1	29.2	90.1
Borrowings	-	927	166	-	-	-	(100.00)	457.20	100.0	-	-	-
Creditors and Accruals	3,197	2,446	1,806	1,719	2,206	1,884	30.70	35.42	5.1	(22.1)	17.1	13.4
Other Liabilities	8,169	6,361	4,103	3,840	3,819	2,638	28.42	55.04	6.8	0.5	44.8	2.5
Total liabilities of Window Takaful	385	279	243	196	230	141	37.99	14.91	24.0	(14.8)	63.1	206.5
Total Equity and Liabilities	73,766	61,641	49,520	49,538	47,845	47,388	19.67	24.48	(0.0)	3.5	1.0	3.8
Profit and Loss Account												
Revenue account												
Net Premium Revenue	16,980	12,552	13,295	15,434	13,806	11,535	35.27	(5.58)	(13.9)	11.8	19.7	20.0
Net claims	11,285	7,204	7,987	9,877	8,386	7,434	56.65	(9.80)	(19.1)	17.8	12.8	19.7
Underwriting Expenses	3,833	3,153	3,099	3,397	3,324	2,576	21.55	1.76	(8.8)	2.2	29.0	59.5
Net Commission	2,072	1,523	1,833	1,507	1,280	1,090	36.06	(16.92)	21.6	17.8	17.4	42.9
Unexpired risk reserve	-	-	-	-	-	(122)	-	-	-	-	(100.0)	142.5
Underwriting Result	(209)	672	376	654	816	557	(131.16)	78.97	(42.5)	(19.9)	46.5	(48.3)
Investment Income	2,128	2,469	1,093	1,372	1,285	1,494	(13.84)	126.03	(20.4)	6.8	(14.0)	(57.3)
Rental Income	162	131	113	30	7	9	23.43	16.59	275.2	329.1	(22.2)	39.6
Other income	215	138	231	64	95	96	56.10	(40.13)	260.6	(32.7)	(1.0)	(46.0)
Change in fair value of investment property	794	961	-	12	-	-	(17.35)	100.00	(100.0)	100.0	-	-
Other / General And Administration Expenses	106	59	62	59	73	44	79.39	(5.60)	5.7	(19.2)	65.9	(93.0)
Exchange Gain / (Loss)	7	3	12	5	6	5	168.46	(77.63)	167.3	(23.1)	20.0	(412.5)
Finance Charges	35	50	15	8	-	-	(29.38)	233.07	80.1	100.0	-	-
Workers' welfare fund charge / (reversal)	148	-	-	(356)	41	63	100.00	-	100.0	(967.7)	(34.9)	(23.8)
Profit before tax from Window Takaful	339	139	164	108	79	67	143.11	(14.96)	52.1	36.3	17.9	1,559.2
Profit Before Tax	3,147	4,405	1,910	2,533	2,174	2,121	(28.56)	130.63	(24.6)	16.5	2.5	(47.7)
Provision for taxation	562	1,269	35	720	935	900	(55.71)	3,559.17	(95.2)	(23.0)	3.9	60.4
Profit after Tax	2,585	3,136	1,875	1,813	1,239	1,221	(17.57)	67.23	3.4	46.3	1.5	(65.0)

Six Years Financial Performance (2017 - 2022)

Vertical Analysis - Balance Sheet and Income Statement

	2022		2021		2020		2019		2018		2017	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Balance sheet												
Assets												
Cash and Bank Deposits	5,193	7.0	2,174	3.5	1,312	2.6	1,177	2.4	2,211	4.6	2,279	4.8
Loans to Employees	65	0.1	52	0.1	45	0.1	49	0.1	45	0.1	43	0.1
Investments	27,075	36.7	31,069	50.4	26,596	53.7	25,888	52.3	24,114	50.4	23,749	50.1
Deferred Taxation	-	-	-	-	-	-	-	-	-	-	-	-
Current Assets-others	33,601	45.6	21,651	35.1	16,020	32.4	17,295	34.9	17,499	36.6	18,444	38.9
Fixed Assets	4,356	5.9	4,339	7.0	4,171	8.4	4,301	8.7	3,594	7.5	2,632	5.6
Investment Property	2,427	3.3	1,632	2.6	787	1.6	402	0.8	-	-	-	-
Total assets of Window Takaful	1,049	1.4	724	1.2	589	1.2	426	0.9	382	0.8	241	0.5
Total Assets	73,766	100.0	61,641	100	49,520	100.0	49,538	100.0	47,845	100.0	47,388	100.0
Equity and Liabilities												
Total Equity	24,919	33.8	25,390	41.2	22,235	44.9	21,380	43.2	19,663	41.1	20,365	43.0
Underwriting Provisions	36,089	48.9	23,937	38.8	19,380	39.1	20,848	42.1	20,784	43.4	20,639	43.6
Deferred Taxation	806	1.1	2,031	3.3	1,375	2.8	1,330	2.7	944	2.0	1,567	3.3
Deferred Liabilities	201	0.3	270	0.4	212	0.4	225	0.5	199	0.4	154	0.3
Borrowings	-	-	927	1.5	166	0.3	-	-	-	-	-	-
Creditors and Accruals	3,197	4.3	2,446	4.0	1,806	3.6	1,719	3.5	2,206	4.6	1,884	4.0
Other Liabilities	8,169	11.1	6,361	10.3	4,103	8.3	3,840	7.8	3,819	8.0	2,638	5.6
Total liabilities of Window Takaful	385	0.5	279	0.5	243	0.5	196	0.4	230	0.5	141	0.3
Total Equity and Liabilities	73,766	100.0	61,641	100	49,520	100.0	49,538	100.0	47,845	100.0	47,388	100.0
Profit and Loss Account												
Revenue account												
Net Premium Revenue	16,980	100.0	12,552	100.0	13,295	100.0	15,434	100.0	13,806	100.0	11,535	100.0
Net Claims	11,285	66.5	7,204	57.4	7,987	60.1	9,877	64.0	8,386	60.7	7,434	64.4
Underwriting Expenses	3,833	22.6	3,153	25.1	3,099	23.3	3,397	22.0	3,324	24.1	2,576	22.3
Net Commission	2,072	12.2	1,523	12.1	1,833	13.8	1,507	9.8	1,280	9.3	1,090	9.4
Unexpired risk reserve	-	-	-	-	-	-	-	-	-	-	(122)	(1.1)
Underwriting Result	(209)	(1.2)	672	5.4	376	2.8	654	4.2	816	5.9	557	4.8
Investment Income	2,128	12.5	2,469	19.7	1,093	8.2	1,372	8.9	1,285	9.3	1,494	13.0
Rental Income	162	1.0	131	1.0	113	0.8	30	0.2	7	0.1	9	0.1
Other income	215	1.3	138	1.1	231	1.7	64	0.4	95	0.7	96	0.8
Change in fair value of investment property	794	4.7	961	7.7	-	-	12	0.1	-	-	-	-
General And Administration Expenses	106	0.6	59	0.5	62	0.5	59	0.4	73	0.5	44	0.4
Exchange Gain / (Loss)	7	0.0	3	0.0	12	0.1	5	0.0	6	0.0	5	0.0
Finance Charges	35	0.2	50	0.4	15	0.1	8	0.1	-	-	-	-
Workers' welfare fund charge / (reversal)	148	0.9	-	-	-	-	(356)	(2.3)	41	0.3	63	0.5
Profit before tax from Window Takaful	339	2.0	139	1.1	164	1.2	108	0.7	79	0.6	67	0.6
Profit Before Tax	3,147	18.5	4,405	35.1	1,910	14.4	2,533	16.4	2,174	15.7	2,121	18.4
Provision for Taxation	562	3.3	1,269	10.1	35	0.3	720	4.7	935	6.8	900	7.8
Profit After Tax	2,585	15.2	3,136	25.0	1,875	14.1	1,813	11.7	1,239	9.0	1,221	10.6

Six Years Financial Performance (2017 - 2022)

Financial Ratios

	2022	2021	2020	2019	2018	2017
Profitability Ratios						
Underwriting Result / Gross Premium (%)	(0.6)	2.9	2.1	2.9	4.0	3.0
Underwriting Result / Net Premium (%)	(1.2)	5.4	2.8	4.2	5.9	4.8
Combined Ratio (%)	101.2	94.6	97.2	95.8	94.1	95.2
Total Expenses / Gross Premium (%)	12.5	13.8	17.3	13.8	16.9	14.5
Total Expenses / Net Premium (%)	24.1	25.6	23.8	20.1	24.9	23.3
Management Expenses / Net Premium (%)	22.6	25.1	23.3	22.0	24.1	22.3
Other Expenses / Net Premium (%)	0.6	0.5	0.5	0.4	0.5	0.9
Net Claims / Net Premium (%) - Claim Ratio	66.5	57.4	60.1	64.0	60.7	64.4
Net Commission / Net Premium (%)	12.2	12.1	13.8	9.8	9.3	9.4
Investment Income / Net Premium (%)	12.5	19.7	8.2	8.9	9.3	12.9

Overall Profitability

Profit Before Tax / Gross Premium (%)	9.6	18.9	10.4	11.3	10.7	11.5
Profit After Tax / Gross Premium (%)	7.9	13.4	10.3	8.1	6.1	6.6
Profit Before Tax / Net Premium (%)	18.5	35.1	14.4	16.4	15.7	18.4
Profit After Tax / Net Premium (%)	15.2	25.0	14.1	11.7	9.0	10.6
Profit Before Tax / Total Income (%)	15.3	26.9	12.8	14.9	14.4	16.1
Profit After Tax / Total Income (%)	12.5	19.1	12.6	10.6	8.2	9.3

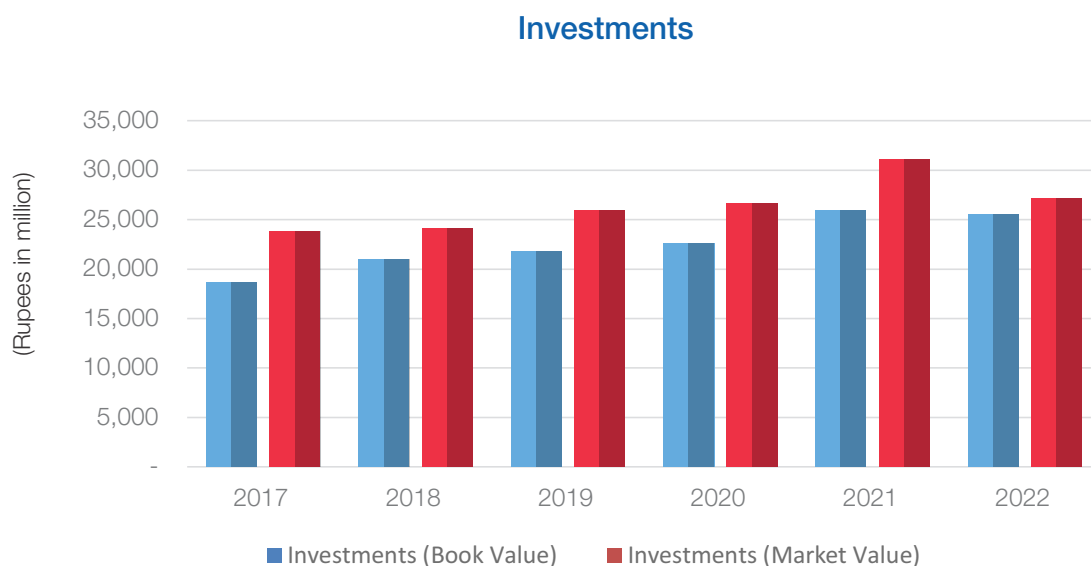
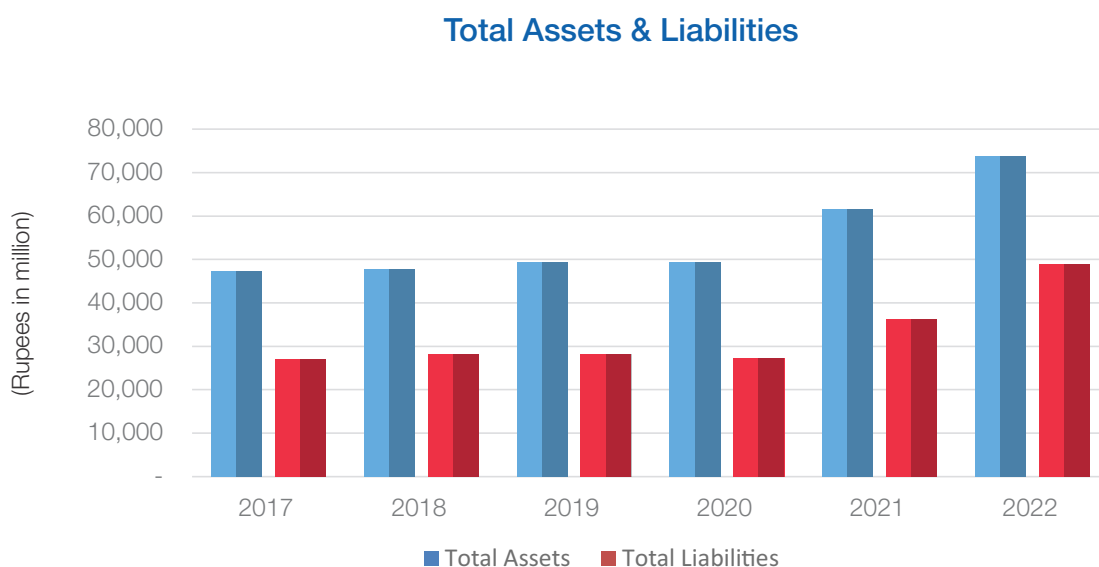
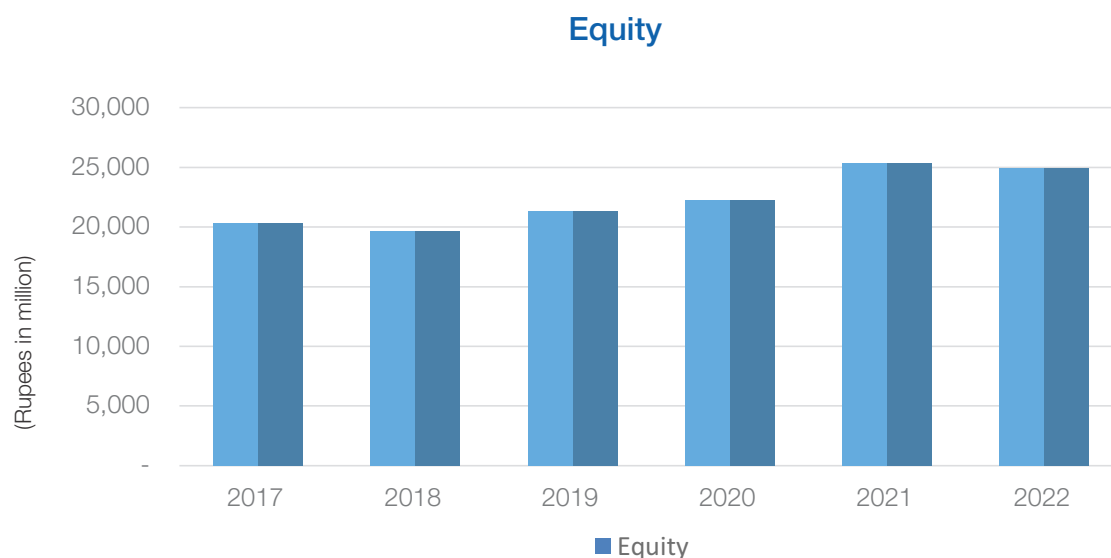
Return To Shareholders

Return On Equity - PBT (%)	12.6	17.3	8.6	11.8	11.1	10.4
Return On Equity - PAT (%)	10.4	12.4	8.4	8.5	6.3	6.0
Return On Total Assets (%)	3.5	5.1	3.8	3.7	2.6	2.6
Earnings Per Share (Rs.)	7.39	8.96	5.36	5.18	3.54	3.49
Dividend Yield (%)	10.6	6.9	7.0	5.9	4.8	7.7
Dividend Payout (%)	40.60	30.69	51.3	48.3	56.5	114.6
Dividend Cover (Times)	2.5	3.3	1.9	2.1	1.8	0.9
Earnings Growth (%)	(17.5)	67.2	3.5	46.3	1.4	(65.0)
P/E Ratio (Times)	3.8	4.5	7.3	8.1	11.9	14.9

Performance/ Liquidity

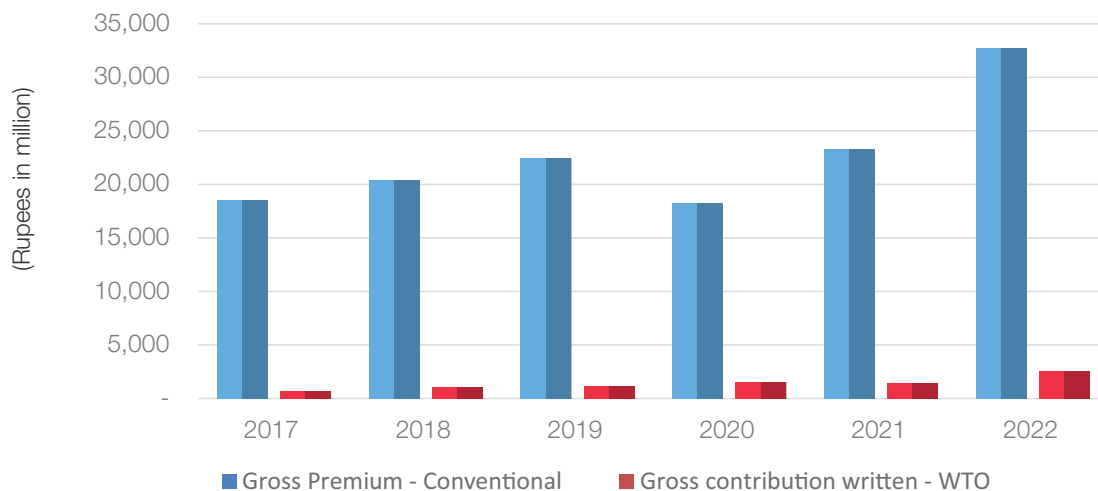
Current Ratio (Times)	1.4	1.6	1.7	1.7	1.6	1.8
Liquid Ratio (Times)	0.9	1.2	1.3	1.2	1.1	0.9
Cash / Current Liabilities (%)	11.2	7.2	6.0	4.8	8.2	9.0
Total Assets Turnover (Times)	0.2	0.2	0.3	0.3	0.3	0.2
Fixed Assets Turnover (Times)	3.9	2.9	3.2	3.6	3.8	4.4
Liquid Assets / Total Assets (%)	56.1	66.2	66.5	66.7	48.5	44.2
Earning Assets / Total Assets (%)	42.2	54.9	57.7	55.3	50.4	50.1
Equity / Total Assets - Shareholders' Funds ratio (%)	33.8	41.2	44.9	43.2	41.1	43.0
Debt to Equity - Book Value (%)	-	-	0.34	-	-	-
Paid Up Capital / Total Assets (%)	4.7	5.7	7.1	7.1	7.3	7.4
Return On Capital Employed (%)	12.8	17.5	8.6	11.9	11.1	10.4

Six Years Graphical Summary (2017 - 2022)

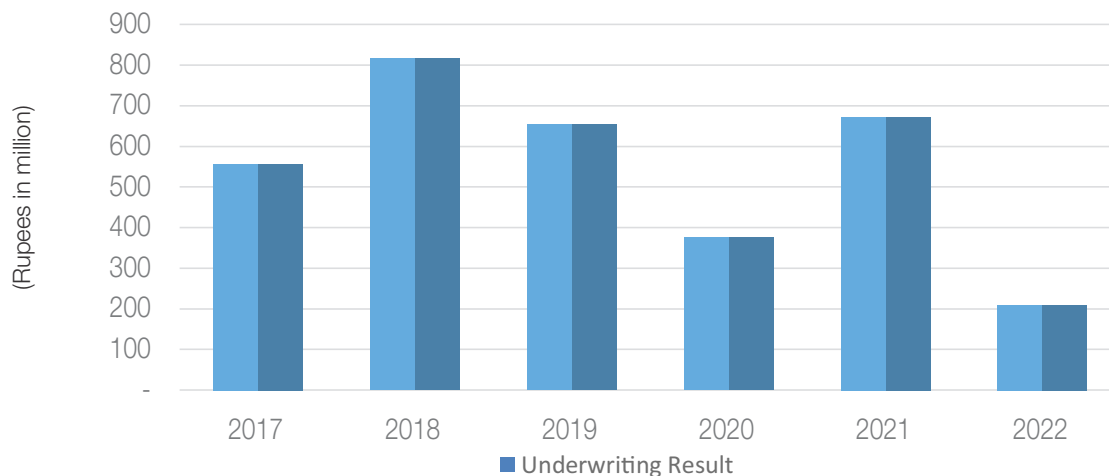


Six Years Graphical Summary (2017 - 2022)

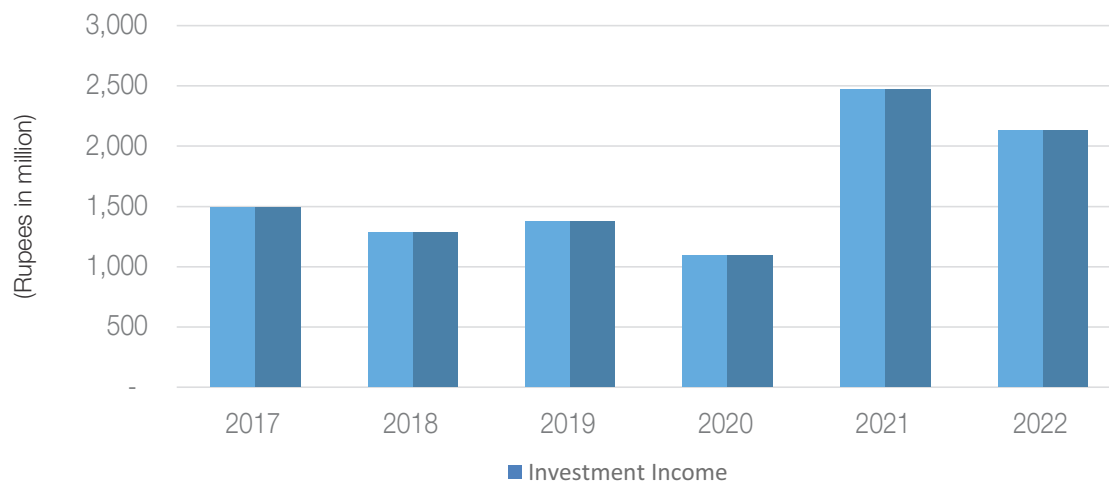
Gross Premium



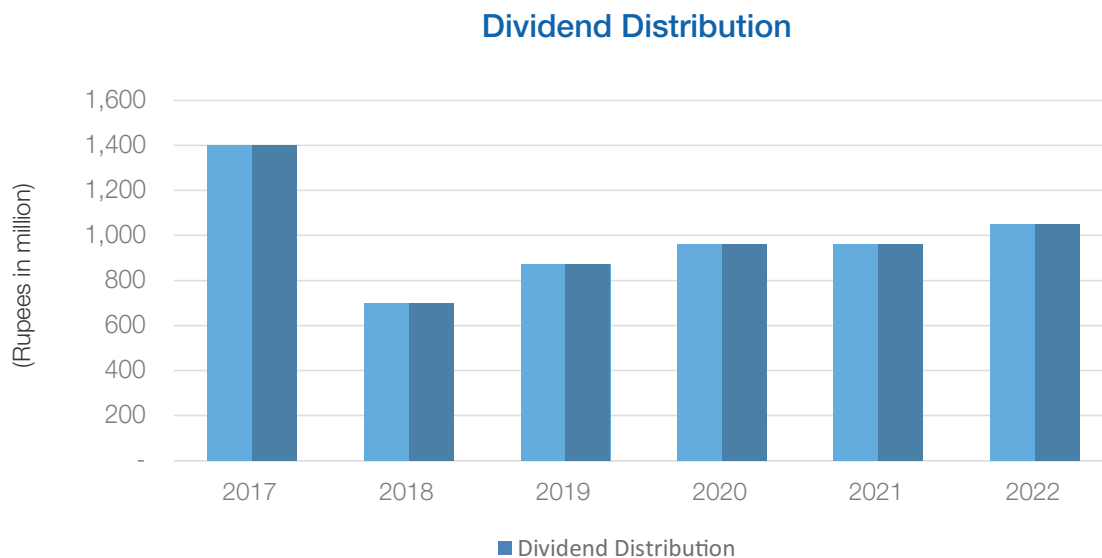
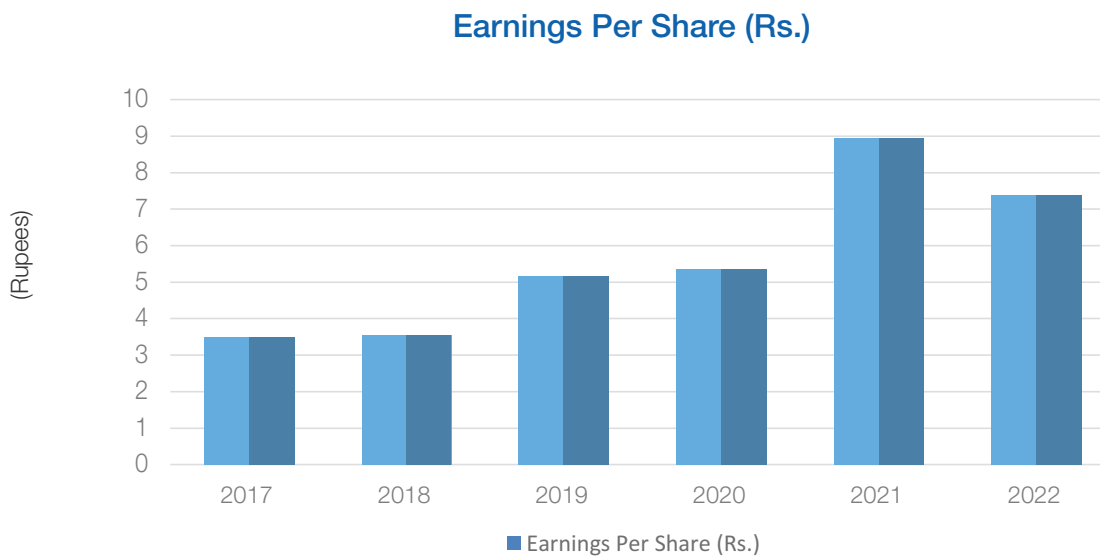
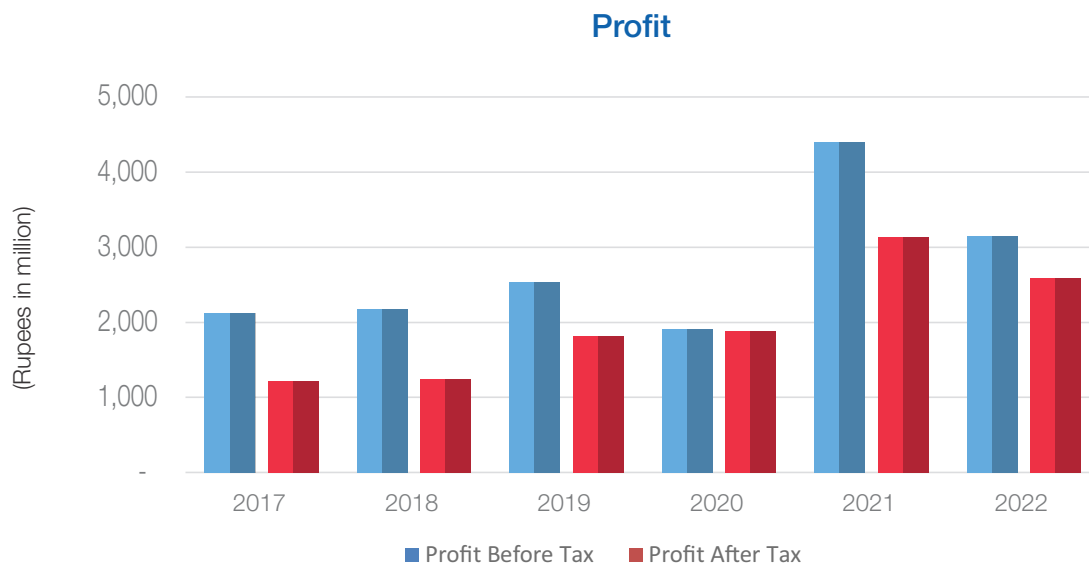
Underwriting Results



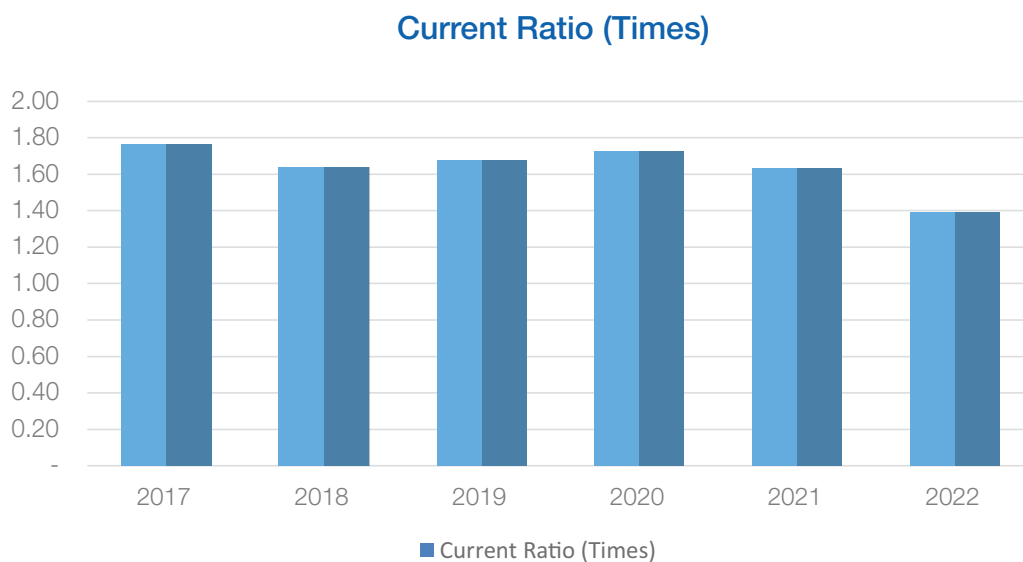
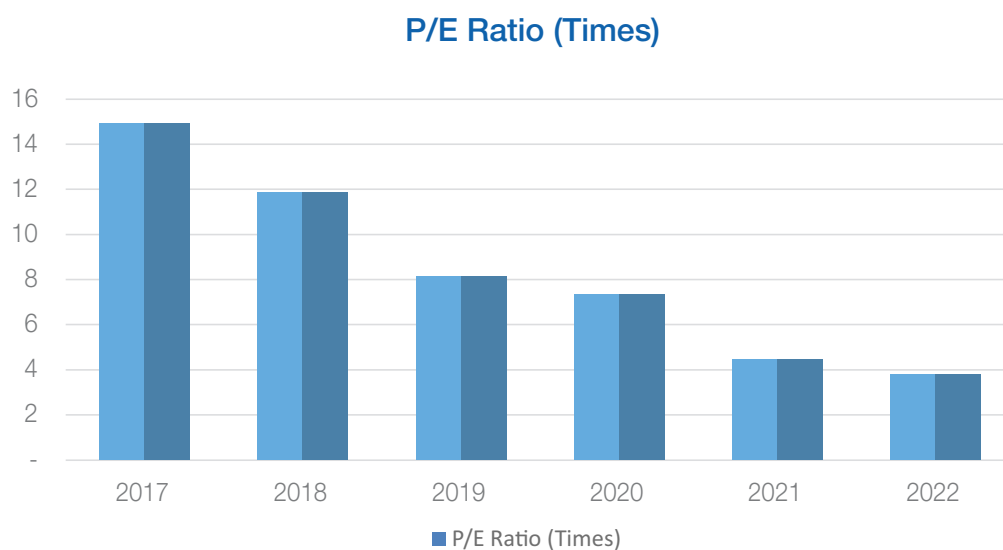
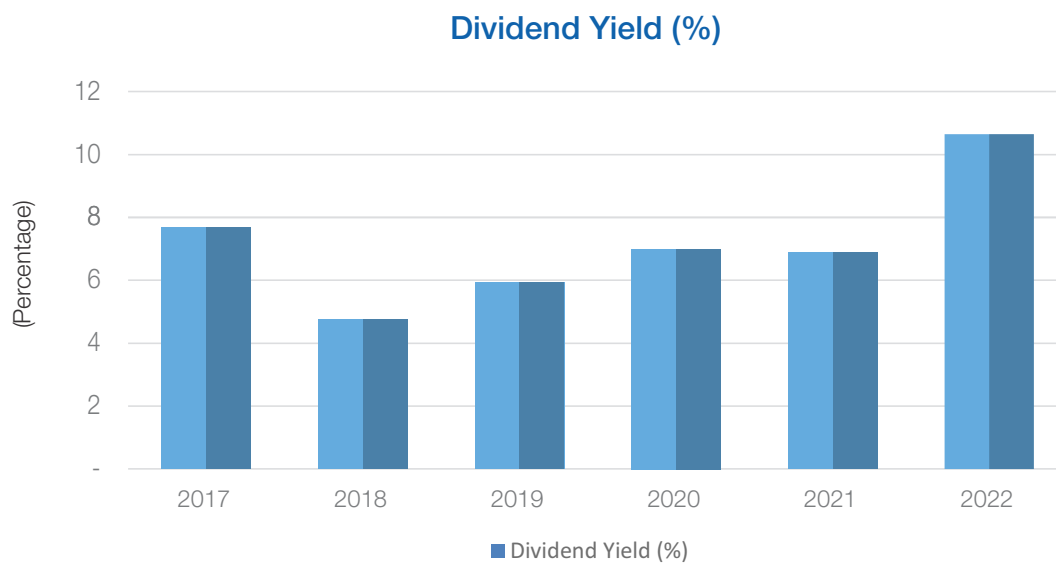
Investment Income



Six Years Graphical Summary (2017 - 2022)

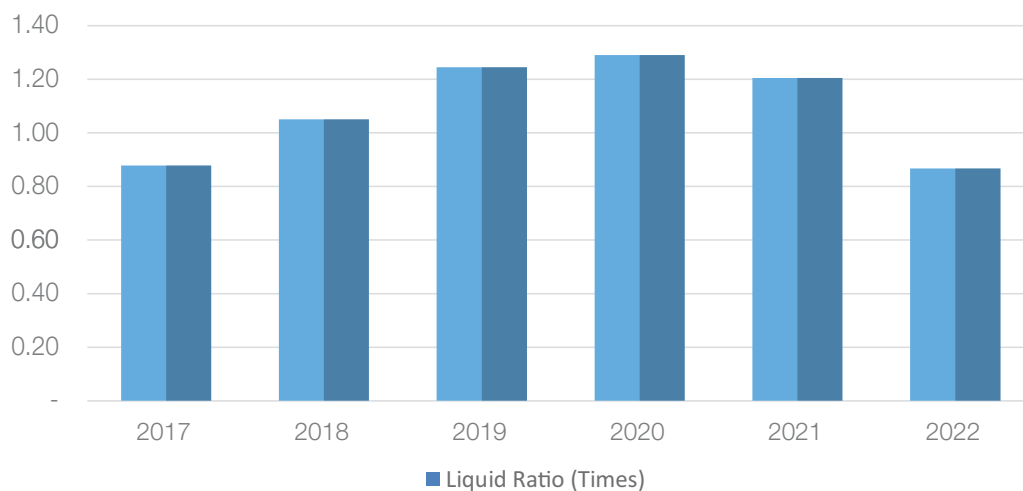


Six Years Graphical Summary of Ratios (2017 - 2022)

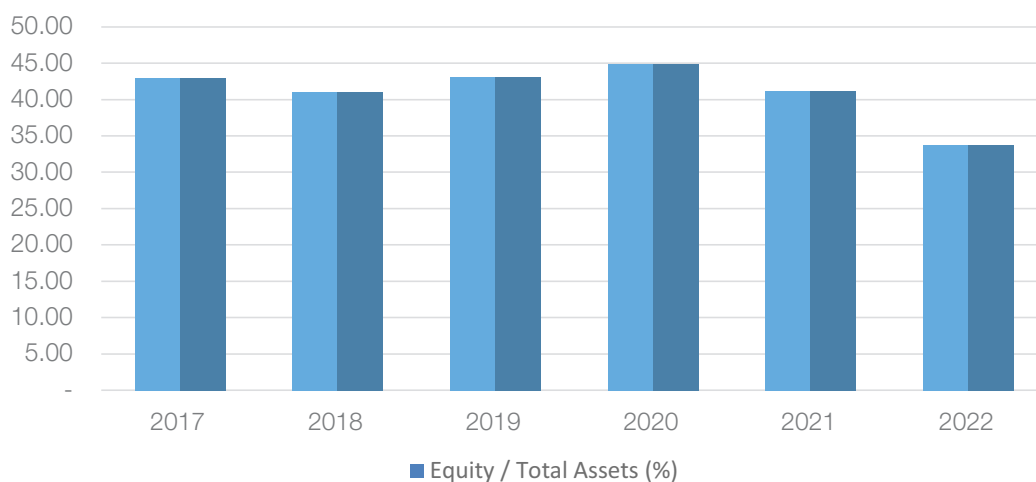


Six Years Graphical Summary of Ratios (2017 - 2022)

Liquid Ratio (Times)



Equity / Total Assets (%)



Comments on Horizontal and Vertical Analysis

Profit & Loss Account

Over the years 2017 to 2019, the Company continued to grow its business at a healthy rate. Owing to the devastating effects of Covid-19, the Company faced a moderate slump in business during the year 2020. However, the position improved again in 2021 and the Company carried on with this growth trend in 2022. The gross written premium of the Company's conventional business started to revive and witnessed a 40% increase from last year. Both Inside & Outside Pakistan Operations showed strong growth in gross written premium of 32% and 63% respectively, year on year.

Net claims expense increased by 57% during the year resulting in 'Claim ratio' to increase to 66% in current year as against 57% in last year owing to higher than expected losses suffered in UAE operations. Management / underwriting expenses also increased by 22% in current year as compared to year 2021 of which more than one third increase came from adverse exchange rate fluctuation.

Underwriting result of the Company declined by 131% in the current year due to sustained underwriting losses in UAE operations, while Investment income of the Company also witnessed a decrease of 14% year on year.

On the other hand, The Window Takaful Operations (WTO) of the Company, showed growth in the gross contribution which increased to Rs. 2.5 billion in 2022 as against Rs. 1.46 billion in 2021. WTO operator's fund contributed Rs. 339 million towards the profit before tax to the overall profits of the Company.

Profit after tax for the year 2022 has decreased by 18% amounting to Rs. 2,585 million as against Rs. 3,136 million in 2021 resulting in Earning per Share (EPS) of Rs. 7.39 in current year as against Rs. 8.96 in last year

Balance Sheet

The Company has strong capital base of Paid-up Capital of Rs. 3,500 million.

The overall asset base of the Company increased by 20% (Rs. 12,125 million) reaching at Rs. 73,766 million as compared to Rs. 61,641 million in 2021.

Investments are the second biggest asset which constitute approximately 37% of the total assets of the Company. The Company's Investments have shown continuous growth over the last six years however the current year registered a decline in investments of 13% i.e. from Rs. 31,069 million to Rs. 27,075 million at the end of the year. This is attributable to reduced unrealized gains pertaining to equity securities as compared to the previous year.

Cash and Bank balance of the Company increased by 139% approximately amounting to Rs. 5,193 million in current year as against Rs. 2,174 million in 2021.

Equity & Reserves decreased slightly by 2% year on year, reaching Rs. 24,919 million at current year end as against Rs. 25,390 million in 2021. This is attributable to fair value loss of Rs. 2,592 million against available for sale investments.

Underwriting liabilities increased by 51% year on year, reaching to Rs. 36,089 million at current year end as against Rs. 23,937 million in 2021.

Net Assets of the Company's 'Window Takaful Operations - Operator's Fund' increased significantly from Rs. 445 million to Rs. 664 million registering a growth of 49% year on year.

Comments on Ratios

Profitability Ratios

Profitability Ratios during the year depicted a declining trend. Underwriting results stood at -1.2% of net premium in current year as against 5.4% in last year. Investment income as a percentage of Net Premium decreased to 12.5% in current year as against 19.7% in last year. Profit after tax ratio also decreased to 15.2% in current year as against 25% in last year. This is mainly related to increase in Insurance claims and acquisition expenses amounting to Rs. 4,630 million from the last year.

Return to Shareholders Ratios

Return to shareholders / investors' Ratios dipped slightly from the last year owing to rise in Net insurance claims expenses which have impacted year on year profits. 'Return on equity' decreased to 10.4% in current year as against 12.4% in last year. While 'Return on total assets' decreased to 3.5% in current year as against 5.1% in last year.

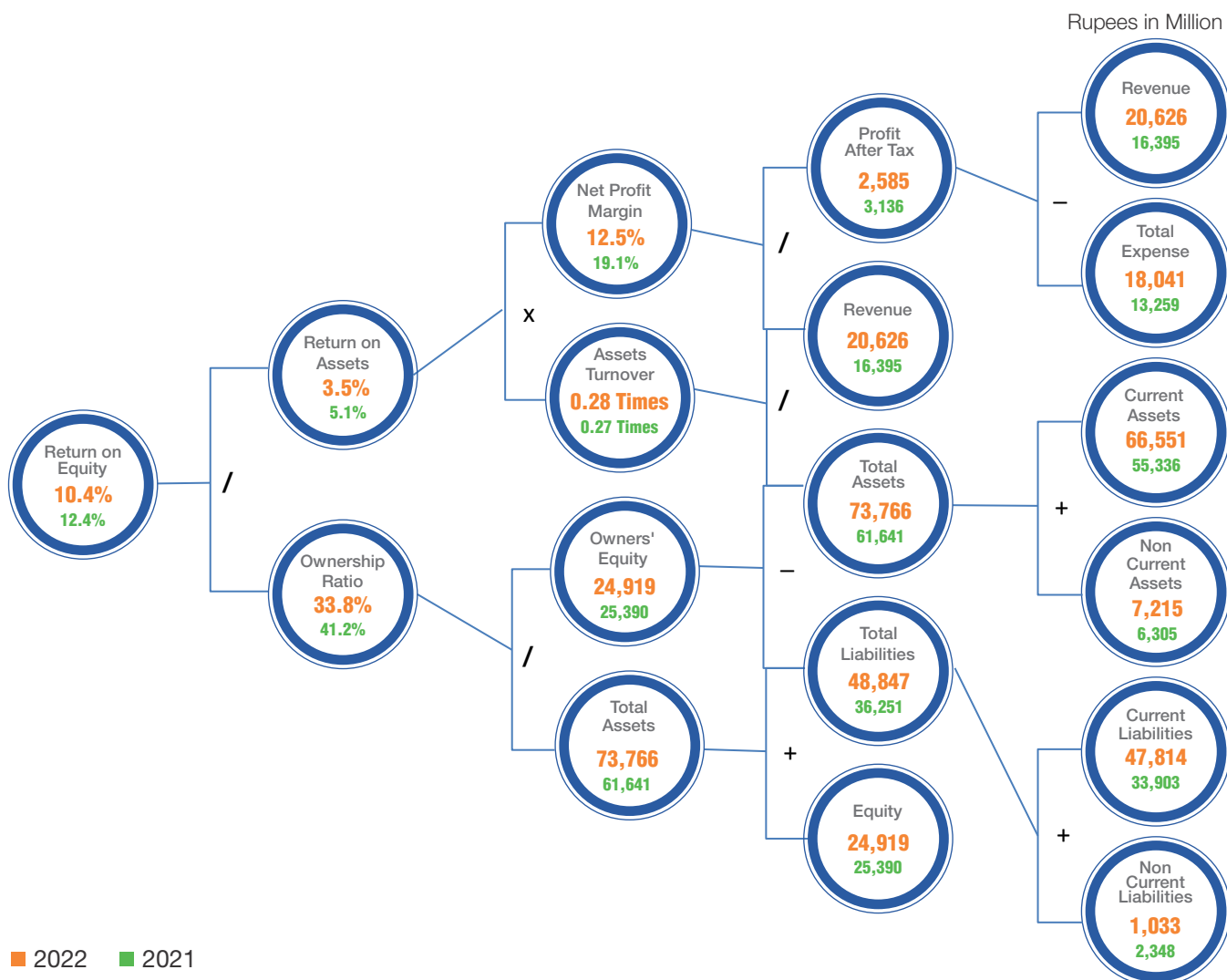
During the year, the Company has distributed Rs. 3 per share as dividend (Rs. 1.5/- per share as final dividend relating to year 2021 and Rs. 1.5/- per share as interim dividend relating to year 2022). Total dividend distribution amounted to Rs. 1,050 million.

Liquidity Ratios

Liquidity Ratios of the Company have remained in line as compared to last year ratios which reflect a stable working capital and cash flow management of the Company. The Company was able to achieve current ratio at 1.4 times while cash and bank balance to current liabilities ratio improved to 11.2% in current year as against 7.2% last year.

The proportion of 'Earning assets' to 'Total assets' has reduced to 45.9% as against 54.9% while the proportion of 'Liquid assets' to 'Total assets', also witnessed a decline to 56.1% in current year as against 66.2% last year.

DuPont Analysis

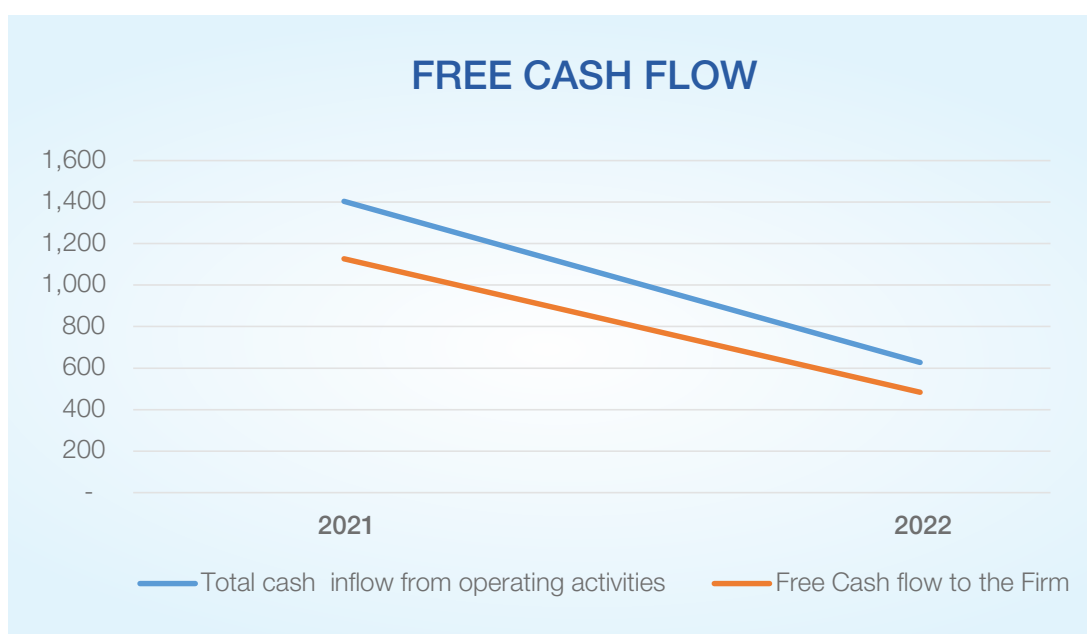


Analysis

- The Company has shown decrease in profits as compared to last year. Total expenses have increased by 36% against a corresponding increase in revenue of 26% resulting in lower profitability as compared to the previous year.
- The Net Profit Margin has decreased by 6.5% from last year due to increase in claims expense.
- Return on assets and return on equity have decreased from last year by 1.6% and 2%, respectively in line with reduced profits margins.
- Ownership ratio has decreased from last year mainly due to the substantial increase in total assets.

Free Cashflows to the Company

	2022	2021
	Rupees in Million	
Net cash flows generated from Underwriting activities	1,222	2,088
Net cash flows generated from Other operating activities	(595)	(685)
Total cash inflow from operating activities	627	1,403
Less: Capital Expenditures	(143)	(277)
Free Cash flow to the Company	484	1,126



Comments on Free Cash Flow:

The operating cashflows of the Company have declined from Rs. 1,402 million in 2021 to Rs. 627 million in 2022 which is mainly due to the large increase in claims paid and reinsurance cessions paid during the year.

Six Years' Summary of Cashflow Statements

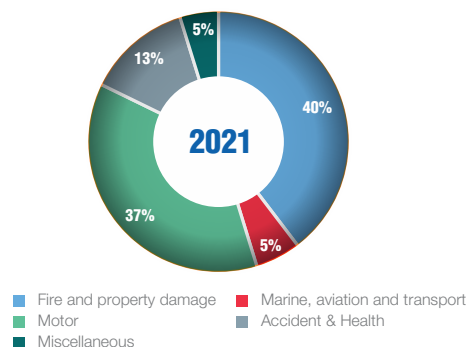
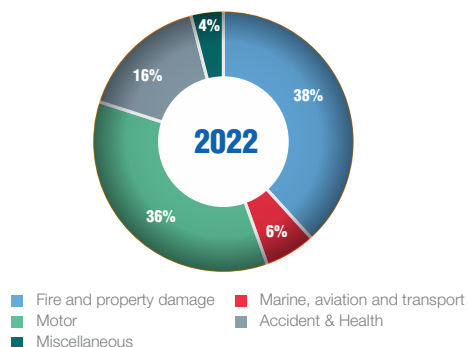
	2022	2021	2020	2019	2018	2017
	Rupees in Million					
Cashflow Summary						
Cash inflow / (outflow) from operating activities	627	1,402	648	(93)	1,892	1,060
Cash inflow / (outflow) from investing activities	4,450	(259)	280	3	(1,275)	(1,210)
Cash outflow from financing activities	(2,058)	(282)	(793)	(944)	(685)	(1,382)
Net cash inflow / (outflow) from all activities	3,019	862	135	(1,034)	(68)	(1,532)
Cash and cash equivalent at beginning of the year	2,174	1,312	1,177	2,211	2,279	3,811
Cash and cash equivalent at end of the year	5,193	2,174	1,312	1,177	2,211	2,279

Analysis

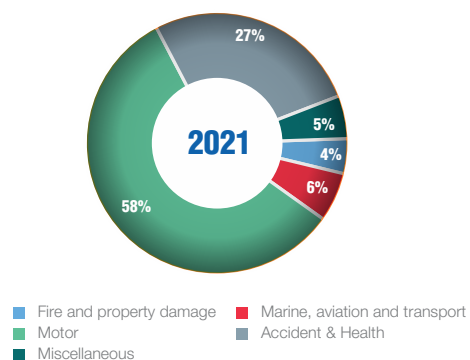
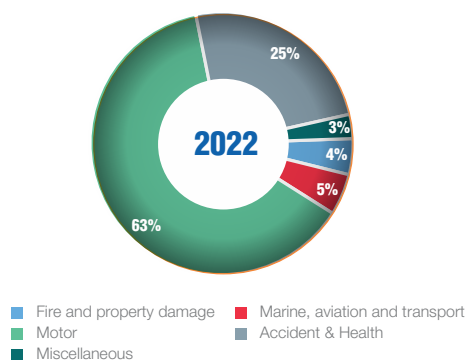
Analysis of last 6 years of the summary of cashflow statement reveals that Company has been able to maintain sufficient liquidity in the form of cash and highly liquid assets ensuring Company's strong ability to timely discharge its short term obligations mainly involving claims, reinsurance cessions and commission payments in addition to maintaining cash reserves for CAPEX, additional investments and dividend payout requirements as they arise.

Graphical Presentation of Financial Statements

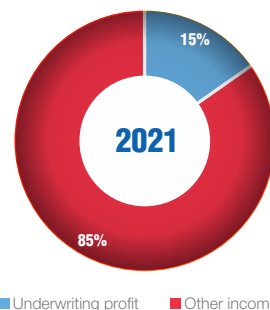
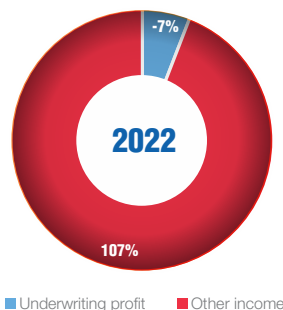
Gross Premium



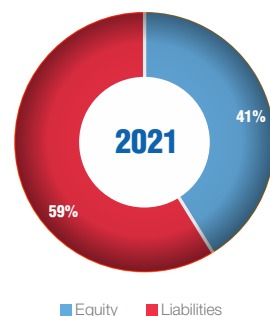
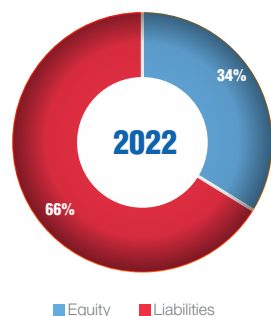
Net Claims



Analysis of Income

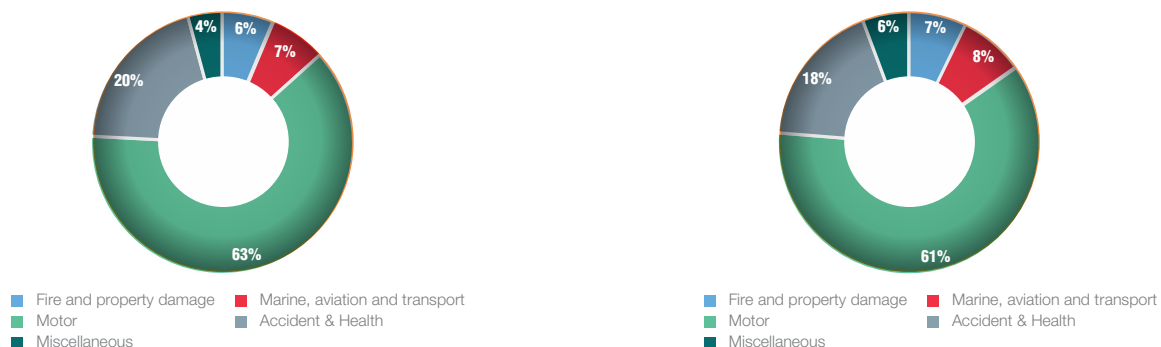


Total Equity and Liabilities



Graphical Presentation of Financial Statements

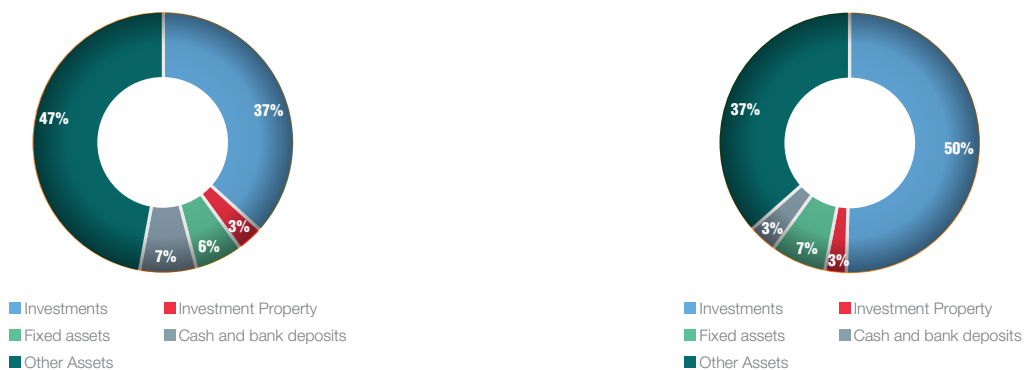
Net Premium Revenue



Combined Expenses



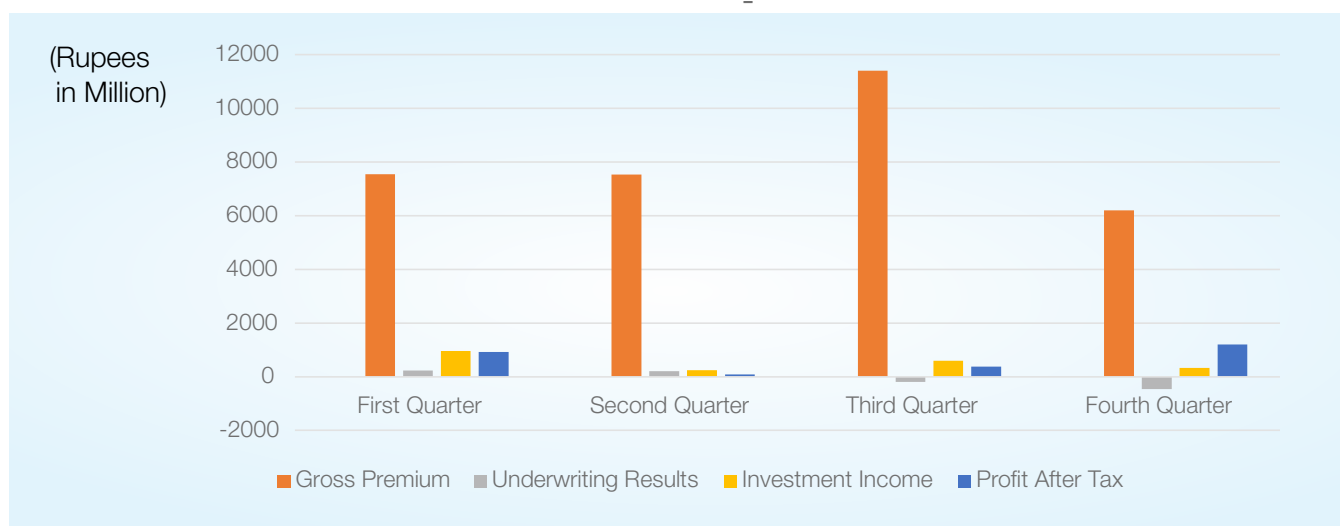
Total Assets



Investment Income



Quarterly Performance Analysis 2022



Gross Premium

The third quarter proved to be a major contributor of gross premium written of the current year by contributing 35% of the total Gross premium written during the year. The gross premium written at entity level increased by 40% from last year due to 32% and 63% increase in gross premium written for Inside and Outside Pakistan based operations, respectively. This is a testament of strong recovery and continued business growth as per previous year trends.

Underwriting results

Overall performance in terms of underwriting results remained in loss of Rs. 209 million for the year. The first two quarters showed profits in terms of underwriting results whereas, due to increase in claims booked during the last two quarters the Company on account of floods in Pakistan and higher than expected losses suffered in UAE operations incurred underwriting loss of Rs. 191 million and Rs. 458 million in the third and fourth quarter respectively. The underwriting results at entity level have decreased by 131% from last year mainly due to 57% increase in net claims expense resulting in 'Claim ratio' to increase to 66% in current year as against 57% in last year.

Investment Income

Current year witnessed 14% decrease in investment income mainly due to decline of 22% in dividend income amounting to Rs. 487 million. As illustrated graphically above, 45% of the total Investment income was earned during first quarter.

Profitability Analysis

The Company showed profitability in all four quarters of the year; however, results peaked in the first and last quarter. All the 4 quarters contributed 36%, 3%, 15% and 46%, respectively which ultimately resulted in a profit of Rs. 2,585 million for the year. This is largely due to management efforts concentrated on regular performance reviews of the Company and taking necessary actions and measures aimed at steering the Company towards meeting profitability objectives for the shareholders.

Methods and Assumptions in Compiling Indicators

The Company takes into account both internal and external performance measuring tools and sector specific KPIs in opting for indicators that objectively evaluate Company's performance against standard benchmarks.

Financial

Operating Performance

For evaluating the Company's operating performance, the management analyses for each line of business and its subsidiary classes the premium growth trends, loss ratio, commission ratio, combined ratio, operating profitability ratio and net margin ratio across the sector to gauge its own standing and identify the possible areas of improvement.

Investor KPIs

To analyze the Company's performance with regards to return to shareholders, the indicators mainly used involve return on equity, P/E ratio, price to book value, dividend yield, return on assets and earnings growth.

Liquidity Strength

Company's liquidity strength is measured by KPIs such as current ratio, quick ratio, liquid ratio, assets turnover and equity to total assets ratio.

Non-Financial

Underwriting

The management realizes the importance of customer satisfaction and measures its performance by client reviews, client retention rate and client turnover ratio.

Claims

The Company closely monitors the claim turn around time to ensure claims are timely processed once they are intimated to the Company. These turn around times are set for each class of business.

Human Resource

The Company is keen to engage and develop Human Resource that adds value to the Company and to ensure the overall corporate objectives are achieved. The Company periodically evaluates employee turnover and employee satisfaction for each department whilst investing in employee training and development drills to facilitate job rotation, job enrichment and succession planning.

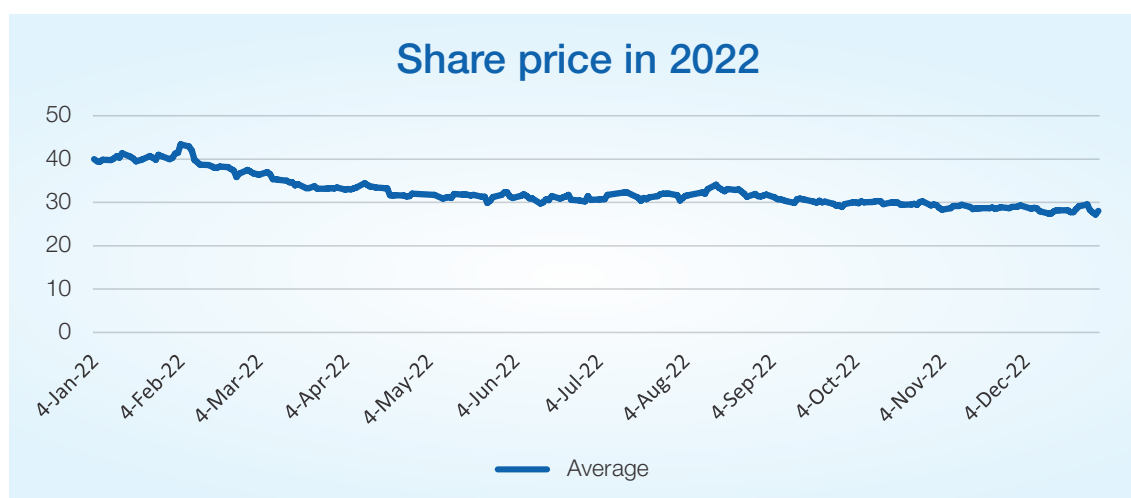
Change in Indicators and Performance Measures

The performance measures are subject to periodic reviews and are regularly updated to help management scale the competitive environment. Revised KPIs are agreed with functional managers to ensure management / employees have their buy-in.

Market Statistics of AICL Share

AICL's share price along with daily trading volume from Pakistan Stock Exchange (PSX) on key dates during the year 2022 are given below:

	High	Low	Closing	Daily trading Volume
		Rupees		No of Shares
December 31, 2022	29.00	27.00	28.17	784,500
September 30, 2022	30.65	28.61	30.22	445,500
June 30, 2022	32.24	30.60	31.56	540,500
March 31, 2022	33.50	32.95	33.48	318,000



Share price sensitivity analysis

The Company's share price is affected by various internal and external factors as below:

- Operating performance of the Company
- Performance of entities in which Company has invested (impacts investment income of the Company)
- Announcement of dividends
- Political stability
- Law & Order situation
- General economic conditions
- Changes in regulatory environment
- Stock market sentiment

Sensitivity analysis of change in market capitalization

Market capitalization is the aggregate value of a company based on its share price and total number of outstanding shares. It simply refers to how much a company is worth as determined by its share price.

Below is market capitalization of AICL along with sensitivity analysis with change in market share price:

Share price on year end, 2022 (PSX)	Rs. 28.17
Market capitalization on year end, 2022	Rs. 9,860 million

10% change in share price would have the following impact on the market capitalization of AICL:

10% increase	Rs. 986 million
10% decrease	Rs. (986) million

Sensitivity to Foreign Currency Fluctuations

The Operations of the Company within Pakistan, at present are not materially exposed to fluctuations in foreign currency exchange rates as all transactions are carried out within Pakistan and financial statements are prepared in Pak Rupees (PKR). The amount of assets, liabilities, revenues and expenditures are also not sensitive to the fluctuation in exchange rates of foreign currencies. Exchange difference on the translation of the branches at United Arab Emirates (UAE) and Export Processing Zone (EPZ) are however considered in "exchange translation reserve", because these branches operate in foreign currencies, i.e. United Arab Emirates Dirham (AED) and US Dollar, respectively.

The assets and liabilities of foreign branches are translated into Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated into Pak Rupees at the average rate of exchange for the year.

Translation gains and losses arising on the translation of the Company's net investments in foreign branches are taken to the capital reserves 'Exchange Translation Reserve'.

Major Capital Expenditures:

During the year, the Company has incurred Rs. 143 million (2021: Rs. 277 million) on capital items relating to both tangible and intangible infrastructure. Major portion of this expenditure was incurred on the the items of office buildings, motor vehicles, machinery and equipment and IT related projects. Most of these expenditures were incurred based on the requirement for the new construction or long term maintenances in addition to new IT initiatives for which costs were capitalised during the year.

The Company has planned capital expenditure for the year 2023. This expenditure would primarily be relating to IT related projects and routine replacements of tangible capital nature items.

Fair Value and Forced Sale Value of Property and Equipment

Owned Property assets, including land and buildings are stated at Cost less accumulated depreciation and accumulated impairment losses, if any. The Company had adopted the Cost model under IAS 16 - 'Property, plant and equipment' as its accounting model to

account for property and equipment. The carrying amount of land and buildings class of assets as per Note 5.1 amounts to Rs. 3,086 million. The fair value calculated by an independent valuer, regarding the same land and building assets amounts to Rs. 4,745 million. The management assesses that the forced sale value of the land and building would be approximately 80% of the fair value.

Significant immovable properties

The Company possesses several properties in Pakistan including properties in Export processing zone and United Arab Emirates. The location and area of significant immovable properties is as follows:

Particulars	Address	Area (Sq. ft)
Adamjee House Building - Lahore	80A, E-1, Main Boulevard, Gulberg III, Lahore.	164,818
Adamjee House Building - Karachi	Adamjee House, I I Chundrigar road, Karachi.	128,515
Dubai Office	Unit 301,302 and 303, 3rd floor, One bay business building, Dubai.	7,202

Summary of significant transactions and events during the year

The Company, during its conduct of business, has transacted some significant transactions that had significant effect on the company's financial position and performance during the year.

During the year, Adamjee Life Assurance Limited, a wholly owned subsidiary of the Company got listed on Pakistan Stock Exchange and 10 percent of its shares were sold by the Company as part of Initial Public Offering at a strike price of Rs. 28 per share. This resulted in significant amount of cash inflows to the Company which helped further strengthen the liquidity position during the year.

The Company also made investment amounting to Rs.

900 million in Hyundai Nishat Motor (Private) Limited as part of strategy of increasing the exposure of the Company into automobile sector of the economy by subscribing to right issue. The related shares were issued subsequent to the year end after complying with all secretarial requirements. This investment decision is part of Company's diversification strategy of its investment portfolio.

The Company has also recognised gain on fair value measurement of its Investment property amounting to Rs. 794 million (2021: Rs. 961 million) during the year which has also helped in achieving the profitability objectives of the Company.

Loans, advances or investments made in foreign companies or undertakings

The Company operates foreign operations in United Arab Emirates consisting of 3 Branches in the cities of Abu Dhabi, Dubai and Sharjah. The foreign branches provide services through Fire and property damage, Marine, aviation and transport, Motor, Accident & Health and Miscellaneous classes of business with motor class being the dominant class of business. Though the revenues of foreign operations of the Company grew, the operations suffered significant losses during the year to which management of the Company is paying due attention by taking corrective actions.

Human resource accounting policy

The Human Resource Accounting (HRA) philosophy of the Company recognizes its employees as an 'Organizational Resource'. The Company invests in its human assets by incurring costs to recruit, select, hire, train and develop its Human Resources.

The Company acknowledges its employees as greatest asset being part of the financial service sector. The Company believes the ability to attract and retain quality Human Resources is the key driver of future success and innovation. Especially in fast-changing business environment with increased dependence on strong IT based platforms and distribution channels, the Company remains fully aware of retaining best quality of professionals with sound understanding of the insurance sector. The Company also regularly engages employees in training and development workshops and activities enabling them to keep employees abreast of the latest

developments in their respective fields.

With increased growth and presence in the multi-cultural business environment both locally and in United Arab Emirates, the Company also aims at developing personality traits of the employees which helps employees a long way in customer dealing and satisfaction in addition to improving internal inter-personal and inter-departmental communication flows.

The HR philosophy adopted by the Company has helped improve the staff turnover ratio during the year which remained 12.88% compared with 13.08% of the last year.

Investment in Human Resource development has resulted in increased productivity of the employees as Gross premium written per employee for the current year is Rs. 35.36 million (2021: Rs. 25.63 million) showing an increase of 38% from the last year.

Employee turnover for 2022 : 12%

Employee productivity rate for 2022

Gross Premium & Contribution Written: Rs. 38 million per employee.

Management's assessment of Tax

The Company holds provision for taxation in accordance with the applicable financial reporting framework. Contingencies with respect to the direct or indirect taxation have been disclosed in the Note 27 to the financial statements. Based on the comparison of tax provision recognized in the financial statements for last three years with the tax assessments, the management assesses that the provision of taxation maintained was sufficient.

Solvency Margin

The solvency requirements are set by the regulator to ensure that the insurers have adequate capital and ability to pay off financial obligations as they arise. The solvency requirement is a formula-based figure calibrated in a way so as to ensure that all the quantifiable risks are taken into account including underwriting risk, market risk, credit risk, operational and counterparty risks. In addition to meeting solvency requirements, the regulator also prescribes the minimum capital requirement which sets the threshold which is mandatory for the insurers to carry out general insurance business.

Minimum Capital Requirement (MCR)

The Company regularly reviews its minimum capital requirement and as of reporting date, the Company's paid-up capital is Rs. 3,500 million which is well in excess of the minimum capital requirement limit of Rs. 500 million as prescribed by the Securities and Exchange Commission of Pakistan (SECP) for the purpose.

Minimum Solvency Requirement (MSR)

The Company is subject to maintaining minimum solvency as per the applicable criteria laid down by the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The Company makes assessment of its net admissible assets against the minimum solvency requirement enabling the Company to have net admissible assets well in excess of the minimum solvency requirement (MSR) at all reporting period ends. As of 31 December 2022, the Company has

excess net admissible assets over minimum requirement by Rs. 2,393 million (2021: Rs. 3,116 million) as per the applicable criteria laid down by the Insurance Ordinance, 2000 and the Insurance Rules, 2017. Solvency margin is the excess of an insurer's net admissible assets over its minimum solvency requirement (MSR) set by regulator. This results in 56% (2021: 99%) excess solvency margin over the solvency requirement. The net admissible assets are 1.56 times (2021: 1.99 times) of the minimum solvency requirement (MSR). These excess net admissible assets are a testament of the Company's financial strength determined by its strong ability to pay out both existing and potential financial liabilities at the reporting date.

Solvency Ratio

In addition to statutory minimum solvency requirement, the Company also regularly reviews its Solvency Ratio based on conventional measurement criteria to ensure Company's cashflows are adequate to pay-off its total liabilities. This results in solvency ratio of 5.81% (2021: 9.34%) of the Company for the periods presented in the financial statements. If analyzed, the numerator constitutes the entity's current cash flow, while the denominator comprises the entity's total liabilities as of the reporting date. Keeping in view the solvency ratios, it can be concluded that the Company is expected to have adequate liquid reserves to pay off the total liabilities when they fall due. The solvency ratio is being measured using the formula below:

- Solvency Ratio = (Net Income + Depreciation & Amortization) / All Liabilities (Short-term + Long-term Liabilities)"

Review of assets quality

The quality of the Company's assets is determined by analyzing the credit worthiness of the counterparties with which the Company enters into transactions while carrying on business. The Company regularly monitors the credit exposures it has undertaken and periodically assesses the quality of its recoverables. The Company ensures adequate provisioning of the recoverables based on the applicable framework. The Company strives to address concentration of credit risk by maintaining adequate diversity with respect to distribution of its recoverables between entities of sound financial standings, covering various industrial sectors. The Company operates in-house Credit Control function which ensures timely collections of due balances in line with the credit limits allowed to the counterparties.

A significant part of the Company's recoverables lies with the reinsurance partners, the panel of which is periodically selected and reviewed taking into account

their current financial strength ratings. Apart from mandatory local cessions that the Company has to enter into, the Company engages reputable foreign reinsurers having past claim payment history and ability to pay large claims. As of the reporting date, the 78% (2021: 78%) of amounts due from other insurers on gross basis are recoverable from other insurers which are rated A or Above (including PRCL) with reference to their available external credit ratings.

The Company also assesses the credit quality of the banking institutions with which its funds are placed. The Company has aimed at maintaining its liquid deposits with the financial institutions of sound financial strength based on the relative likelihood of their defaults. The Company assesses the relative financial strength of these financial institutions through available external credit ratings issued by reputable rating agencies. As of the reporting date, the 99.80% (2021: 99.84%) of the bank deposits are placed with banking institutions which are rated A1 or higher on basis of short term rating.

Financial Events during the year

Financial Results	Announcement Date	Dividend Declared/Proposed
First Quarter Ended 31 March 2022	28 April 2022	Nil
Half Year Ended 30 June 2022	29 August 2022	@ 15% (Rs. 1.50 per share)
Third Quarter Ended 30 September 2022	27 October 2022	Nil
Year Ended 31 December 2022	21 March 2023	@ 15% (Rs. 1.50 per share)

Investor Relations Events	Month/Year
Listing of Adamjee Life Assurance Company Limited, subsidiary of the Company with effect from	04 March 2022
Corporate briefing session held on	30 December 2022
62nd Annual General Meeting Scheduled on	28 April 2023

Disclosure of outstanding premium/ unearned premium

During the year, the Company witnessed double digit increase in both outstanding insurance receivables and unearned premium reserve in line with the 40% increase in gross premium written. The Company focuses on maintaining adequate debtors' turnover ratio based on credit period given to customers as the policy is underwritten and sold to the customer. The Company regularly reviews its credit policy and accordingly adjusts the credit given to the customers. Unearned premium reserve is also closely monitored and assessed by the Management of the Company to ensure that the unearned premium reserve is adequate to cover the unexpired risks and insurance liabilities of the Company which might become payable as part of the discharge of insurance contractual commitments.

Claims under different categories of policies

The Company is exposed to different claim liabilities due to policies written under different classes of business which mainly include fire, marine, motor, health and miscellaneous lines of business. Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit, cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, mobilization and performance bond, etc. The Company also enters into reinsurance contract arrangements with reputable reinsurance companies to ensure that it receives adequate recoveries against claim liabilities as they arise, and it stays capable of paying large claims as they occur. During the year, the Company witnessed 63% increase in its outstanding claims including IBNR which is mainly due to increase in exposure in different lines of business, which is a result of increase in gross premium written. However, the

Company has adequate reinsurance recoveries against these claims which would help it pay off its claim liabilities.

Insurance Sector Ratios

The ratios and the related commentary has been detailed in the relevant sections of the Report. However, certain insurance specific ratios are being listed here.

Ratio	FY 2022	FY 2021
Claim ratio	66%	57%
Solvency ratio	56%	99%
Premium growth ratio	40%	28%
Claim settlement ratio	82%	77%
Combined ratio	101%	95%
Persistency ratio (renewable business)	63%	61%
Reinsurance premium ceded on gross premium (%)	45%	42%
Reinsurance claim recovery percentage	56%	43%
Retention ratio	57%	60%
External liability ratio*	-	-

*The Company does not have any long term debts as of the reporting dates mentioned in the table above.





OUTLOOK

Forward Looking Statement

In this statement Adamjee Insurance sets out its financial outlook based on known trends, future expectations of external environment and factors with the potential to impact the Company as well as Insurance Industry, and uncertainties that can cause the actual performance to significantly differ from the projections. This statement is based on assumptions of the Company's management and being one of the largest general insurance companies of Pakistan, the Company possesses the required experience and skills to develop business plans based on current and past trends and current expectations of the future events. However, various factors can still cause the actual performance to significantly differ from the future projections as it is not possible to predict the future with absolute accuracy.

The Company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis, but there can be no assurance that these expectations, beliefs or projections will hold in future or be achieved or accomplished. Hence, undue reliance on this statement is not advised.

Outlook of External Environment

External environment in which the Company operates has the ability to significantly affect the Company's strategy, performance and capital. The Company's expectations regarding the outlook of external environment are as below:

The political stability and law and order situation of a country has always been a major factor in deciding the growth of any industry. Political situation of Pakistan is expected to remain uncertain while law and order situation has been satisfactory and is expected to remain so.

The Company envisages the economic outlook of the Country, especially amidst the inflationary pressures, trade & current account deficit, dwindling foreign exchange reserves, contractionary measures by SBP and prevailing internal & regional geopolitical developments, to remain uncertain.

There is ever growing awareness about health, protection, work-life balance and gender equality at the workplace. Further, the Covid-19 pandemic has urged humanity to more closely look at the matters of health and general wellbeing. The Company expects that there would not be significant changes in social environment.

Innovative digital solutions are taking over the insurance market and have a positive impact on the profitability as well. Customers today look for convenience, hence, technological advancements have become a key factor in retaining and increasing the customer base. The Company foresees that technological advancement will have significant effect on its performance and adoption of advance technologies will provide it competitive advantage in the industry.

Climate change and resultant issues being faced by humanity such as global warming and extreme weather conditions pose significant risk to the insurance business as they affect the severity and likelihood the insurance claims. Further, Pakistan witnessed one of the most catastrophic floods of its history during the year. The Company foresees that climate change can pose significant risk in coming years.

Legal and regulatory environment is expected to become stricter to achieve the transparency and address concerns of international bodies and to align itself with global best practices and regulations.

The Board and management of the Company closely monitor the external environment along with its probable impact on the Company's performance and regularly review the need to update its strategies and control mechanism to minimize and/or mitigate the adverse impact, if any, posed by the factors of external environment.

Adamjee Insurance's Outlook

Adamjee Insurance's strategy for 2023 is to continue achieving sustainable growth by focusing on further strengthening the risk and compliance management as well as utilization of the digital technologies supported by an appropriate infrastructure to increase its market share and achieve competitive advantage in insurance industry. By adopting the latest and advanced digital technologies such as Artificial Intelligence (AI) and Chatbots, the Company is committed to redefine customer experience by providing a superior interface with convenience. Further, the Company is diversifying its business portfolio in UAE market as well.

The Company's investment policy is focused on maximizing investment returns and increase shareholders' wealth.

The Company is also focusing to expand market share of its Window Takaful Operations.

To achieve the objective of providing the customers with unparalleled service, the Company will continue to invest towards empowering employees through performance-

based rewards, employee trainings and engagement activities.

Quantitative Projections for 2023

Quantitative projections for 2023 along with associated risks that might cause hindrance in achieving these projections are as below:

Targets	Associated Risk
Growth trends in Premiums to continue, however, growth trajectory to remain on lower side from previous years	Political situation of the country, contractionary measures by the Government, inflation and cut-throat competition in market to retain existing and acquire new business
Claim ratio to remain at around last 5 years' average	Risk management to evaluate high risk businesses whilst following the Company's underwriting philosophy
Operational expenses percentage growth to remain moderate	Inflation and adverse fluctuations in exchange rate may pose risk in meeting the operational cost target
Improvement in investment income	Stock market volatility would be the key associated risk to achieve the target
Stable dividend payout	Regulatory restrictions can cause deviation

With the latest digital infrastructure, improved customer services and better stakeholder relations, the Company is committed to achieve quantitative targets for 2023.

Key Projects to Support Future Performance of Company

- Motor Insurance App for UAE
- New Website Launch for UAE
- One Digital Platform for all Retail Based Products
- E-KYC Automation
- Design Thinking Studio – In House Product Experience Lab

Uncertainties that could impact the strategies and projected performance

In addition to various other factors and matters, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements:

- Continued instability in Political environment, deterioration in Law & Order situation and regional geopolitical environment
- Changes in laws, regulations or judicial interpretations to which the Company is subject to, including those involving taxes, safety, employment, climate change, etc.
- The Company's ability to estimate accurately the timing of resources required to meet the targets.
- Changes in economic conditions, including inflationary pressures and global, national or regional recessions along with their effect on the demand and customers' ability to pay for the Company's products and services.
- The creditworthiness or performance of the Company's key suppliers, customers and counterparties.
- The impact of information technology disruptions, cybersecurity or data security breaches.
- Frequency, severity and development of the insurance claims.
- Unexpected volatility in stock market.

Performance against Forward Looking Statement of 2022 disclosed in 2021

The Company disclosed following quantitative projections for 2022 in its Annual Report 2021:

Targets set for 2022	Performance in 2022
Growth trends in Premiums to continue in Conventional Business and Contribution growth to recover in 2022 after a decline in 2021 for Window Takaful Operations	Both the Conventional Business as well as Window Takaful Operations achieved significant growth in premiums and contribution. Conventional business achieved 40% growth in premiums and Window Takaful Operations achieved 72% growth in gross contribution.
Claim ratio to remain at around last 3 years' average	There are significant uncertainties involved in determining the frequency, severity and development of the claims. The management set this aggressive target for 2022. However, the net claim ratio was 66% in 2022 which is higher than the last three years' average.
Operational expenses percentage growth to remain in single digit	There has been significant pressure on operational expenses during the year 2022 due to unexpectedly high inflation. Hence, this target was not met. However, expenses as a percentage of its net premium revenue remained at the same level as in 2021.
Improvement in Investment income is expected to be achieved	Owing to volatility in stock market and distribution of dividends in 2021 by banking companies, that were put on hold in 2020 as per instructions of the State Bank of Pakistan, investment income of the Company declined by 14% in 2022. However, return on overall investment portfolio remained at 8% (2021: 8%).
Stable dividend payout	During the year 2022, the Company has paid Rs. 1,050 million (2021: Rs. 962.5 million) as dividend to the shareholders.

Status of Projects Disclosed in Annual Report 2021

Project Details	Status
Launch of Adamjee Digital Web- based CRM System	In Process
Brokers Enterprise CRM System	In Process
Direct Integration of Insurance Aggregators with B2C Module	In Process
AI Based Risk Survey	In Process - Merged in One Platform Project
Launch of Loyalty Programme for Retention of Customers	In Process
Fraud Control System	In Process
Integration of Payment Gateways and Alliances Partners	In Process
E-KYC Application updating with respect to Retail based Customers	In Process
Data Analysis and Decision Making	On Going Project

Sources of information and assumptions used for projections

The Company has utilized its internal systems and databank as well as external public sources to obtain information relating to general economic indicators, known trends and industry specific data and processed the information by utilizing the expertise of in-house team and tools to prepare the projections regarding operational and financial projections.

The Company has not obtained the services of external consultant for the purpose of projections disclosed in this statement.

Response to the critical challenges and uncertainties

The Company is well placed to respond to the critical challenges and uncertainties that could stem from the risks which if materialized, could have significant impact on the Company's strategies, performance and can cause the actual performance to significantly differ from projections.

A detailed analysis of such risks along with the Company's response thereto is provided in 'Risk and Opportunities Section' of this report. Further, the Company's Business Continuity Plan, Cybersecurity Policy and Pandemic Recovery Plan are also relevant to addressing the uncertainties.



GROWING STRONGER TOGETHER
**STAKEHOLDERS
RELATIONSHIP
AND ENGAGEMENT**



Stakeholder Relationship and Engagement

Identification of stakeholders

The importance of stakeholders' identification cannot be over emphasized. If an organization is able to clearly identify its stakeholders, it would be in a better position to manage and engage them. The Company has identified its stakeholders by identifying individuals as well as group of individuals, both internal and external, who are likely to be affected by the Company and who has the potential to influence the Company.

Stakeholder engagement policy

The Company engages wide range of stakeholders for the purpose of its business and believes in maintaining effective, transparent and frequent interaction with them to share financial performance of the Company, significant changes in regulatory environment, future outlook and implications of the general economic conditions on the operations of the Company. The Company's policy aims to achieve the following objectives:

- Identification, prioritization and understanding of all

stakeholders

- Maintain healthy and sustained relationship with the stakeholders
- Provide access to non-confidential and relevant information to stakeholders to enhance public image of the Company
- Provision of platform to the stakeholders through which they can share their feedback and complaints and resolving their complaints as early as possible

Stakeholders' engagement process & frequency

Healthy and sustained relationship with the stakeholder is important for any organization to perform well in short term and achieve its strategic objectives in the long term. The table below highlights the various types of stakeholders who are generally engaged with the Company along with their expectations, role in achieving strategic objectives of the Company and frequency of their engagements:

Stakeholder	What matters to them	Reasons to engage them	Engagement method	Effect on performance & value	Frequency of engagement
Shareholders, Investors / Lenders and Analysts	<ul style="list-style-type: none"> ◆ Availability of transparent information on timely basis ◆ Efficient management ◆ Clear business objectives and strategies ◆ Enhance business value and positive image of the Company 	They are the providers of capital and expect sustainable return on their investment and perform independent analysis of the Company's financial position and performance.	Quarterly, half yearly and annual reports. Board meetings, Annual General Meeting, Extraordinary General Meetings, Corporate Briefing Session, press releases and regular investor calls.	Shareholders provide the required capital and through Board of Directors guide the policies. Lenders and Analysts perform an independent analysis of performance and highlights shortcomings and suggestions, if any.	Quarterly, half yearly and annually. As and when required.
Customers	<ul style="list-style-type: none"> ◆ Customized solutions ◆ Customer satisfaction and protection ◆ Convenience ◆ Innovative products to fulfil their emerging needs ◆ Simple and smooth processes ◆ Efficient claim processing 	Customers are the center of our attention as they are the buyers of our policies through which the Company generates its revenue.	Connecting with our customers using physical channels i.e. meetings, direct relationship through our branches as well as digital channels i.e. website, social media, call center etc.	Customer satisfaction results in business growth and retention which enhances business value.	Continuous as well as on the specific requirements.

Stakeholder	What matters to them	Reasons to engage them	Engagement method	Effect on performance & value	Frequency of engagement
Employees	<ul style="list-style-type: none"> ◆ Career growth ◆ Continuous professional development through trainings ◆ Work life balance ◆ Recognition of their efforts ◆ Flexible culture ◆ Performance based rewards 	Employees are one of the most important pillars on which the Company stands and help us to achieve our overall objectives.	Employee engagement modes include team building sessions, meetings with management, appraisals, employee recreational events, newsletters, website and social media.	Skilled, satisfied and motivated employee can significantly contribute towards the achievement of goals and objectives.	Daily, annually, quarterly, continuous availability
Regulator & Govt. Bodies	<ul style="list-style-type: none"> ◆ Statutory and legal Compliance ◆ Development of the insurance sector ◆ Transparent information and disclosures ◆ Timely reporting ◆ Guidance 	They develop laws and policies to regulate the business environment ensuring transparency in business operations and securing the interest of public at large.	Submission of regulatory information required under the applicable laws and responding to the specific queries requiring certain information	Transparency in operations along with statutory and legal compliance and guidance can enhance public image.	Specific timelines and whenever required
Media	<ul style="list-style-type: none"> ◆ Fair advertisement ◆ Providing true information 	Ability to create brand awareness and influence public perception towards specific products or services.	Marketing campaigns, interaction through social media and press releases	Media can impact the performance by creating brand awareness and positive public image.	As and when required
Supplier & Service Providers	<ul style="list-style-type: none"> ◆ Business opportunity ◆ Fair dealing ◆ Sustained business relationship 	Suppliers and service providers including insurance agents, reinsurers & reinsurance broker are our business partners and provide us with goods and services necessary to achieve our goals and strategic objectives.	Interaction is maintained through direct relationship, meetings, provision of information, Company's website and social media.	Can impact the performance of the Company by providing quality inputs at competitive prices on timely basis.	On regular basis

Stakeholder	What matters to them	Reasons to engage them	Engagement method	Effect on performance & value	Frequency of engagement
Society	<ul style="list-style-type: none"> ◆ Create employment and provide equal opportunity to all members of society ◆ Ethical standards ◆ Protection of environment ◆ Corporate social responsibility 	Society, as a whole, is an important stakeholder as it provides the necessary inputs as well as conducive environment to the Company to conduct its business.	Connecting with the society by providing employment opportunities, observing ethical standards, reducing carbon footprints, contributing towards health and education for betterment of the society.	Society impacts the performance in various ways ranging from availability of skilled human resource to conducive business environment to conduct business.	Continuous

Steps to encourage shareholders to attend the general meetings

General meeting of an organization provides a platform to decide the important matters as well as solicit the viewpoints of shareholders, especially minority shareholders, regarding performance of the organization. It is, therefore, the Company takes immense interest in encouraging all shareholders, especially minority shareholders to participate in the general meetings of the Company. Below are the steps taken by the Company for this purpose:

To ensure they know:

Notice of the general meetings specifying time and place of the meeting is forwarded to each shareholder and published in Urdu as well as English newspapers at least 21 days before the date of meeting. Further, the notice of general meetings is also made available on the Company's website.

To ensure they attend:

All shareholders are entitled to attend, speak and vote at the meetings of the Company and are entitled to appoint proxy to attend the meeting on their behalf. Annual Report of the Company is provided to all shareholders before Annual General Meeting (AGM) so that they can review performance of the Company. Further, a detailed briefing on Company's performance is provided in AGM and all shareholders, including minority

shareholders, are encouraged to raise their queries and provide suggestions relating to performance of the Company.

To facilitate participation:

The general meetings of the Company are being conducted virtually through video link which enables and increases participation of shareholders from all over the country and globe. During the year three general meetings of the Company were convened (one Annual General Meeting and two Extra Ordinary General Meetings), except for one extra ordinary general meeting in which election of directors was to be held was convened physically while for other meetings, facility to participate virtually through video link was provided.

Investors' Relations section on the Company's website

As one of the leading insurance company, AICL is committed to providing the best service to its investors / shareholders and creating long term value for them. We ensure consistent and transparent reporting. The Company strives to provide the investors/shareholders with accurate financial information and this information is disseminated through various channels such as Annual and Quarterly reports, press releases, and the Company's website. The information on the website is always kept up to date. The website contains section for investors which covers all the areas that an investor might be interested in. Furthermore, a complaint form is

also available on the website and the Company's management ensures efficient handling of any grievance or query.

Issues raised in last AGM, decisions taken and their implementation status

The Company takes keen interest in soliciting viewpoints of the shareholders regarding its performance. However, at the last Annual General Meeting (AGM) held on 28 April 2022, no significant issues were raised, and all agenda items were unanimously adopted by the shareholders.

Corporate and Analyst briefing sessions

The Company has conducted its annual 'Corporate Briefing Session' on 30 December 2022. This briefing session was conducted both physically and through online medium to encourage participation by maximum shareholders and analysts. The session was attended by senior management and various shareholders and

analysts. The management presented a detailed analysis of the Company's performance and answered the queries raised by the attendants.

The Company also interacts with local as well as international credit rating agencies for the purpose of securing IFS ratings. Local credit rating agency 'PACRA' has assigned the Company with 'AA++' rating while one of the most renowned international agency AM Best (UK) assigned the Company with IFS rating of 'B'.

Highlights about redressal of Investors' Complaints

The Company assigns the grievances / complaints from investors their due importance and strives hard to resolve them as soon as possible. Handling the complaints to the satisfaction of the parties involved and in such a way that it turns out to be a win-win situation for stakeholders is important for the public image and as a learning for better service delivery in future

Investors mainly complain about non receipt of dividend which is resolved at the earliest.





STEADYING THE WORLD AROUND US
**SUSTAINABILITY
AND CORPORATE
SOCIAL
RESPONSIBILITY**

Sustainability & Corporate Social Responsibility

For Adamjee Insurance, sustainable insurance entails more than just financial success. For us, profitable insurance actually entails reconciling social and environmental issues with financial returns. A key aspect of the present-day value-driven strategy is the idea of "sustainable insurance"

The ultimate objective of our "3P" framework is to communicate our dedication to sustainability and inspire us to continually integrate elements of holistic and inclusive growth into our operations. In addition, we are working on a plan that will provide us specific goals, benchmarks, and key performance indicators as we advance on our sustainability path towards achieving universal insurance.



Our Approach towards Sustainability

The world is transforming at an unprecedented pace. At Adamjee Insurance, we believe we can have a positive impact in our role as insurer, investor and employer in society. We have the knowledge, skills and capabilities and spirit to make a difference.

Being a responsible and sustainable organization is the foundation of our business. We're swiftly reducing our carbon footprint, helping our customers adopt more sustainable behaviors, supporting employee wellbeing, and helping communities become more resilient to natural hazards and extreme weather.

We see sustainability as part of the value we bring to our customers, communities, employees, agents, distributors, and shareholders. We are dedicated to creating a better world for all our stakeholders. We are proud to reveal our 'Sustainability & Corporate Social Responsibility 2022 Strategy', where you will find our disclosures in the insurance industry frameworks. Our focus on sustainability enables us to fulfill our purpose with a roadmap and clear priorities guiding us in our journey.

The company has always been an active patron of women, youth empowerment & development. We have always been very proactive organization towards fulfilling our responsibilities in the society.

At Adamjee Insurance, we earnestly believe that it's the responsibility of the privileged to help the society to get a better life. As reflection to that belief, we actively take part in social causes that involve culture, heritage, women empowerment, and youth development etc.

Some of the notable and regular CSR activities of Adamjee Insurance Company Limited are as follows:

Sustainability at Adamjee Insurance

Our policy revolves around taking an array of initiatives, including contributing to the society and an environment in all our practices, conduct business activities in line with our organizational values, promoting a culture of inclusion and diversity, extensive training, and employee engagement activities.

The Company CSR is primarily focused on achieving compliance, upholding ethical standards, actively participating in corporate citizenship, and maintaining overall sustainability. The Company has undertaken an array of initiatives, including improved communication and extensive training, to cultivate these aspects of its operations.

The Company recognizes its responsibility in reducing the impact of Covid-19 on its employees, customers, and society at large. All the directed SOPs were implemented efficiently and effectively, and all social distancing measures were taken very seriously when the offices started operations after lockdown. We ensure that employees and customers can operate in a safe environment. The Company was well equipped with the digital infrastructure which enabled it to serve its customers efficiently during difficult hard time.

Our Responsibility towards Sustainability

Strengthening Our Workforce

At Adamjee Insurance, we work hard to ensure our employees are thriving, and feel like they belong to the organization. Our purpose guides our commitment. We have built a purpose driven and inclusive culture that energizes employees to make a difference. We navigated the pandemic with fluidity and adaptability as things shifted throughout the year, yet stood firm on our commitment to do what's right for our people. We reaffirm our pledge to continue building inclusive workplaces and communities and began several new diversity, equity, and inclusion programs.

Empowering Our Communities

The Company has focused on supporting community for years through employee volunteerism and donations and long-term grassroots partnerships. In 2020, despite the pandemic, the company contributed towards improving local communities through supporting health sector of the country.

Protecting Our Environment

The Company has a longstanding commitment to environmental stewardship, which aligns with our purpose as a company. We are proud to be the insurance company to achieve carbon neutrality; to fulfil climate action agenda with International 2030 Environmental Goals that cover the scope of the Company and all its strengths, aiming to reduce the environmental impact of our operations and supply chain, while leveraging our products and services to help protect our communities and drive innovative solutions.

Creating Value as an Investor

The Company is committed towards a concrete contribution and impact in the communities where we work and live. That includes where and how we invest through our institutional investment management; How we deliver risk-adjusted returns for our investors by building tailored portfolio solutions that encompass environmental, social, and governance aspect. Remaining committed to fostering a culture of investing in, and working with, companies whose practices are consistent with our ideas.

Providing Confidence to Our Customers

We've been in the business of making and keeping promises for more than 62 years and that continued in 2020 & 2021 in response to the COVID-19 pandemic. We evolved existing products to better serve customers during the COVID-19 pandemic, including expanding coverage, easing claims processes, and extending the grace period for premium payments. We helped customers to protect future with smart products and targeted services in Pakistan and United Arab Emirates. We developed solutions, incubated new technologies, and forged new partnerships that generated value locally and globally. We continued to invest in data analytics to enhance our customers' digital experiences and in thought leadership that translated customer insights into useful trends and expertise that can benefit everyone.

Managing Sustainably

At Adamjee Insurance, we are proud to have a culture where every employee takes responsibility for their actions, adopts an ownership mindset, and feels comfortable speaking up. Despite the unprecedented

challenges presented by the COVID-19 pandemic, our commitment to operating ethically and responsibly did not waiver. We adapted, evolved, and embraced flexibility and fluidity as the majority of our workforce went virtual and new ways of working were established.

Health, Safety and Environment

Health, Safety and Environmental (HSE) responsibilities constitute an essential part of Adamjee Insurance's operations. These are the core of the Company's activities. Adamjee Insurance's management and employees share the belief that good HSE contributes positively and productively to business development and success. It is this belief that encourages Adamjee Insurance to increase team efforts and strive for better HSE for employees, customers and neighbours. The Company also hopes to safeguard people's health and minimize the environmental impact of their jobs. AICL's HSE policy observes all existing laws, regulations and amendments.



Measures for Occupational Health Awareness

We oversee the Health, Safety & Environment (HSE) domain and work to create a culture of safety that leads both inside and outside the workplace to healthy and innovative service delivery. To raise awareness and create targeted mitigation measures based on the preemptive knowledge rule, our HSE team is actively engaged in an annual training programme, simulation exercises, incident tracking, and branch inspections. We offer multiple awareness programs, Premises Emergency Procedures, Dust and Rainstorm Precautions, Ramadan Advice, Heat Wave Advisory, Housekeeping at Work, No Smoking, Inclement Weather Precautions, Eco-friendly Environment, Dengue Fever, SMOG, and Communicable Disease Precautions.

Fire Extinguishers Systems

Installing fire extinguishers in key places is one of the adequate control measures implemented to reduce fire hazards to protect the Company's assets and personnel. Currently, Fire extinguishers are installed in both Karachi and Lahore buildings, as well as in all our nationwide branches. In the case of Emergency Response and Preparation, the Company's HSE team ensures that safety precautions are integrated into office culture and way of life by educating and communicating with personnel about potential setbacks. As part of the emergency preparedness programme, the staff receive training in fire extinguishing, emergency evacuation, and health and safety awareness communication

Environment, Social, Governance and Our Contribution

ESG



The insurance industry generally has less influence on the environment because it operates within the services sector. Operations are limited to using traditional energy sources for office and workplace illumination, and the industry is even looking at ways to optimise electricity consumption. Building climate resilience in the agriculture sector, however, is the one area where the industry has a significant impact. By offering crop insurance services, the industry not only helps the farming and agribusiness sectors move to a low-carbon economy but also safeguards crops from harm in the event of unfavourable weather-related catastrophes. The insurance sector can also be very beneficial in Pakistan, given the size and scope of its agricultural sector.



As a responsible corporation, we have an important role to play in delivering a positive societal impact on our employees and people across our supply chain. Enhancing livelihoods, respecting human rights and looking after our people add value to the society and is a pragmatic and commercial approach that secures the long-term sustainability of our business. Though attrition is a key challenge we have to deal with in the near-term, there are a lot of things we have done internally and hiring freshers is just one area. We have created robust initiatives, such as role rotations, career development, and career movement opportunities. We intend to hire a good balance of freshers, as well as lateral hires from the market. Further, to solidify our social bonds, we have kept pay structures intact while also supporting our people in every way possible to tide over the crisis. Besides, productivity was a major focus area for the year, and through providing meaningful work and employment opportunities, we have contributed to consequential job creation in the country.



We have always believed that good corporate governance is key to our sustainable, long-term growth. We are committed to achieving our business objectives in a transparent, open and accountable manner and sustaining a culture of integrity in everything we do. Our actions and behaviour impact all areas of our business, which is why corporate governance is such an important facet for us. The Company's ESG agenda is supported by a robust governance framework consisting of policies, procedures, principles and standards aligned with best practices and customised to meet domestic requirements. Our leadership team holds apex responsibility for the delivery of the Company's ESG agenda, while the implementation is driven by a cross-functional working group that works with all relevant departments and functions to accomplish specific targets. Furthermore, our organisational culture, relations with internal and external stakeholders, and overall corporate behaviour are founded on several key internal instruments outlined in our charter and code of conduct. Compliance with these policies, procedures and standards is mandatory for all our employees. In addition, regular training and awareness sessions are conducted to ensure that the policies are clearly understood and actioned upon.

Activities During the Year

Pink Ribbon Day - Adamjee Insurance has organized session for Breast Cancer Awareness in Lahore and Karachi offices and engage our women's staff and aimed to educate women about the importance of early detection of breast cancer and its possible treatments.



Breast cancer is recognized by survivors, family and friends of survivors or victims of the disease. A pink ribbon is worn to recognize the struggle that sufferers face when battling cancer. People are urged to wear Pink Ribbons to honor survivors, remember those lost to the disease, and to support the progress that is being made together to defeat breast cancer.

World Environment Day - On World Environment Day, a tree plantation activity was conducted at the company's Lahore office. An awareness session was also organised to increase awareness of greenhouse emissions and encourage environment-friendly behaviour.



Activities During the Year

International Women’s Day - Being an equal opportunity employer, Adamjee Insurance is an avid supporter of women empowerment and strictly rejects discrimination against race, religion and colour. The company reiterated its resolve on International Women’s Day.



World No Tobacco Day - Celebrating World No Tobacco Day this year, the company put through restriction on smoking at its all offices.



Activities During the Year

Employee Well Being Awareness Programs - Employee well-being awareness is a critical aspect of a healthy work culture and can lead to increased productivity and job satisfaction. Adamjee Insurance promoting initiatives such as mental health and healthy workspaces. We demonstrate our commitment to employee well-being and investing in employee well-being not only benefits individuals but also creates a more positive and sustainable work environment for all members of the company.



Insuring the future of Agriculture - Adamjee Insurance believes product innovation is essential to stay competitive and relevant in an ever-changing market. By introducing new product in Agriculture Insurance with one of partner bank for providing livestock insurance to clients. This product will provide coverage of animal mortality in addition to covering the accidental death of the client.



Activities During the Year

Health Insurance Awareness Programs



Independence Day Celebration



Activities During the Year

Celebration with Employees - Our active and agile workforce is what makes us a successful organisation. We help employees achieve their potential by fostering health and happiness in their lives. Celebrations on occasions like the Independence Day, Pakistan Day and various other cake cutting ceremonies maintain the liveliness of our working environment. Employees are offered ample opportunities to play sports such as cricket, badminton and table tennis.



World Earth Day - An awareness session was conducted on Earth Day to increase the awareness of land preservation, environment conservation.



Corporate Social Responsibility (Voluntary) Guidelines 2013 by SECP

The objective of Corporate Social Responsibility (CSR) Guidelines is to promote the development of a framework for CSR initiatives, and it encourages to strive and work in cooperation with stakeholders for implementing a transparent and socially responsible strategy.

The company is reviewing the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by SECP to perform the gap analysis in our existing CSR Commitments and initiatives required under these guidelines. The dedicated team is assigned with the responsibility to prepare a roadmap for adoption of the guidelines issued by SECP.

As per our current understanding these guidelines contain the following major CSR initiatives.

- Community investment (skill development, livelihood, health, education, infrastructure, social enterprise development, safe drinking water, poverty alleviation, youth development and environment conservation)
- Governance (human rights, transparency, anti-corruption, business practices, stakeholder relations, responsible marketing)
- Product responsibility
- Work life balance
- Safety (risk management, disaster management)
- Climate Change

Certifications Acquired for Best Sustainability and CSR Practices

Adamjee insurance has been awarded various certifications for its robust approach towards environmental sustainability and social responsibility. These include:

- Certification of Green Office by WWF – 'To Reduce Ecological Footprint'
- Environment, Health, Safety & Security Award 2016
- Corporate Social Responsibility Award 2013 to 2015.
- Environmental and Quality Standard Award 2015



Green Initiatives

Adamjee Insurance is in step with the world towards a greener future. We have taken a host of inspiring green initiatives to pave the way for an environment-loving culture at our offices.

1. Plantation in Offices

A plantation activity is organised with the arrival of each season having employees grow plants and trees in pots and flower beds at their offices.

2. Paperless-Operations

The corporate world is turning to paperless environment. It has learnt that minimising the use of paper can help conserve the environment, prevent deforestation and maintain the supply of fresh oxygen.

Adamjee Insurance, in line with this conservation drive, is fast-transforming its paper work into a high-tech and innovative digital operation. Various digital programs have been installed to conduct communication with customers and employees.



3. Use Natural Lights

Adamjee Insurance promotes an energy-saving behaviour at work and employees make sure there are no appliances working when not required. Artificial lights have been reduced while the use of sunlight is maximised in the day time. All lights during the lunch break are switched off.

4. Green Awareness Campaigns

Adamjee Insurance organised a unique plantation activity in which employees were given plants to plant at their homes. This initiative was aimed at encouraging a culture of tree plantation and environment conservation and was welcomed by families of the employees.

5. Virtual Trainings

Adamjee Insurance operates a digital working environment that offers employees the opportunity to access virtual training and online books. The company regularly conducts virtual training sessions to improve employees' skill sets enabling them to achieve their professional aims.

6. Reduction in Business Travel

To reduce its carbon footprint and energy conservation initiatives, the company has minimised its travelling. Most operations requiring in-person interaction have been digitalized using online communication mediums.



7. Waste Minimization

Economizing on the use of water is also a part of our environmental conservation initiatives. We are encouraging team members to take special care in saving water and prevent its wastage. To prevent the build-up of waste, cleanliness is regularly checked and paper, plastic, metal and wet garbage are segregated from trash to ease disposal and recycling.





BY THE NUMBERS
**UNCONSOLIDATED
FINANCIAL
STATEMENTS**



INDEPENDENT AUDITOR'S REPORT

To the Members of Adamjee Insurance Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Adamjee Insurance Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2022, and the unconsolidated statement of profit and loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, unconsolidated statement of profit, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and the unconsolidated 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 the Company's affairs as at December 31, 2022 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matter(s):

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Revenue Recognition</p> <p>(Refer notes 3.13 and 28 of the unconsolidated financial statements)</p> <p>The Company generated its revenue primarily from two main sources namely premiums on insurance policies (16,980 million) and investment income (2,128 million) for the year ended December 31, 2022.</p> <p>Premiums from insurance policies comprise of 88.87% of the total revenue. Premium income is one of the key performance indicators of the Company. Because of the significance of the premium as key performance indicator and risk that revenue transactions may not be recognized in the appropriate period in line with revenue recognition policy, we considered this area as 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 the understanding, evaluated the design and implementation and operating effectiveness controls over the process of capturing, processing and recording of premiums; • Assessed whether the Company's accounting policy for revenue recognition from premium is compliant with the requirements of applicable laws, accounting and reporting standards as applicable in Pakistan; • Evaluated the completeness, accuracy and reliability of the underlying policies/data used for revenue recognition from premiums; • Checked the premiums recorded on sample basis from the underlying policies issued to insurance contract holders;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Checked the policies on sample basis where premium was recorded close to year end and subsequent to year end to evaluate that revenue from premiums was recognized in the appropriate accounting period; • Recalculated the unearned portion of premium revenue to ensure that appropriate amount has been recorded as revenue for the current period; and • Assessed the relevant presentation and disclosures made in the financial statements to ascertain that these are compliant with laws, accounting and reporting standards as applicable in Pakistan.
2.	<p>Valuation of Claims Liabilities including Provision for Incurred but Not Reported (IBNR) Claims Reserves</p> <p>(Refer notes 3.18 and 29 of the unconsolidated financial statements)</p> <p>As at December 31, 2022, claims liabilities represent 42.42% (Rs. 20, 726 million including Rs. 507 million of IBNR reserves) of its total liabilities.</p> <p>Valuation of claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims. Claims liabilities are recognized on intimation of the insured event based on management judgment and estimate. Provision for IBNR is calculated by the Company as required under Circular No. 9 of 2016 issued by the Securities and Exchange Commission of Pakistan based on the advice of actuary. The actuarial valuation process also involves significant judgment and the use of actuarial assumptions.</p> <p>Because of the significance of the impact of these judgments / estimations and assumptions used in determination of claims liabilities and calculation of provision for IBNR, we considered this area as a key audit matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <p>Obtained the understanding, evaluated the design and implementation and operating effectiveness controls over the process of capturing, determination and recording of claims;</p> <p>Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of laws, accounting and reporting standards as applicable in Pakistan;</p> <p>Evaluated the completeness, accuracy and reliability of the data provided to us;</p> <p>Checked claims transactions on a sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations;</p> <p>Assessed competence, capability and objectivity of the actuary used the management for calculation of provision for IBNR;</p> <p>Assessed the data provided by the Company to actuary for completeness and accuracy and ensured that the same has been provided to us;</p> <p>Involved an independent actuarial expert to assist us in evaluation of general principles, actuarial assumptions and methods used for actuarial valuations by the actuary of the Company for calculation of provision for IBNR; and</p> <p>Assessed the relevant presentation and disclosures made in the financial statements to ascertain that these are compliant with laws, accounting and reporting standards as applicable in Pakistan.</p>

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
3.	<p>Valuation of Investment Property</p> <p>(Refer notes 3.4 and 7 of the unconsolidated financial statements)</p> <p>The Company has recognized a fair value gain of Rs. 794 million on valuation of its investments property as at December 31, 2022.</p> <p>Fair value gain has been recognized based on judgments and estimates of the management. The management also involves the expert for estimation of value of investment property. Because of significant judgment and uncertainty involved in the estimation of value of the investment property, we considered this area as a key audit matter.</p> <p>Because of the significance of the impact of these judgments / estimations and assumptions used in determination of claims liabilities and calculation of provision for IBNR, we considered this area as 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 of management process related to valuation of investment property; • Evaluated the competence, capabilities and objectivity of the management expert; • Evaluated the completeness, accuracy and reliability of the data utilized by the management expert to support the valuation; • Assessed the appropriateness of methodology and assumptions used by the management expert for estimation of fair value of investment property; • Involved an independent expert to test the assumptions and assess the reasonableness of the assumptions used therein; and • Assessed whether the financial statement disclosures in relation to the valuation of investment property are in accordance with the relevant accounting and reporting standards as applicable in Pakistan. • Assessed the relevant presentation and disclosures made in the financial statements to ascertain that these are compliant with laws, accounting and reporting standards as applicable in Pakistan.
4.	<p>Valuation of Equity Investments</p> <p>(Refer notes 3.15 and 9 of the unconsolidated financial statements)</p> <p>Equity investments of Rs. 17,651 million classified as available for sale is carried at fair value by the Company as at December 31, 2022 that constitute a significant portion of total assets of the Company.</p> <p>Equity investments include units of mutual funds, and shares of listed and unlisted companies. Fair value of the unlisted shares has been determined by the management's expert through valuation based on discounted cash flow method which involves several estimation techniques and management's judgements to obtain reasonable expected future cash flows of the business and related discount rate. Further, management assessment of further impairment available for sale equity investments require significant judgements.</p> <p>Because of the significance of the impact of these judgments / estimations and assumptions used in determination of value of unlisted shares and assessment of further impairment on available for sale investments, we considered this area as 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 the understanding, evaluated the design and implementation and operating effectiveness controls over the process of valuation of equity investments; • Verified the existence of equity investments through independent sources; • For listed equity investments, verified the rate used by management for valuation from external sources; • Evaluated the competence, capabilities and objectivity of the management expert; • Evaluated the completeness, accuracy and reliability of the data utilized by the management expert to support the valuation; • Obtained an understanding of the work performed by the management's expert for the purpose of valuation; • Obtained corroborating evidence relating to the values as determined by the expert by challenging

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		<p>key assumptions for the growth rates in the cash flow forecast by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data;</p> <ul style="list-style-type: none"> • Checked that net unrealized gains / losses arising on the subsequent measurement of equity investments were appropriately accounted for in the financial statements; • Evaluated the management's assessment of available-for-sale investments for any additional impairment in accordance with the accounting and reporting standards as applicable in Pakistan and performed an independent assessment of the assumptions and conclusions; and • Examined the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.

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

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

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 when available, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

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

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated 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 unconsolidated 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 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 unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 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 unconsolidated 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 unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated 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 Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.



Chartered Accountants

Place: Lahore

Date: March 29, 2023

UDIN: AR202210088zEXg1vHUi

Unconsolidated Statement of Financial Position

As at 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
ASSETS			
Property and equipment	5	4,246,725	4,238,164
Intangible assets	6	108,977	100,379
Investment property	7	2,427,337	1,632,498
Investment in subsidiary	8	2,396,166	2,662,406
Investments			
Equity securities	9	17,651,665	21,157,579
Debt securities	10	382,288	377,652
Term deposits	11	6,644,432	6,871,466
Advance against issue of shares	12	900,000	-
Loans and other receivables	13	840,880	615,600
Insurance / reinsurance receivables	14	8,526,017	7,175,870
Reinsurance recoveries against outstanding claims		14,873,098	7,598,556
Salvage recoveries accrued		360,380	344,957
Deferred commission expense / acquisition cost	30	1,489,080	1,055,480
Taxation - payment less provisions		-	160,143
Prepayments	15	6,676,739	4,751,930
Cash and bank	16	5,192,695	2,174,053
		72,716,479	60,916,733
Total assets of Window Takaful Operations - Operator's Fund	17	1,049,420	723,850
Total Assets		73,765,899	61,640,583
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	18	3,500,000	3,500,000
Reserves	19	3,527,175	5,486,879
Unappropriated profit		17,891,764	16,402,885
Total Equity		24,918,939	25,389,764
LIABILITIES			
Underwriting provisions			
Outstanding claims including IBNR	29	20,726,702	12,686,045
Unearned premium reserves	28	14,996,454	11,010,289
Unearned reinsurance commission	30	365,610	241,094
Retirement benefit obligations	20	201,407	263,660
Deferred taxation	21	805,888	2,031,142
Borrowings	22	-	926,756
Deferred grant income	23	-	6,329
Premium received in advance		640,259	515,758
Insurance / reinsurance payables	24	6,959,398	5,215,694
Other creditors and accruals	25	3,196,575	2,446,386
Deposits and other liabilities	26	541,199	629,135
Taxation - provision less payments		28,495	-
		48,461,987	35,972,288
Total liabilities of Window Takaful Operations - Operator's Fund	17	384,973	278,531
Total Equity and Liabilities		73,765,899	61,640,583
Contingencies and commitments	27		

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated Statement of Profit or Loss Account

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
Net insurance premium	28	16,980,105	12,552,477
Net insurance claims	29	(11,284,674)	(7,203,883)
Net commission and other acquisition costs	30	(2,072,014)	(1,522,908)
Insurance claims and acquisition expenses		(13,356,688)	(8,726,791)
Management expenses	31	(3,832,873)	(3,153,423)
Underwriting results		(209,456)	672,263
Investment income	32	2,127,600	2,469,444
Rental income	33	162,205	131,413
Other income	34	222,868	140,789
Fair value adjustment to investment property	7	794,372	961,132
Other expenses	35	(105,553)	(58,840)
Workers' Welfare Fund charge	25.1	(148,021)	-
Results of operating activities		2,844,015	4,316,201
Finance cost	36	(35,384)	(50,107)
Profit from Window Takaful Operations - Operator's fund	17	338,577	139,267
Profit before taxation		3,147,208	4,405,361
Income tax expense	37	(562,195)	(1,268,867)
Profit for the year		2,585,013	3,136,494
		----- Rupees -----	
Earnings per share - basic and diluted	38	7.39	8.96

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022	2021
	----- Rupees in thousand -----	
Profit for the year	2,585,013	3,136,494
Items that will not be subsequently reclassified to profit and loss account		
- Re-measurement of retirement benefit obligations	(46,134)	(19,022)
Items that may be subsequently reclassified to profit and loss account		
- Unrealized (loss) / gain on 'available-for-sale' investments - net of tax	(2,898,538)	601,205
- Reclassification adjustment relating to 'available for sale' investments disposed of in the year - net of tax	307,241	177,198
- Unrealized (loss) / gain on 'available for sale' investment from Window Takaful Operations - net of tax	(968)	85
- Net effect of translation of foreign branches	632,561	221,445
Other comprehensive (loss) / income for the year	(2,005,838)	980,911
Total comprehensive income for the year	579,175	4,117,405

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated Statement of Cash Flow

For the year ended 31 December 2022

2022

2021

----- Rupees in thousand -----

Cash flows from operating activities

Underwriting activities

Insurance premium received	31,536,236	21,166,988
Reinsurance premium paid	(12,854,274)	(7,555,946)
Claims paid	(19,356,834)	(11,343,930)
Surrenders paid	(211,447)	(142,294)
Reinsurance and other recoveries received	8,385,963	4,057,858
Commission paid	(3,131,277)	(2,089,856)
Commission received	1,002,523	554,992
Other underwriting payments	(4,149,369)	(2,560,185)
Net cash inflows from underwriting activities	1,221,521	2,087,627

Other operating activities

Income tax paid	(508,657)	(674,329)
Finance cost paid on lease liability	(6,057)	(6,877)
Other operating payments	(110,339)	(36,422)
Loans advanced	(74,405)	(60,445)
Loans repayments received	62,927	54,547
Other operating receipts	41,831	38,380
Net cash outflows from other operating activities	(594,700)	(685,146)

Total cash inflows from operating activities

626,821 1,402,481

Cash flows from investing activities

Profit received on bank deposits	291,681	213,991
Income received from Pakistan Investment Bonds	9,000	7,305
Income from Treasury Bills	62,280	39,672
Dividends received	1,772,941	2,263,362
Rentals received	156,924	133,865
Payments made for investments	(14,528,270)	(13,794,008)
Proceeds from disposal of investments	16,798,661	11,081,618
Fixed capital expenditure - operating assets	(95,038)	(240,259)
Fixed capital expenditure - intangible assets	(47,914)	(36,768)
Proceeds from disposal of operating assets	29,296	72,367
Total cash from investing activities	4,449,561	(258,855)

Cash flows from financing activities

Payments against lease liability	(38,912)	(47,400)
Dividends paid	(1,046,086)	(967,626)
Loan received	-	1,390,000
Loan repaid	(929,255)	(639,304)
Markup against loan paid	(43,487)	(17,287)
Net cash outflows from financing activities	(2,057,740)	(281,617)

Net cash inflows from all activities

3,018,642 862,009

Cash and cash equivalent at beginning of the year

2,174,053 1,312,044

Cash and cash equivalent at end of the year

5,192,695 2,174,053

Unconsolidated Statement of Cash Flow

For the year ended 31 December 2022

2022

2021

----- Rupees in thousand -----

Reconciliation to statement of profit or loss account

Operating cash flows	626,821	1,402,481
Depreciation	(218,659)	(220,360)
Provision for retirement benefit obligations	(47,898)	(42,682)
Finance cost on borrowing	(29,327)	(43,230)
Provision for doubtful balances against insurance / reinsurance receivables	(50,145)	(67,667)
Other income - bank and term deposits	291,265	184,160
Gain on disposal of operating assets	13,651	26,207
Rental income	163,010	133,486
Fair value adjustment to investment property	794,372	961,132
Increase in assets other than cash	12,154,763	6,083,240
Increase in liabilities	(9,393,631)	(4,518,712)
Gain on disposal of investments	(11,957)	5,421
Amortization	(33,282)	(29,819)
Increase in unearned premium	(3,986,165)	(2,643,855)
Increase in loans	11,478	5,898
Income tax paid	508,657	674,329
Increase in tax liabilities	(562,195)	(1,268,867)
Reversal for impairment of 'available-for-sale' investments	151,982	49,899
Dividend income	1,772,941	2,260,313
Income from Treasury Bills	78,073	26,161
Income from Pakistan Investment Bonds	6,353	11,253
Amortization of deferred grant	6,329	8,439
Profit from Window Takaful Operations - Operator's fund	338,577	139,267
Profit for the year	2,585,013	3,136,494

2022

2021

----- Rupees in thousand -----

Cash and bank for the purposes of the cash flow statement consists of:

Cash and cash equivalents	17,666	10,049
Current and saving accounts	5,175,029	2,164,004
Total cash and cash equivalents	5,192,695	2,174,053

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.




Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company							Total
	Share capital	Capital reserves			Revenue reserves			
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair value reserve	General reserve	Unappropriated Profit	
----- Rupees in thousand -----								
Balance as at January 01, 2021	3,500,000	22,859	3,764	678,438	2,845,385	936,500	14,247,913	22,234,859
Profit for the year	-	-	-	-	-	-	3,136,494	3,136,494
Other comprehensive income / (loss)	-	-	-	221,445	778,488	-	(19,022)	980,911
Total comprehensive income for the year ended December 31, 2021	-	-	-	221,445	778,488	-	3,117,472	4,117,405
Transactions with owners of the Company								
Final cash dividend at Rs. 1.25 per share - December 31, 2020	-	-	-	-	-	-	(437,500)	(437,500)
Interim cash dividend at Rs. 1.5 per share - June 30, 2021	-	-	-	-	-	-	(525,000)	(525,000)
	-	-	-	-	-	-	(962,500)	(962,500)
Balance as at December 31, 2021	3,500,000	22,859	3,764	899,883	3,623,873	936,500	16,402,885	25,389,764
Profit for the year	-	-	-	-	-	-	2,585,013	2,585,013
Other comprehensive income / (loss)	-	-	-	632,561	(2,592,265)	-	(46,134)	(2,005,838)
Total comprehensive income / (loss) for the year ended December 31, 2022	-	-	-	632,561	(2,592,265)	-	2,538,879	579,175
Transactions with owners of the Company								
Final cash dividend at Rs. 1.5 per share - December 31, 2021	-	-	-	-	-	-	(525,000)	(525,000)
Interim cash dividend at Rs. 1.5 per share - June 30, 2022	-	-	-	-	-	-	(525,000)	(525,000)
	-	-	-	-	-	-	(1,050,000)	(1,050,000)
Balance as at December 31, 2022	3,500,000	22,859	3,764	1,532,444	1,031,608	936,500	17,891,764	24,918,939

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.



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Director



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Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

1 Legal status and nature of business

Adamjee Insurance Company Limited ('the Company') is a public limited Company incorporated in Pakistan on September 28, 1960 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on Pakistan Stock Exchange limited and is principally engaged in the general insurance business. The registered office of the Company is situated at Adamjee House Building, 80/A Block E-1, Main Boulevard Gulberg-III, Lahore. The Company operates 115 (2021: 91) branches in addition to 20 (2021: 20) specialized agriculture field offices within Pakistan.

The Company also operates 3 (2021: 3) branches in the United Arab Emirates (UAE) and 1 (2021: 1) branch in the Export Processing Zone, Karachi (EPZ).

The Company was granted authorization on December 23, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on January 01, 2016. The Company's Window Takaful Operations operates 5 (2021: 5) branches in Pakistan.

2 Basis of preparation and statement of compliance

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

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

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

These financial statements represent separate unconsolidated financial statements of the Company, prepared in accordance with the format of financial statements prescribed under the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017. The consolidated financial statements of the group are issued separately.

As per the requirements of the Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss account of the Operator's Fund of the Window Takaful Operations of the Company have been presented as a single line item in the statement of financial position and profit and loss account of the Company respectively. A separate set of financial statements of the Window Takaful Operations has been annexed to these unconsolidated financial statements as per the requirements of the Takaful Rules, 2012.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, investment property carried at fair value and retirement benefit obligations under employees benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statement.

2.3 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand rupees, except otherwise stated.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Standards or Interpretations	Effective from Accounting period beginning on or after:
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	January 01, 2022
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

2.5 New accounting standards / amendments and IFRS interpretations that are not yet effective

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

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 16 'Leases' - Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2023 but are considered either not to be relevant or do not have any significant impact on these financial statements.

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has become applicable, however as an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

(a) Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

(b) All other financial assets

As at December 31, 2022				
Fail the SPPI test		Pass the SPPI test		
Fair value	Change in unrealized gain / (loss) during the period	Carrying Value	Cost less Impairment	Change in unrealized gain / (loss) during the period
Financial assets				
----- Rupees in thousand -----				
Cash and Bank*	4,117,770	- 1,074,925	-	-
Investment in subsidiary*	2,396,166	-	-	-
Investments in equity securities - available-for-sale	17,651,665 (3,562,970)	-	-	-
Investment in debt securities - held to maturity	-	- 382,288	-	-
Term deposits*	-	- 6,644,432	-	-
Loans and other receivables*	460,459	- 2,964	-	-
Total	24,626,060 (3,562,970)	8,104,609	-	-

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

3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below. Accounting policies relating to Window Takaful Operations are disclosed in separate financial statements of Window Takaful Operations which have been annexed to these financial statements. These accounting policies have been consistently applied to all the years presented.

3.1 Property and equipment

Owned operating assets, other than freehold land which is not depreciated are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

3.2 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating assets as and when these are available for use.

3.3 Intangible assets

These are stated at cost less accumulated amortization and provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.4 Investment property

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. Subsequent costs are included in the carrying amount of the investment property, 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. Other repair and maintenance cost are charged to profit and loss account as and when incurred.

3.5 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders on the occurrence of a specified uncertain future event i.e. insured event that adversely affects the policy holders.

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

Insurance contracts issued by the Company are generally classified in five basic categories i.e. Fire & property, Marine, aviation & transport, Motor, Accident & health and Miscellaneous, and are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc. according to the terms and conditions of the policy.
- Marine, aviation and transport insurance contracts generally provide cover against damages by cargo risk and damages occurring during transit between the points of origin and final destination including loss of or damage to carrying vessel etc. according to the terms and conditions of the policy.
- Motor insurance contracts provide indemnity for accidental damage to or total loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage etc. according to terms and conditions of the policy.
- Accident and health insurance contracts mainly compensate hospitalization and out patient medical coverage to the insured according to term and conditions of the policy.
- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, mobilization and performance bond etc. according to terms and conditions of the policy.

In addition to direct insurance, the Company also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Company. The nature of the risks undertaken under such arrangement are consistent with the risks in each class of business as stated above in direct and other lead insurance contracts.

3.6 Deferred commission expense / acquisition cost

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

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

3.7 Unearned premium

The unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. It is recognized as a liability. Such liability is calculated as a ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.
- for crop business, as a ratio of the unexpired crop period to the total expected crop period, both measured to the nearest day.

Policy for recognition of premium revenue is disclosed in detail in note 3.13 to these financial statements. Unearned premium reserve calculated by the Company is also confirmed by an independent actuary.

3.8 Premium deficiency

In order to comply with the requirements of section 34(2)(d) of the Insurance Ordinance, 2000, a premium deficiency reserve is maintained for each class of business, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after re-insurance, for claims and other expenses, including reinsurance expense,

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

commissions, and other underwriting expenses, expected to be incurred after the reporting date in respect of the policies in force at the reporting date, in that class of business.

For this purpose, premium deficiency reserve is determined by independent actuaries. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve (UPR) shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency is determined.

Based on actuary's advice the management creates a reserve for the same in these unconsolidated financial statements. The movement in the premium deficiency reserve on net basis is recorded as an expense / income in profit and loss account for the year.

3.9 Reinsurance contracts held

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance contracts includes treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Company.

Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

The risks undertaken by the Company under these contracts for each class of business are stated in note 3.5 to the financial statements.

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

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not off set against income or expenses from related insurance assets.

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

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Prepayment (i.e. premium ceded to reinsurers) is recognized as follows:

- for reinsurance contracts operating on a proportional basis, a liability to the reinsurer is recognized on attachment of the underlying policies reinsured, while an asset is recognized for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of underlying policies.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to profit and loss account as commission income in accordance with the pattern of

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

recognition of the reinsurance premium to which it relates. Profit commission and no claim bonus (if any), which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

3.10 Receivables and payables related to insurance contracts

Insurance / reinsurance receivable and payable including premium due but unpaid, relating to insurance contracts are recognized when due and carried at cost less provision for impairment (if any) . The cost is the fair value of the consideration to be received / paid in the future for services rendered / received. These amounts also include due to and from other insurance companies and brokers.

Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

An assessment is made at each reporting date to determine whether there is an objective evidence from external as well as internal sources of information that a financial asset or group of assets may be impaired i.e. recoverable amount at the reporting date is less than the earning amount of the asset. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each reporting date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense, in the profit and loss account.

3.11 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to Board of Directors which is responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. It comprises cash in hand, policy stamps and bank balances.

3.13 Revenue recognition

3.13.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy is payable in installments, full premium for the duration of the policy is recognized as written, where the first such installment has been duly received by the Company, at the inception of the policy and related asset is recognized as premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability as explained in note 3.7.

Reinsurance premium is recognized as expense after taking into account the proportion of prepaid reinsurance premium which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The prepaid portion of premium is recognized as a prepayment as explained in note 3.7.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

3.13.2 Commission Income

Commission income from other insurers / reinsurers is deferred and recognized as liability and recognized in the profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premiums.

3.13.3 Investment income

Following are recognized as investment income:

- Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.
- Dividend income is recognized when the Company's right to receive the dividend is established.
- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.

3.14 Investment in Subsidiary

Investment in subsidiary is measured at cost less any identified impairment loss in the Company's separate financial statements. Cost represents the fair value of the consideration given, including any transaction costs paid, by the Company at the time of purchase of such equity instruments. In case of an increase in the investment in a subsidiary the accumulated cost represents the carrying value of the investment.

At each statement of financial position date, the Company reviews the carrying amounts of the investments in subsidiary to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised as expense in the statement of profit and loss. Investment in subsidiary that suffered an impairment, is reviewed for possible reversal of impairment at each reporting date. Impairment losses recognised in the statement of profit and loss are reversed through the statement of profit and loss.

The carrying amount of an investment carried at cost is derecognised when it is sold or otherwise disposed of. The difference between the fair value of any consideration received on disposal and the carrying amount of the investment is recorded in the statement of profit and loss as a gain or loss on disposal.

3.15 Investments

Investments are recognized and classified as follows:

- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired. The Company does not have any 'investment at fair value through profit or loss' at the statement of financial position date.

3.15.1 Held to maturity

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

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

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

3.15.2 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit or loss' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates.

These are initially measured at cost and subsequently re-measured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. The Company assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost. The valuation of unquoted investments as at December 31, 2022 has been carried out by independent valuer for determination of fair value of these investments.

3.15.3 Fair / market value measurements

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

3.15.4 Date of recognition

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

3.16 Off setting of financial assets and financial liabilities

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

3.17 Provisions

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

3.18 Provision for outstanding claims including IBNR

The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

SECP through its circular 9 of 2016 dated March 09, 2016 issued 'SEC guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016' for non-life insurance Companies and required to comply with all provisions of these guidelines with effect from July 01, 2016.

The Guidelines require that estimation for provision for claims incurred but not reported (IBNR) 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 Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The actuarial valuation as at December 31, 2021 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions as explained in preceding paragraph that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.19 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity or other comprehensive income, in which case it is recognized directly in equity or other comprehensive income.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred taxation is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the unconsolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

3.20 Retirement benefit obligations

The main feature of the scheme operated by the Company for its employees are as follows:

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

3.20.1 Defined contribution plan

The Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 8.33% of basic salary. Contributions made by the company are recognized as expense. 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.

3.20.2 Defined benefit plans

The Company operates the following defined benefit plans:

(a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contributions are made to this scheme on the basis of actuarial recommendations. The Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to gratuity fund in accordance with the actuary's recommendations based on the actuarial valuation of these funds as at December 31, 2022.

(b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at December 31, 2022.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.20.3 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

The Company provides annually for the expected cost of accumulating compensated absences on the basis of actuarial valuation. Regular employees of the Company are entitled to 30 days earned leaves in a calendar year and they can accumulate the unutilised privilege leaves upto 60 days (2021: 60). The most recent valuation is carried out as at December 31, 2022 using the LIFO method. The liabilities are presented as a current employees benefit obligations in the statement of financial position.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

3.21 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.22 Dividend distribution

Dividend distribution to the Company's shareholders and other appropriations are recognized in the Company's financial statements in the period in which these are approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.23 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

3.24 Leases

As a lessee, the Company recognizes right of use asset and lease liability at the lease commencement date.

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and less any lease incentives received.

The right of use assets are subsequently depreciated using the straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for the certain remeasurement of the lease liability.

Lease liability

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

Lease payments included in the measurement of the lease liability comprise of the following:

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in Profit and loss account if the carrying amount of the right of use asset has been reduced to zero.

3.25 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Company net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.26 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account.

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.27 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

3.28 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

statement of profit and loss over the period of the borrowings using the effective interest rate. Finance costs are accounted for on accrual basis and are reported under accrued markup to the extent of the amount remaining unpaid.

3.29 Government grant

Government grants are transfers of resources to the Company by a government entity in return for compliance with certain past or future conditions related to the Company's operating activities - e.g. a government subsidy. The definition of 'government' refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognises government grants when it is reasonably probable that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as a deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

Loan at subsidized rate under SBP refinancing scheme for payment of wages and salaries is initially measured at the fair value i.e. the present value of the expected future cash flows discounted at a market-related interest rate. The difference between the amount received and the fair value is recognized as a government grant.

4 Critical accounting estimates and judgments

4.1 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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

	Note
- Premium deficiency	3.8
- Provision for doubtful insurance / reinsurance receivables	3.10
- Provision for outstanding claim including claims incurred but not reported (IBNR)	3.18
- Retirement benefit obligation	3.20
- Valuation of unquoted investments	3.15.2
- Provision for taxation including the amount relating to tax contingency	3.19
- Impairment of assets - Financials / Non financial assets	3.21
- Useful lives, pattern of economic benefits and impairments - Property and Equipment	3.1
- Segment Reporting	3.11

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
5 Property and equipment			
Operating assets	5.1	4,161,207	4,132,230
Capital work in progress	5.2	22,837	16,205
Right of use asset	5.3	62,681	89,729
		4,246,725	4,238,164

5.1 Operating assets - owned

	2022													
	Cost					Accumulated Depreciation					Net Book value			
	As at Jan 01	Additions / transfers	Exchange differences and other adjustment	Disposals	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustment	On disposals	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	(Rupees in thousands)												%	
Land	878,694	-	-	-	-	878,694	-	-	-	-	-	-	878,694	-
Buildings*	2,538,083	26,463	152,832	-	(3,020)	2,714,358	408,743	46,347	54,318	-	(2,553)	506,855	2,207,503	3.0%
Furniture and fixtures	397,202	5,179	35,690	-	-	438,071	172,308	28,180	19,437	-	-	219,925	218,146	15.0%
Motor vehicles	750,073	42,692	14,476	(47,700)	-	759,541	424,449	31,070	7,895	(33,196)	-	430,218	329,323	15.0%
Machinery and equipment	756,876	5,942	(7,750)	(4,166)	-	750,902	254,586	53,896	885	(3,025)	-	306,342	444,560	15.0%
Computer equipment	356,145	26,539	12,480	-	-	395,164	284,757	19,290	8,136	-	-	312,183	82,981	30.0%
Total	5,677,073	106,815	207,728	(51,866)	(3,020)	5,936,730	1,544,843	178,783	90,671	(36,221)	(2,553)	1,775,523	4,161,207	

	2021													
	Cost					Accumulated Depreciation					Net Book value			
	As at Jan 01	Additions / transfers	Exchange differences and other adjustments	Disposals	Transfer from investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	On disposals	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	(Rupees in thousands)												%	
Land	900,609	-	-	(30,555)	8,640	878,694	-	-	-	-	-	-	878,694	-
Buildings	2,290,149	90,714	52,447	(2,500)	107,273	2,538,083	346,272	44,215	19,086	(830)	-	408,743	2,129,340	3.0%
Furniture and fixtures	365,328	21,907	10,035	(68)	-	397,202	137,945	28,913	5,480	(30)	-	172,308	224,894	15.0%
Motor vehicles	720,272	64,299	4,775	(39,273)	-	750,073	418,103	31,918	2,223	(27,795)	-	424,449	325,624	15.0%
Machinery and equipment	713,469	50,697	4,246	(11,536)	-	756,876	200,317	61,552	1,898	(9,181)	-	254,586	502,290	15.0%
Computer equipment	346,986	6,732	4,099	(1,672)	-	356,145	263,426	20,421	2,518	(1,608)	-	284,757	71,388	30.0%
Total	5,336,813	234,349	75,602	(85,604)	115,913	5,677,073	1,366,063	187,019	31,205	(39,444)	-	1,544,843	4,132,230	

* The company owns 3 buildings and resulting area of land and 7 corporate offices in Pakistan and 1 corporate office in UAE.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

5.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Relationship	Particulars of purchaser
----- Rupees in thousand -----							
Motor vehicles							
HONDA CIVIC VTI AWD-801	1,965	1,556	409	1,164	Auction	Independent third party	Muhammad Abbas Akram
HONDA CIVIC PROSMATIC BAQ-308	2,442	1,752	690	1,387	Auction	Independent third party	Farrakh Anwar Bajwa
HONDA CITI ASU-426	1,345	1,164	181	250	Auction	Independent third party	Sajjad Hussain
TOYOTA COROLLA GLI LEH-16-5694	1,931	1,079	852	1,351	Auction	Independent third party	Security General Insurance Company Limited
SUZUKI CULTUS ARW-038	850	735	115	567	Auction	Independent third party	Muhammad Asif
HONDA CITI AZJ-724	1,507	1,069	438	1,567	Auction	Independent third party	Muhammad Asif
HONDA CITI AUTOMATIC BBT-679	1,685	1,155	530	772	Auction	Independent third party	Adil Watto
HONDA CITI AWK-975	1,374	1,092	282	1,318	Auction	Independent third party	Adil Mehmood
SUZUKI CULTUS LEH-14-4458	1,119	712	407	937	Auction	Independent third party	Malik Muhammad Afzal
HONDA CITI AYU-718	1,507	1,106	401	1,428	Auction	Independent third party	Adil Watto
SUZUKI MEHRAN ASA-372	529	457	72	616	Auction	Independent third party	Hassan Ali
HONDA CIVIC AZG-214	2,034	1,473	561	1,811	Auction	Independent third party	Muhammad Naeem Farooqi
SUZUKI CULTUS BAV-765	1,076	773	303	872	Auction	Independent third party	Nasir Mehmood
HONDA CITI ASQ-137	1,209	1,043	166	1,200	Auction	Independent third party	Abdul Qayyum
HONDA CITI BBJ-569	1,580	1,118	462	1,171	Auction	Independent third party	Asad Malik
TOYOTA COROLLA GLI BAW-849	1,763	1,297	466	900	Auction	Independent third party	Muhammad Mujahid
HONDA CIVIC AXK-084	1,908	1,507	401	1,417	Auction	Independent third party	Jhangir Khan
SUZUKI CULTUS AXU-859	950	749	201	756	Auction	Independent third party	Muhammad Salman Khan
HONDA ACCORD LEE-08-2599	4,076	2,841	1,235	1,000	Auction	Independent third party	M. Kashif
TOYOTA COROLLA GLI AZA-853	1,574	1,185	389	1,531	Auction	Independent third party	Rab Nawaz Khan
TOYOTA COROLLA GLI BKM-834	1,789	912	877	1,935	Auction	Independent third party	Muhammad Asif
HONDA CIVIC AUK-814	1,339	1,122	217	217	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
SUZUKI CULTUS AYV-963	990	745	245	245	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
SUZUKI CULTUS AZG-957	1,032	764	268	267	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
TOYOTA COROLLA XLI LEC-15-7523	1,731	1,110	621	621	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
HONDA CITI I-VTECH BFP-963	1,678	991	687	687	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
SUZUKI CULTUS LEH-16-1621	1,129	662	467	468	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
TOYOTA COROLLA ALTIS CRUISETRONIC BHF-037	2,073	1,154	919	919	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
TOYOTA COROLLA XLI BHZ-908	1,644	875	769	769	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
HONDA CITI I-VTECH AFD-922	1,575	782	793	793	Negotiation	Window Operations	Adamjee Insurance Limited - Window Takaful Operations
Items having book value below Rs. 50,000	296	216	80	109			
	47,700	33,196	14,504	29,045			
Machinery and equipment							
Items having book value below Rs. 50,000	4,166	3,025	1,141	251	Auction	Independent third party	Zulfiqar Ali
	4,166	3,025	1,141	251			
Grand Total	51,866	36,221	15,645	29,296			
Grand Total (2021)	85,604	39,444	46,160	72,367			

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

2022 2021
----- Rupees in thousand -----

5.2 Capital work in progress

Advance for computer hardware equipment
Advance for ERP software

	-	11,778
	22,837	4,427
	22,837	16,205

5.3 Right of use asset

As at January 01
Additions during the year
Depreciation charge during the year
Exchange differences and other adjustments

	89,729	100,616
	3,709	14,274
	(39,876)	(33,341)
	9,119	8,180
Closing Net Book Value	62,681	89,729

5.3.1 All the right of use assets include premises obtained on rent for branch operations (inside and outside of Pakistan).

6 Intangible assets

Cost

As at January 01
Additions during the year
Exchange differences and other adjustments
As at December 31

	407,897	355,583
	29,504	37,643
	45,537	14,671
	482,938	407,897

Accumulated amortization

As at January 01
Amortization charged during the year
Exchange differences and other adjustments
As at December 31

	307,518	267,396
	33,282	29,819
	33,161	10,303
	373,961	307,518

Net book value as at December 31

	108,977	100,379
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Rate of amortization

	20.00%	20.00%
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7 Investment property

Net book value as at January 01
Transfer from / (to) Property and equipment
Unrealized fair value gain

	1,632,498	787,279
	467	(115,913)
	794,372	961,132
Net book value as at December 31	2,427,337	1,632,498

Investment property as at December 31, 2022 consists of the following:

- 6 floors of Adamjee House, Karachi which are rented out.
- 1 floor of Adamjee House, Lahore which is rented out.
- Office in Fayyaz Centre, Karachi which is rented out.

Market value of these investment properties amounts to Rs. 2,427 million based on a valuation carried out by independent valuer, as at December 31, 2022.

The fair value of investment properties was determined by external, independent property valuers having adequate qualifications and experience in the location and category of the property being valued. Investment properties of the Company are valued every year.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

The valuation has been carried out considering the segment and location of the property, size, utilization and current trends in price of real estate in close proximity, current market rents for similar properties including assumptions that ready buyers are available in the current market which is analyzed through detailed market surveys and the properties that have recently been sold or purchased or offered/quoted for sale into the same vicinity to determine the better estimates of the fair value.

	Note	2022	2021
----- Rupees in thousand -----			
8 Investment in subsidiary			
Beginning of year		2,662,406	1,097,900
Addition during the year		-	1,564,506
Disposal during the year	8.4	(266,240)	-
End of year	8.1,8.2,8.3	<u>2,396,166</u>	<u>2,662,406</u>

8.1 Number of shares

2022	2021	Face value	Company's Name	2022	2021
No. of Shares		Rupees		-----Rupees in thousand-----	
224,998,250	250,000,000	10	Adamjee Life Assurance Company Limited [Equity held 89.999% (2021: 100.00%)]	2,396,166	2,662,406

8.2 The Company's interests in its subsidiary is as follow:

Name	Country of Incorporation	Total assets	Total liabilities	Total revenues	Total profit	% interest held
----- Rupees in thousand -----						
Adamjee Life Assurance Company Limited	Pakistan	69,166,054	65,417,764	20,948,801	497,702	89.999%
Total at the end of 2022		<u>69,166,054</u>	<u>65,417,764</u>	<u>20,948,801</u>	<u>497,702</u>	<u>89.999%</u>
Adamjee Life Assurance Company Limited	Pakistan	61,917,559	58,667,831	20,658,169	173,804	100.00%
Total at the end of 2021		<u>61,917,559</u>	<u>58,667,831</u>	<u>20,658,169</u>	<u>173,804</u>	<u>100.00%</u>

8.3 Adamjee Life Assurance Company Limited ("the Company") was incorporated in Pakistan on August 04, 2008 as a public unlisted company under the Companies Act, 2017 (Previously Companies Ordinance, 1984). The Company was converted to a listed company on March 04, 2022. It is listed on Pakistan Stock Exchange. Registered office of the Company is at 5th floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is at Adamjee House, 3rd and 4th Floor, I.I Chundrigar Road, Karachi.

8.4 During the year, the Company disposed of its investment in Adamjee Life Assurance Company Limited amounting Rs. 266,240 thousands (2021: addition of Rs. 1,564,506 thousands)

Notes to the Unconsolidated Financial Statements

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9 Investment in equity securities

Available-for-sale

Note	2022			2021			
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value	
----- Rupees in thousand -----							
Related parties							
Listed shares	9.1	9,986,598	(31)	9,986,567	9,543,446	-	9,543,446
Unlisted shares	9.2	1,056,956	-	1,056,956	949,456	-	949,456
		11,043,554	(31)	11,043,523	10,492,902	-	10,492,902
Unrealized gain				(614,828)			2,096,135
				10,428,695			12,589,037
Others							
Listed shares	9.3	6,055,228	(1,944,932)	4,110,296	6,701,235	(2,108,194)	4,593,041
Unlisted shares	9.4	925,360	-	925,360	925,360	-	925,360
Mutual Funds	9.5	48,979	(16,366)	32,613	48,550	(5,117)	43,433
NIT Units	9.6	161	-	161	161	-	161
		7,029,728	(1,961,298)	5,068,430	7,675,306	(2,113,311)	5,561,995
Unrealized gain				2,154,540			3,006,547
				7,222,970			8,568,542
Total		18,073,282	(1,961,329)	17,651,665	18,168,208	(2,113,311)	21,157,579

9.1 Related Parties - Listed shares

No. of Shares	Face value	Company's Name	Cost		Market Value	
			2022	2021	2022	2021
----- Rupees in thousand -----						
Commercial Banks						
59,225,639	55,196,435	10 MCB Bank Limited [Equity held 4.998% (2021: 4.658%)]	9,631,006	9,187,854	6,879,650	8,464,374
Textile Composite						
2,050	2,050	10 Nishat Mills Limited [Equity held 0.001% (2021: 0.001%)]	144	144	113	163
Power Generation & Distribution						
25,631,181	25,631,181	10 Pakgen Power Limited [Equity held 6.889% (2021: 6.889%)]	355,448	355,448	768,935	615,148
84,858,870	80,829,666		9,986,598	9,543,446	7,648,698	9,079,685

9.1.1 5,286,710 (2021 : 3,716,710) shares of MCB have been pledged against SBLC (Standby Letter of Credit) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Company.

9.2 Related Parties - Unlisted shares

No. of Shares	Face value	Company's Name	Cost		Market Value	
			2022	2021	2022	2021
----- Rupees in thousand -----						
Automobile Assembler						
105,623,000	94,873,000	10 Hyundai Nishat Motor (Private) Limited [Equity held 10.000% (2021: 10.000%)]	1,056,956	949,456	2,779,997	3,509,352

Notes to the Unconsolidated Financial Statements

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9.2.1 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited (HNMPL) which is principally engaged in vehicle assembling. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs. 26.32 per ordinary share as at December 31, 2022 (Rs. 36.99 per ordinary share as at December 31, 2021) through a valuation technique based on discounted cash flows. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 44 to these unconsolidated financial statements.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 21.64% (2021: 18.52%) per annum.
- Terminal growth rate in revenue of 2% (2021: 4%) per annum.

9.2.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2022 would be Rs. 184,840 thousand lower.
- If the terminal growth rate increase by 1% with all other variables held constant, the impact on fair value as at December 31, 2022 would be Rs. 105,623 thousand higher.

9.3 Others - listed shares

No. of Shares		Face value Rupees	Company's Name	Cost		Market Value	
2022	2021			2022	2021	2022	2021
				Rupees in thousand			
Automobile Assembler							
1,706,908	987,795	10	Millat Tractors Limited	591,172	591,172	828,038	851,714
Cable & Electrical Goods							
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	116,770	116,770	112,445	98,141
Cement							
645,100	645,100	10	Fecto Cement Limited	77,534	77,534	11,309	17,398
Close - End Mutual Fund							
4,113,500	4,113,500	10	HBL Investment Fund 'A'	27,235	27,235	6,828	10,284
Commercial Banks							
6,277,500	6,277,500	10	Allied Bank Limited	641,638	641,638	401,572	516,450
330,300	330,300	10	Habib Bank Limited	88,086	88,086	21,050	38,520
8,240,950	8,240,950	10	National Bank of Pakistan	504,670	504,670	194,404	284,478
1,250,000	1,250,000	10	United Bank Limited	242,721	242,721	125,938	170,725
Engineering							
174,677	174,677	10	Aisha Steel Mills Limited	282	282	1,434	2,631
100,000	100,000	10	Crescent Steel & Allied Products Limited	20,324	20,324	3,198	5,138
-	300,000	10	International Steel Limited	-	46,811	-	19,836
Fertilizer							
12,707	1,481,000	10	Engro Fertilizers Limited	909	105,935	977	112,689
9,998,900	9,998,900	10	Fauji Fertilizer Company Limited	1,050,979	1,050,979	986,991	1,002,490
Food & Personal Care Products							
5,740	5,740	10	Nestle Pakistan Limited	59,278	59,278	33,694	32,864
70,304	70,304	10	Rafhan Maize Products Limited	223,250	223,250	639,768	660,858
Insurance							
4,800	4,800	10	EFU General Insurance Company Limited	211	211	444	504
-	230,000	10	IGI Holdings Limited	-	66,917	-	35,335
860,529	286,843	10	Pakistan Reinsurance Company Limited	6,326	6,326	5,903	6,425

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

No. of Shares		Face value Rupees	Company's Name	Cost		Market Value	
2022	2021			2022	2021	2022	2021
----- Rupees in thousand -----							
Investment Companies							
2,220,100	2,220,100	10	Dawood Hercules Corporation	324,933	324,933	209,799	212,064
5,462,000	5,462,000	10	MCB Arif Habib Savings & Investment Limited	149,789	149,789	116,832	193,792
Oil & Gas Exploration Companies							
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	245,134	245,134	121,425	131,395
5,126,935	5,696,595	10	Sui Northern Gas Pipelines Limited	278,372	309,302	192,516	190,551
Paper & Board							
11,750	11,750	10	Packages Limited	6,144	6,144	4,349	5,843
Pharmaceuticals							
369,400	369,400	10	Abbott Laboratories Pakistan Limited	320,902	320,902	171,147	265,048
Power Generation & Distribution							
5,731,000	5,731,000	10	Kot Addu Power Company Limited	491,086	491,086	152,731	185,398
27,348,388	27,348,388	10	Lalpir Power Limited	371,516	371,516	413,781	385,886
923,500	923,500	10	Nishat Power Limited	42,001	42,001	16,817	18,359
4,935,882	4,935,882	10	Saif Power Limited	163,072	163,072	91,659	93,091
Refinery							
-	37,500	10	Attock Refinery Limited	-	13,133	-	5,401
14,000	506,450	10	National Refinery Limited	10,894	394,084	2,465	144,131
				6,055,228	6,701,235	4,867,514	5,697,439

9.3.1 Nil (2021 : 369,000) shares of Abbot Laboratories Limited, Nil (2021 : 2,220,000) shares of Dawood Hercules Corporation Limited, Nil (2021 : 1,480,000) shares of Engro Fertilizers Limited, 4,800,000 (2021 : 9,250,000) shares of Fauji Fertilizer Company Limited, Nil (2021 : 330,000) shares of Habib Bank Limited, Nil (2021 : 300,000) shares of International Steels Limited, Nil (2021 : 823,000) shares of Millat Tractors Limited, Nil (2021 : 8,240,000) shares of National Bank of Pakistan, Nil (2021 : 5,700) shares of Nestle Pakistan Limited, Nil (2021 : 1,524,000) shares of Oil & Gas Development Company Limited and Nil (2021 : 1,250,000) shares of United Bank Limited have been pledged against SBLC (Standby Letter of Credit) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Company and Loans obtained from MCB Bank Limited, a related party of the Company.

9.4 Others - Unlisted shares

No. of Shares		Face value Rupees	Company's Name	Cost		Market Value	
2022	2021			2022	2021	2022	2021
----- Rupees in thousand -----							
9,681,374	9,681,374	10	Security General Insurance Company Limited	925,360	925,360	2,322,078	2,826,768
			[Equity held 14.224% (2021: 14.224%)]				

9.4.1 This represents investment in the ordinary shares of Security General Insurance Company Limited ("SGI") which is principally engaged in general insurance business. Since SGI's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs. 239.85 per ordinary share as at December 31, 2022 (Rs. 291.98 per ordinary share as at December 31, 2021) through a valuation technique based on discounted cash flow analysis of SGI. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 44 to these unconsolidated financial statements.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 25% (2021: 15%) per annum.
- Terminal growth rate of 2% (2021: 2%) per annum.

Notes to the Unconsolidated Financial Statements

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9.4.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2022 would be Rs. 7,529 thousand lower.
- If the terminal growth rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2022 would be Rs. 1,990 thousand higher.

9.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of Units		Face value Rupees	Fund's Name	Cost		Market Value	
2022	2021			2022	2021	2022	2021
47,324	45,669	100	Alfalah GHP Money Market Fund	4,658	4,488	4,658	4,492
24,802	22,246	100	HBL Cash Fund	2,501	2,242	2,541	2,269
4,234,546	4,234,546	10	HBL Investment Fund - Class B	41,820	41,820	25,454	36,703
				48,979	48,550	32,653	43,464

9.6 Open-Ended Equity Funds

No. of Units		Fund Name	Cost		Market Value	
2022	2021		2022	2021	2022	2021
12,540	12,540	National Investment Trust	161	161	725	871
		Grand Total	18,073,282	18,168,208	17,651,665	21,157,579

10 Investment in debt securities

Held to maturity

	2022	2021
Treasury Bills	382,288	275,005
Pakistan Investment Bonds	-	102,647
Total	382,288	377,652

Treasury Bills

Face Value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	Cost		Carrying amount	
					2022	2021	2022	2021
100,000,000	15.88%	On maturity	12 Month Treasury Bills	27-Jul-23	86,326	-	90,589	-
322,000,000	15.90%	On maturity	12 Month Treasury Bills	24-Aug-23	277,971	-	291,699	-
100,000,000	10.39%	On maturity	3 Month Treasury Bills	24-Feb-22	-	97,665	-	98,452
100,000,000	11.32%	On maturity	6 Month Treasury Bills	30-Jun-22	-	94,656	-	95,419
82,000,000	8.17%	On maturity	3 Month Treasury Bills	13-Jan-22	-	80,486	-	81,134
					364,297	272,807	382,288	275,005

Pakistan Investment Bonds

Face Value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	Cost		Carrying amount	
					2022	2021	2022	2021
100,000,000	11.7130%	On maturity	3 Years Pakistan Investment Bonds	19-Sep-22	-	98,389	-	102,647
					-	98,389	-	102,647

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

11 Investments in Term Deposits	Note	2022	2021
		----- Rupees in thousand -----	
Held to maturity			
Deposits maturing within 12 months			
Inside Pakistan			
- others		-	175,066
		-	175,066
Outside Pakistan			
- related parties		1,849,572	1,441,691
- others		4,710,861	5,170,710
		6,560,433	6,612,401
		6,560,433	6,787,467
Deposits maturing after 12 months			
Inside Pakistan			
- related parties		8,811	8,811
- others		75,188	75,188
		83,999	83,999
	11.1	6,644,432	6,871,466

11.1 These include fixed deposits amounting to Rs. 369,914 thousands (AED 6,000 thousands) [2021: Rs. 5,526,486 thousands (AED 115,000 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rs. 83,999 thousands (2021: Rs. 259,065 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Company for claims under litigation filed against the Company and bid bond guarantees.

12 Advance against issue of shares	2022	2021
	----- Rupees in thousand -----	
Advance against issue of right shares	900,000	-

The balance represents amount paid against right issue of shares in Hyundai Nishat Motor (Private) Limited, a related party of the Company. The right shares were issued subsequent to year end on January 06, 2023.

13 Loans and other receivables - considered good	Note	2022	2021
		----- Rupees in thousand -----	
Rent receivable		13,483	7,397
Receivable from related parties	13.1	74,357	58,745
Accrued income		96,064	96,481
Security deposits		54,590	50,627
Advances to employees and suppliers		373,275	177,729
Advance agent commission		4,182	7,796
Loans to employees		65,460	51,929
Other receivables		159,469	164,896
		840,880	615,600

13.1 This represents receivable from Adamjee Life Assurance Company Limited, subsidiary of the Company, in respect of cash value of life policies obtained for key management personnel of the Company. The Company is the beneficiary in respect of policies obtained for the employees.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
14 Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders	14.1	9,403,294	7,336,121
Provision for impairment of receivables from insurance contract holders	14.2	(1,371,044)	(1,078,100)
		8,032,250	6,258,021
Due from other insurers / reinsurers		695,069	1,119,151
Provision for impairment of due from other insurers / reinsurers	14.3	(201,302)	(201,302)
		493,767	917,849
		8,526,017	7,175,870
14.1 Due from insurance contact holders include an amount Rs. 122,492 thousands (2021: Rs. 237,666 thousands) held with related parties.			
		2022	2021
		----- Rupees in thousand -----	
14.2 Reconciliation of provision for impairment of receivables from insurance contract holders			
Balance as at January 01		1,078,100	932,384
Charge for the year		50,145	67,667
Exchange difference		242,799	78,049
Balance as at December 31		1,371,044	1,078,100
14.3 Reconciliation of provision for impairment of due from other insurers / reinsurers			
Balance as at January 01		201,302	201,302
Charge for the year		-	-
Write off against provision for the year		-	-
Balance as at December 31		201,302	201,302
15 Prepayments			
Prepaid reinsurance premium ceded		6,536,997	4,627,169
Prepaid miscellaneous expenses		139,742	124,761
		6,676,739	4,751,930
16 Cash and bank			
Cash and cash equivalents			
Inside Pakistan			
Cash in hand		367	353
Policy, revenue stamps and bond papers		17,299	9,696
		17,666	10,049
Cash at bank			
Inside Pakistan			
Current accounts		874,810	537,244
Savings accounts		1,073,025	755,152
		1,947,835	1,292,396
Outside Pakistan			
Current accounts		3,225,294	870,126
Savings accounts		1,900	1,482
		3,227,194	871,608
		5,175,029	2,164,004
		5,192,695	2,174,053

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- 16.1** Cash at bank includes an amount of Rs. 1,959,018 thousands (2021: 151,077 thousands) held with MCB Bank Limited, a related party of the Company.
- 16.2** Lien of Rs. 633,240 thousands (2021: Rs. 432,571 thousands) is marked on cash deposits in saving accounts against SBLC (Standby Letter of Credit) issued in favor of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Company and for claims under litigation filed against the Company.
- 16.3** Lien of Rs. 159,883 thousands (AED 2,593,295) [(2021: Nil)] is marked on cash deposits in current accounts in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates.
- 16.4** Saving / Profit and loss accounts placed in Pakistan carry expected profit rates ranging from 8.50% to 16.00% (2021: 3.50% to 10.90%).

2022 2021
----- Rupees in thousand -----

17 Window Takaful Operations - Operator's Fund

Assets

Cash and bank deposits	164,215	264,235
Qard e Hasna to Participants' Takaful Fund	221,460	146,460
Investments - Equity securities	251,052	38,326
Investments - Debt securities	125,000	75,000
Intangible assets	6,047	10,409
Property and equipment	46,276	22,883
Current assets - others	235,370	166,537
Total Assets	1,049,420	723,850
Total liabilities	384,973	278,531
Wakala income	640,740	430,587
Commission expense	(174,748)	(137,910)
Management expenses	(205,845)	(172,925)
Investment income	22,797	2,340
Other income	48,280	17,852
Mudarib's share of PTF investment income	11,211	3,144
Other expenses	(3,858)	(3,821)
Profit before taxation	338,577	139,267
Taxation	(118,481)	(40,388)
Profit after taxation	220,096	98,879

Details of assets, liabilities and segment disclosures of Window Takaful Operations are stated in the annexed financial statements.

Notes to the Unconsolidated Financial Statements

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18 Share capital

18.1 Authorized share capital

	2022	2021	2022	2021
	----- Number of shares-----		----- Rupees in thousand-----	
Ordinary shares of Rs. 10 each	375,000,000	375,000,000	3,750,000	3,750,000
18.2 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each fully paid in cash	250,000	250,000	2,500	2,500
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	349,750,000	349,750,000	3,497,500	3,497,500
	350,000,000	350,000,000	3,500,000	3,500,000

18.3 As at December 31, 2022, associated undertakings MCB Bank Limited, Roomi Fabrics Limited, Roomi Holdings (Pvt) Limited, Masood Fabrics Limited, Masood Holdings (Pvt) Limited, Nishat (Aziz Avenue) Hotels & Properties Limited and Nishat Mills Limited held 70,861,241 (2021: 70,861,241), 17,405,000 (2021: Nil), 15,249,000 (2021: Nil), 9,881,500 (2021: Nil), 3,984,500 (2021: Nil), 1,267,000 (2021: 1,203,000) and 102,809 (2021: 102,809) ordinary shares of the Company, respectively.

	Note	2022	2021
		----- Rupees in thousand -----	
19 Reserves			
Capital reserves			
Reserves for exceptional losses	19.1	22,859	22,859
Investment fluctuation reserves	19.2	3,764	3,764
Exchange translation reserves	19.3	1,532,444	899,883
Fair value reserves	19.4	1,031,608	3,623,873
		2,590,675	4,550,379
Revenue reserves			
General reserves		936,500	936,500
		936,500	936,500
		3,527,175	5,486,879

19.1 The reserve for exceptional losses represents the amount set aside by the Company in prior years up to December 31, 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit such deduction, the Company discontinued the setting aside of reserves for exceptional losses.

19.2 This amount has been set aside by the Company in prior years for utilization against possible diminution in the value of investments.

19.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of the Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

19.4 The fair value reserve represents the net cumulative unrealized gain / (loss) on available for sale investments held by the Company as at December 31, 2022.

Notes to the Unconsolidated Financial Statements

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	Note	2022	2021
		----- Rupees in thousand -----	
20 Retirement benefit obligations			
Unfunded gratuity scheme	20.1	131,152	82,145
Funded gratuity scheme	20.2	70,255	181,515
		201,407	263,660

20.1 Unfunded gratuity scheme

20.1.1 This provision relates to the Company's operations in UAE branches. The eligible employees under the scheme are 70 (2021 : 64). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2022 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

	2022	2021
	----- Rupees in thousand -----	
20.1.2 Movement in the net liabilities recognized in the statement of financial position are as follows:		
Present value of defined benefit obligation as at January 01	82,145	64,359
Charge for the year	13,046	9,551
Benefits paid	(2,008)	(2,847)
Remeasurement loss on obligation	12,246	3,511
Exchange loss	25,723	7,571
Present value of defined benefit obligation as at December 31	131,152	82,145

	2022	2021
	----- Percentages -----	
20.1.3 Principal actuarial assumptions used are as follows:		
- Valuation discount rate	3.00	2.20
- Expected rate of increase in salary level	2.50	2.00

	2022	2021
	----- Rupees in thousand -----	
20.1.4 The amount charged in profit and loss account is as follows:		
Service cost	10,973	8,139
Interest cost	2,073	1,412
Expense for the year	13,046	9,551

	2022	2021
	----- Rupees in thousand -----	
20.1.5 The amounts charged to statement of comprehensive income are as follows:		
Remeasurement of the present value of defined benefit obligation due to:		
- Changes in financial assumptions	(1,378)	-
- Experience adjustments	13,624	3,511
	12,246	3,511

20.2 Funded gratuity scheme

20.2.1 The Company operates an approved funded gratuity scheme for all employees. The eligible employees under the scheme are 765 (2021 : 750). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2022 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	2022	2021
	----- Percentages -----	
Principal actuarial assumptions used are as follows:		
- Discount rate	15.50	11.50
- Expected rate of increase in salary level	13.50	9.50
	2022	2021
	----- Rupees in thousand -----	
Movement in the net liabilities recognized in the statement of financial position are as follows:		
Net liabilities as at January 01	181,515	132,873
Expenses recognized	34,852	33,131
Contribution paid during the year	(180,000)	-
Remeasurement loss recognized - net	33,888	15,511
Net liabilities as at December 31	<u>70,255</u>	<u>181,515</u>
The amounts recognized in the profit and loss account are as follows:		
- Service cost	24,328	21,836
- Interest cost	41,683	29,498
- Interest income on plan assets	(31,159)	(18,203)
	<u>34,852</u>	<u>33,131</u>
The amounts recognized in statement of comprehensive income are as follows:		
Remeasurement of plan obligation from:		
- Experience on obligation	28,743	10,807
Remeasurement of plan assets:		
- Investment return	5,145	4,704
	<u>33,888</u>	<u>15,511</u>
20.2.2 The amounts recognized in the statement of financial position are as follows:		
Fair value of plan assets	(356,234)	(211,676)
Present value of defined benefit obligation	426,489	393,191
	<u>70,255</u>	<u>181,515</u>
20.2.3 Movement in fair value of plan assets		
Present value as at January 01	211,676	230,138
Interest income on plan assets	31,159	18,203
Actual benefits paid during the year	(61,456)	(31,961)
Contribution made during the year	180,000	-
Remeasurement loss due to investment return	(5,145)	(4,704)
Fair value of plan assets as at December 31	<u>356,234</u>	<u>211,676</u>
Actual return on plan assets		
Expected return on plan assets	31,159	18,203
Remeasurement loss due to investment return	(5,145)	(4,704)
	<u>26,014</u>	<u>13,499</u>

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

2022 2021
----- Rupees in thousand -----

20.2.4 Movement in present value of defined benefit obligation

Present value of defined benefit obligation as at January 01	393,191	363,011
Current service cost	24,328	21,837
Interest cost	41,683	29,498
Actual benefits paid during the year	(61,456)	(31,961)
Remeasurement loss on obligation	28,743	10,806
Present value of defined benefit obligation as at December 31	426,489	393,191

20.2.5 Comparison for five years

Funded gratuity scheme

	2022	2021	2020	2019	2018
	----- Rupees in thousand -----				
Present value of defined obligation	426,489	393,191	363,011	341,214	326,883
Fair value of plan assets	356,234	211,676	230,138	198,745	193,756
Deficit	70,255	181,515	132,873	142,469	133,127

Experience adjustments

Loss on plan assets (% age of plan assets)	(1.44)	(2.22)	(5.04)	(0.21)	(5.92)
Loss / (gain) on obligations (% age of obligation)	6.74	2.75	(1.82)	(4.78)	5.54

Unfunded gratuity schemes

Present value of defined obligation	131,152	82,145	64,359	82,708	65,853
Experience adjustments (Loss) / gain on obligations (% age of obligation)	(10.39)	(4.27)	23.15	(9.71)	(2.44)

----- Percentages ----- ----- Rupees in thousand -----

20.2.6 Plan assets consist of the following:

Mutual funds - Equity	4.66	9.43	16,613	19,958
Mutual funds - Debt	9.83	30.36	35,000	64,258
Government Bonds - Debt	79.81	50.98	284,323	107,903
Shares, bank deposits & cash equivalents - Others	5.70	9.23	20,298	19,557
	100.00	100.00	356,234	211,676

20.2.7 Plan assets do not include any investment in the Company's ordinary shares as at December 31, 2022 (2021: Nil).

20.2.8 Expected cost to be recorded in the profit and loss account for the year ending December 31, 2023 is Rs. 36,349 thousands.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

20.2.9 Expected contributions to the plan for the year ending December 31, 2023 is Rs. 37,118 thousands.

20.2.10 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at beginning of the year.

20.2.11 The weighted average duration of the defined benefit obligation for gratuity plan is 3.2 years (2021: 3.1 years).

20.2.12 These defined benefit plans expose the Company to actuarial risks such as investment risk and salary risk.

20.2.13 The main features of the gratuity schemes are as follows:

- All confirmed employees are eligible to the scheme and the normal retirement age for all employees is 60 years.
- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules.
- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

20.2.14 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

20.2.15 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Change in assumptions		Impact on Gratuity plans			
		Unfunded		Funded	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- Rupees in thousand -----					
Discount rate	1%	(4,372)	4,746	(11,400)	12,118
Salary growth rate	1%	4,722	(4,434)	12,227	(11,695)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

21 Deferred taxation

Deferred tax debits arising in respect of:

Provision for gratuity

Lease liability

Investments - Available for sale

Deferred tax credits arising in respect of:

Tax depreciation allowance

Right of use assets

Investments - Available for sale

	2022	2021
	----- Rupees in thousand -----	
	43,280	23,822
	15,116	21,946
	139,134	-
	197,530	45,768
	(982,733)	(571,111)
	(20,685)	(26,021)
	-	(1,479,778)
	(1,003,418)	(2,076,910)
	(805,888)	(2,031,142)

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
21.1 Movement in deferred tax balances is as follows:			
As at January 01		2,031,142	1,375,394
Recognized in profit and loss account:			
- provision for gratuity		(19,458)	(5,158)
- lease liability against right of use asset		6,830	7,515
- right of use assets		(5,336)	(3,158)
- tax depreciation allowance		411,622	338,610
		393,658	337,809
Recognized in statement of comprehensive income:			
- investments - Available for sale		(1,618,912)	317,939
As at December 31		805,888	2,031,142
22 Borrowings			
Loan from financial institution			
MCB Bank Limited - Refinance scheme	22.1	-	86,756
MCB Bank Limited - Demand finance - General	22.2	-	840,000
		-	926,756
Current portion		-	926,756
Non-current portion		-	-
		-	926,756

22.1 This represents long term financing facility availed from MCB Bank Limited, a related party of the Company under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), with the approval of SBP. The total facility available amounts to Rs 183 million. The interest rate applicable is SBP rate + 1.00%. This facility had been secured against pledge of 125,000 shares of Millat Tractors Limited, 690,000 shares of Dawood Hercules Corporation Limited and 850,000 shares of United Bank Limited with security margin of 30%.

22.2 This represents short term financing facility from MCB Bank Limited, a related party of the Company. The interest rate applicable is 3 month KIBOR + 0.1%. This facility had been secured against pledge of 214,000 shares of Abbot Laboratories Limited, 815,000 shares of Dawood Hercules Corporation Limited, 1,480,000 shares of Engro Fertilizers Limited, 4,450,000 shares of Fauji Fertilizer Company Limited, 330,000 shares of Habib Bank Limited, 300,000 shares of International Steels Limited, 568,000 shares of Millat Tractors Limited, 8,240,000 shares of National Bank of Pakistan, 5,700 shares of Nestle Pakistan Limited, 1,524,000 shares of Oil & Gas Development Company Limited and 400,000 shares of United Bank Limited with security margin of 30%.

	2022	2021
	----- Rupees in thousand -----	
23 Deferred grant income		
Deferred grant income	-	6,329

Government grant has been recorded as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant. In accordance with the terms of the facility, the Company is prohibited to lay-off the employees at least during three months period from the date of first disbursement except in case of any disciplinary action.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
24 Insurance / reinsurance payables			
Due to other insurers / reinsurers		6,959,398	5,215,694
This amount represents amount payable to other insurers and reinsurers.			
25 Other creditors and accruals			
Agents commission payable		977,109	840,609
Federal Excise Duty / Sales tax / VAT		449,746	346,924
Federal Insurance Fee payable		45,483	35,707
Workers' Welfare Fund payable	25.1	224,506	76,485
Tax deducted at source		61,689	86,451
Accrued expenses		225,382	229,363
Unpaid and unclaimed dividend		160,541	156,627
Payable to employees' provident fund		211	88
Sundry creditors		1,051,908	674,132
		3,196,575	2,446,386
25.1 Workers' Welfare Fund			
Balance as at 01 January		76,485	76,485
Provision for the year		148,021	-
Balance as at 31 December		224,506	76,485
26 Deposits and other liabilities			
Cash margin against performance bonds	26.1	495,392	553,460
Lease liability	26.2	45,807	75,675
		541,199	629,135
26.1	This represents margin deposit on account of performance and other bond policies issued by the Company.		
26.2 Maturity analysis			
Not later than 1 year		25,313	33,509
Later than 1 year and not later than 5 years		20,494	42,166
		45,807	75,675

27 Contingencies and commitments

27.1 Contingencies

The Company has filed appeals in respect of certain assessment years mainly on account of the following:

Income tax

- (a) Deputy Commissioner Inland Revenue (DCIR) passed order u/s 161/205 of the Ordinance for tax year 2013 raising an income tax demand of Rs. 9,066 thousands. The Company agitated the order before Commissioner Inland Revenue - Appeals (CIR - Appeals). CIR - Appeals decided the case in the favor of the Company. Following the said order, the learned DCIR has passed an appeal effect order in which certain directions of the learned CIR-Appeals have not been followed for which a rectification appeal under section 221 of the Ordinance has been filed before learned DCIR which is still to be processed.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

- (b) The Tax Authorities have passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,360 thousands. An appeal was filed before the CIR - Appeals who upheld the order of the Taxation Officer. The Company has filed an appeal before the Additional Tribunal Inland Revenue (ATIR) which is yet to be heard.
- (c) The Tax Authorities amended the assessments for tax years 2003 to 2005 on the ground that the Company has not apportioned management and general administration expenses against capital gain and dividend income. The Company filed constitutional petition in the Honorable Sindh High Court (the Court) against the amendment in the assessment order. The Company may be liable to pay Rs. 5,880 thousands in the event of decision against the Company, out of which Rs. 2,730 thousands have been provided resulting in a shortfall of Rs. 3,150 thousands.
- (d) The Tax Authorities has passed an order under section 161/205 of the Income Tax Ordinance for tax year 2017 creating a demand of Rs. 22,105 thousands on account of Non-Deduction of Income Tax while making payments. The Company has paid partial payment of Rs. 9,065 thousands under protest and agitated the order before learned CIR - Appeals I. We expect a favourable outcome from this case.
- (e) Sindh Revenue Board has passed orders under section 23(1) of the Sindh Sales Tax On Services Act 2011 creating a demand of Rs. 469,020 and 1,800,219 thousands for the period from July 2011 to December 2011 and for the period January 2014 to December 2015. The impugned demand has been created on account of non levy of sales tax on reinsurance services acquired from foreign reinsurance companies. The company has challenged the order before Commissioner (Appeals) Sindh Revenue Board. However, the same has not been fixed for hearing till now. The company, based on reasonable grounds, expects that the ultimate outcome of the case will be in the favour of the company.

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rs. 2,341,920 thousands (2021: Rs. 532,636 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Company.

Others

The Company has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs. 1,250,357 thousands (2021: Rs. 1,269,671 thousands).

The Company has issued letter of guarantees amounting to AED 115,000,000 amounting to Rs. 7,090,026 thousands (2021: AED 219,000 amounting to Rs.10,524 thousands) relating to UAE branch.

	2022	2021
	----- Rupees in thousand -----	
28 Net insurance premium		
Written gross premium	32,676,780	23,319,840
Unearned premium reserve - opening	11,010,289	8,366,434
Unearned premium reserve - closing	(14,996,454)	(11,010,289)
Currency translation effect	1,110,039	323,898
Premium earned	29,800,654	20,999,883
Reinsurance premium ceded	(14,597,978)	(9,740,756)
Prepaid reinsurance premium - opening	(4,627,169)	(3,307,863)
Prepaid reinsurance premium - closing	6,536,997	4,627,169
Currency translation effect	(132,399)	(25,956)
Reinsurance expense	(12,820,549)	(8,447,406)
	16,980,105	12,552,477

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	2022	2021
	----- Rupees in thousand -----	
28.1 Net insurance premium - Business underwritten inside Pakistan		
Written gross premium	22,442,428	17,036,745
Unearned premium reserve - opening	7,393,851	6,021,464
Unearned premium reserve - closing	(9,454,477)	(7,393,851)
Premium earned	20,381,802	15,664,358
Reinsurance premium ceded	(12,829,798)	(9,108,055)
Prepaid reinsurance premium - opening	(4,302,258)	(3,260,277)
Prepaid reinsurance premium - closing	5,699,784	4,302,258
Reinsurance expense	(11,432,272)	(8,066,074)
	8,949,530	7,598,284
28.2 Net insurance premium - Business underwritten outside Pakistan		
Written gross premium	10,234,352	6,283,095
Unearned premium reserve - opening	3,616,438	2,344,970
Unearned premium reserve - closing	(5,541,977)	(3,616,438)
Currency translation effect	1,110,039	323,898
Premium earned	9,418,852	5,335,525
Reinsurance premium ceded	(1,768,180)	(632,701)
Prepaid reinsurance premium - opening	(324,911)	(47,586)
Prepaid reinsurance premium - closing	837,213	324,911
Currency translation effect	(132,399)	(25,956)
Reinsurance expense	(1,388,277)	(381,332)
	8,030,575	4,954,193
29 Net insurance claims expense		
Claim paid	19,356,834	11,343,930
Outstanding claims including IBNR - closing	20,726,702	12,686,045
Outstanding claims including IBNR - opening	(12,686,045)	(10,768,040)
Currency translation effect	(1,713,790)	(540,775)
Claim expense	25,683,701	12,721,160
Reinsurance and other recoveries received	(7,961,881)	(4,007,386)
Reinsurance and other recoveries in respect of outstanding claims - closing	(15,233,478)	(7,943,513)
Reinsurance and other recoveries in respect of outstanding claims - opening	7,943,513	6,192,571
Currency translation effect	852,819	241,051
Reinsurance and other recoveries revenue	(14,399,027)	(5,517,277)
	11,284,674	7,203,883
29.1 Net insurance claims expense - Business underwritten inside Pakistan		
Claim paid	9,532,395	5,792,876
Outstanding claims including IBNR - closing	12,123,015	7,131,251
Outstanding claims including IBNR - opening	(7,131,251)	(4,920,475)
Claim expense	14,524,159	8,003,652
Reinsurance and other recoveries received	(4,234,327)	(1,707,578)
Reinsurance and other recoveries in respect of outstanding claims - closing	(10,450,405)	(5,482,393)
Reinsurance and other recoveries in respect of outstanding claims - opening	5,482,393	3,526,278
Reinsurance and other recoveries revenue	(9,202,339)	(3,663,693)
	5,321,820	4,339,959

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

2022 2021
----- Rupees in thousand -----

29.2 Net insurance claims expense - Business underwritten outside Pakistan

Claim paid	9,824,439	5,551,054
Outstanding claims including IBNR - closing	8,603,687	5,554,794
Outstanding claims including IBNR - opening	(5,554,794)	(5,847,565)
Currency translation effect	(1,713,790)	(540,775)
Claim expense	11,159,542	4,717,508
Reinsurance and other recoveries received	(3,727,554)	(2,299,808)
Reinsurance and other recoveries in respect of outstanding claims - closing	(4,783,073)	(2,461,120)
Reinsurance and other recoveries in respect of outstanding claims - opening	2,461,120	2,666,293
Currency translation effect	852,819	241,051
Reinsurance and other recoveries revenue	(5,196,688)	(1,853,584)
	5,962,854	2,863,924

29.3 Claim development table

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

	2017	2018	2019	2020	2021	2022	Total
At the end of accident year	11,307,403	13,278,246	14,544,497	12,607,367	14,166,057	27,835,542	93,739,112
One year later	6,362,632	6,250,676	6,218,787	5,366,245	8,158,522	-	32,356,862
Two years later	1,978,478	1,880,335	2,149,028	1,565,716	-	-	7,573,557
Three years later	956,949	863,553	948,368	-	-	-	2,768,870
Four years later	725,072	613,987	-	-	-	-	1,339,059
Five years later	961,401	-	-	-	-	-	961,401
Current estimate of cumulative claims	961,401	613,987	948,368	1,565,716	8,158,522	27,835,542	40,083,536
Less: Cumulative payments to date	155,036	80,046	332,731	731,305	5,911,653	12,146,063	19,356,834
Liability recognized in statement of financial position	806,365	533,941	615,637	834,411	2,246,869	15,689,479	20,726,702

2022 2021
----- Rupees in thousand -----

30 Net commission and other acquisition costs

Commission paid or payable	3,182,078	2,346,874
Deferred commission expense - opening	1,055,480	731,319
Deferred commission expense - closing	(1,489,080)	(1,055,480)
Currency translation effect	205,785	59,606
Net Commission	2,954,263	2,082,319
Commission received or recoverable	(1,002,523)	(554,992)
Unearned reinsurance commission - opening	(241,094)	(245,318)
Unearned reinsurance commission - closing	365,610	241,094
Currency translation effect	(4,242)	(195)
Commission from reinsurance	(882,249)	(559,411)
	2,072,014	1,522,908

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
30.1 Net commission and other acquisition costs - Business underwritten Inside Pakistan			
Commission paid or payable		1,218,959	1,139,371
Deferred commission expense - opening		393,554	285,324
Deferred commission expense - closing		(447,607)	(393,554)
Net Commission		1,164,906	1,031,141
Commission received or recoverable		(912,432)	(549,408)
Unearned reinsurance commission - opening		(239,650)	(240,971)
Unearned reinsurance commission - closing		323,930	239,650
Commission from reinsurance		(828,152)	(550,729)
		336,754	480,412
30.2 Net commission and other acquisition costs - Business underwritten Outside Pakistan			
Commission paid or payable		1,963,119	1,207,503
Deferred commission expense - opening		661,926	445,995
Deferred commission expense - closing		(1,041,473)	(661,926)
Currency translation effect		205,785	59,606
Net Commission		1,789,357	1,051,178
Commission received or recoverable		(90,091)	(5,584)
Unearned reinsurance commission - opening		(1,444)	(4,347)
Unearned reinsurance commission - closing		41,680	1,444
Currency translation effect		(4,242)	(195)
Commission from reinsurance		(54,097)	(8,682)
		1,735,260	1,042,496
31 Management expenses			
Employee benefit costs	31.1	2,080,084	1,757,356
Travelling expenses		68,129	36,157
Advertisement and sales promotion		57,821	38,951
Printing and stationary		34,728	32,468
Depreciation	5.1 & 5.3	218,659	220,360
Amortization	6	33,282	29,819
Rent, rates and taxes		7,264	10,563
Legal and professional charges - business related		170,510	120,440
Electricity, gas and water		98,754	79,351
Entertainment		31,009	19,308
Vehicle running expenses		164,472	96,208
Office repairs and maintenance		104,261	71,566
Bank charges		143,269	54,774
Postages, telegrams and telephone		27,442	20,390
Supervision fee		73,946	52,116
IT related costs		119,793	104,786
Tracking and monitoring charges		115,438	142,976
Provision for doubtful balances against due from insurance contract holders		50,145	67,667
Regulatory fee		177,517	131,560
Miscellaneous		56,350	66,607
		3,832,873	3,153,423

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	2022	2021
	----- Rupees in thousand -----	
31.1 Employee benefit costs		
Salaries, allowances and other benefits	1,986,159	1,672,953
Charges for post employment benefit	93,925	84,403
	<u>2,080,084</u>	<u>1,757,356</u>
32 Investment Income		
Business underwritten Inside Pakistan		
Income from equity securities		
Available-for-sale		
Dividend income		
- related parties	1,101,187	1,546,502
- others	671,652	713,477
	<u>1,772,839</u>	<u>2,259,979</u>
Income from debt securities		
Held to maturity		
Return on Pakistan Investment Bonds	6,353	11,253
Profit on Treasury Bills	78,073	26,161
	<u>84,426</u>	<u>37,414</u>
Income from term deposits		
- others	2,997	12,173
	<u>2,997</u>	<u>12,173</u>
Net realized gains on investments		
Available-for-sale		
Realized gains on equity securities		
- related parties	346,439	-
- others	(358,396)	5,421
	<u>(11,957)</u>	<u>5,421</u>
Provision of impairment in value of 'available-for-sale' investments	1,848,305	2,314,987
	<u>151,982</u>	<u>49,899</u>
	<u>2,000,287</u>	<u>2,364,886</u>
Business underwritten Outside Pakistan		
Income from equity securities		
Available-for-sale		
Dividend income		
- others	102	334
	<u>102</u>	<u>334</u>
Return on term deposits		
- related parties	32,491	22,980
- others	94,720	81,244
	<u>127,211</u>	<u>104,224</u>
	<u>127,313</u>	<u>104,558</u>
Net investment income	<u>2,127,600</u>	<u>2,469,444</u>

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
33 Rental income			
Rental income		163,010	133,486
Expenses of investment property		(805)	(2,073)
		162,205	131,413
34 Other income			
Return on bank balances		161,057	67,763
Gain on sale of operating assets		13,651	26,207
Return on loans to employee		156	190
Income against deferred grant		6,329	8,439
Exchange gain		7,404	2,758
Shared expenses received		19,360	14,030
Miscellaneous		14,911	21,402
		222,868	140,789
35 Other expenses			
Legal and professional charges other than business		41,824	29,092
Auditor's remuneration	35.1	17,350	14,319
Subscription Fee		5,603	8,773
Donations	35.2	32,400	1,500
Directors' fee		515	320
Central depository expense		1,533	1,298
Others		6,328	3,538
		105,553	58,840
35.1 Auditors' remuneration			
Inside Pakistan:			
Audit fee		3,143	2,850
Interim review fee		551	500
Special certifications and sundry advisory services		613	556
Out-of-pocket expenses		463	463
		4,770	4,369
Outside Pakistan			
Audit fee		10,463	8,276
Interim review fee		1,393	1,102
Out-of-pocket expenses		724	572
		12,580	9,950
		17,350	14,319

35.2 The Company has paid the donation amounting to Rs. 30 million (2021: Nil) to Saleem Memorial Trust Hospital, Rs. 1.5 million (2021: 1.5 million) to Pakistan Agricultural Coalition, Rs. 0.5 million (2021: Nil) to Insurance Association Of Pakistan and Rs. 0.4 million (2021: Nil) to Safco Support Foundation during the current year.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

	2022	2021
	----- Rupees in thousand -----	
36 Finance cost		
Finance cost on borrowing	29,327	43,230
Finance cost on lease liability	6,057	6,877
	35,384	50,107
37 Taxation		
Current taxation		
For the year		
- General	617,315	890,670
- Window Takaful Operations - Operator's fund	111,541	40,490
Prior year		
- General	80,431	-
- Window Takaful Operations - Operator's fund	5,571	-
	814,858	931,160
Deferred taxation		
For the year		
- General	(254,032)	337,809
- Window Takaful Operations - Operator's fund	1,369	(102)
	(252,663)	337,707
	562,195	1,268,867
	(Effective tax rate)	
	2022	2021
	----- Percentage -----	
37.1 Tax Charge Reconciliation		
Tax at the applicable rate of 33% (2021: 29%)	33.00	29.00
Prior year	2.56	-
Tax effect of provision for impairment of investments	(22.16)	(0.32)
Others	4.46	0.12
	17.86	28.80
	2022	2021
	----- Rupees in thousand -----	
38 Earnings per share - basic and diluted		
There is no dilutive effect on the basic earnings per share which is based on:		
Profit for the year attributable to ordinary shareholders	2,585,013	3,136,494
	----- Number of shares -----	
Weighted average number of ordinary shares outstanding	350,000,000	350,000,000
	----- Rupees -----	
Earnings per share - basic and diluted	7.39	8.96

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

39 Compensation of Directors and Executives

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

	Chief Executive Officer		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	----- Rupees in thousand -----					
Fees	-	-	515	320	-	-
Managerial remuneration	34,735	31,013	-	-	985,903	853,793
Leave encashment	2,316	4,135	-	-	42,047	36,553
Bonus	5,290	4,723	-	-	74,815	61,448
Charge of defined benefit plan	1,291	1,085	-	-	38,935	33,266
Contribution to defined contribution plan	1,737	1,551	-	-	32,155	27,362
House rent allowance	-	-	-	-	153,755	127,515
Utilities	561	448	-	-	-	-
Medical	-	-	-	-	34,147	28,337
Conveyance	-	-	-	-	113,962	86,729
Special allowance	1,800	1,800	-	-	-	-
Other allowance	264	447	-	-	18,961	5,287
	47,994	45,202	515	320	1,494,680	1,260,290
Number	1	1	7	7	401	356

39.1 In addition, the Chief Executive Officer (CEO) is also provided with Company maintained car (s), certain household items, furniture and fixtures and equipment in accordance with the policy of the Company.

39.2 No remuneration was paid to Non-Executive Directors of the Company except for meeting fees.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

40 Transactions with related parties

The Company has related party relationships with its associates, subsidiary company, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and other transactions carried out for normal business operations. There are no transactions with key management personnel other than those specified in their terms of employment.

Investments, bank deposits and borrowing arrangements with related parties have been disclosed in note 8, 9, 11, 12, 16 & 22 and related cashflows included in these unconsolidated financial statements. Other transactions and balances with related parties are summarized as follows:

i) Transactions	Relationship with the Company	2022	2021
		----- Rupees in thousand -----	
Premiums underwritten	Subsidiary company	24,138	24,078
Premiums received	Subsidiary company	24,761	22,983
Investments made	Subsidiary company	-	1,564,506
Investments sold	Subsidiary company	700,000	
Claims paid	Subsidiary company	14,937	15,296
Claims received	Subsidiary company	-	3,000
Premium paid	Subsidiary company	20,956	
Security deposit received	Subsidiary company	1,105	-
Rent paid / payable	Subsidiary company	3,250	4,463
Rent / service charges / expenses received	Subsidiary company	79,590	59,388
Premiums underwritten	Other related parties	2,210,656	1,734,106
Premiums received	Other related parties	2,314,397	1,264,474
Claims paid	Other related parties	684,447	647,164
Security deposit received	Other related parties	-	5,173
Commission Paid	Other related parties	40,518	27,939
Guarantee commission received	Other related parties	11,215	11,542
Rent paid	Other related parties	10,700	6,689
Rent received	Other related parties	62,937	63,767
Dividends received	Other related parties	938,893	1,320,294
Dividends paid	Other related parties	260,249	197,921
Income on bank deposits	Other related parties	75,458	42,794
Investments made	Other related parties	1,616,759	1,250,493
Investments sold	Other related parties	118,988	-
Fixed assets sold	Other related parties	-	33,055
Fee / service charges paid	Other related parties	12,017	15,941
Fee / service charges received / accrued	Other related parties	13,257	17,298
Payments made to provident fund	Employees' fund	40,791	36,543
ii) Period end balances			
Balances receivable	Subsidiary company	80,386	64,112
Balances payable	Subsidiary company	7,668	5,186
Balances receivable	Other related parties	134,023	243,103
Balances payable	Other related parties	370,730	299,939
Payable to provident fund	Employees' fund	211	88

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

40.1 Following are the particulars of the related parties other than employee retirement benefit plans, key management personnel and Directors of the Company at the reporting date.

Name of Related Party	Basis of relationship	Aggregate % of Shareholding in the Company
A. A. Joyland (Private) Limited	Common directorship	Nil
Adamjee Life Assurance Company Limited	Subsidiary	89.999%
AFLAK Developers	Common directorship	Nil
Agrohub International (Private) Limited	Common directorship	Nil
Arshie Tech (Private) Limited	Common directorship	Nil
Avenew Marketing (Private) Limited	Company director Shareholder	Nil
Cotton Web (Private) Limited	Company director Chairman	Nil
Din Farm Products (Private) Limited	Common directorship	Nil
Din Leather (Private) Limited	Common directorship	Nil
Din Textile Mills Limited	Company director Chairman	Nil
Dupak Developers Pakistan (Private) Limited	Common directorship	Nil
Dupak Energy (Private) Limited	Common directorship	Nil
Dupak Premier Properties (Private) Limited	Common directorship	Nil
Dupak Properties (Private) Limited	Common directorship	Nil
Dupak Residency (Private) Limited	Common directorship	Nil
Dupak Sky Line (Private) Limited	Common directorship	Nil
Dupak Tameer Limited	Common directorship	Nil
Dupak Tower (Private) Limited	Common directorship	Nil
Fortress Builders (Private) Limited	Common directorship	Nil
Fortress Developers (Private) Limited	Common directorship	Nil
Fortress Financials Services (Private) Limited	Common directorship	Nil
Fortress Square Services (Private) Limited	Common directorship	Nil
Golf View Land (Private) Limited	Common directorship	Nil
Hyundai Nishat Motor (Private) Limited	Common directorship	10.000%
IBSAL Logistics Limited	Common directorship	Nil
Joyland Construction (Private) Limited	Common directorship	Nil
Joyland Entertainment (Private) Limited	Common directorship	Nil
Joyland (Private) Limited	Common directorship	Nil
Masood Apparels (Private) Limited	Common directorship	Nil
Masood Fabrics Limited	Common directorship	Nil
Masood Holdings (Private) Limited	Common directorship	Nil
Masood Roomi Foods (Private) Limited	Common directorship	Nil
Masood Roomi Textile Mills (Private) Limited	Common directorship	Nil
MCB Bank Limited	Common directorship	4.998%
MCB Islamic Bank Limited	Common directorship	Nil
National Textile Foundation	Common directorship	Nil
Nishat (Aziz Avenue) Hotels & Properties Limited	Company director Shareholder	Nil
Nishat (Raiwind) Hotels & Properties Limited	Common directorship	Nil
Nishat Agriculture Farming (Private) Limited	Common directorship	Nil
Nishat Agrotech Farms (Private) Limited	Common directorship	Nil
Nishat Dairy (Private) Limited	Common directorship	Nil
Nishat Developers (Private) Limited	Common directorship	Nil
Nishat Hotels & Properties Limited	Common directorship	Nil
Nishat Mills Limited	Common directorship	0.001%
Nishat Sutas Dairy Limited	Common directorship	Nil
Pakgen Power Limited	Common directorship	6.889%
Roomi Fabrics Limited	Common directorship	Nil
Roomi Holdings (Private) Limited	Common directorship	Nil
Roomi Home (Private) Limited	Common directorship	Nil
Siddiqsons Limited	Common directorship	Nil
Siddiqsons Tin Plate Limited	Common directorship	Nil
Siddiqsons Energy Limited	Common directorship	Nil

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

41 Segment Information

2022

	Fire & property damage		Marine, aviation & transport		Motor		Accident & health		Miscellaneous		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousand												
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	25,443	2,316,342	22,406	4,150,496	8,351,226	3,064,121	2,338,444	1,459,537	8,993	25,361,094	10,746,512	36,107,546	
Federal excise duty / VAT	(1,774,651)	(1,514)	(255,484)	(1,135)	(496,951)	(397,677)	(20,772)	(111,354)	(146,648)	(428)	(2,694,506)	(512,108)	(3,206,614)
Federal insurance fee	(123,657)	(40)	(20,465)	(12)	(36,569)	-	(30,132)	-	(19,277)	-	(224,100)	(52)	(224,152)
	12,472,230	23,889	2,040,393	21,259	3,616,976	7,953,549	3,013,217	2,227,090	1,299,612	8,565	22,442,428	10,234,352	32,676,780
Gross written premium (inclusive of administrative surcharge)	12,472,230	23,889	2,040,393	21,259	3,616,976	7,953,549	3,013,217	2,227,090	1,299,612	8,565	22,442,428	10,234,352	32,676,780
Gross direct premium	12,419,151	23,809	2,004,681	21,259	3,486,027	7,929,540	3,010,739	2,227,090	1,258,972	8,538	22,179,570	10,210,236	32,389,806
Facultative inward premium	34,296	-	2,904	-	82	-	-	-	27,188	-	64,470	-	64,470
Administrative surcharge	18,783	80	32,808	-	130,867	24,009	2,478	-	13,452	27	198,388	24,116	222,504
Insurance premium earned	11,026,613	25,422	2,031,010	32,541	3,474,562	7,549,493	2,599,071	1,802,039	1,250,526	9,357	20,361,802	9,418,852	29,800,654
Insurance premium ceded to reinsurers	(9,960,607)	(19,981)	(868,747)	(549)	(60,307)	(354,753)	-	(1,007,536)	(542,611)	(5,458)	(11,432,272)	(1,388,277)	(12,820,549)
Net insurance premium	1,066,006	5,441	1,162,263	31,992	3,414,275	7,194,740	2,599,071	794,503	707,915	3,899	8,949,530	8,030,575	16,980,105
Commission income	693,589	3,795	5,546	-	3,642	48,243	-	-	125,375	2,059	828,152	54,097	882,249
Net underwriting income	1,759,595	9,236	1,167,809	31,992	3,417,917	7,242,983	2,599,071	794,503	833,290	5,958	9,777,682	8,084,672	17,862,354
Insurance claims	(9,196,655)	(683)	(568,394)	(165)	(1,712,203)	(9,523,552)	(2,283,233)	(1,635,640)	(763,674)	498	(14,524,159)	(11,159,542)	(25,683,701)
Insurance claim recoveries from reinsurer	8,697,342	1,074	(6,898)	174	82,588	4,054,619	-	1,142,060	429,307	(1,239)	9,202,339	5,196,688	14,399,027
Net claims	(499,313)	391	(575,292)	9	(1,629,615)	(5,468,933)	(2,283,233)	(493,580)	(334,367)	(741)	(5,321,820)	(5,962,854)	(11,284,674)
Commission expense	(530,189)	(3,310)	(175,500)	(5,762)	(268,892)	(1,576,860)	(69,516)	(203,197)	(120,809)	(228)	(1,164,906)	(1,789,357)	(2,954,263)
Management expense	(518,134)	(1,978)	(408,826)	(12,511)	(1,220,107)	(1,075,033)	(173,884)	(175,931)	(245,171)	(1,498)	(2,565,922)	(1,266,951)	(3,832,873)
Net insurance claims and expenses	(1,547,636)	(4,897)	(1,159,418)	(18,264)	(3,118,614)	(8,120,826)	(2,526,633)	(872,708)	(700,347)	(2,467)	(9,052,648)	(9,019,162)	(18,071,810)
Underwriting result	211,959	4,339	8,391	13,728	299,303	(877,843)	72,438	(78,205)	132,943	3,491	725,034	(934,490)	(209,456)
Net investment income											2,000,287	127,313	2,127,600
Rental income											159,976	2,229	162,205
Other income											140,897	81,971	222,868
Change in fair value of investment property											794,372	-	794,372
Other expenses											(87,592)	(17,961)	(105,553)
Finance cost											(33,514)	(1,870)	(35,384)
Workers' welfare fund reversal											(148,021)	-	(148,021)
Profit from Window Takatuf Operations - Operator's fund											338,577	-	338,577
Profit before taxation											3,890,016	(742,808)	3,147,208
Segment Assets	18,159,470	30,234	898,705	4,550	1,545,592	6,549,649	992,218	1,487,171	2,099,230	18,751	23,695,215	8,090,355	31,785,570
Unallocated assets											31,012,953	10,967,376	41,980,329
											54,708,168	19,057,731	73,765,899
Segment Liabilities	18,934,925	35,283	1,305,146	32,906	3,287,709	13,023,403	2,508,776	1,974,799	2,564,035	21,441	28,600,591	15,087,832	43,688,423
Unallocated Liabilities											3,676,928	1,481,609	5,158,537
											32,277,519	16,569,441	48,846,960

Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)

Federal excise duty / VAT

Federal insurance fee

Gross written premium (inclusive of administrative surcharge)

Gross direct premium

Facultative inward premium

Administrative surcharge

Insurance premium earned

Insurance premium ceded to reinsurers

Net insurance premium

Commission income

Net underwriting income

Insurance claims

Insurance claim recoveries from reinsurer

Net claims

Commission expense

Management expense

Net insurance claims and expenses

Underwriting result

Net investment income

Rental income

Other income

Change in fair value of investment property

Other expenses

Finance cost

Workers' welfare fund reversal

Profit from Window Takatuf Operations - Operator's fund

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

41.1 Segment Information

	2021												
	Fire & property damage		Marine, aviation & transport		Motor		Accident & health		Miscellaneous		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	10,635,403	21,460	1,452,013	36,981	3,695,480	5,668,747	2,246,780	864,518	1,231,339	6,069	19,261,015	6,597,775	25,858,790
Federal excise duty / VAT	(1,322,564)	(1,372)	(163,331)	(1,843)	(441,612)	(269,940)	(16,909)	(41,168)	(110,456)	(293)	(2,054,872)	(314,616)	(2,369,488)
Federal insurance fee	(90,550)	(46)	(12,982)	(17)	(32,676)	-	(22,078)	-	(11,112)	(1)	(169,398)	(64)	(169,462)
	9,222,289	20,042	1,275,700	35,121	3,221,192	5,398,807	2,207,793	823,350	1,109,771	5,775	17,036,745	6,283,095	23,319,840
Gross written premium (inclusive of administrative surcharge)	9,222,289	20,042	1,275,700	35,121	3,221,192	5,398,807	2,207,793	823,350	1,109,771	5,775	17,036,745	6,283,095	23,319,840
Gross direct premium	9,184,926	19,987	1,243,508	35,121	3,101,934	5,387,389	2,205,538	823,350	1,098,530	5,744	16,834,436	6,271,601	23,106,037
Facultative inward premium	17,946	-	1,476	-	-	-	-	-	-	-	19,422	-	19,422
Administrative surcharge	19,417	55	30,716	-	119,258	11,408	2,255	-	11,241	31	182,887	11,494	194,381
Insurance premium earned	8,118,786	20,630	1,240,384	29,420	2,989,502	4,879,669	2,077,061	397,172	1,238,625	8,634	15,664,358	5,335,525	20,999,883
Insurance premium ceded to reinsurers	(7,219,882)	(14,157)	(263,765)	(149)	(58,042)	(148,410)	-	(21,443)	(524,885)	(7,173)	(8,086,074)	(881,332)	(8,447,406)
Net insurance premium	899,404	6,473	976,619	29,271	2,931,460	4,731,259	2,077,061	185,729	713,740	1,461	7,598,284	4,954,193	12,552,477
Commission income	465,714	4,013	1,949	-	3,832	-	1,497	79,234	3,172	590,229	8,882	559,411	
Net underwriting income	1,365,118	10,486	978,568	29,271	2,935,292	4,731,259	2,077,061	187,226	792,974	4,633	8,149,013	4,962,875	13,111,888
Insurance claims	(3,504,148)	73,221	(606,891)	(3,692)	(1,477,422)	(4,382,932)	(1,789,550)	(405,494)	(625,641)	1,389	(8,003,652)	(4,717,508)	(12,721,160)
Insurance claim recoveries from reinsurer	3,180,033	(60,265)	170,463	76	71,545	1,649,193	-	284,885	241,652	(305)	3,683,693	1,853,584	5,517,277
Net claims	(324,115)	12,956	(436,428)	(3,616)	(1,405,877)	(2,733,739)	(1,789,550)	(140,609)	(383,989)	1,084	(4,339,959)	(2,863,924)	(7,203,883)
Commission expense	(468,287)	(2,631)	(166,989)	(5,699)	(218,793)	(1,005,328)	(60,013)	(37,176)	(117,059)	(344)	(1,031,141)	(1,051,178)	(2,082,319)
Management expense	(420,779)	(800)	(351,048)	(9,808)	(1,049,841)	(914,421)	(138,969)	(47,005)	(220,459)	(294)	(2,181,095)	(972,328)	(3,153,423)
Net insurance claims and expenses	(1,213,181)	9,525	(954,465)	(19,123)	(2,674,511)	(4,653,488)	(1,988,532)	(224,790)	(721,506)	446	(7,552,195)	(4,887,430)	(12,439,625)
Underwriting result	151,937	20,011	24,103	10,148	260,781	77,771	88,529	(37,564)	71,468	5,079	596,818	75,445	672,263
Net investment income											2,364,886	104,558	2,469,444
Rental income											129,639	1,774	131,413
Other income											96,977	43,812	140,789
Change in fair value of investment property											961,132	-	961,132
Other expenses											(45,092)	(13,748)	(58,840)
Finance cost											(48,139)	(1,968)	(50,107)
Profit from Window Takatful Operations - Operator's fund											139,267	-	139,267
Profit before taxation											4,195,488	209,873	4,405,361
Segment Assets	11,179,552	24,697	819,410	11,616	1,472,253	4,089,417	771,191	651,760	1,765,915	16,220	16,008,321	4,793,710	20,802,031
Unallocated assets											32,571,051	8,267,501	40,838,552
Segment Liabilities	11,591,214	28,176	1,149,567	37,421	2,923,636	8,898,921	1,812,336	808,489	2,400,998	18,123	19,877,751	9,791,130	29,668,881
Unallocated Liabilities											5,776,593	805,415	6,581,938
											25,654,274	10,596,545	36,250,819

Rupees in thousand

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

42 Movement in investments

	Investment in subsidiary	Available for sale	Held to Maturity	Total
----- Rupees in thousand -----				
As at January 01, 2021	1,097,900	19,194,460	6,303,393	26,595,753
Additions	1,564,506	1,250,913	10,978,589	13,794,008
Disposals (sales and redemptions)	-	(434,035)	(10,642,162)	(11,076,197)
Fair value net gains (excluding net realized gain)	-	1,096,342	-	1,096,342
Currency translation effect	-	-	618,862	618,862
Unwinding of discount on debt securities	-	-	(9,564)	(9,564)
Impairment losses	-	49,899	-	49,899
As at December 31, 2021	2,662,406	21,157,579	7,249,118	31,069,103
Additions	-	3,343,363	11,184,907	14,528,270
Disposals (sales and redemptions)	(266,240)	(3,438,289)	(13,106,089)	(16,810,618)
Fair value net gains (excluding net realized gain)	-	(3,562,970)	-	(3,562,970)
Currency translation effect	-	-	1,685,638	1,685,638
Unwinding of discount on debt securities	-	-	13,146	13,146
Impairment losses	-	151,982	-	151,982
As at December 31, 2022	2,396,166	17,651,665	7,026,720	27,074,551

43 Management of insurance and financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

The individual risk wise analysis is given below :

43.1 Insurance risk

The principal risk that the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

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For the year ended 31 December 2022

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policy holders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar reinsurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. Fire & property, Marine, aviation & transport, Motor, Accident & health and other Miscellaneous. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

43.1.1 Geographical concentration of insurance risk

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

43.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

	Gross sum insured		Reinsurance		Net	
	2022	2021	2022	2021	2022	2021
----- Rupees in thousand -----						
Fire & property damage	8,784,680,283	6,924,274,110	8,077,572,271	6,170,569,904	707,108,012	753,704,206
Marine aviation & transport	5,307,604,943	3,430,150,972	894,317,296	339,471,868	4,413,287,647	3,090,679,104
Motor	444,311,923	302,050,319	18,163,584	7,328,767	426,148,339	294,721,552
Accident & health	666,873,844	213,755,098	264,392,280	44,005,051	402,481,564	169,750,047
Miscellaneous	595,275,193	463,322,671	426,662,735	363,891,891	168,612,458	99,430,780
	15,798,746,186	11,333,553,170	9,681,108,166	6,925,267,481	6,117,638,020	4,408,285,689

43.1.3 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

43.1.4 Key assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

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

43.1.5 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 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 statement of financial position is adequate. However, actual experience may differ from the expected outcome.

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

	Pre tax profit / (loss)	
	2022	2021
	----- Rupees in thousand -----	
10% increase in claims liability		
Net:		
Fire & property	(49,892)	(31,116)
Marine, aviation and transport	(57,528)	(44,004)
Motor	(709,855)	(413,961)
Accident & health	(277,681)	(193,016)
Miscellaneous	(33,511)	(38,291)
	(1,128,467)	(720,388)
10% decrease in claims liability		
Net:		
Fire & property	49,892	31,116
Marine, aviation and transport	57,528	44,004
Motor	709,855	413,961
Accident & health	277,681	193,016
Miscellaneous	33,511	38,291
	1,128,467	720,388

Notes to the Unconsolidated Financial Statements

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Statement of Age-wise breakup of unclaimed insurance benefits

Particulars	Total	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
----- Rupees in thousand -----						
Claims not encashed	<u>541,249</u>	<u>310,600</u>	<u>31,016</u>	<u>25,911</u>	<u>26,883</u>	<u>146,839</u>

43.2 Financial Risk

Maturity profile of financial assets and liabilities:

	2022						Total
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one	Maturity after one	Sub total	Maturity upto one	Maturity after one	Sub total	
----- Rupees in thousand -----							
Financial assets							
Investment							
Equity securities- quoted	-	-	-	12,549,590	-	12,549,590	12,549,590
Equity securities- unquoted	-	-	-	5,102,075	-	5,102,075	5,102,075
Debt securities	382,288	-	382,288	-	-	-	382,288
Term deposits	6,560,433	83,999	6,644,432	-	-	-	6,644,432
Investment in subsidiary	-	-	-	-	2,396,166	2,396,166	2,396,166
Investments of Window Takaful Operations - Operator's Fund	-	125,000	125,000	251,052	-	251,052	376,052
Loans and other receivables	794	2,170	2,964	388,233	72,226	460,459	463,423
Insurance / reinsurance receivables - unsecured and considered good	-	-	-	8,526,017	-	8,526,017	8,526,017
Reinsurance recoveries against outstanding claims	-	-	-	14,873,098	-	14,873,098	14,873,098
Cash and bank	1,074,925	-	1,074,925	4,117,770	-	4,117,770	5,192,695
Other Assets of Window Takaful Operations - Operator's Fund	-	-	-	621,045	-	621,045	621,045
	<u>8,018,440</u>	<u>211,169</u>	<u>8,229,609</u>	<u>46,428,880</u>	<u>2,468,392</u>	<u>48,897,272</u>	<u>57,126,881</u>
Financial liabilities							
Outstanding claims	-	-	-	20,726,702	-	20,726,702	20,726,702
Insurance / reinsurance payables	-	-	-	6,959,398	-	6,959,398	6,959,398
Other creditors and accruals	-	-	-	2,415,151	-	2,415,151	2,415,151
Deposits and other liabilities	-	-	-	541,199	-	541,199	541,199
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	384,973	-	384,973	384,973
	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,027,423</u>	<u>-</u>	<u>31,027,423</u>	<u>31,027,423</u>
	<u>8,018,440</u>	<u>211,169</u>	<u>8,229,609</u>	<u>15,401,457</u>	<u>2,468,392</u>	<u>17,869,849</u>	<u>26,099,458</u>

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For the year ended 31 December 2022

	2021						Total
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
----- Rupees in thousand -----							
Financial assets							
Investment							
Equity securities- quoted	-	-	-	14,821,459	-	14,821,459	14,821,459
Equity securities- unquoted	-	-	-	6,336,120	-	6,336,120	6,336,120
Debt securities	377,652	-	377,652	-	-	-	377,652
Term deposits	6,787,467	83,999	6,871,466	-	-	-	6,871,466
Investment in subsidiary	-	-	-	-	2,662,406	2,662,406	2,662,406
Investments of Window Takaful Operations - Operator's Fund	-	75,000	75,000	38,326	-	38,326	113,326
Loans and other receivables	711	2,806	3,517	359,714	66,844	426,558	430,075
Insurance / reinsurance receivables - unsecured and considered good	-	-	-	7,175,870	-	7,175,870	7,175,870
Reinsurance recoveries against outstanding claims	-	-	-	7,598,556	-	7,598,556	7,598,556
Cash and bank	756,634	-	756,634	1,417,419	-	1,417,419	2,174,053
Other Assets of Window Takaful Operations - Operator's Fund	-	-	-	577,232	-	577,232	577,232
	<u>7,922,464</u>	<u>161,805</u>	<u>8,084,269</u>	<u>38,324,696</u>	<u>2,729,250</u>	<u>41,053,946</u>	<u>49,138,215</u>
Financial liabilities							
Outstanding claims	-	-	-	12,686,045	-	12,686,045	12,686,045
Borrowings	926,756	-	926,756	-	-	-	926,756
Insurance / reinsurance payables	-	-	-	5,215,694	-	5,215,694	5,215,694
Other creditors and accruals	-	-	-	1,900,819	-	1,900,819	1,900,819
Deposits and other liabilities	-	-	-	629,135	-	629,135	629,135
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	278,531	-	278,531	278,531
	<u>926,756</u>	<u>-</u>	<u>926,756</u>	<u>20,710,224</u>	<u>-</u>	<u>20,710,224</u>	<u>21,636,980</u>
	<u>6,995,708</u>	<u>161,805</u>	<u>7,157,513</u>	<u>17,614,472</u>	<u>2,729,250</u>	<u>20,343,722</u>	<u>27,501,235</u>

Interest / mark - up rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark - up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or are repaid in a given period. The Company manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

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For the year ended 31 December 2022

	Effective interest rate (%)		Carrying amounts	
	2022	2021	2022	2021
----- Rupees in thousand -----				
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	15.88% - 15.90%	7.32% - 11.71%	382,288	377,652
Loans	5%	5%	2,964	3,517
Floating rate financial instruments				
Financial assets:				
Bank and term deposits	8.50% - 16.00%	3.50% - 10.90%	7,719,357	7,628,100

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rate will not affect the fair value of any financial instruments. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on equity	
	Increase	Decrease	Increase	Decrease
----- Rupees in thousand -----				
As at December 31, 2022 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	77,193	(77,193)	51,719	(51,719)
As at December 31, 2021 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	76,281	(76,281)	54,160	(54,160)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Assets and liabilities exposed to foreign exchange risk amounted to Rs. 19,057,731 thousands (2021: Rs. 13,061,212 thousands) and Rs. 16,569,441 thousands (2021: Rs. 10,596,545 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2022	2021
	----- Rupees -----	
Rupees per US Dollar		
Average rate	204.6470	162.8972
Reporting date rate	226.4309	176.5135
Rupees per AED		
Average rate	55.7163	44.3528
Reporting date rate	61.6524	48.0564

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Price risk

Price risk represents the risk that the fair value of financial instruments will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is exposed to equity price risk that arises as a result of changes in the levels of PSX - Index and the value of individual shares. The equity price risk arises from the Company's investment in equity securities for which the prices in the future are uncertain. The Company policy is to manage price risk through selection of blue chip securities.

The Company's strategy is to hold its strategic equity investments on a long term basis. Thus, Company is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity volatility. The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Company has investments in quoted equity securities amounting to Rs. 12,549,590 thousands (2021: Rs. 14,821,459 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

For the equity investment portfolio, a 10% increase / (decrease) in redemption value and share prices at year end would have increased / (decreased) impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before	Impact on equity
	----- Rupees in thousand -----	
2022		
Effect of increase in share price	326,269	218,600
Effect of decrease in share price	(3,976,525)	(2,664,271)
2021		
Effect of increase in share price	719,988	511,192
Effect of decrease in share price	(2,199,267)	(1,561,479)

43.3 Credit risk and concentration of 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 exposure by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company's credit risk exposure is not significantly different from that reflected in these unconsolidated financial statements. The management monitors and limits the Company's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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For the year ended 31 December 2022

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

	2022	2021
	----- Rupees in thousand -----	
Investments	27,074,551	31,069,103
Loans and other receivable	463,423	430,075
Due from insurance contract holders	8,032,250	6,258,021
Due from other insurers / reinsurers	493,767	917,849
Reinsurance recoveries against outstanding claims	14,873,098	7,598,556
Salvage recoveries accrued	360,380	344,957
Bank deposits	5,175,029	2,164,004
	56,472,498	48,782,565

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. The movement in the provision for doubtful debt account is shown in note 14.2 and 14.3 to these unconsolidated financial statements.

Age analysis of due from insurance contact holders (net of provision) is as follows:

	2022	2021
	----- Rupees in thousand -----	
Upto one year	7,680,546	5,883,838
Above one year	1,722,748	1,452,283
	9,403,294	7,336,121
Provision for doubtful balances	(1,371,044)	(1,078,100)
	8,032,250	6,258,021

The credit quality of Company's bank balance can be assessed with reference to external credit rating as follows:

	Rating		Rating Agency	2022	2021
	Short Term	Long Term		-----Rupees in thousand-----	
Abu Dhabi Commercial Bank	A1	A	S&P	1,093,728	362,605
Allied Bank Limited	A1+	AAA	PACRA	-	6,070
Askari Bank Limited	A1+	AA+	PACRA	20	20
Bank Al Habib Limited	A1+	AAA	PACRA	27,259	15,764
Bank Alfalah Limited	A1+	AA+	PACRA	1,725,841	834,946
FINCA Micro Finance Bank Limited	A1	A	PACRA	-	3,519
First Abu Dhabi Bank	A1+	AA-	S&P	31,151	144,169
Habib Bank Limited	A1+	AAA	JCR-VIS	146,839	162,289
Habib Metropolitan Bank	A1+	AA+	PACRA	(149)	(149)
Khushhali Microfinance Bank Limited	A-2	A	JCR-VIS	7,139	6,662
MCB Bank Limited	A1+	AAA	PACRA	1,959,018	151,077
Mobilink Micro Finance Bank	A1	A	PACRA	28,133	49,291
National Bank of Pakistan	A1+	AAA	PACRA	14,681	12,402
Samba Bank Limited	A1	AA	JCR-VIS	15,558	9,653
Soneri Bank Limited	A1+	AA-	PACRA	1	1
The Punjab Provincial Cooperative Bank Limited	Not available	Not available	Not available	3,425	3,425
United Bank Limited	A1+	AAA	JCR-VIS	118,691	225,124
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	3,694	177,136
				5,175,029	2,164,004

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The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding	2022	2021
----- Rupees in thousand -----				
A or Above (including PRCL)	688,219	11,532,550	12,220,769	6,823,384
BBB	3,575	2,220,864	2,224,439	915,472
Others	3,275	1,119,684	1,122,959	978,851
Total	695,069	14,873,098	15,568,167	8,717,707

43.4 Capital risk management

The Company's goals and objectives when managing capital are :

- To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers as at December 31, 2022 is Rs. 500,000 thousands. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain strong ratings and to protect the Company against unexpected events / losses; and
- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

44 Statement of Solvency

2022
Rupees in thousand

Assets

Property and equipment	4,246,725
Intangible assets	108,977
Investment properties	2,427,337
Investment in subsidiary	2,396,166
Investments	
Equity securities	17,651,665
Debt securities	382,288
Term deposits	6,644,432
Advance against issue of shares	900,000
Loans and other receivables	840,880
Insurance / reinsurance receivables	8,526,017
Reinsurance recoveries against outstanding claims	14,873,098
Salvage recoveries accrued	360,380
Deferred commission expense / acquisition cost	1,489,080
Taxation - payment less provisions	-
Prepayments	6,676,739
Cash and bank	5,192,695
	72,716,479
Total assets of Window Takaful Operations - Operator's Fund	1,049,420
Total assets	73,765,899

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2022

Rupees in thousand

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

Loans to employees	62,496
Investment in subsidiary	2,396,166
Premium due from insurance contract holder	1,663,610
Due from other insurers / reinsurers	445,710
Intangible assets	131,814
Lien on term deposits	453,913
Other prepayments and sundry receivables	287,482
Bank balances subject to encumbrances	3,247,533
Equity investment	8,722,917
Movable properties	1,137,691
Inadmissible assets of Window Takaful Operations - Operator's Fund	55,989
Total of in-admissible assets	(18,605,321)

Total admissible assets

55,160,578

Liabilities

Underwriting provisions:

Outstanding claims including IBNR	20,356,788
Unearned premium reserve	14,996,454
Unearned reinsurance commission	365,610
Retirement benefits obligations	201,407
Deferred taxation	805,888
Borrowings	-
Deferred grant income	-
Premium received in advance	640,259
Insurance / reinsurance payables	6,959,398
Other creditors and accruals	3,196,575
Deposits and other liabilities	541,199
Taxation - provision less payment	28,495
	48,092,073

Total liabilities of Window Takaful Operations - Operator's Fund

384,973

Total liabilities

48,477,046

Total net admissible assets

6,683,532

Minimum solvency requirement (higher of following)

- Method A - U/s 36(3)(a)	150,000
- Method B - U/s 36(3)(b)	3,626,365
- Method C - U/s 36(3)(c)	4,290,258
	4,290,258

Excess in Net Admissible Assets over minimum requirement

2,393,274

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45 Fair value measurement of financial instruments

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.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

		2022									
Note	Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
----- Rupees in thousand -----											
Financial assets - measured at fair value											
Investment											
	Equity securities- quoted	9	12,549,590	-	-	-	12,549,590	-	-	12,549,590	
	Equity securities- unquoted	9	5,102,075	-	-	-	5,102,075	-	5,102,075	5,102,075	
	Investments of Window Takaful Operations - Operator's Fund	17	251,052	125,000	-	-	376,052	376,052	-	376,052	
Financial assets - not measured at fair value											
	Debt securities	10	-	382,288	-	-	382,288	-	382,288	382,288	
	Loans and other receivables *		-	-	463,423	-	463,423	-	-	-	
	Investment - Term deposits*	11	-	6,644,432	-	-	6,644,432	-	-	-	
	Investment in subsidiary	8	-	-	2,396,166	-	2,396,166	4,385,216	-	-	
	Insurance / reinsurance receivables		-	-	-	-	-	-	-	-	
	- unsecured and considered good *	14	-	-	8,526,017	-	8,526,017	-	-	-	
	Reinsurance recoveries against outstanding claims *		-	-	14,873,098	-	14,873,098	-	-	-	
	Cash and bank *	16	-	-	-	5,192,695	5,192,695	-	-	-	
	Other Assets of Window Takaful Operations - Operator's Fund*	17	-	-	456,830	164,215	621,045	-	-	-	
			17,902,717	7,151,720	26,715,534	5,356,910	57,126,881	17,310,858	382,288	5,102,075	18,410,005
Financial liabilities - not measured at fair value											
Underwriting provisions:											
	Borrowings*	22	-	-	-	-	-	-	-	-	
	Outstanding claims (including IBNR)*	29	-	-	-	20,726,702	20,726,702	-	-	-	
	Insurance / reinsurance payables *	24	-	-	-	6,959,398	6,959,398	-	-	-	
	Other creditors and accruals*		-	-	-	2,415,151	2,415,151	-	-	-	
	Deposits and other liabilities*	26	-	-	-	541,199	541,199	-	-	-	
	Total liabilities of Window Takaful Operations- Operator's Fund*	17	-	-	-	384,973	384,973	-	-	-	
			-	-	-	31,027,423	31,027,423	-	-	-	

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

		2021										
45.1	Note	Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
----- Rupees in thousand -----												
Financial assets - measured at fair value												
Investment												
		Equity securities- quoted	9	14,821,459	-	-	-	14,821,459	14,821,459	-	-	14,821,459
		Equity securities- unquoted	9	6,336,120	-	-	-	6,336,120	-	-	6,336,120	6,336,120
		Investments of Window Takaful Operations - Operator's Fund	17	38,326	75,000	-	-	113,326	113,326	-	-	113,326
Financial assets - not measured at fair value												
		Debt securities	10	-	377,652	-	-	377,652	-	377,652	-	377,652
		Loans and other receivables *		-	-	430,075	-	430,075	-	-	-	-
		Investment - Term deposits*	11	-	6,871,466	-	-	6,871,466	-	-	-	-
		Investment in subsidiary	8	-	-	2,662,406	-	2,662,406	-	-	-	-
		Insurance / reinsurance receivables										
		- unsecured and considered good *	14	-	-	7,175,870	-	7,175,870	-	-	-	-
		Reinsurance recoveries against outstanding claims *				7,598,556	-	7,598,556	-	-	-	-
		Cash and bank *	16	-	-	-	2,174,053	2,174,053	-	-	-	-
		Other Assets of Window Takaful Operations - Operator's Fund*	17	-	-	312,997	264,235	577,232	-	-	-	-
				21,195,905	7,324,118	18,179,904	2,438,288	49,138,215	14,934,785	377,652	6,336,120	21,648,557
Financial liabilities - not measured at fair value												
Underwriting provisions:												
		Borrowings*	22	-	-	-	-	926,756	926,756	-	-	-
		Outstanding claims (including IBNR)*	29	-	-	-	-	12,686,045	12,686,045	-	-	-
		Insurance / reinsurance payables *	24	-	-	-	-	5,215,694	5,215,694	-	-	-
		Other creditors and accruals*						1,900,819	1,900,819	-	-	-
		Deposits and other liabilities*	26	-	-	-	-	629,135	629,135	-	-	-
		Total liabilities of Window Takaful Operations- Operator's Fund*	17	-	-	-	-	278,531	278,531	-	-	-
				-	-	-	-	21,636,980	21,636,980	-	-	-

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

46 Provident fund related disclosure

The following information is based on unaudited financial statements for the year ended December 31, 2022 and audited financial statements for the year ended December 31, 2021.

	2022	2021
	----- Rupees in thousand -----	
Size of fund - Total assets	1,120,139	1,111,597
Cost of investments	1,057,653	1,062,573
Fair value of investments	1,117,618	1,104,180
Investments made (Percentage)	100.00	100.00

46.1 The break-up of cost of investments is as follows:

	2022	2021	2022	2021
	----- Percentage -----		----- Rupees in thousand -----	
Investment in Money Market Collective Investment Scheme	12.67	14.82	134,049	157,438
Investment in Equity Collective Investment Schemes	2.54	2.53	26,871	26,871
	-	-	-	-
Investment in Debt Collective Investment Schemes				
Investment in Listed Debt Securities	3.55	3.45	37,500	36,667
Investment in Listed Equity Securities	6.49	7.17	68,693	76,143
Investment in Government Securities	69.00	66.63	729,738	708,020
Bank balances	1.26	1.99	13,363	21,192
Others	4.49	3.41	47,439	36,242
	100.00	100.00	1,057,653	1,062,573

The above investments / placement of funds in special bank accounts have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

47 Non - Adjusting events after the statement of financial position date

- 47.1** The Board of Directors of the Company in their meeting held on March 21, 2023 proposed a final cash dividend for the year ended December 31, 2022 @ 15% i.e. Rupees 1.5/- share (2021: 15% i.e. Rupees 1.5/- share). This is in addition to the interim cash dividend @ 15% i.e. Rupees 1.5/- per share (2021: 15% i.e. Rupee 1.5/- per share) resulting in a total cash dividend for the year ended December 31, 2022 of Rupees 3/- per share (2021: Rupees 3/- share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2022 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending December 31, 2023.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2022

48 Number of employees

The average number of employees during the year and as at December 31, 2022 and 2021, are as follows:

	2022	2021
	----- Numbers -----	
As at December 31	938	921
Average during the year	924	910

49 Corresponding figures

Reclassification / rearrangement of corresponding figures have been made in these unconsolidated financial statements wherever necessary.

50 Date of authorization for issue

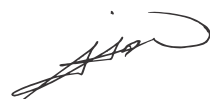
These unconsolidated financial statements were authorized for issue on March 21, 2023 by the Board of Directors of the Company.

51 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Financial rep

Balance sheet

Assets	1,734,828
Intangible assets	200
Property, plant and equipment	166,830
Goodwill	74,393
Other assets	1,493,605

STRENGTH IN NUMBERS
**CONSOLIDATED
FINANCIAL
STATEMENTS**

Income statement

Revenues	12,978,518
Net sales	12,978,518
Investment	0
Expenses	6,372,535
Research and Development	1,261,265
Operating expenses	4,661,174
Marketing	450,100
Net income	6,605,983

port



Income statement

Revenue	1,274,578
Cost of sales	1,100,000
Operating income	174,578
Interest expense	(100,000)
Income before taxes	74,578
Income tax expense	(15,000)
Net income	59,578
Previous year	100,000
Change in net income	(40,422)
Change in cash	100,000



Cash flow statement

Operating activities	12,878,578
Investing activities	(8,372,525)
Financing activities	(6,505,981)
Net change in cash	(1,999,928)



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INDEPENDENT AUDITOR'S REPORT

To the Members of Adamjee Insurance Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **Adamjee Insurance Company Limited and its subsidiary (the "Group")**, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

Emphasis of Matter

We draw attention to note 27.1.2 of the consolidated financial statements, which describes that the Group has challenged the scope and applicability of Punjab Sales Tax (PST) and Sindh Sales Tax (SST) on life insurance services. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Following are the Key audit matter(s):

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Revenue Recognition Risk</p> <p>(Refer note 3.2.1 and 28 to the consolidated financial statements)</p> <p>The Group generated its revenue primarily from two main sources namely premiums on insurance policies (37,266 million) and investment income (7,419 million) for the year ended December 31, 2022.</p> <p>Premiums from insurance policies comprise of 83.40% of the total revenue. Premium income is one of the key performance indicators of the Company. Because of the significance of the premium as key performance indicator and risk that revenue transactions may not be recognized in the appropriate period in line with revenue recognition policy, we considered this area as 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 the understanding, evaluated the design and implementation and operating effectiveness controls over the process of capturing, processing and recording of premiums; • Assessed whether the Group's accounting policy for revenue recognition from premium is compliant with the requirements of applicable laws, accounting and reporting standards as applicable in Pakistan; • Evaluated the completeness, accuracy and reliability of the underlying policies/data used for revenue recognition from premiums; • Checked the premiums recorded on sample basis from the underlying policies issued to insurance contract holders;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Checked the policies on sample basis where premium was recorded close to year end and subsequent to year end to evaluate that revenue from premiums was recognized in the appropriate accounting period; • Recalculated the unearned portion of premium revenue to ensure that appropriate amount has been recorded as revenue for the current period; and • Assessed the relevant presentation and disclosures made in the consolidated financial statements to ascertain that these are compliant with laws, accounting and reporting standards as applicable in Pakistan.
2.	<p>Valuation of Claims Liabilities including Provision for Incurred but Not Reported (IBNR) Claims Reserves</p> <p>(Refer note 3.2.7, 19.2, and 29 to the consolidated financial statements)</p> <p>As at December 31, 2022, claims liabilities represent 18.33% (Rs. 20, 726 million including Rs. 507 million of IBNR reserves) of its total liabilities.</p> <p>Valuation of claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims. Claims liabilities are recognized on intimation of the insured event based on management judgment and estimate. Provision for IBNR is calculated by the Group as required under Circular No. 9 of 2016 issued by the Securities and Exchange Commission of Pakistan based on the advice of actuary. The actuarial valuation process also involves significant judgment and the use of actuarial assumptions.</p> <p>Because of the significance of the impact of these judgments / estimations and assumptions used in determination of claims liabilities and calculation of provision for IBNR, we considered this area as 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 the understanding, evaluated the design and implementation and operating effectiveness controls over the process of capturing, determination and recording of claims; • Assessed the appropriateness of the Group's accounting policy for recording of claims in line with requirements of laws, accounting and reporting standards as applicable in Pakistan; • Evaluated the completeness, accuracy and reliability of the data provided to us; • Checked claims transactions on a sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Group's policy and insurance regulations; • Assessed competence, capability and objectivity of the actuary used the management for calculation of provision for IBNR; • Assessed the data provided by the Group to actuary for completeness and accuracy and ensured that the same has been provided to us; • Involved an independent actuarial expert to assist us in evaluation of general principles, actuarial assumptions and methods used for actuarial valuations by the actuary of the Group for calculation of provision for IBNR; and • Assessed the relevant presentation and disclosures made in the consolidated financial statements to ascertain that these are compliant with laws, accounting and reporting standards as applicable in Pakistan.

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
3.	<p>Valuation of Investment Property</p> <p>(Refer note 3.6 and 7 to the consolidated financial statements)</p> <p>The Group has recognized a fair value gain of Rs. 498 million on valuation of its investments property as at December 31, 2022.</p> <p>Fair value gain has been recognized based on judgments and estimates of the management. The management also involves the expert for estimation of value of investment property. Because of significant judgment and uncertainty involved in the estimation of value of the investment property, we considered this area as 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 of management process related to valuation of investment property; • Evaluated the competence, capabilities and objectivity of the management expert; • Evaluated the completeness, accuracy and reliability of the data utilized by the management expert to support the valuation; • Assessed the appropriateness of methodology and assumptions used by the management expert for estimation of fair value of investment property; • Involved an independent expert to test the assumptions and assess the reasonableness of the assumptions used therein; and • Assessed whether the consolidated financial statement disclosures in relation to the valuation of investment property are in accordance with the relevant accounting and reporting standards as applicable in Pakistan.
4.	<p>Valuation of Equity Investments</p> <p>(Refer note 3.14.3, 8.1.2 and 8.1.4 to the consolidated financial statements)</p> <p>Equity investments of Rs. 33,961 million is carried at fair value by the Group as at December 31, 2022 that constitute a significant portion of total assets of the Group.</p> <p>Equity investments include units of mutual funds, and shares of listed and unlisted companies. Fair value of the unlisted shares has been determined by the management's expert through valuation based on discounted cash flow method which involves several estimation techniques and management's judgements to obtain reasonable expected future cash flows of the business and related discount rate. Further, management assessment of further impairment available for sale equity investments require significant judgements.</p> <p>Because of the significance of the impact of these judgments / estimations and assumptions used in determination of value of unlisted shares and assessment of further impairment on available for sale</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Obtained the understanding, evaluated the design and implementation and operating effectiveness controls over the process of valuation of equity investments; • Verified the existence of equity investments through independent sources; • For listed equity investments, verified the rate used by management for valuation from external sources; • Evaluated the competence, capabilities and objectivity of the management expert; • Evaluated the completeness, accuracy and reliability of the data utilized by the management expert to support the valuation; • Obtained an understanding of the work performed by the management's expert for the purpose of valuation; • Obtained corroborating evidence relating to the values as determined by the expert by challenging key assumptions for the growth rates in the cash flow forecast by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Checked that net unrealized gains / losses arising on the subsequent measurement of equity investments were appropriately accounted for in the financial statements; • Evaluated the management's assessment of available-for-sale investments for any additional impairment in accordance with the accounting and reporting standards as applicable in Pakistan and performed an independent assessment of the assumptions and conclusions; and • Examined the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 when available, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of 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 consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.



Chartered Accountants

Place: Lahore

Date: March 29, 2023

UDIN: AR20221008869Tph20Yr


Directors' Report to the Members on Consolidated Financial Statements For the year ended December 31, 2021

On behalf of the Board, We are pleased to present the consolidated financial statements of Adamjee Insurance Company Limited and its subsidiary, Adamjee Life Assurance Company Limited, for the year ended December 31, 2022.

The following appropriation of profit has been recommended by the Board of Directors:

	2022	2021
	----- Rupees in thousand -----	
Profit before tax	3,261,158	4,269,861
Taxation	(874,803)	(1,326,268)
Profit after tax	2,386,355	2,943,593
Less: Profit attributable to non-controlling interest	(45,190)	-
Profit attributable to ordinary shareholders	2,341,165	2,943,593
Unappropriated profit brought forward	16,638,433	14,650,455
Profit available for appropriation	18,979,598	17,594,048
Transaction with non controlling interest	329,773	-
Final dividend for the year ended 31 December 2021 @ 15% (Rupees 1.5/- per share) [31 December 2020 @ 12.5% (Rupees 1.25/- per share)]	(525,000)	(437,500)
Interim dividend for the half year ended 30 June 2022 @ 15% (Rupee 1.5/- per share) [30 June 2021 @ 15% (Rupee 1.5/- per share)]	(525,000)	(525,000)
Other Comprehensive (Loss) / Income – remeasurement of defined benefit obligation	(44,521)	6,885
Profit after appropriation	18,214,850	16,638,433
	2022	2021
	----- Rupees -----	
Earnings (after tax) per share - Basic and diluted	6.69	8.41

Lahore: 21 March 2023



Shaikh Muhammad Jawed
Director



Muhammad Ali Zeb
Managing Director &

For and on behalf of the Board

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
ASSETS			
Property and equipment	5	5,460,290	5,415,445
Intangible assets	6	131,802	123,465
Investment properties	7	1,757,365	1,259,667
Investments			
Equity securities	8	33,961,136	38,014,361
Debt securities	9	42,567,371	25,619,017
Term deposits	10	8,920,432	14,451,466
Loan secured against life insurance policies		42,163	39,499
Advance against issue of shares		900,000	
Loans and other receivables	11	1,540,534	965,110
Insurance / reinsurance receivables	12	8,586,697	7,311,312
Reinsurance recoveries against outstanding claims		14,873,098	7,598,556
Salvage recoveries accrued		360,380	344,957
Deferred commission expense / acquisition cost	30	1,489,080	1,055,480
Taxation - payment less provisions		815,211	730,267
Prepayments	13	6,718,394	4,790,632
Cash and bank	14	10,509,692	11,900,126
		138,633,645	119,619,360
Total assets of Window Takaful Operations - Operator's Fund (Parent Company)	15	1,049,420	723,850
Total Assets		139,683,065	120,343,210
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Parent Company's equity holders			
Ordinary share capital	16	3,500,000	3,500,000
Reserves	17	3,522,068	5,482,136
Unappropriated profits		18,214,850	16,638,433
		25,236,918	25,620,569
Non-controlling interest	18	374,828	-
Total Equity		25,611,746	25,620,569
LIABILITIES			
Insurance liabilities	19	63,334,304	56,874,290
Underwriting provisions:			
Outstanding claims including IBNR	29	20,726,702	12,686,045
Unearned premium reserves	28	14,996,454	11,010,289
Unearned reinsurance commission	30	365,610	241,094
Retirement benefits obligations	20	206,273	257,200
Deferred taxation	21	1,182,532	2,262,665
Borrowings	22	-	1,011,650
Deferred grant income	23	-	10,627
Premium received in advance		1,007,365	946,956
Insurance / reinsurance payables	24	7,134,481	5,215,694
Other creditors and accruals	25	4,105,611	3,189,647
Deposits and other liabilities	26	627,014	737,953
		50,352,042	37,569,820
Total liabilities of Window Takaful Operations - Operator's Fund (Parent Company)	15	384,973	278,531
Total Equity and Liabilities		139,683,065	120,343,210
Contingencies and commitments			
	27		

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



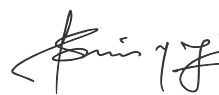
Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Profit and Loss Account

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
Net insurance premium	28	37,266,033	32,651,255
Net insurance claims	29	(25,519,110)	(16,309,641)
Net commission and other acquisition costs	30	(4,913,550)	(4,661,204)
Insurance claims and acquisition expenses		(30,432,660)	(20,970,845)
Management expenses	31	(4,961,353)	(4,344,697)
Net change in insurance liabilities (other than outstanding claims)		(4,937,305)	(9,490,171)
Underwriting results		(3,065,285)	(2,154,458)
Investment income	32	7,419,976	5,995,959
Net fair value loss on financial assets at fair value through profit or loss	33	(2,682,111)	(869,463)
Rental income	34	104,855	83,620
Other income	35	944,541	523,130
Fair value adjustment to investment property	7	497,698	674,140
Other expenses	36	(110,885)	(68,447)
Workers' Welfare Fund	25.1	(148,021)	-
Results of operating activities		2,960,768	4,184,481
Finance cost		(38,187)	(53,887)
Profit from Window Takaful Operations - Operator's Fund (Parent Company)	15	338,577	139,267
Profit before taxation		3,261,158	4,269,861
Income tax expense	37	(874,803)	(1,326,268)
Profit for the year		2,386,355	2,943,593
Profit attributable to:			
Equity holders of the Parent		2,341,165	2,943,593
Non-controlling interest	18	45,190	-
		2,386,355	2,943,593
		----- Rupees -----	
Earnings per share - basic and diluted	38	6.69	8.41

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022	2021
	----- Rupees in thousand -----	
Profit after taxation	2,386,355	2,943,593
Items that will not be subsequently reclassified to profit and loss account		
Re-measurement of retirement benefit obligations - net of tax	(44,521)	6,885
Items that may be subsequently reclassified to profit and loss account		
Unrealized (loss) / gain on 'available-for-sale' investments - net of tax	(2,903,600)	596,101
Reclassification adjustment relating to 'available for sale' investments disposed off in the year - net of tax	311,550	177,198
Unrealized (loss) / gain on 'available for sale' investment from Window Takaful Operations - net of tax	(968)	85
Net effect of translation of foreign branches	632,561	221,445
Other comprehensive (loss) / income for the year	(2,004,978)	1,001,714
Total comprehensive income for the year	381,377	3,945,307
Total comprehensive income attributable to:		
Equity holders of the Parent	336,044	3,945,307
Non-controlling interest	45,333	-
	381,377	3,945,307

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Umer Mansha
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Director



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Director



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Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Statement of Cash Flow

For the year ended 31 December 2022

2022

2021

----- Rupees in thousand -----

Cash flows from operating activities

Underwriting activities

Insurance premiums received	52,209,229	41,783,255
Reinsurance premiums paid	(12,865,800)	(7,675,050)
Claims paid	(32,416,334)	(20,485,604)
Reinsurance and other recoveries received	8,385,963	4,057,858
Commissions paid	(5,097,241)	(4,715,797)
Commissions received	1,002,523	554,992
Other underwriting payments	(6,166,820)	(4,505,906)
Net cash inflow from underwriting activities	5,051,520	9,013,748

Other operating activities

Income tax paid	(950,046)	(970,337)
Finance cost paid on lease liability	(6,057)	(6,877)
Other operating payments	(110,339)	(36,422)
Loans advanced	(74,405)	(60,445)
Loans repayments received	62,927	54,547
Other operating receipts	41,831	38,380
Net cash outflow from other operating activities	(1,036,089)	(981,154)

Total cash inflow from operating activities

4,015,431	8,032,594
------------------	------------------

Cash flows from investing activities

Profit / return received from bank deposits	5,912,792	2,942,182
Income from debt securities	71,281	46,977
Dividends received	2,389,671	2,898,860
Rentals received	159,924	136,865
Payments made for investments	(664,597,574)	(294,021,339)
Loan to policy holder	1,396	(5,925)
Proceeds from disposal of investments	646,741,885	280,869,881
Fixed capital expenditure - operating assets	(225,746)	(315,528)
Fixed capital expenditure - intangible assets	(47,914)	(36,768)
Proceeds from disposal of operating assets	30,961	74,305
Total cash outflow from investing activities	(9,563,324)	(7,410,490)

Cash flows from financing activities

Payments against lease liability	(38,912)	(47,400)
Loan obtained	-	1,390,000
Loan paid including interest expense on loan	(1,062,543)	(746,048)
Dividends paid	(1,046,086)	(967,626)
Total cash outflow from financing activities	(2,147,541)	(371,074)

Net cash (outflow) / inflow from all activities

(7,695,434)	251,030
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Cash and cash equivalents at beginning of the year	19,480,126	19,229,096
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Cash and cash equivalents at end of the year	11,784,692	19,480,126
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Consolidated Statement of Cash Flow

For the year ended 31 December 2022

2022

2021

----- Rupees in thousand -----

Reconciliation to profit and loss account

Operating cash flows	4,015,431	8,032,594
Depreciation and amortization	(337,081)	(329,923)
Finance cost	(58,570)	(75,462)
Provision for retirement benefit obligations	(47,898)	(14,690)
Provision for doubtful balances against insurance / reinsurance receivables	(50,145)	(72,104)
Other income - bank and term deposits	1,694,888	1,012,640
Gain on sale of operating assets and derecognition of ROU asset	12,376	23,799
Rental income	105,660	85,693
Revaluation of investment	(2,682,111)	(869,463)
Fair value adjustment to investment property	497,698	674,140
Increase in assets other than cash	12,388,697	6,250,883
Increase in liabilities	(17,068,781)	(15,676,663)
(Loss) / gain on disposal of investments	(643,160)	396,109
Increase in unearned premium	(3,986,165)	(2,643,855)
Increase in loans	11,478	5,898
Income tax paid	950,046	970,337
Provision for impairment of 'available-for-sale' investments	151,982	49,899
Dividend and other income	2,466,889	2,885,995
Capital contribution from Shareholders' Fund	-	-
Income from debt securities	4,626,544	2,098,499
Profit for the year from Window Takaful Operations - Operator's fund (Parent Company)	338,577	139,267
Profit for the year	2,386,355	2,943,593

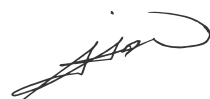
Cash and cash equivalents for the purpose of the cash flow statement consists of:

Cash in hand and equivalents	27,607	20,554
Current and other accounts	10,482,085	11,879,572
Term deposit maturing within three months	1,275,000	7,580,000
	11,784,692	19,480,126

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



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Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital	Capital reserves				Revenue reserves	Unappropriated profits	Equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair value reserve	General reserve				
----- Rupees in thousand -----										
Balance as at January 01, 2021	3,500,000	22,859	3,764	678,438	2,845,746	936,500	14,650,455	22,637,762	-	22,637,762
Profit for the year	-	-	-	-	-	-	2,943,593	2,943,593	-	2,943,593
Other comprehensive income	-	-	-	221,445	773,384	-	6,885	1,001,714	-	1,001,714
Total comprehensive income for the year ended December 31, 2021	-	-	-	221,445	773,384	-	2,950,478	3,945,307	-	3,945,307
Transactions with owners, recognized directly in equity										
Final cash dividend at Rs. 1.25 per share - December 31, 2020	-	-	-	-	-	-	(437,500)	(437,500)	-	(437,500)
Interim cash dividend at Rs. 1.5 per share - June 30, 2021	-	-	-	-	-	-	(525,000)	(525,000)	-	(525,000)
	-	-	-	-	-	-	(962,500)	(962,500)	-	(962,500)
Balance as at December 31, 2021	3,500,000	22,859	3,764	899,883	3,619,130	936,500	16,638,433	25,620,569	-	25,620,569
Transaction with non controlling interest	-	-	-	-	532	-	329,773	330,305	329,495	659,800
	-	-	-	-	532	-	329,773	330,305	329,495	659,800
Profit for the year	-	-	-	-	-	-	2,341,165	2,341,165	45,190	2,386,355
Other comprehensive income	-	-	-	632,561	(2,593,161)	-	(44,521)	(2,005,121)	143	(2,004,978)
Total comprehensive income for the year ended December 31, 2022	-	-	-	632,561	(2,593,161)	-	2,296,644	336,044	45,333	381,377
	3,500,000	22,859	3,764	1,532,444	1,026,501	936,500	19,264,850	26,286,918	374,828	26,661,746
Transactions with owners, recognized directly in equity										
Final cash dividend at Rs. 1.5 per share - December 31, 2021	-	-	-	-	-	-	(525,000)	(525,000)	-	(525,000)
Interim cash dividend at Rs. 1.5 per share - June 30, 2022	-	-	-	-	-	-	(525,000)	(525,000)	-	(525,000)
	-	-	-	-	-	-	(1,050,000)	(1,050,000)	-	(1,050,000)
Balance as at December 31, 2022	3,500,000	22,859	3,764	1,532,444	1,026,501	936,500	18,214,850	25,236,918	374,828	25,611,746

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1 The Group and its operations:

These consolidated financial statements comprise of Adamjee Insurance Company Limited ('the Parent Company') and Adamjee Life Assurance Company Limited ('the Subsidiary Company'), together referred to as 'the Group'. Equity of the Subsidiary Company held by the Parent Company is 89.99% (2021: 100.00%). The operations of the Group are described below:

Adamjee Insurance Company Limited

Adamjee Insurance Company Limited ('the Parent Company') is a public limited Company incorporated in Pakistan on September 28, 1960 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Parent Company is listed on Pakistan Stock Exchange limited and is principally engaged in the general insurance business. The registered office of the Parent Company is situated at Adamjee House Building, 80/A Block E-1, Main Boulevard Gulberg-III, Lahore. The Parent Company operates 115 (2021: 91) branches in addition to 20 (2021: 20) specialized agriculture field offices within Pakistan.

The Parent Company also operates 3 (2021: 3) branches in the United Arab Emirates (UAE) and 1 (2021: 1) branch in the Export Processing Zone, Karachi (EPZ).

The Parent Company was granted authorization on December 23, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on January 01, 2016. The Parent Company's Window Takaful Operations operates 5 (2021: 5) branches in Pakistan.

Adamjee Life Assurance Company Limited

Adamjee Life Assurance Company Limited ("the Subsidiary Company") was incorporated in Pakistan on August 04, 2008 as a public unlisted company under the Companies Act, 2017. The Subsidiary Company started its operations from April 24, 2009. The Company was converted to a listed company on March 04, 2022. Registered office of the Subsidiary Company is at 5th floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is at Adamjee House, 3rd and 4th Floor, I.I Chundrigar Road, Karachi. Adamjee Insurance Company Limited owns 89.99% shares of Adamjee Life Assurance Company Limited.

The Subsidiary Company is engaged in life insurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Subsidiary Company has established a shareholders' fund and the following statutory funds in respect of each class of its life insurance business:

- Conventional Business
- Accident and Health Business
- Individual Life Non-unitized Investment Linked Business
- Individual Life Unit Linked Business
- Individual Family Takaful Business
- Group Family Takaful Business

The Subsidiary Company was granted authorisation on May 04, 2016 under Rule 6 of Takaful Rules, 2012 to undertake Takaful Window Operations in respect of family takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Subsidiary Company commenced Window Takaful Operations from July 14, 2016. The Subsidiary Company formed a Waqf Fund namely the Adamjee Life Assurance Company Limited - Window Takaful Operations Waqf Fund (here-in-after referred to as the Participant Takaful Fund (PTF)) on December 22, 2015 under a Waqf deed executed by the Subsidiary Company with the cede amount of Rs. 500,000. The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilised only to pay benefits to participants or defray PTF expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Waqf deed also governs the relationship of the Subsidiary Company and policyholders for the management of Takaful operations, investment of policyholders' funds and shareholders' funds as approved by the Shariah Advisor appointed by the Subsidiary Company.

The Subsidiary Company issued supplemental policies to the Window Takaful Operations Waqf Fund on October 29, 2019 to include Group Family Participant's Takaful Fund business in existing Window Takaful Operations Waqf Fund and the same was authorised by the Securities and Exchange Commission of Pakistan (SECP) on December 11, 2019 and the Subsidiary Company commenced its Group Family Takaful Business in the second Quarter of 2020.

2 Basis of preparation and statement of compliance

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

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

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

As per the requirements of the Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss account of the Operator's Fund of the Window Takaful Operations of the Parent Company have been presented as a single line item in the statement of financial position and profit and loss account of the Parent Company respectively. A separate set of financial statements of the Window Takaful Operations of Parent Company has been annexed to these consolidated financial statements as per the requirements of the Takaful Rules, 2012.

2.2 Consolidation

2.2.1 Subsidiary Company

The Subsidiary Company is the entity in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date the control commences until the date that control ceases.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and carrying value of investments held by the Parent Company is eliminated against the Parent Company's share in paid up capital of the Subsidiary Company. Intragroup balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Parent Company. Non-controlling interests are presented as separate line item in the consolidated financial statements.

2.3 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, investment property carried at fair value and retirement benefit obligations under employees benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2.4 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand rupees, except otherwise stated.

2.5 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on January 01, 2022:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	January 01, 2022
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

2.6 New accounting standards / amendments and IFRS interpretations that are not yet effective

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

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2023 but are considered either not to be relevant or do not have any significant impact on these financial statements.

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has become applicable, however as an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

(a) Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

(b) All other financial assets

As at December 31, 2022				
Fail the SPPI test		Pass the SPPI test		
Fair value	Change in unrealized gain / (loss) during the period	Carrying Value	Cost less Impairment	Change in unrealized gain / (loss) during the period

----- Rupees in thousand -----

Financial assets

Cash and Bank*	4,288,735	-	6,220,957	-	-
Investments in equity securities	33,961,136	(2,439,523)	-	-	-
Investment in debt securities	-	-	42,567,371	-	-
Term deposits*	-	-	8,920,432	-	-
Loan secured against life insurance policies	-	-	42,163	-	-
Loans and other receivables*	1,537,570	-	2,964	-	-
Total	39,787,441	(2,439,523)	57,753,887	-	-

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

3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these consolidated financial statements are set out below. Accounting policies relating to Window Takaful Operations of Parent Company are disclosed in a separate financial statements of Window Takaful Operations which have been annexed to these financial statements. These accounting policies have been consistently applied to all the years presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3.1 Insurance contracts

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders.

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

Insurance contracts issued by the Group are generally classified in eleven basic categories among them five categories are covered by the Parent Company i.e. Fire & property, Marine, aviation & transport, Motor, Health and Miscellaneous and six categories i.e. Conventional Business, Accident and Health Business, Individual Life Non-unitized Investment Linked Business, Individual Life Unit Linked Business, Individual Family Takaful Business and General Family Takaful Business are covered by the Subsidiary Company. These are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services & trading sectors and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

General insurance business

The non life general insurance consist of the following categories:

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc.
- Marine aviation and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel, etc.
- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.
- Accident and health insurance contracts mainly compensate hospitalization and out patient medical coverage to the insured.
- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, etc.

Life insurance business

The life insurance business consists of the following categories:

- The Conventional Business includes individual life, group life and group credit life assurance:
- The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Subsidiary Company. Additional riders are included on the discretion of the policyholder. The business is written through Bancassurance, tele-sales and through website.
- Group Life and group credit life contracts are mainly issued to employers to insure their commitments to their employees as required under the The Industrial and Commercial Employment (Standing Orders) Ordinance, 1968. The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Subsidiary Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

- Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalisation and death by accidental means. This business is written through direct sales force.
- Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Subsidiary Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel.
- Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Subsidiary Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged thereof against. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and Subsidiary Company's own agency distribution channel.
- The Subsidiary Company offers Individual Family Takaful Unit Linked contracts. Family Takaful contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well being of a community, and is based on the principles of Wakalah Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.
- Group Family Takaful contracts are mainly issued to employers to insure their commitments to their employees as required under the The Industrial and Commercial Employment (Standing Orders) Ordinance, 1968. The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Subsidiary Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force.

In addition to direct insurance, the Group also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Group. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Since, the nature of insurance contracts entered into by the Parent Company and its Subsidiary Company are different, the respective accounting policies have separately been disclosed here as under:

3.2 General insurance business

3.2.1 Revenue recognition

3.2.1.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy are payable in installments, full premium for the duration of the policy is recognized as written, where the first such installment has been duly received by the Parent Company, at the inception of the policy and related assets are recognized as premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as an expense after taking into account the proportion of prepaid reinsurance premium which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The prepaid portion of premium is recognized as a prepayment.

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3.2.1.2 Commission income

Commission income from other insurers / reinsurers is deferred and recognized as a liability and recognized in the profit and loss account as a commission income in accordance with the pattern of recognition of the reinsurance premiums.

3.2.2 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 the premium revenue.

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

3.2.3 Unearned premium

The unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. It is recognized as a liability. Such liability is calculated as a ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.
- for crop business, as a ratio of the unexpired crop period to the total expected crop period, both measured to the nearest day.

Policy for recognition of premium revenue is disclosed in these consolidated financial statements. Unearned premium reserve calculated by the Parent Company is also confirmed by an independent actuary.

3.2.4 Premium deficiency

In order to comply with the requirements of section 34(2)(d) of the Insurance Ordinance, 2000, a premium deficiency reserve is maintained for each class of business, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after re-insurance, for claims and other expenses, including reinsurance expenses, commissions, and other underwriting expenses, expected to be incurred after the reporting date in respect of the policies in force at the reporting date, in that class of business.

For this purpose, premium deficiency reserve is determined by independent actuaries. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve ('UPR') shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency is determined.

Based on actuary's advice the management creates a reserve for the same in these consolidated financial statements. The movement in the premium deficiency reserve on net basis is recorded as an expense / income in profit and loss account for the year.

3.2.5 Reinsurance contracts held

The Parent Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance contracts include treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Parent Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Parent Company.

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Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

The risks undertaken by the Parent Company under these contracts for each class of business are stated in note 3.1 to the consolidated financial statements.

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

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not off set against income or expenses from related insurance assets.

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

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Prepayment (i.e. premium ceded to reinsurers) is recognized as follows:

- for reinsurance contracts operating on a proportional basis, a liability to the reinsurer is recognized on attachment of the underlying policies reinsured, while an asset is recognized for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of underlying policies.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Parent Company. This income is deferred and brought to profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission and no claim bonus (if any), which the Parent Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

3.2.6 Receivables and payables related to insurance contracts

Insurance / reinsurance receivable and payable including premium due but unpaid, relating to insurance contracts are recognized when due and carried at cost less provision for impairment (if any). The cost is the fair value of the consideration to be received / paid in the future for services rendered / received. These amounts also include due to and due from other insurance companies and brokers.

Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

An assessment is made at each reporting date to determine whether there is objective evidence from external as well as internal sources of information that a financial asset or group of assets may be impaired i.e. recoverable amount at the reporting date is less than the carrying amount of the asset. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each reporting date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense, in the profit and loss account.

3.2.7 Provision for outstanding claims including IBNR

The Parent Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of

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the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported ('IBNR'), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

SECP through its circular 9 of 2016 dated March 09, 2016 issued 'SEC guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016' for non-life insurance companies and required to comply with all provisions of these guidelines with effect from July 01, 2016.

The Guidelines require that estimation for provision for claims incurred but not reported (IBNR) 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 Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The actuarial valuation as at December 31, 2022 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions as explained in preceding paragraph that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.3 Life insurance business

3.3.1 Conventional Business

The Conventional Business includes individual life, group life and group credit life assurance.

3.3.1.1 Individual life

Revenue recognition

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium.

Recognition of policy holders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the insured event giving rise to the claim is received. Surrender of conventional business policies is made after these have been approved in accordance with the Subsidiary Company's policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.1.2 Group life and group credit life

Revenue recognition

Premiums are recognised as and when due. In respect of certain group policies the Subsidiary Company continues

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to provide insurance cover even if the premium is received after the grace period. Provision for unearned premiums is included in the policyholders' liabilities.

Recognition of policy holders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of premium

Experience refund of premium payable to policyholders' is included in policyholders' liability in accordance with the policy of the Subsidiary Company and the advice of the appointed actuary.

3.3.2 Accident and health business

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policy holders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised after the date the insured event is intimated and a reliable estimate of the claim amount can be made.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.3 Non-unitized investment linked business

Revenue recognition

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium. Single premiums are recognised once the related policies are issued against the receipts of premium. Premium of riders like 'Waiver of Premium' will be recognised upon actuarial assumptions where actuary deems that all premiums due have been received.

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Recognition of policy holders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received. Claim of 'Waiver of Premium' is created when intimated with the amount to be applied by the Subsidiary Company on behalf of policyholder.

Surrender of Non-unitized Investment Linked Business policies is made after these have been approved in accordance with the Subsidiary Company's policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.4 Unit linked business

Revenue recognition

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium. Single premiums are recognised once the related policies are issued against the receipts of premium. Premium of riders like 'Waiver of Premium' will be recognised upon actuarial assumptions where actuary deems that all premiums due have been received.

Recognition of policy holders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received. Claim of 'Waiver of Premium' is created when intimated with the amount to be applied by the Subsidiary Company on behalf of policyholder.

Surrender of Unit Linked Business policies is made after these have been approved in accordance with the Subsidiary Company's policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.5 Individual family takaful unit linked business

Revenue recognition

First year individual life contribution are recognised once the related policies have been issued and the contribution is received. Renewal contribution are recognised upon receipt of contribution. Single contribution are recognised once

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the related policies are issued against the receipts of contribution. Premium of riders like 'Waiver of Premium' will be recognised upon actuarial assumptions where actuary deems that all premiums due have been received.

Recognition of policy holders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received. Claim of 'Waiver of Premium' is created when intimated with the amount to be applied by the Subsidiary Company on behalf of policyholder.

Surrender of Unit Linked Takaful Business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.6 Group family takaful business

Revenue recognition

Contribution are recognised as and when due. In respect of certain group policies the Subsidiary Company continues to provide insurance cover even if the contribution is received after the grace period. Provision for unearned contribution is included in the policyholders' liabilities.

Recognition of policy holders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of contribution

Experience refund of contribution payable to policyholders' is included in policyholders' liability in accordance with the policy of the Subsidiary Company and the advice of the appointed actuary.

3.3.7 Reinsurance / Retakaful contracts held

Individual policies (including joint life policies underwritten as such) are reinsured under an individual life reinsurance / retakaful agreement whereas group life and group credit life policies are reinsured under group life and group credit

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life reinsurance agreements respectively.

3.3.7.1 Conventional

Reinsurance premium

Reinsurance premium ceded is recognised at the same time when the related premium revenue is recognised. It is measured in line with the terms and conditions of the reinsurance treaties.

Reinsurance Recoveries

Reinsurance recoveries from reinsurers are recognised at the same time when the claim is intimated and giving rise to the right of recovery is recognised in the books of accounts of the Subsidiary Company.

Experience Refund

Experience refund receivable from reinsurers is included in the reinsurance recoveries of claims.

Amount due from / to reinsurer

All receivables (reinsurer's share in claims, commission from reinsurer and experience refund) and payables (reinsurance premium) under reinsurance agreements are recognised on net basis in the Subsidiary Company's financial statements, only under the circumstances that there is a clear legal right of off-set of the amounts.

Amounts due from / to reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

3.3.7.2 Takaful

Retakaful Contribution

Retakaful contribution ceded is recognised at the same time when the related contribution revenue is recognised. It is measured in line with the terms and conditions of the reinsurance treaties.

Retakaful Recoveries

Retakaful recoveries from retakaful operators are recognised at the same time when the claim is intimated and giving rise to the right of recovery is recognised in the books of accounts of the Subsidiary Company.

Experience refund

Experience refund receivable from retakaful operators is included in the retakaful recoveries of claims.

Amount due from / to retakaful operator

All receivables (retakaful operator's share in claims, commission from retakaful operator and experience refund) and payables (retakaful contribution) under retakaful agreements are recognised on net basis in the Subsidiary Company's financial statements, only under the circumstances that there is a clear legal right of off-set of the amounts.

Amounts due from / to retakaful operator are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

3.3.8 Statutory funds

The Subsidiary Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the Subsidiary Company are referable to the respective

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statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Subsidiary Company. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Subsidiary Company on the reporting date as required under Section 50 of the Insurance Ordinance, 2000.

3.3.9 Policy holders' liabilities

3.3.9.1 Conventional Business

Individual Life

Policyholders' liabilities constitute the reserves for basic plans and riders attached to the basic plans and reserves for IBNR Claims.

Policy reserves pertaining to the basic plans are based on Net Premium method of valuation as prescribed in Annexure V of Insurance Rules 2017 requires the use of the SLIC (2001-05) Individual Life Ultimate mortality table and a valuation interest rate of 3.75% p.a. to establish the valuation of Net level Premium. The interest rate is considerably lower than the actual investment return the Subsidiary Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Subsidiary Company for meeting administrative expense and for providing margins against adverse deviations. For yearly renewable contracts and contracts where premiums are not age related, the reserves are based on net unearned premiums. Policy reserves for both waiver of premium and accidental death riders are based on net unearned premiums.

Reserves for IBNR claims have been estimated using claims run-off triangle.

Group Life and Group Credit Life

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 15% and 25% of earned premium for the year of group life and group credit life respectively.

3.3.9.2 Accident and Health Business

Main Plan Policy reserves are based on net unearned premiums. Reserves for yearly renewable riders are based on net unearned premiums.

3.3.9.3 Non-unitized Investment Linked Business

Policyholders' liabilities constitute the account value of investment linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

Reserves for IBNR claims have been estimated using claims run-off triangle.

3.3.9.4 Unit Linked Business

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts

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where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

Reserves for IBNR claims have been estimated using claims run-off triangle.

3.3.9.5 Individual Family Takaful Unit Linked Business

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of contribution, etc.). Reserves for risk only contracts where contribution are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned contribution.

Reserves for IBNR claims have been estimated using claims run-off triangle.

3.3.9.6 Group Family Takaful Business

Policy reserves for these plans are based on the unearned contribution method net of allowances made for acquisition expenses, unexpired retakaful contribution and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated based on the gross and net loss ratio of 75% and 65% respectively.

3.4 Acquisition costs - Life Insurance Business

These are costs incurred in acquiring insurance policies / takaful contracts, maintaining such policies / takaful contracts, and include without limitation all forms of remuneration paid to insurance agents / takaful agents.

Commission and other expenses are recognised as expense in the earlier of the financial year in which they are paid and the financial year in which they become payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognised not later than the period in which the premium to which they refer is recognised as revenue.

3.5 Takaful operator fee - Life Insurance Business

The shareholders of the Subsidiary Company manage the Window Takaful Operations for the participants. Accordingly, the Subsidiary Company is entitled to Takaful Operator's Fee for the management of Window Takaful Operations under the Waqf Fund, to meet its general and administrative expenses. The Takaful Operator's Fee, termed Wakalah fee, is recognised upfront.

3.6 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. Subsequent costs are included in the carrying amount of the investment property, only when it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance cost are charged to profit and loss account as and when incurred.

3.7 Property and equipment

Owned operating assets, other than freehold land which is not depreciated are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

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Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

3.8 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating assets as and when these are available for use.

3.9 Leases

As a lessee, the Group recognizes right of use asset and lease liability at the lease commencement date.

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and less any lease incentives received.

The right of use assets are subsequently depreciated using the straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for the certain remeasurement of the lease liability.

Lease liability

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

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase or termination option.

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When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in Profit and loss account if the carrying amount of the right of use asset has been reduced to zero.

3.10 Intangible assets

These are stated at cost less accumulated amortization and provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Group.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.11 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Group accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to Board of Directors which is responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. It comprise cash in hand, policy stamps and bank balances.

3.13 Investment income

Following are recognized as investment income:

- Income on investments designated at fair value through profit or loss are included in profit and loss account.
- Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.
- Dividend income is recognized when the Group's right to receive the dividend is established.
- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- Return on term deposits is recognized on a time proportion basis taking into account the effective yield.
- Return on fixed income and government securities are recognized on time proportion basis using the effective interest rate method.

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3.14 Investments

Investments are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

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

3.14.1 Investment at fair value through profit or loss

Financial assets that are designated upon initial recognition as one to be measured at fair value through profit or loss include those group of financial assets which are managed and their performance is evaluated on fair value basis and were held for active trading.

3.14.2 Held to maturity

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

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

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

3.14.3 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit or loss' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates.

These are initially measured at cost and subsequently re-measured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. The Group assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost. The valuation of unquoted investments as at December 31, 2021 has been carried out by independent valuer for determination of fair value of these investments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3.14.4 Fair / market value measurements

For investments in Mutual funds, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan ('MUFAP'). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued.

3.15 Date of recognition

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

3.16 Off setting of financial assets and financial liabilities

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

3.17 Provisions

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

3.18 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity or other comprehensive income, in which case it is recognized directly in equity or other comprehensive income.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred taxation is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

3.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

statement of profit and loss over the period of the borrowings using the effective interest rate. Finance costs are accounted for on accrual basis and are reported under accrued markup to the extent of the amount remaining unpaid.

3.20 Government grant

Government grants are transfers of resources to the Group by a government entity in return for compliance with certain past or future conditions related to the Group's operating activities - e.g. a government subsidy. The definition of 'government' refers to governments, government agencies and similar bodies, whether local, national or international.

The Group recognises government grants when it is reasonably probable that grants will be received and the Group will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as a deferred income, when there is reasonable assurance that the grants will be received and the Group will be able to comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

Loan at subsidized rate under SBP refinancing scheme for payment of wages and salaries is initially measured at the fair value i.e. the present value of the expected future cash flows discounted at a market-related interest rate. The difference between the amount received and the fair value is recognized as a government grant.

3.21 Retirement benefit obligations

3.21.1 General Insurance Business

Defined contribution plan

The Parent Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Parent Company and the employees at the rate of 8.33% of basic salary. Contributions made by the Parent Company are recognized as expense. The Parent 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.

Defined benefit plans

The Parent Company operates the following defined benefit plans:

- An approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Parent Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to gratuity fund in accordance with the actuary's recommendations based on the actuarial valuation of these funds as at December 31, 2022.
- An unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these consolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at December 31, 2022.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Parent Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Parent Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Parent Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Parent Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Employees' compensated absences

The Parent Company accounts for these benefits in the period in which the absences are earned.

The Parent Company provides annually for the expected cost of accumulating compensated absences on the basis of actuarial valuation. Regular employees of the Parent Company are entitled to 30 days earned leaves in a calendar year and they can accumulate the unutilized privilege leaves upto 60 days (2021: 60). The most recent valuation is carried out as at December 31, 2022 using the LIFO method. The liabilities are presented as a current employees benefit obligations in the statement of financial position.

3.21.2 Life Insurance Business

Defined benefit plan

The Subsidiary Company operates an approved funded gratuity scheme for all permanent, confirmed and full time employees who have completed minimum qualifying eligible service period of six months. Contribution to the fund is made and expense is recognized on the basis of actuarial valuation carried out as at each year end using the Projected Unit Credit Method. Provisions are made to cover the obligations under the scheme on the basis of actuarial assumptions.

The Subsidiary Company's obligation under the gratuity schemes are determined through actuarial valuations. Actuarial valuations are conducted annually and the latest valuation was conducted as at December 31, 2022. Service costs are recognized in profit and loss in the year in which they occur. Net interest on net defined benefit liability is also recognized in profit and loss. Net of tax remeasurement comprising actuarial gain / loss, the return on plan assets excluding interest are recognized in other comprehensive income.

Employees accumulated compensated absences

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

3.22 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.23 Dividend distribution

Dividend distribution to the Parent Company's shareholders and other appropriations are recognized in the Group's financial statements in the period in which these are approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.24 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

3.25 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.26 Financial instruments

Financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account.

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3.27 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Group's reported net profits.

3.28 Window Takaful Operations - Parent Company

The accounting policies followed by Window Takaful Operations of the Parent Company are stated in the annexed financial statements of Window Takaful Operations for the year ended December 31, 2022.

4 Critical accounting estimates and judgments

4.1 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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

- Provision for doubtful receivables	3.2.6
- Provision for outstanding claim including claims incurred but not reported (IBNR)	3.2.7
- Premium deficiency	3.2.4
- Retirement benefit obligations	3.21
- Valuation of unquoted investments	3.14.3
- Provision for taxation including the amount relating to tax contingency	3.18
- Useful lives, pattern of economic benefits and impairments - Property and Equipment	3.7
- Useful lives, pattern of economic benefits and impairments - Intangible Assets	3.10
- Policy holders' liabilities and underlying actuarial assumptions	3.3.9
- Impairment of assets - financial assets	3.22
- Segment Reporting	3.11

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
5 Property and equipment			
Operating assets	5.1	5,309,131	5,190,298
Capital work in progress	5.2	29,760	53,719
Right of use asset	5.3	121,399	171,428
		5,460,290	5,415,445

5.1 Operating assets

	2022													
	Cost					Depreciation					Net Book value			
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals / Write Offs	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	Disposals / Write offs	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	----- Rupees in thousand -----													%
Freehold:														
Land	1,745,663	-	-	-	-	1,745,663	-	-	-	-	-	-	1,745,663	-
Building*	2,614,587	26,463	152,832	-	-	2,793,882	415,955	47,516	54,318	-	-	517,789	2,276,093	3.0%
Furniture and fixtures	460,851	13,643	35,690	(1,985)	-	508,199	200,254	37,005	19,437	(1,816)	-	254,880	253,319	14.3% - 15.0%
Motor vehicles	772,031	119,731	14,476	(51,189)	-	855,049	436,987	43,385	7,895	(36,068)	-	452,199	402,850	15.0% - 20.0%
Machinery and equipment	803,309	11,733	(7,750)	(5,874)	-	801,418	283,725	60,013	885	(4,522)	-	340,101	461,317	15.0% - 20.0%
Computer equipment	509,951	63,988	12,480	(18,091)	-	568,328	415,843	37,033	8,136	(17,694)	-	443,318	125,010	30.0% - 33.3%
Leasehold Improvements	52,019	19,674	-	(6,941)	-	64,752	15,349	7,971	-	(3,447)	-	19,873	44,879	14.3%
Total	6,958,411	255,232	207,728	(84,080)	-	7,337,291	1,768,113	232,923	90,671	(63,547)	-	2,028,160	5,309,131	

	2021													
	Cost					Depreciation					Net Book value			
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals / Write Offs	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	Disposals / Write offs	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	----- Rupees in thousand -----													%
Freehold:														
Land	995,651	771,927	-	(30,555)	8,640	1,745,663	-	-	-	-	-	-	1,745,663	-
Building*	2,366,653	90,714	52,447	(2,500)	107,273	2,614,587	352,568	45,131	19,086	(830)	-	415,955	2,198,632	3.0%
Furniture and fixtures	421,171	30,760	10,035	(1,115)	-	460,851	158,122	37,259	5,480	(607)	-	200,254	260,597	14.3% - 15.0%
Motor vehicles	739,816	70,455	4,775	(43,015)	-	772,031	429,860	35,549	2,223	(30,645)	-	436,987	335,044	15.0% - 20.0%
Machinery and equipment	752,706	58,503	4,246	(12,146)	-	803,309	223,536	67,808	1,898	(9,517)	-	283,725	519,584	15.0% - 20.0%
Computer equipment	481,604	26,523	4,099	(2,275)	-	509,951	382,584	32,952	2,518	(2,211)	-	415,843	94,108	30.0% - 33.3%
Leasehold Improvements	45,542	12,095	-	(5,618)	-	52,019	11,219	7,038	-	(2,908)	-	15,349	36,670	14.3%
Total	5,803,143	1,060,977	75,602	(97,224)	115,913	6,958,411	1,557,889	225,737	31,205	(46,718)	-	1,768,113	5,190,298	

* The Group owns 3 buildings and resulting area of land and 7 corporate offices in Pakistan and 1 corporate office in UAE.

Notes to the Consolidated Financial Statements

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5.1.1 Details of tangible assets disposed off/ write offs during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Relationship	Particulars of purchaser
----- Rupees in thousand -----							
Furniture and fixtures							
Items having book value below Rs. 50,000	1,985	1,816	169	50			
	1,985	1,816	169	50			
Motor vehicles (Owned)							
HONDA CIVIC VTI AWD-801	1,965	1,556	409	1,164	Auction	Independent third party	Muhammad Abbas Akram
HONDA CIVIC PROSMATIC BAQ-308	2,442	1,752	690	1,387	Auction	Independent third party	Farrakh Anwar Bajwa
HONDA CITI ASU-426	1,345	1,164	181	250	Auction	Independent third party	Sajjad Hussain
TOYOTA COROLLA GLI LEH-16-5694	1,931	1,079	852	1,351	Auction	Independent third party	Security General Insurance Co. Ltd.
SUZUKI CULTUS ARW-038	850	735	115	567	Auction	Independent third party	Muhammad Asif
HONDA CITI AZJ-724	1,507	1,069	438	1,567	Auction	Independent third party	Muhammad Asif
HONDA CITI AUTOMATIC BBT-679	1,685	1,155	530	772	Auction	Independent third party	Adil watto
HONDA CITI AWK-975	1,374	1,092	282	1,318	Auction	Independent third party	Adil Mehmood
SUZUKI CULTUS LEH-14-4458	1,119	712	407	937	Auction	Independent third party	Malik Muhammad Afzal
HONDA CITI AYU-718	1,507	1,106	401	1,428	Auction	Independent third party	Adil watto
SUZUKI MEHRAN ASA-372	529	457	72	616	Auction	Independent third party	Hassan Ali
HONDA CIVIC AZG-214	2,034	1,473	561	1,811	Auction	Independent third party	Muhammad Naeem Farooqi
SUZUKI CULTUS BAV-765	1,076	773	303	872	Auction	Independent third party	Nasir Mehmood
HONDA CITI ASQ-137	1,209	1,043	166	1,200	Auction	Independent third party	Abdul Qayyum
HONDA CITI BBJ-569	1,580	1,118	462	1,171	Auction	Independent third party	Asad Malik
TOYOTA COROLLA GLI BAW-849	1,763	1,297	466	900	Auction	Independent third party	Muhammad Mujahid
HONDA CIVIC AXK-084	1,908	1,507	401	1,417	Auction	Independent third party	Jhangir Khan
SUZUKI CULTUS AXU-859	950	749	201	756	Auction	Independent third party	Muhammad Salman Khan
HONDA ACCORD LEE-08-2599	4,076	2,841	1,235	1,000	Auction	Independent third party	M. Kashif
TOYOTA COROLLA GLI AZA-853	1,574	1,185	389	1,531	Auction	Independent third party	Rab Nawaz Khan
TOYOTA COROLLA GLI BKM-834	1,789	912	877	1,935	Auction	Independent third party	Muhammad Asif
HONDA CIVIC AUK-814	1,339	1,122	217	217	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
SUZUKI CULTUS AYW-963	990	745	245	245	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
SUZUKI CULTUS AZG-957	1,032	764	268	267	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
TOYOTA COROLLA XLI LEC-15-7523	1,731	1,110	621	621	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
HONDA CITI I-VTECH BFP-963	1,678	991	687	687	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
SUZUKI CULTUS LEH-16-1621	1,129	662	467	468	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
TOYOTA COROLLA ALTIS CRUISETRONIC BHF-037	2,073	1,154	919	919	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
TOYOTA COROLLA XLI BHZ-908	1,644	875	769	769	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
HONDA CITI I-VTECH AFD-922	1,575	782	793	793	Negotiation	Window operation	Adamjee insurance Ltd.- Window Takaful Operations
Mr. Umar Daraz-Employee	1,249	956	293	445	As per Company policy	Employee	Mr. Umar Daraz-Employee
Mr. Shahid Mehmood-Employee	1,391	1,067	324	769	As per Company policy	Employee	Mr. Shahid Mehmood-Employee
Mr. Vinod Kumar-Employee	802	802	-	-	As per Company policy	Employee	Mr. Vinod Kumar-Employee
Mr. Francis Linus-Employee	47	47	-	-	As per Company policy	Employee	Mr. Francis Linus-Employee
Items having book value below Rs. 50,000	296	216	80	109			
	51,189	36,068	15,121	30,259			
Machinery & equipment							
Items having book value below Rs. 50,000	5,873	4,522	1,351	251			
	5,873	4,522	1,351	251			
Computer equipment							
Items having book value below Rs. 50,000	18,092	17,694	398	401			
	18,092	17,694	398	401			
Leasehold improvements							
Items having book value below Rs. 50,000	6,941	3,447	3,494	-			
	6,941	3,447	3,494	-			
Grand Total	84,080	63,547	20,533	30,961			
Grand Total (2021)	97,224	46,718	50,506	74,305			

Notes to the Consolidated Financial Statements

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	2022	2021
	----- Rupees in thousand -----	
5.2 Capital work in progress		
Mobilization advance	-	-
Advance for computer hardware equipment	-	11,778
Advance for ERP software	26,591	16,999
Leasehold improvements	3,169	24,942
	29,760	53,719
5.3 Right of use asset		
As at January 01	171,428	195,271
Derecognition / Adjustments in Agency branches	(5,131)	(3,768)
Additions during the year	3,709	30,004
Depreciation charge during the year	(57,726)	(58,259)
Exchange difference	9,119	8,180
Closing Net Book Value	121,399	171,428

5.3.1 All the right of use assets include premises obtained on rent for branch operations (inside and outside of Pakistan).

	2022	2021
	----- Rupees in thousand -----	
6 Intangible assets		
Cost		
As at January 01	576,387	524,073
Additions during the year	33,035	37,643
Exchange differences and other adjustments	54,895	14,671
As at December 31	664,317	576,387
Less: Accumulated amortization		
As at January 01	452,922	396,692
Amortization charged during the year	46,432	45,927
Exchange differences and other adjustments	33,161	10,303
As at December 31	532,515	452,922
Net book value as at December 31	131,802	123,465
Rate of amortization	20.00%	20.00%
7 Investment Properties		
Net book value as at January 01	1,259,667	1,473,367
Additions and capital improvements	-	-
Transfer to property and equipment	-	(887,840)
Unrealized fair value gain	497,698	674,140
Net book value as at December 31	1,757,365	1,259,667

Investment property as at December 31, 2022 consists of the following:

- 4 floors of Adamjee House, Karachi which are rented out.
- 1 floor of Adamjee House, Lahore which is rented out.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Market value of these investment properties amounts to Rs. 1,757 million based on a valuation carried out by independent valuer, as at December 31, 2022.

The fair value of investment properties was determined by external, independent property valuers having adequate qualifications and experience in the location and category of the property being valued. Investment properties of the Company are valued every year.

The valuation has been carried out considering the segment and location of the property, size, utilization and current trends in price of real estate in close proximity, current market rents for similar properties including assumptions that ready buyers are available in the current market which is analyzed through detailed market surveys and the properties that have recently been sold or purchased or offered/quoted for sale into the same vicinity to determine the better estimates of the fair value.

	Note	2022	2021
----- Rupees in thousand -----			
8 Investments in equity securities			
Available-for-sale	8.1	17,664,055	21,177,227
Fair value through profit or loss (designated upon initial recognition)	8.2	16,297,081	16,837,134
		33,961,136	38,014,361

8.1 Available-for-sale

Note	2022				2021				
	Cost	Impairment / provision	Unrealized gain / (loss)	Carrying value	Cost	Impairment / provision	Unrealized gain / (loss)	Carrying value	
----- Rupees in thousand -----									
Related parties									
Listed shares	8.1.1	10,029,959	(25,215)	(2,338,500)	7,666,244	9,586,807	(23,854)	(464,114)	9,098,839
Unlisted shares	8.1.2	1,056,956	-	1,723,041	2,779,997	949,456	-	2,559,896	3,509,352
		11,086,915	(25,215)	(615,459)	10,446,241	10,536,263	(23,854)	2,095,782	12,608,191
Others									
Listed shares	8.1.3	6,032,460	(1,919,748)	749,646	4,862,358	6,678,467	(2,084,340)	1,103,806	5,697,933
Unlisted shared	8.1.4	925,360	-	1,396,718	2,322,078	925,360	-	1,901,408	2,826,768
Mutual Funds	8.1.5	48,979	(16,366)	40	32,653	48,550	(5,117)	31	43,464
NIT Units	8.1.6	161	-	564	725	161	-	710	871
		7,006,960	(1,936,114)	2,146,968	7,217,814	7,652,538	(2,089,457)	3,005,955	8,569,036
		18,093,875	(1,961,329)	1,531,509	17,664,055	18,188,801	(2,113,311)	5,101,737	21,177,227

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8.1.1 Related parties- Listed Shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
Commercial Banks					
59,225,639	55,196,435	10	MCB Bank Limited	6,879,650	8,464,374
Textile Composite					
2,050	2,050	10	Nishat Mills Limited	113	163
Power Generation & Distribution					
963,500	963,500	10	Nishat Power Limited	17,545	19,154
25,631,181	25,631,181	10	Pakgen Power Limited	768,935	615,148
-	-				
85,822,370	81,793,166			7,666,243	9,098,839

8.1.1.1 5,286,710 (2021 : 3,716,710) shares of MCB Bank Limited have been pledged against Standby Letter of Credit (SBLC) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Group.

8.1.2 Related Parties - Unlisted shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
Automobile Assembler					
105,623,000	94,873,000	10	Hyundai Nishat Motor (Private) Limited	2,779,997	3,509,352

8.1.2.1 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited (HNMPL) which is principally engaged in vehicle assembling. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Parent Company has estimated a fair value of Rs. 26.32 per ordinary share as at December 31, 2022 (Rs. 36.99 per ordinary share as at December 31, 2021) through a valuation technique based on discounted cash flows. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 44 to these consolidated financial statements.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 21.64% (2021: 18.52%) per annum.
- Terminal growth rate in revenue of 2% (2021: 4%) per annum.

8.1.2.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2022 would be Rs. 184,840 thousand lower.
- If the terminal growth rate increase by 1% with all other variables held constant, the impact on fair value as at December 31, 2022 would be Rs. 105,623 thousand higher.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8.1.3 Others - listed shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
			Automobile Assembler		
1,706,908	987,795	10	Millat Tractors Limited	828,038	851,714
			Cable & Electrical Goods		
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	112,445	98,141
			Cement		
24,000	24,000	10	Attock Cement Pakistan Limited	1,357	3,335
645,100	645,100	10	Fecto Cement Limited	11,309	17,398
			Close - End Mutual Fund		
4,113,500	4,113,500	10	HBL Investment Fund 'A'	6,828	10,284
			Commercial Banks		
6,277,500	6,277,500	10	Allied Bank Limited	401,572	516,450
389,107	389,107	10	Habib Bank Limited	24,796	45,378
8,320,012	8,320,012	10	National Bank of Pakistan	196,269	287,207
1,279,400	1,279,400	10	United Bank Limited	128,902	174,740
			Engineering		
178,637	178,637	10	Aisha Steel Mills Limited	1,487	2,697
100,000	100,000	10	Crescent Steel & Allied Products Limited	3,198	5,138
-	300,000	10	International Steel Limited	-	19,836
			Fertilizer		
12,707	1,481,000	10	Engro Fertilizers Limited	977	112,689
9,000	9,000	10	Fatima Fertilizer Company Limited	302	324
9,998,900	9,998,900	10	Fauji Fertilizer Company Limited	986,991	1,002,490
			Food & Personal Care Products		
5,740	5,740	10	Nestle Pakistan Limited	33,694	32,864
70,304	70,304	10	Rafhan Maize Products Limited	639,768	660,858
			Insurance		
4,800	4,800	10	EFU General Insurance Company Limited	444	504
-	230,000	10	IGI Holdings Limited	-	35,335
860,529	286,843	10	Pakistan Reinsurance Company Limited	5,903	6,425
			Investment Companies		
2,220,100	2,220,100	10	Dawood Hercules Corporation Limited	209,799	212,064
5,462,000	5,462,000	10	MCB Arif Habib Savings & Investment Limited	116,832	193,792
			Oil & Gas Exploration Companies		
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	121,425	131,395
600	600	10	Pakistan Oilfields Limited	236	215
5,126,935	5,696,595	10	Sui Northern Gas Pipelines Limited	192,516	190,551
			Paper & Board		
11,750	11,750	10	Packages Limited	4,349	5,843
			Pharmaceuticals		
369,400	369,400	10	Abbott Laboratories Pakistan Limited	171,147	265,048

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
Power Generation & Distribution					
5,743,000	5,743,000	10	Kot Addu Power Company Limited	153,051	185,786
130,000	130,000	10	K-Electric Limited	351	447
27,348,388	27,348,388	10	Lalpir Power Limited	413,781	385,886
4,960,882	4,960,882	10	Saif Power Limited	92,123	93,563
Refinery					
-	37,500	10	Attock Refinery Limited	-	5,401
49	49	10	Pakistan Petroleum Limited	3	4
14,000	506,450	10	National Refinery Limited	2,465	144,131
87,055,679	88,860,783			4,862,358	5,697,933

8.1.3.1 Nil (2021 : 369,000) shares of Abbot Laboratories Limited, Nil (2021 : 2,220,000) shares of Dawood Hercules Corporation Limited, Nil (2021 : 1,480,000) shares of Engro Fertilizers Limited, 4,800,000 (2021 : 9,250,000) shares of Fauji Fertilizer Company Limited, Nil (2021 : 330,000) shares of Habib Bank Limited, Nil (2021 : 300,000) shares of International Steels Limited, Nil (2021 : 823,000) shares of Millat Tractors Limited, Nil (2021 : 8,240,000) shares of National Bank of Pakistan, Nil (2021 : 5,700) shares of Nestle Pakistan Limited, Nil (2021 : 1,524,000) shares of Oil & Gas Development Company Limited and Nil (2021 : 1,250,000) shares of United Bank Limited have been pledged against SBLC (Standby Letter of Credit) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Group and Loans obtained from MCB Bank Limited, a related party of the Group.

8.1.4 Others - Unlisted shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
9,681,374	9,681,374	10	Security General Insurance Company Limited	2,322,078	2,826,768

8.1.4.1 This represents investment in the ordinary shares of Security General Insurance Company Limited ("SGI") which is principally engaged in general insurance business. Since SGI's ordinary shares are not listed, an independent valuer engaged by the Parent Company has estimated a fair value of Rs. 239.85 per ordinary share as at December 31, 2022 (Rs. 291.98 per ordinary share as at December 31, 2021) through a valuation technique based on discounted cash flow analysis of SGI. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 44 to these consolidated financial statements.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 25% (2021: 15%) per annum.
- Terminal growth rate of 2% (2021: 2%) per annum.

8.1.4.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2022 would be Rs. 6,600 thousand lower.
- If the terminal growth rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2022 would be Rs. 2,919 thousand higher.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8.1.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units		Face value Rupees	Fund Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
47,324	45,669	100	Alfalah GHP Money Market Fund	4,658	4,492
24,802	22,246	100	HBL Cash Fund	2,541	2,269
4,234,546	4,234,546	10	HBL Investment Fund - Class B	25,454	36,703
4,306,672	4,302,461			32,653	43,464

8.1.6 Open-Ended Equity Funds Heading Missing

No. of units		Face value Rupees	Fund Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
12,540	12,540		National Investment Trust	725	871

8.2 Fair value through profit or loss

Note	2022				2021				
	Cost	Impairment / provision	Unrealized gain / (loss)	Carrying value	Cost	Impairment / provision	Unrealized gain / (loss)	Carrying value	
----- Rupees in thousand -----									
Related Party									
Listed shares	8.2.1	1,297,356	-	(354,418)	942,938	1,411,292	-	(208,805)	1,202,487
Mutual Funds	8.2.2	6,099,261	-	(695,661)	5,403,600	6,902,701	-	(11,942)	6,890,759
		7,396,617	-	(1,050,079)	6,346,538	8,313,993	-	(220,747)	8,093,246
Others									
Listed shares	8.2.3	8,001,073	-	(664,232)	7,336,841	9,407,055	-	(2,632,258)	6,774,797
Mutual Funds	8.2.4	1,612,973	-	1,000,729	2,613,702	960,373	-	1,008,718	1,969,091
		9,614,046	-	336,497	9,950,543	10,367,428	-	(1,623,540)	8,743,888
		17,010,663	-	(713,582)	16,297,081	18,681,421	-	(1,844,287)	16,837,134

8.2.1 Related parties- Listed Shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
6,306,006	6,363,681	10	Commercial Banks MCB Bank Limited	732,506	975,871
3,907,365	1,290,000	10	Textile Composite Nishat Chunian Limited	81,429	58,760
650,301	400	10	Nishat Mills Limited	35,755	32
1,805,732	2,023,450	10	Cement D.G. Khan Cement Company Limited	93,248	167,824
12,669,404	9,677,531			942,938	1,202,487

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8.2.2 Related parties- Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units		Face value Rupees	Fund's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
195,145,209	127,332,624	10	Alhamra Islamic Stock Fund	1,709,472	1,342,085
4,193,281	1,813,615	100	Alhamra Islamic Income Fund	457,671	192,160
7,325,935	2,976,246	50	Alhamra Islamic Asset Allocation Fund	460,051	216,781
4,105,832	8,455,118	100	MCB Cash Management Optimizer Fund	416,746	854,353
-	3,878,276	100	MCB Pakistan Asset Allocation Fund	-	327,871
23,141,205	38,403,219	50	MCB Pakistan Stock Market Fund	1,846,772	3,804,011
500,000	-	-	MCB Pakistan Dividend Yield Plan	50,200	-
3,052,727	2,716,884	50	Pakistan Income Fund	178,328	153,498
3,878,276	-	-	Pakistan Asset Allocation Fund	284,360	-
241,342,465	185,575,982			5,403,600	6,890,759

8.2.3 Others - listed shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
Automobile Assembler					
135,630	-	5	Agriauto Industries Limited	11,638	-
163,300	141,000	10	Atlas Honda Limited	48,990	57,249
-	170	10	Indus Motors Company Limited	-	209
-	189,300	10	Honda Atlas Cars (Pakistan) Limited	-	44,823
-	119,900	10	Pak Suzuki Motor Company Limited	-	27,968
Automobile Part & Accessories					
1,587	-	10	Atlas Battery Limited	259	-
2,028,395	674,000	10	General Tyre & Rubber Company of Pakistan	54,767	31,246
3,220,758	2,509,337	10	Panther Tyres Limited	66,734	104,790
376,644	341,900	5	Thal Limited	72,790	130,842
Cable & Electrical Goods					
7,382,364	4,292,000	10	Pak Elektron Limited	95,602	96,656
392,700	-	10	Waves Home Appliances Limited	2,608	-
1,963,500	1,963,500	10	Waves Singer Pakistan Limited	16,946	30,611
Cement					
550,500	-	10	Attock Cement Pakistan Limited	31,131	-
1,754,297	1,145,800	10	Cherat Cement Company Limited	178,763	169,934
338,897	401,300	10	Bestway Cement Limited	43,382	61,985
29,344,402	3,364,000	10	Fauji Cement Company Limited	352,720	61,797
396,835	-	10	Gharibwal Cement Ltd	6,345	-
44,000	160,000	10	Kohat Cement Company Limited	6,499	30,176
811,080	692,501	10	Lucky Cement Limited	362,212	470,403
16,441,207	5,246,758	10	Maple Leaf Cement Factory Limited	371,078	188,620
644,196	600	10	Pioneer Cement Limited	33,131	53
1,917,500	2,200,000	10	Power Cement Limited	8,859	13,992

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For the year ended 31 December 2022

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
Leather & Tanneries					
-	18,392	10	Service Industries Limited	-	8,617
166,555	120,560	10	Bata Pakistan Limited	360,307	261,754
Commercial Banks					
-	1,000	10	Allied Bank Limited	-	82
1,964	1,964	10	Askari Bank Limited	39	43
36,563	15,960	10	Bank Al Habib Limited	2,021	1,101
7,814,396	8,288,575	10	Bank Alfalah Limited	235,526	286,785
4,704,431	-	10	BankIslami Pakistan Limited	62,851	-
-	5,500	10	Bank of Punjab Limited	-	47
7,608,655	7,506,775	10	Faysal Bank Limited	196,532	172,656
2,377,988	1,357,284	10	Habib Bank Limited	151,549	158,286
1,698,949	2,189,500	10	Habib Metropolitan Bank Limited	57,679	93,776
1,906,500	4,450,000	10	JS Bank Limited	8,941	21,449
3,579,752	1,220,080	10	Meezan Bank Limited	356,329	163,625
1,000,000	1,000,000	10	National Bank of Pakistan	23,590	34,520
3,484,330	931,675	10	United Bank Limited	351,046	127,248
Engineering					
-	5,250	10	Agha Steel Industries Limited	-	138
5,235,825	1,730,500	10	Aisha Steel Mills Limited	42,986	26,061
4,883,504	1,464,500	10	Amreli Steels Limited	87,659	65,551
935,485	275,200	10	International Industries Limited	70,779	38,201
432,222	-	10	International Steels Limited	19,601	-
2,189,031	309,375	10	Mughal Iron & Steel Industries Limited	105,752	32,209
-	4,680	10	Sazgar Engineering Works Limited	-	456
Chemical					
2,863	-	10	Archroma Pakistan Limited	1,248	-
403,200	90,700	10	Dynea Pakistan Limited	62,492	19,546
-	1,338,669	10	Engro Polymer and Chemicals Limited	-	72,570
-	10,200	10	ICI Pakistan Limited	-	7,761
-	2,211,500	10	Lotte Chemical Pakistan Limited	-	30,209
300	240	10	Pakistan Oxygen Limited	42	37
-	79,400	10	Sitara Chemical Industries Limited	-	24,461
Fertilizer					
36,300	36,300	10	Arif Habib Corporation Limited	1,250	1,301
1,834,566	1,172,343	10	Engro Corporation Limited	480,677	319,369
582,512	2,000,273	10	Engro Fertilizer Limited	44,789	152,201
3,189,976	500	10	Fauji Fertilizer Bin Qasim Limited	48,902	12
-	36	10	Fauji Fertilizer Company Limited	-	4

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
Food & Personal Care Products					
170,153	2,248	10	At-Tahur Limited	2,908	51
398,839	387,750	10	Murree Brewery Company Limited	145,098	192,766
17,099	16,401	10	Nestle Pakistan Limited	100,371	93,905
50	671,400	5	National Foods Limited	5	102,476
-	2,140	10	Raffhan Maize Products Company Limited	-	20,116
49,159	676,000	10	The Organic Meat Company Limited	1,016	21,450
58,871	-	10	Pakistan Tobacco Company Limited	56,747	-
-	860,000	10	Unity Foods Limited	-	22,763
-	614,532	10	Unity Foods Limited (R)	-	451
Insurance					
480,400	144,600	10	IGI Holdings Limited	45,638	22,215
110,465	-	10	Jubilee Life Insurance Company Limited	15,355	-
Textile Composite					
3,704,131	1,478,300	10	Gul Ahmed Textile Mills Limited	91,270	69,569
2,187,916	1,633,387	10	Interloop Limited	123,945	118,731
50,747	1,038,000	10	Azgard Nine Limited	368	13,587
448,664	-	10	Kohinoor Textile Mills Limited	21,199	-
Technology & Communication					
235,915	600	10	Avanceon Limited	15,577	55
2,561,196	-	10	Air Link Communication Limited	75,760	-
-	573,000	10	Netsol Technologies Limited	-	53,782
901,195	299	10	Octopus Digital Limited	51,053	23
17,813,000	16,403,000	10	Pakistan Telecommunication Company Limited	108,659	142,707
88,900	55	10	Systems Limited	43,021	42
-	2,000	10	TRG Pakistan Limited	-	236
Transport Companies					
-	3,950,000	10	Pakistan International Bulk Terminal Limited	-	29,072
Investment Companies					
2,545,500	2,410,500	10	Jahangir Siddiqui & Company Limited	26,040	38,568
Oil & Gas Exploration Companies					
514,487	297,357	10	Mari Petroleum Company Limited	795,891	491,898
2,630,504	1,655,479	10	Oil & Gas Development Company Limited	209,546	142,703
25,771	445,284	10	Pakistan Oilfields Limited	10,124	159,242
514,300	884,800	10	Shell Pakistan Limited	55,256	107,229
2,600	924,600	10	Sui Northern Gas Pipelines Limited	98	30,928
Paper & Board					
424,534	618,250	10	Packages Limited	157,146	307,437
476,499	-	10	Security Papers Limited	44,576	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

No. of shares		Face value Rupees	Company's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
Pharmaceuticals					
54,900	92,950	10	Abbott Laboratories Pakistan Limited	25,435	66,686
614,034	553,400	10	AGP Limited	39,906	53,674
3,040,403	-	10	Citi Pharma Limited	73,425	-
221,331	-	10	Ferozsons Laboratories Limited	30,444	-
273,900	318,700	10	Glaxosmithkline Pakistan Limited	24,040	43,506
173,262	60,700	10	Glaxosmithkline Consumer Healthcare Pakistan	28,397	14,632
25	36,740	10	Highnoon Laboratories Limited	14	23,068
17,700	70,400	10	The Searle Company Limited	1,042	10,118
Power Generation & Distribution					
257,534	1,203,000	10	Kot Addu Power Company Limited	6,863	38,917
-	13,861,500	10	K-Electric Limited	-	47,684
422,425	394,690	10	Hub Power Company Limited	26,647	28,157
Miscellaneous					
599,215	505,832	10	Synthetic Products Enterprises Limited	5,932	9,130
1,360,092	-	5	Shabbir Tiles & Ceramics Limited	11,697	-
5,593,773	8,000,000	10	Cnergyico Pk Limited	20,641	54,480
984,810	444,242	10	Shifa International Hospitals Limited	105,473	84,152
Oil & Gas Marketing Companies					
-	386,550	10	Attock Petroleum Limited	-	121,376
-	3,451	10	Hascol Petroleum Limited	-	21
194,577	734,200	10	Hi-Tech Lubricants Limited	5,034	31,938
209,481	872,007	10	Pakistan State Oil Company Limited	30,163	158,609
Refinery					
-	43,329	10	Attock Refinery Limited	-	6,241
75,234	40,169	10	National Refinery Limited	13,245	11,432
2,270,845	1,351,210	10	Pakistan Petroleum Limited	154,735	106,800
-	2,825,500	10	Pakistan Refinery Limited	-	40,744
174,788,095	128,767,549			7,336,841	6,774,797

8.2.4 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units		Face value Rupees	Fund's Name	Market Value	
2022	2021			2022	2021
-----Rupees in thousand-----					
-	2,086,997	10	ABL Islamic Stock Fund	-	31,593
-	478,044	100	Al Ameen Islamic Asset Allocation Fund	-	61,483
-	311,709	100	Al Ameen Shariah Stock Fund	-	48,817
9,892,558	5,281,206	100	Alfalah GHP Money Market Fund	973,701	519,492
-	1,055,876	100	Alfalah GHP Islamic Income Fund	-	107,975
1,000	921	100	Faysal Income & Growth Fund	116	103
7,939,242	4,054,498	100	Faysal Savings and Growth Fund	872,443	433,426
4,429	3,496,857	100	Faysal Money Market Fund	454	357,074

Notes to the Consolidated Financial Statements

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No. of units		Face value Rupees	Fund's Name	Market Value	
2022	2021			2022	2021
				-----Rupees in thousand-----	
-	4,399,915	10	NBP Islamic Mahana Amdani Fund	-	45,943
-	23,587,717	10	NBP Islamic Savings Fund	-	234,421
-	6,398,752	10	NBP Islamic Stock Fund	-	77,832
24,819,709	5,138,741	10	NBP Money Market Fund	247,060	50,932
14,226,323	-	10	NIT Money Market Fund	137,747	-
1,827,806	-	10	HBL Cash Fund	187,232	-
551,773	-	10	HBL Financial Sector Income Fund Plan	55,849	-
796,674	-	10	HBL Islamic Income Fund	88,022	-
486,137	-	10	JS Government Securities Fund	51,078	-
60,545,651	56,291,233			2,613,702	1,969,091

Note 2022 2021
----- Rupees in thousand -----

9 Investments in debt securities

Held to maturity

Treasury Bills	9.1.1	382,288	275,005
Pakistan Investment Bonds	9.1.2	-	102,647
		382,288	377,652

Available for sale

Pakistan Investment Bonds	9.2.1	-	98,412
		-	98,412

Fair value through profit or loss

Term Finance Certificate	9.3.1	2,416,091	1,553,480
Advance against purchase of term finance certificate		472,000	1,425,000
Corporate Sukuks	9.3.2	1,366,754	1,465,126
Ijara Sukuks	9.3.3	1,707,959	892,516
Treasury Bills	9.3.4	25,456,108	17,845,946
Pakistan Investment Bonds	9.3.5	10,766,171	1,960,885
		42,185,083	25,142,953
		42,567,371	25,619,017

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

9.1 Held to maturity

9.1.1 Treasury Bills

Face value Rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2022	2021
					-----Rupees in thousand-----	
100,000	15.88%	On maturity	12 Months Treasury Bills	2023	90,589	-
322,000	15.90%	On maturity	12 Months Treasury Bills	2023	291,699	-
100,000	10.39%	On maturity	3 Months Treasury Bills	2022	-	98,452
100,000	11.32%	On maturity	6 Months Treasury Bills	2022	-	95,419
82,000	8.17%	On maturity	3 Months Treasury Bills	2022	-	81,134
					382,288	275,005

9.1.2 Pakistan Investment Bonds

Face value Rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2022	2021
					-----Rupees in thousand-----	
100,000	11.71%	On maturity	3 Years Pakistan Investment Bonds	2022	-	102,647
					-	102,647

9.2 Available for sale

9.2.1 Pakistan Investment Bonds

Face value Rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2022	2021
					-----Rupees in thousand-----	
100,000	9.00%	On maturity	3 Years Pakistan Investment Bonds	2022	-	98,412
					-	98,412

9.3 Fair value through profit or loss

9.3.1 Term Finance Certificates

Face value Rupees in thousand	Coupon Rate %	2022		2021	Company's Name	Carrying amount	
		No. of certificates				2022	2021
						-----Rupees in thousand-----	
1000	12.58%	100		100	Askari Bank Limited VI	100,000	100,000
1000	12.97%	100		100	Askari Bank Limited VII	100,980	101,000
4,999	13.26%	195,000		-	Bank Al Habib Limited	998,000	-
5	9.03%	20,000		20,000	Bank Alfalah Limited	92,514	92,893
100	13.56%	500		500	Habib Bank Limited	50,000	50,000
2	12.51%	30,000		30,000	Jahangir Siddiqui and Company Limited	51,216	100,929
99.96	12.38%	4,250		4,250	Samba Bank Limited	424,107	438,299
99.785	12.19%	3,400		3,400	The Bank Of Punjab	339,184	353,402
99.84	15.11%	2,580		2,580	The Bank Of Punjab	260,090	266,012
5	9.00%	10,000		10,000	Soneri Bank Limited	-	50,945
						2,416,091	1,553,480

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

9.3.2 Corporate Sukuks

Face value Rupees in thousand	Yield Rate %	Carrying amount		Company's Name	Carrying amount	
		2022	2021		2022	2021
		No. of certificates			-----Rupees in thousand-----	
40	12.10%	820	820	Aspin Pharma (Pvt) Limited	16,656	32,800
0	8.16%	-	58	Dubai Islamic Bank (Pakistan) Limited	-	59,943
0	8.86%	-	900	Engro Polymer & Chemicals Limited	-	96,845
32	11.37%	600	600	Ghani Chemical Industries Limited	11,499	20,700
0	9.02%	-	1,000	International Brands Limited	-	16,787
1000	12.00%	500	50	Meezan Bank Limited II	513,600	104,000
1000	11.88%	250	250	Meezan Bank Limited II Perpetual	250,000	250,000
1000	8.58%	-	450	Meezan Bank Limited III	-	416,000
5	9.06%	115,000	90,000	Pakistan Energy II	574,999	456,750
0	11.19%	-	30	TPL Tracker Limited	-	11,301
					1,366,754	1,465,126

9.3.3 Ijara Sukuks

Face value Rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2022	2021
					-----Rupees in thousand-----	
100,000	13.81%	On maturity	GOP Ijara Sukuk 5 Years - Fixed	2025	87,620	420,773
522,500	13.15%	On maturity	GOP Ijara Sukuk 5 Years - Fixed	2026	494,964	471,743
330,000	15.15% - 16.24%	On maturity	GOP Ijara Sukuk 5 Years - VRR	2025	324,645	-
475,000	15.78% - 16.03%	On maturity	GOP Ijara Sukuk 5 Years - VRR	2026	472,188	-
330,000	15.81%	On maturity	GOP Ijara Sukuk 5 Years - VRR	2027	328,542	-
					1,707,959	892,516

9.3.4 Treasury Bills

Face value Rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2022	2021
					-----Rupees in thousand-----	
1,332,500	15.02% - 16.73%	On maturity	3 Months Treasury Bills	2023	21,093,339	-
3,704,020	15.18% - 15.82%	On maturity	6 Months Treasury Bills	2023	3,665,890	-
115,000	15.02% - 17.00%	On maturity	12 Months Treasury Bills	2023	696,879	-
9,149,500	8.2% - 10.7%	On maturity	3 Months Treasury Bills	2022	-	8,976,935
1,135,000	8.3% - 10.4%	On maturity	3 Months Treasury Bills	2022	-	1,118,769
600,000	10.10%	On maturity	6 Months Treasury Bills	2022	-	595,560
7,457,700	7.3% - 11.4%	On maturity	6 Months Treasury Bills	2022	-	7,154,682
					25,456,108	17,845,946

Notes to the Consolidated Financial Statements

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9.3.5 Pakistan Investment Bond

Face value Rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2022	2021
8,500	15.78%	On maturity	5 years Pakistan Investment Bond	2025	6,956	22,046
75,000	14.60%	On maturity	5 years Pakistan Investment Bond	2027	58,321	-
1,470,000	13.87%	On maturity	10 years Pakistan Investment Bond	2030	1,062,225	88,417
-	7.1-8.2	On maturity	2 years Pakistan Investment Bond	2022	-	1,097,250
1,400,000	16.10% - 17.67%	On maturity	2 years Pakistan Investment Bond	2024	1,385,580	-
-	8.20%	On maturity	2 years Pakistan Investment Bond	2023	-	49,665
30,000	15.48%	On maturity	3 years Pakistan Investment Bond	2023	29,985	29,986
5,100,000	16.74% - 16.10%	On maturity	3 years Pakistan Investment Bond	2025	5,187,428	-
-	7.50%	On maturity	5 years Pakistan Investment Bond	2025	-	22,487
1,750,000	16.97%	On maturity	5 years Pakistan Investment Bond	2026	1,691,725	-
840,000	16.97%	On maturity	5 years Pakistan Investment Bond	2027	801,696	-
50,000	15.72%	On maturity	10 years Pakistan Investment Bond	2028	49,055	49,660
200,000	15.96%	On maturity	10 years Pakistan Investment Bond	2030	493,200	601,374
					10,766,171	1,960,885

10 Investments in Term Deposits

Deposits maturing within 12 months

Inside Pakistan

- related parties
- others

Outside Pakistan

- related parties
- others

Deposits maturing after 12 months

Inside Pakistan

- related parties
- others

Note

2022

2021

----- Rupees in thousand -----

	1,001,000	405,000
	1,275,000	7,350,066
	2,276,000	7,755,066
	1,849,572	1,441,691
	4,710,861	5,170,710
	6,560,433	6,612,401
	8,836,433	14,367,467
	8,811	8,811
	75,188	75,188
	83,999	83,999
10.1	8,920,432	14,451,466

10.1 These include fixed deposits amounting to Rs. 369,914 thousands (AED 6,000 thousands) [2021: Rs. 5,526,486 thousands (AED 115,000 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rs. 83,999 thousands (2021: Rs. 259,065 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Group for claims under litigation filed against the Group and bid bond guarantees.

11 Loans and other receivables - considered good

Rent receivable	
Accrued investment income	
Security deposits	
Advances to employees and suppliers	
Advance agent commission	
Loans to employees	
Receivable against the sale of investment	
Receivable from related parties	
Other receivables	

2022

2021

----- Rupees in thousand -----

	13,483	7,397
	523,857	279,766
	111,707	124,857
	417,255	177,729
	4,182	7,796
	87,333	64,567
	132,912	131,128
	6	-
	249,799	171,870
	1,540,534	965,110

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12 Insurance / reinsurance receivables - unsecured and considered good	Note	2022	2021
		----- Rupees in thousand -----	
Due from insurance contract holders	12.1	9,437,616	7,370,193
Provision for impairment of receivables from insurance contract holders	12.2	(1,371,044)	(1,086,443)
		8,066,572	6,283,750
Due from other insurers / reinsurers		721,427	1,228,864
Provision for impairment of due from other insurers / reinsurers	12.3	(201,302)	(201,302)
		520,125	1,027,562
		8,586,697	7,311,312
<p>12.1 Due from insurance contact holders include an amount Rs. 122,492 thousands (2021: Rs. 249,292 thousands) held with related parties.</p>			
12.2 Reconciliation of provision for impairment of receivables from insurance contract holders	Note	2022	2021
		----- Rupees in thousand -----	
Balance as at 01 January		1,086,443	936,290
Charge for the year		50,145	72,104
Written off against provision		(8,343)	-
Exchange difference		242,799	78,049
Balance as at 31 December		1,371,044	1,086,443
12.3 Reconciliation of provision for impairment of due from other insurers / reinsurers			
Balance as at 01 January		201,302	201,302
Charge for the year		-	-
Written off against provision for the year		-	-
Balance as at 31 December		201,302	201,302
13 Prepayments			
Prepaid reinsurance premium ceded	28	6,536,997	4,627,169
Prepaid miscellaneous expenses		181,397	163,463
		6,718,394	4,790,632
14 Cash and bank			
Cash and cash equivalents			
Inside Pakistan			
Cash in hand		438	372
Policy and revenue stamps, bond papers		27,169	20,182
		27,607	20,554
Cash at bank			
Inside Pakistan			
Current accounts		1,035,834	588,530
Savings accounts		6,219,057	10,419,434
		7,254,891	11,007,964
Outside Pakistan			
Current accounts		3,225,294	870,126
Savings accounts		1,900	1,482
		3,227,194	871,608
		10,482,085	11,879,572
		10,509,692	11,900,126

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

- 14.1** Cash at bank includes an amount of Rs. 3,810,174 thousands (2021: Rs. 1,819,586 thousands) held with MCB Bank Limited and MCB Islamic Bank Limited, related parties of the Group.
- 14.2** Lien of Rs. 633,240 thousands (2021: Rs. 432,571 thousands) is marked on cash deposits in saving accounts against SBLC (Standby Letter of Credit) issued in favor of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Group.
- 14.3** Lien of Rs. 159,883 thousands (AED 2,593,295) [(2021: Nil)] is marked on cash deposits in current accounts in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates.
- 14.4** Saving / Profit and loss accounts placed in Pakistan carry estimated profit rates ranging from 7.25% to 17.5% (2021: 3.50% to 10.90%).

	2022	2021
	----- Rupees in thousand -----	
14.5 Cash and cash equivalents for the purpose of the cash flow statement consists of:		
Cash in hand and equivalents	27,607	20,554
Current and other accounts	10,482,085	11,879,572
Term deposit maturing within three months	1,275,000	7,580,000
	11,784,692	19,480,126
15 Window Takaful Operations - Parent Company		
Operator's Fund		
Assets:		
Cash and bank deposits	164,215	264,235
Qard e Hasna to Participant Takaful Fund	221,460	146,460
Investments - Equity securities	251,052	38,326
Investments - Debt securities	125,000	75,000
Intangible assets	6,047	10,409
Property and equipment	46,276	22,883
Current assets - Others	235,370	166,537
Total Assets	1,049,420	723,850
Total Liabilities	384,973	278,531
Profit and loss account		
Wakala income	640,740	430,587
Commission expense	(174,748)	(137,910)
Management expenses	(205,845)	(172,925)
Investment income	22,797	2,340
Other income	48,280	17,852
Mudarib's share of PTF investment income	11,211	3,144
Other expenses	(3,858)	(3,821)
Profit before taxation	338,577	139,267
Taxation	(118,481)	(40,388)
Profit after tax	220,096	98,879

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Details of assets, liabilities and segment disclosures of 'Window Takaful Operations' of the Parent Company are stated in the annexed financial statements of the 'Window Takaful Operations'.

16 Share capital

16.1 Authorized share capital

	2022	2021	2022	2021
	----- Number of shares -----		----- Rupees in thousand -----	
Ordinary shares of Rs. 10 each	375,000,000	375,000,000	3,750,000	3,750,000

16.2 Issued, subscribed and paid up capital

Ordinary shares of Rs. 10 each fully paid in cash	250,000	250,000	2,500	2,500
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	349,750,000	349,750,000	3,497,500	3,497,500
	350,000,000	350,000,000	3,500,000	3,500,000

16.3 As at December 31, 2022, associated undertakings MCB Bank Limited, Roomi Fabrics Limited, Roomi Holdings (Pvt) Limited, Masood Fabrics Limited, Masood Holdings (Pvt) Limited, Nishat (Aziz Avenue) Hotels & Properties Limited and Nishat Mills Limited held 70,861,241 (2021: 70,861,241), 17,405,000 (2021: Nil), 15,249,000 (2021: Nil), 9,881,500 (2021: Nil), 3,984,500 (2021: Nil), 1,267,000 (2021: 1,203,000) and 102,809 (2021: 102,809) ordinary shares of the Parent Company, respectively.

17 Reserves

	Note	2022	2021
		----- Rupees in thousand -----	
Capital Reserves			
Reserves for exceptional losses	17.1	22,859	22,859
Investment fluctuation reserves	17.2	3,764	3,764
Exchange translation reserves	17.3	1,532,444	899,883
Fair value reserves	17.4	1,026,501	3,619,130
		2,585,568	4,545,636
Revenue Reserves			
General reserves		936,500	936,500
		3,522,068	5,482,136

17.1 The reserve for exceptional losses represents the amount set aside by the Parent Company in prior years up to December 31, 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit such deduction, the Parent Company discontinued the setting aside of reserves for exceptional losses.

17.2 This amount has been set aside by the Parent Company in prior years for utilization against possible diminution in the value of investments.

17.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of the Parent Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

17.4 The fair value reserve represents the net cumulative unrealized gain / (loss) on available for sale investments held by the Group as at December 31, 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
18 Non-controlling interest			
Share capital		-	-
Initial recognition		329,495	-
Total comprehensive income for the year		45,333	-
Opening retained earnings		-	-
Acquisition of Non Controlling Interest by Parent Company		-	-
		374,828	-
19 Insurance liabilities - Life Insurance Business			
Reported outstanding claims (including claims in payment)	19.1	3,122,497	1,584,176
Incurred but not reported claims	19.2	190,048	151,489
Investment component of unit-linked and account value policies	19.3	58,892,097	54,225,136
Liabilities under individual conventional insurance contracts	19.4	18,319	19,682
Liabilities under group insurance contracts (other than investment linked)	19.5	154,855	101,308
Other insurance liabilities	19.6	812,525	751,807
Gross insurance liabilities		63,190,341	56,833,598
Surplus of Participant Takaful Fund		143,963	40,692
Total Insurance Liabilities		63,334,304	56,874,290
19.1 Reported outstanding claims			
Gross of reinsurance			
Payable within one year		3,222,448	1,674,238
Recoverable from reinsurers		(99,951)	(90,062)
Net reported outstanding claims		3,122,497	1,584,176
19.2 Incurred but not reported claims			
Individual Life			
Gross of reinsurance		223,514	181,434
Reinsurance recoveries		(80,349)	(58,467)
Net of reinsurance		143,165	122,967
Group Life			
Gross of reinsurance		105,264	92,026
Reinsurance recoveries		(58,381)	(63,504)
Net of reinsurance		46,883	28,522
		190,048	151,489
19.3 Investment component of unit linked and account value policies			
Investment component of unit linked policies		57,310,924	52,229,977
Investment component of account value policies		1,581,173	1,995,159
		58,892,097	54,225,136
19.4 Liabilities under individual conventional insurance contracts			
Gross of reinsurance		20,465	21,735
Reinsurance credit		(2,146)	(2,053)
Net of reinsurance		18,319	19,682

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
----- Rupees in thousand -----			
19.5 Liabilities under group insurance contracts (other than investment linked)			
Gross of reinsurance		304,087	186,441
Reinsurance credit		(149,232)	(85,133)
Net of reinsurance		<u>154,855</u>	<u>101,308</u>
19.6 Other insurance liabilities			
Gross of reinsurance		902,851	864,668
Reinsurance credit		(90,326)	(112,861)
Net of reinsurance		<u>812,525</u>	<u>751,807</u>
20 Retirement benefit obligations			
Parent Company			
Unfunded gratuity scheme	20.1	131,152	82,145
Funded gratuity scheme	20.2	70,255	181,515
Subsidiary Company			
Funded gratuity scheme	20.3	4,866	(6,460)
		<u>206,273</u>	<u>257,200</u>

20.1 Unfunded gratuity scheme

20.1.1 This provision relates to the Parent Company's operations in UAE branches. The eligible employees under the scheme are 70 (2021 : 64). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2022 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

20.1.2 Movement in the net liabilities recognized in the statement of financial position are as follows:

	2022	2021
----- Rupees in thousand -----		
Present value of defined benefit obligation as at January 01	82,145	64,359
Charge for the year	13,046	9,551
Benefits paid	(2,008)	(2,847)
Remeasurement loss on obligation	12,246	3,511
Exchange loss	25,723	7,571
Present value of defined benefit obligation as at December 31	<u>131,152</u>	<u>82,145</u>

20.1.3 The following significant assumptions have been used for the valuation of this scheme:

	2022	2021
----- Percentages -----		
- Valuation discount rate	3.00	2.20
- Expected rate of increase in salary level	2.50	2.00

20.1.4 The amount charged in profit and loss account is as follows:

	2022	2021
----- Rupees in thousand -----		
Service cost	10,973	8,139
Interest cost	2,073	1,412
Expense for the year	<u>13,046</u>	<u>9,551</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	2022	2021
	----- Rupees in thousand -----	
20.1.5 The amounts charged to other comprehensive income are as follows:		
Remeasurement of the present value of defined benefit obligation due to:		
- Changes in financial assumptions	(1,378)	-
- Experience adjustments	13,624	3,511
	<u>12,246</u>	<u>3,511</u>

20.2 Funded gratuity scheme

20.2.1 The Parent Company operates an approved funded gratuity scheme for all employees. The eligible employees under the scheme are 765 (2021 : 750). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2022 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

20.2.2 The following significant assumptions have been used for valuation of this scheme:

	2022	2021
	----- Percentages -----	
- Discount rate	15.50	11.50
- Expected rate of increase in salary level	13.50	9.50

20.2.3 Movement in the net liabilities recognized in the statement of financial position are as follows:

	2022	2021
	----- Rupees in thousand -----	
Net liabilities as at January 01	181,515	132,873
Expenses recognized	34,852	33,131
Contribution paid during the year	(180,000)	-
Remeasurement loss recognized - net	33,888	15,511
Net liabilities as at December 31	<u>70,255</u>	<u>181,515</u>

20.2.4 The amounts recognized in the profit and loss account are as follows:

- Service cost	24,328	21,836
- Interest cost	41,683	29,498
- Interest income on plan assets	(31,159)	(18,203)
	<u>34,852</u>	<u>33,131</u>

20.2.5 The amounts recognized in statement of comprehensive income are as follows:

Remeasurement of plan obligation from:		
- Experience on obligation	28,743	10,807
- Change in financial assumptions	-	-
Remeasurement of plan assets:		
- Investment return	5,145	4,704
	<u>33,888</u>	<u>15,511</u>

20.2.6 The amounts recognized in the statement of financial position are as follows:

Fair value of plan assets	(356,234)	(211,676)
Present value of the obligation	426,489	393,190
Net asset	<u>70,255</u>	<u>181,514</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	2022	2021			
	----- Rupees in thousand -----				
20.2.7 Movement in fair value of plan assets					
Fair value as at January 01	211,676	230,138			
Interest income on plan assets	31,159	18,203			
Actual benefits paid during the year	(61,456)	(31,961)			
Contributions made during the year	180,000	-			
Remeasurement loss due to investment return	(5,145)	(4,704)			
Fair value of plan assets as at December 31	356,234	211,676			
20.2.8 Actual return on plan assets					
Expected return on plan assets	31,159	18,203			
Remeasurement loss due to investment return	(5,145)	(4,704)			
	26,014	13,499			
20.2.9 Movement in present value of defined benefit obligation					
Present value of defined benefit obligation as at January 01	393,191	363,011			
Current service cost	24,328	21,836			
Interest cost	41,683	29,498			
Actual benefits paid during the year	(61,456)	(31,961)			
Remeasurement loss / (gain) on obligation	28,743	10,806			
Present value of defined benefit obligation as at December 31	426,489	393,190			
20.2.10 Comparison for five years					
Funded gratuity scheme					
	2022	2021	2020	2019	2018
	----- Rupees in thousand -----				
Present value of defined obligation	426,489	393,190	363,011	341,214	326,883
Fair value of plan assets	356,234	211,676	230,138	198,745	193,756
Deficit	70,255	181,514	132,873	142,469	133,127
Experience adjustments					
loss on plan assets (% age of plan assets)	(1.44)	(2.22)	(5.04)	(0.21)	(5.92)
Gain / (loss) on obligations (% age of obligation)	6.74	2.75	(1.82)	(4.78)	5.54
Unfunded gratuity schemes					
	2022	2021	2020	2019	2018
	----- Rupees in thousand -----				
Present value of defined obligation	131,152	82,145	64,359	82,708	65,854
Experience adjustments					
Gain / (loss) on obligations (% age of obligation)	(10.39)	(4.27)	23.15	(9.71)	(2.44)
20.2.11 Plan assets consist of the following:					
	2022	2021	2022	2021	
	----- Percentage -----		----- Rupees in thousand -----		
Mutual funds - Equity	4.66	9.43	16,613	19,958	
Mutual funds - Debt	9.83	30.36	35,000	64,258	
Government Bonds - Debt	79.81	50.98	284,323	107,903	
Shares, bank deposits & cash equivalents - Others	5.70	9.24	20,298	19,557	
Benefits due	-	-	-	-	
	100.00	100.00	356,234	211,676	

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For the year ended 31 December 2022

20.2.12 Plan assets do not include any investment in the Parent Company's ordinary shares as at December 31, 2022 : Nil (2021: Nil).

20.2.13 Expected cost to be recorded in the profit and loss account for the year ending December 31, 2023 is Rs. 36,349 thousands.

20.2.14 Expected contributions to the plan for the year ending December 31, 2023 is Rs. 37,118 thousands.

20.2.15 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at beginning of the year.

20.2.16 The weighted average duration of the defined benefit obligation for gratuity plan is 3.2 years (2021: 3.1 years).

20.2.17 These defined benefit plans expose the Parent Company to actuarial risks such as investment risk and salary risk.

20.2.18 The main features of the gratuity schemes are as follows:

- All confirmed employees are eligible to the scheme and the normal retirement age for all employees is 60 years.
- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Parent Company's Service rules.
- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

20.2.19 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

20.2.20 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Change in assumptions	Impact on Gratuity plans			
		Unfunded		Funded	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- Rupees in thousand -----					
Discount rate	1%	(4,372)	4,746	(11,400)	12,118
Salary growth rate	1%	4,722	(4,434)	12,227	(11,695)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20.3 Funded gratuity scheme- Subsidiary Company

20.3.1 The Subsidiary Company operates a funded gratuity scheme covering eligible employees who have completed the minimum qualifying eligible service period of six months. The employees are entitled to gratuity on the basis of last drawn monthly gross salary on normal retirement or on death in service on the number of years of services with the Subsidiary Company. Contribution to the fund is made and expense is recognised on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

20.3.2 Responsibility for the governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Subsidiary Company appoints the Trustees and all trustees are employees of the Subsidiary Company. Details of the Subsidiary Company's obligation under the staff gratuity scheme determined on the basis of an actuarial valuation carried out by an independent actuary as at December 31, 2022 under the Projected Unit Credit Method are as follows:

	Note	2022	2021
		----- Rupees in thousand -----	
Present value of defined benefit obligations at December 31	20.3.3	189,140	178,588
Fair value of plan assets at December 31	20.3.4	(184,274)	(185,048)
Net liability at end of the year		4,866	(6,460)
20.3.3 Movement in present value of defined benefit obligations			
Present value of defined benefit obligations at Jan 01		178,588	178,021
Current service cost	20.3.5	40,817	49,035
Interest cost on defined benefit obligation	20.3.5	24,894	22,303
Benefits paid during the year		(36,198)	(27,752)
Remeasurement loss / (gain) on obligation: - due to changes in financial assumptions	20.3.6	(18,961)	(43,019)
Present value of defined benefit obligations at Dec 31		189,140	178,588
20.3.4 Movement in fair value of plan assets			
Fair value of plan assets at Jan 01		185,048	65,672
Contributions made		29,226	145,211
Interest income on plan assets		22,887	8,447
Benefits paid during the year		(36,198)	(27,752)
Remeasurement gain on plan assets		(16,689)	(6,530)
Fair value of plan assets at Dec 31		184,274	185,048
20.3.5 Expense recognized in profit and loss			
Current service cost		40,817	49,035
Net interest cost		24,894	22,303
Interest income on plan assets		(22,887)	(8,447)
Expense for the year recognized in the profit and loss account		42,824	62,891
20.3.6 Expense recognized in other comprehensive income			
Remeasurement losses on defined benefit obligation		(18,961)	(43,019)
Remeasurement gain on fair value of plan assets		16,689	6,530
Amount recognized in the statement of other comprehensive income		(2,272)	(36,489)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2022 2021
----- Rupees in thousand -----

20.3.7 Net recognized liability

Net liability at Jan 01	(6,460)	112,349
Expense recognized in profit and loss account	42,824	62,891
Expense recognized in other comprehensive income	(2,272)	(36,489)
Contributions made to the fund during the year	(29,226)	(145,211)
Net liability at Dec 31	4,866	(6,460)

20.3.8 Estimated Gratuity Cost for the year ending December 31, 2022, is as follows:

	2022
	(Rupees in thousand)
Current service cost	41,714
Net interest cost	3,985
Total expense to be recognized in profit and loss account	45,699

20.3.9 Plan assets comprise of following:

	2022		2021	
	(Rupees in thousands)	%age	(Rupees in thousands)	%age
Listed Equities	52,562	28.52	61,355	33.16
Government Securities	99,503	54.00	97,691	52.79
Bank balance	4,186	2.27	26,002	14.05
Mutual funds	28,023	15.21	-	-
Fair value of plan assets at end of the year	184,274	100.00	185,048	100.00

20.3.10 The principal assumptions used in the actuarial valuations carried out as of December 31, 2022, using the 'Projected Unit Credit Method', are as follows:

	2022	2021
	Gratuity fund	
	----- Percentage -----	
Discount rate per annum	14.5	11.75
Expected per annum rate of return on plan assets	14.5	11.75
Expected per annum rate of increase in salary level	3.00 - 11.00	3.00 - 11.00
Expected mortality rate	LIC 94-96 Mortality table for males (rated down by 3 years for females)	LIC 94-96 Mortality table for males (rated down by 3 years for females)
Expected withdrawal rate	60	60

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20.3.11 The plans expose the Subsidiary Company to actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Discount risks

The risk of volatile discount rates over the funding life of the scheme. The final effect could go either way depending on the relative of salary increases, timing of contributions, performance of investments and outgo of benefits.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different from expected. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. The Subsidiary Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations. The Subsidiary Company has not changed the process used to manage its risks from previous periods. Investments are well diversified.

The expected return on plan assets is assumed to be the same as the discount rate (as required by International Accounting Standard IAS 19). The actual return depends on the assets underlying the current investment policy and their performance. Expected yields on fixed interest investments are based on gross redemption yields as at the date of financial statement. Expected return on equity investments reflect long-term real rates of return experienced in the market.

20.3.12 Sensitivity analysis - Subsidiary Company

Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	2022	2021
	----- Rupees in thousand -----	
Discount rate (1% increase)	(8,786)	(10,168)
Discount rate (1% decrease)	9,804	11,531
Future salary increase rate (1% increase)	11,055	12,464
Future salary increase rate (1% decrease)	(10,056)	(11,177)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. 62,605 (2021: Rs.13,646)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

The weighted average duration of the defined benefit obligation is 6.17 years. Besides the number of employees covered in the scheme at December 31, 2022 were 820 (2021: 891).

Notes to the Consolidated Financial Statements

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20.3.13 The expected maturity analysis of undiscounted retirement benefit plan is as follows:

	2022
	(Rupees in thousand)
Less than a year	2,045
Between 1 - 2 years	-
Between 2 - 3 years	30,326
Between 3 - 4 years	1,337
Between 4 - 5 years	397

20.3.14 Historical Information

	2022	2021	2020	2019	2018
	----- Rupees in thousand -----				
Present value of defined benefit obligation	189,140	178,588	178,021	107,094	65,465
Fair value of plan assets	(184,274)	(185,048)	(65,672)	(70,068)	(79,886)
(Surplus) / deficit	4,866	(6,460)	112,349	37,026	(14,421)

20.3.15 Experience adjustment

	2022	2021	2020	2019	2018
	----- Percentage -----				
Experience adjustments on obligation	(10.00)	(24.00)	18.00	20.00	(36.00)
Experience adjustments on asset	(9.00)	(4.00)	(3.00)	(11.00)	(10.00)

20.3.16 Gratuity cost to be recognised in the statement of profit or loss in the next financial period is not necessarily the amount of the contribution for that period. Decision about the contribution is made by the Subsidiary Company based on the allowability under the Insurance Tax Rules, 2002 and the availability of surplus funds, etc.

21 Deferred taxation

Deferred tax debits arising in respect of:

	2022	2021
	----- Rupees in thousand -----	
Provision for gratuity	43,280	23,822
Fixed assets and intangibles	5,941	7,405
Lease liability	15,116	21,946
Investments - Available for sale	139,134	-
	203,471	53,173

Deferred tax credits arising in respect of:

Tax depreciation allowance	(982,733)	(571,111)
Right of use assets	(20,685)	(26,021)
Business attributable to shareholders	(382,635)	(240,865)
Investments - Available for sale	50	(1,477,841)
	(1,386,003)	(2,315,838)
	(1,182,532)	(2,262,665)

Notes to the Consolidated Financial Statements

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	Note	2022	2021
		----- Rupees in thousand -----	
21.1 Movement in deferred tax balances is as follows:			
At beginning of the year		2,262,665	1,581,977
Recognized in profit and loss account:			
- provision for gratuity		(19,458)	(5,158)
- lease liability against right of use asset		6,830	7,515
- right of use assets		(5,336)	(3,158)
- Unused tax losses		-	8,200
- Business attributable to shareholders		142,041	17,558
- Accelerated accounting amortization		-	41
- tax depreciation allowance		415,022	329,253
		539,099	354,251
Recognized in other comprehensive income:			
- investments - Available for sale		(1,618,573)	315,854
- Remeasurement of post retirement defined benefits		(659)	10,583
		(1,619,232)	326,437
		1,182,532	2,262,665
22 Borrowings			
MCB Bank Limited - Refinance scheme	22.1	-	171,650
MCB Bank Limited - Demand finance - General	22.2	-	840,000
Loan from financial institution - MCB Bank Limited		-	1,011,650

22.1 This represents long term financing facility availed from MCB Bank Limited, a related party of the Group under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), with the approval of SBP. The interest rate applicable is SBP rate + 1.00%.

22.2 This represents short term financing facility from MCB Bank Limited, a related party of the Group. The interest rate applicable is 3 month KIBOR + 0.1%.

	2022	2021
	----- Rupees in thousand -----	
23 Deferred grant income		
Deferred grant income	-	10,627

Government grant has been recorded as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant. In accordance with the terms of the facility, the Group is prohibited to lay-off the employees at least during three months period from the date of first disbursement except in case of any disciplinary action.

	Note	2022	2021
		----- Rupees in thousand -----	
24 Insurance/reinsurance payables			
Due to other insurers / reinsurers	24.1	7,134,481	5,215,694

24.1 This amount represents amount payable to other insurers and reinsurers.

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	Note	2022	2021
		----- Rupees in thousand -----	
25 Other creditors and accruals			
Agents commission payable		1,394,483	1,148,121
Payable against the purchase of investment		152,701	30,524
Federal Excise Duty / Sales tax / VAT		449,746	346,924
Federal Insurance Fee payable		45,483	35,707
Payable to related parties		6,350	6,070
Workers' welfare fund	25.1	224,506	76,485
Tax deducted at source		100,398	99,348
Accrued expenses		534,225	623,583
Unpaid and unclaimed dividend		160,541	156,627
Payable to employees' provident fund		211	88
Sundry creditors		1,036,967	666,170
		4,105,611	3,189,647
25.1 Workers' Welfare Fund			
Balance as at 01 January		76,485	76,485
Provision for the year		148,021	-
		224,506	76,485
26 Deposits and other liabilities			
Cash margin against performance bonds	26.1	495,392	553,460
Lease liability		131,622	184,493
		627,014	737,953

26.1 This represents margin deposit on account of performance and other bond policies issued by the Parent Company.

27 Contingencies and commitments

27.1 Contingencies

The Group has filed appeals in respect of certain assessment years mainly on account of the following:

27.1.1 Income tax

- Deputy Commissioner Inland Revenue (DCIR) passed order under section 161/205 of the Ordinance for tax year 2013 raising an income tax demand of Rs. 9,066 thousands. The Parent Company agitated the order before Commissioner Inland Revenue -Appeals (CIR - Appeals). CIR - Appeals decided the case in the favor of the Parent Company. Following the said order, the learned DCIR has passed an appeal effect order in which certain directions of the learned CIR-Appeals have not been followed for which a rectification appeal under section 221 of the Ordinance has been filed before learned DCIR which is still to be processed.
- The Tax Authorities have passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,360 thousands. An appeal was filed before the CIR - Appeals who upheld the order of the Taxation Officer. The Parent Company has filed an appeal before the Additional Tribunal Inland Revenue (ATIR) which is yet to be heard.
- The Tax Authorities amended the assessments for tax years 2003 to 2005 on the ground that the Parent Company has not apportioned management and general administration expenses against capital gain and dividend income. The Parent Company filed constitutional petition in the Honorable Sindh High Court (the Court) against the amendment in the assessment order. The Parent Company may be liable to pay Rs. 5,880 thousands

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in the event of decision against the Parent Company, out of which Rs. 2,730 thousands have been provided resulting in a shortfall of Rs. 3,150 thousands.

(d) The Tax Authorities have passed an order under section 161/205 of the Income Tax Ordinance for tax year 2017 creating a demand of Rs. 22,105 thousands on account of Non-Deduction of Income Tax while making payments. The Parent Company has paid partial payment of Rs. 9,065 thousands under protest and agitated the order before learned CIR - Appeals I. We expect a favourable outcome from this case.

(e) Sindh Revenue Board has passed orders under section 23(1) of the Sindh Sales Tax On Services Act 2011 creating a demand of Rs. 469,020 and Rs. 1,800,219 thousands for the period from July 2011 to December 2011 and for the period January 2014 to December 2015. The impugned demand has been created on account of non levy of sales tax on reinsurance services acquired from foreign reinsurance companies. The Parent company has challenged the order before Commissioner (Appeals) Sindh Revenue Board. However, the same has not been fixed for hearing till now. The Parent company, based on reasonable grounds, expects that the ultimate outcome of the case will be in the favour of the company.

Pending resolution of the above-mentioned appeals filed by the Parent Company, no provision has been made in the unconsolidated financial statements for the aggregate amount of Rs. 2,341,920 thousands (2021: Rs. 532,636 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Company.

27.1.2 Sales tax on life insurance premium

Sindh Revenue Board (SRB) vide notification no. SRB 3-4/5/2019 dated May 8, 2019 extended the exemption on life insurance till June 30, 2019. Subsequent to it, life insurance was made taxable from July 1, 2019 at the rate of 3% and group life insurance at the rate of 13%. Further, SRB vide notification no. SRB 3-4/19/2022 dated June 28, 2022 extended exemption on health insurance till June 30, 2023. With effect from November 1, 2018, the Punjab Revenue Authority (PRA) withdrew its exemption on life and health insurance and made the same subject to Punjab Sales Tax (PST). The Subsidiary Company collectively through the forum of Insurance Association of Pakistan ("IAP") filed a constitutive petition in the Lahore High Court (LHC) and in the High Court of Sindh at Karachi on September 28, 2019 and November 28, 2019 against PRA and SRB respectively.

According to the grounds of the petition and legal opinion obtained by the Subsidiary Company the insurance premium does not fall under the definition of service rather an insurance policy is a financial arrangement, which is in the nature of a contingent contract, and not a service upon which sales tax can be levied (and that an insurance Company is not rendering a service). The opinion also mentions that vast majority of premium received from a policy holder, during the life of the policy, is in fact channeled it to the policy holder's investment account and as such this is critically important in exposing the legal fallacies embodied in the Rules.

In view of the above the Subsidiary Company has not started billing sales tax to its customers. The amount of sales tax involved (for both Sindh and Punjab region) is around Rs.775.53 million (2021: Rs. 538.14 million) computed on the basis of risk based premium, as per the advice of legal advisor, which nonetheless the Subsidiary Company maintains, based on the legal view, cannot be levied as the insurance is not a service.

Further subsequent to filing petition, all the provincial tax authorities i.e. SRB, PRA and BRA have called a meeting of the industry representatives on January 11, 2020 in Karachi to discuss the matters relating to sales tax on premium. The matter was discussed in details and it was agreed to form a joint committee of the industry representatives as well as from all the provincial tax authorities and agreed in the meeting that the sales tax on Life and Health be kept exempt till June 30, 2020 however, a formal notification in this regard has not yet been issued. Further, the committee formed met on February 5, 2020 in Lahore at PRA office to work out the way forward.

Based on the legal opinion obtained the Subsidiary Company considers that it has a reasonably strong case on the merits in the constitution petition and the writ petition filed in the High Courts. The petition is still pending for hearing.

27.1.3 Others

The Parent Company has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs. 1,250,357 thousands (2021: Rs. 1,269,674 thousands).

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The Parent Company has issued letter of guarantees of AED 115,000,000 amounting to Rs. 7,090,026 thousands (2021: AED 219,000 amounting to Rs.10,524 thousands) relating to UAE branch.

27.2 Commitments

Life Insurance Business:

Commitments represent Ijarah rentals for vehicles payable in future period.

	Note	2022	2021
		----- Rupees in thousand -----	
Not later than one year		80,066	60,461
Later than one year and not later than five years		176,989	161,923
		<u>257,055</u>	<u>222,384</u>
28 Net insurance premium			
General Insurance Business:			
Written gross premium		32,652,641	23,295,763
Unearned premium reserve - opening		11,010,289	8,366,434
Unearned premium reserve - closing		(14,996,454)	(11,010,289)
Currency translation effect		1,110,039	323,898
Premium earned		<u>29,776,515</u>	<u>20,975,806</u>
Reinsurance premium ceded		(14,597,978)	(9,740,756)
Prepaid reinsurance premium - opening		(4,627,169)	(3,307,863)
Prepaid reinsurance premium - closing	13	6,536,997	4,627,169
Currency translation effect		(132,399)	(25,956)
Reinsurance expense		(12,820,549)	(8,447,406)
Net insurance premium - General Insurance Business	28.1 & 28.2	<u>16,955,966</u>	<u>12,528,400</u>
Life Insurance Business:			
Regular premium / contributions individual policies			
- first year		3,080,587	3,754,155
- second year renewal		2,685,567	2,303,228
- subsequent years renewal		7,120,613	6,593,866
Single premium / contributions individual policies		7,339,582	7,539,327
Group policies without cash values		738,363	537,705
Experience refund		(21,296)	(75,375)
Total gross premiums / contributions		<u>20,943,416</u>	<u>20,652,906</u>
Reinsurance premiums / retakaful contributions ceded			
On individual life first year business		(55,340)	(58,064)
On individual life second year business		(38,247)	(33,052)
On individual life subsequent renewal business		(180,691)	(173,190)
On single premium individual policies		(6,565)	(10,586)
On group policies		(382,650)	(281,309)
Profit commission on reinsurance		30,144	26,150
		<u>(633,349)</u>	<u>(530,051)</u>
Net premiums / contributions - Life Insurance Business		<u>20,310,067</u>	<u>20,122,855</u>
		<u>37,266,033</u>	<u>32,651,255</u>

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2022 2021
----- Rupees in thousand -----

28.1 Net insurance premium - Business underwritten inside Pakistan

Written gross premium	22,418,289	17,012,668
Unearned premium reserve - opening	7,393,851	6,021,464
Unearned premium reserve - closing	(9,454,477)	(7,393,851)
Premium earned	20,357,663	15,640,281
Reinsurance premium ceded	(12,829,798)	(9,108,055)
Prepaid reinsurance premium - opening	(4,302,258)	(3,260,277)
Prepaid reinsurance premium - closing	5,699,784	4,302,258
Reinsurance expense	(11,432,272)	(8,066,074)
	8,925,391	7,574,207

28.2 Net insurance premium - Business underwritten outside Pakistan

Written gross premium	10,234,352	6,283,095
Unearned premium reserve - opening	3,616,438	2,344,970
Unearned premium reserve - closing	(5,541,977)	(3,616,438)
Currency translation effect	1,110,039	323,898
Premium earned	9,418,852	5,335,525
Reinsurance premium ceded	(1,768,180)	(632,701)
Prepaid reinsurance premium - opening	(324,911)	(47,586)
Prepaid reinsurance premium - closing	837,213	324,911
Currency translation effect	(132,399)	(25,956)
Reinsurance expense	(1,388,277)	(381,332)
	8,030,575	4,954,193

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	Note	2022	2021
		----- Rupees in thousand -----	
29 Net insurance claims expense			
General Insurance Business:			
Claim paid		19,356,834	11,343,930
Outstanding claims including IBNR - closing	29.3	20,726,702	12,686,045
Outstanding claims including IBNR - opening		(12,686,045)	(10,768,040)
Currency translation effect		(1,713,790)	(540,775)
Claim expense		25,683,701	12,721,160
Reinsurance and other recoveries received / receivable		(7,961,881)	(4,007,386)
Reinsurance and other recoveries in respect of outstanding claims - closing		(15,233,478)	(7,943,513)
Reinsurance and other recoveries in respect of outstanding claims - opening		7,943,513	6,192,571
Currency translation effect		852,819	241,051
Reinsurance and other recoveries revenue		(14,399,027)	(5,517,277)
Net insurance claims expense - General Insurance Business	29.1 & 29.2	11,284,674	7,203,883
Life Insurance Business:			
Gross claims			
Claims under individual policies			
- by death		671,184	708,320
- by insured event other than death		2,483	2,081
- by maturity		5,225,759	2,126,722
- by surrender		8,337,714	6,240,319
Total gross individual policy claims		14,237,140	9,077,442
Claims under group policies			
- by death		350,020	451,141
- by insured event other than death		2,374	11,544
Total gross group policy claims		352,394	462,685
Claim related expenses		8,287	10,933
Total gross claims		14,597,821	9,551,060
Reinsurance recoveries			
- on individual claims		(175,777)	(147,520)
- on group claims		(187,608)	(297,782)
		(363,385)	(445,302)
Net insurance claims expense - Life Insurance Business		14,234,436	9,105,758
		25,519,110	16,309,641
29.1 Net insurance claims expense - Business underwritten inside Pakistan			
Claim paid		9,532,395	5,792,876
Outstanding claims including IBNR - closing		12,123,015	7,131,251
Outstanding claims including IBNR - opening		(7,131,251)	(4,920,475)
Claims expense		14,524,159	8,003,652
Reinsurance and other recoveries received / receivable		(4,234,327)	(1,707,578)
Reinsurance and other recoveries in respect of outstanding claims - closing		(10,450,405)	(5,482,393)
Reinsurance and other recoveries in respect of outstanding claims - opening		5,482,393	3,526,278
Reinsurance and other recoveries revenue		(9,202,339)	(3,663,693)
		5,321,820	4,339,959

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Note	2022	2021
	----- Rupees in thousand -----	
29.2 Net insurance claims expense - Business underwritten outside Pakistan		
Claim paid	9,824,439	5,551,054
Outstanding claims including IBNR - closing	8,603,687	5,554,794
Outstanding claims including IBNR - opening	(5,554,794)	(5,847,565)
Currency translation effect	(1,713,790)	(540,775)
Claims expense	11,159,542	4,717,508
Reinsurance and other recoveries received / receivable	(3,727,554)	(2,299,808)
Reinsurance and other recoveries in respect of outstanding claims - closing	(4,783,073)	(2,461,120)
Reinsurance and other recoveries in respect of outstanding claims - opening	2,461,120	2,666,293
Currency translation effect	852,819	241,051
Reinsurance and other recoveries revenue	(5,196,688)	(1,853,584)
	5,962,854	2,863,924

29.3 Claims development tables

The Group maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

29.3.1 General Insurance Business:

	Accident year						Total
	2017	2018	2019	2020	2021	2022	
	----- Rupees in thousand -----						
Estimate of the ultimate claim cost:							
At the end of accident year	11,307,403	13,278,246	14,544,497	12,607,367	14,166,057	27,835,542	93,739,112
One year later	6,362,632	6,250,676	6,218,787	5,366,245	8,158,522	-	32,356,862
Two years later	1,978,478	1,880,335	2,149,028	1,565,716	-	-	7,573,557
Three years later	956,949	863,553	948,368	-	-	-	2,768,870
Four years later	725,072	613,987	-	-	-	-	1,339,059
Five years later	961,401	-	-	-	-	-	961,401
Current estimate of cumulative claims	961,401	613,987	948,368	1,565,716	8,158,522	27,835,542	40,083,536
Less: Cumulative payments to date	155,036	80,046	332,731	731,305	5,911,653	12,146,063	19,356,834
Liability recognized in statement of financial position	806,365	533,941	615,637	834,411	2,246,869	15,689,479	20,726,702

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	Accident year						Total
	2017	2018	2019	2020	2021	2022	
----- Rupees in thousand -----							
29.3.2 Life Insurance Business:							
29.3.2.1 Individual life claims							
Estimate of the ultimate claim cost:							
At the end of accident year	181,455	177,583	237,674	287,432	460,780	376,551	
One year later	283,617	252,998	345,300	525,231	725,073	-	
Two years later	294,168	259,455	360,720	550,464	-	-	
Three years later	294,168	264,255	368,784	-	-	-	
Four years later	300,075	266,418	-	-	-	-	
Current estimate of cumulative claims	300,075	266,418	368,784	550,464	725,073	376,551	
Less: Cumulative payments to date	266,101	266,418	367,934	549,555	685,762	293,651	
Liability recognized in statement of financial position	33,974	-	850	909	39,311	82,900	

	Accident year						Total
	2017	2018	2019	2020	2021	2022	
----- Rupees in thousand -----							
29.3.2.2 Group life claims							
Estimate of the ultimate claim cost:							
At the end of accident year	413,991	419,348	342,820	559,852	343,327	289,449	
One year later	549,012	531,056	452,433	662,492	405,755	-	
Two years later	556,060	532,356	454,575	665,025	-	-	
Three years later	557,251	532,356	455,005	-	-	-	
Four years later	557,251	532,356	-	-	-	-	
Current estimate of cumulative claims	557,251	532,356	455,005	665,025	405,755	289,449	
Less: Cumulative payments to date	557,251	532,356	455,005	665,025	404,905	257,262	
Liability recognized in statement of financial position	-	-	-	-	850	32,187	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
30 Net commission and other acquisition costs			
General Insurance Business:			
Commission paid or payable		3,182,078	2,346,874
Deferred commission expense - opening		1,055,480	731,319
Deferred commission expense - closing		(1,489,080)	(1,055,480)
Currency translation effect		205,785	59,606
Net commission		2,954,263	2,082,319
Commission received or recoverable		(1,002,523)	(554,992)
Unearned reinsurance commission - opening		(241,094)	(245,318)
Unearned reinsurance commission - closing		365,610	241,094
Currency translation effect		(4,242)	(195)
Commission from reinsurance		(882,249)	(559,411)
Net commission and other acquisition costs - General Insurance Business	30.1 & 30.2	2,072,014	1,522,908
Life Insurance Business:			
Remuneration to insurance / takaful intermediaries on individual policies:			
Commission on first year contribution / premium		1,177,551	1,540,707
Commission on second year contribution / premium		149,617	134,820
Commission on subsequent years renewal contribution / premium		157,544	157,477
Commission on single contribution premium		209,169	160,249
Other benefits to insurance intermediaries		358,955	392,674
		2,052,836	2,385,927
Remuneration to insurance intermediaries on group policies:			
Commission		18,803	22,061
Other benefits to insurance intermediaries		4,187	2,142
		22,990	24,203
Other acquisition costs:			
Employee benefit cost		423,684	434,049
Traveling expenses		7,500	2,869
Information technology expense		5,259	2,121
Printing & stationary		4,162	3,600
Depreciation		43,912	38,626
Amortization		-	49
Rent, rates and taxes		42,387	33,951
Insurance cost		1,799	489
Car fuel & maintenance		33,408	30,952
Postage		6,635	6,603
Electricity, gas and water		21,193	16,494
Office maintenance		51,364	34,245
Entertainment		12,105	10,559
Training & development		5,040	2,220
Marketing cost		43,037	39,223
Financial charges		11,053	8,254
Brokerage charges		-	-
Legal & professional charges		631	401
Stamp duty		50,616	60,310
Medical examination fee		1,925	3,151
		765,710	728,166
Net commission and other acquisition costs - Life Insurance Business		2,841,536	3,138,296
		4,913,550	4,661,204

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
30.1 Net commission and other acquisition costs - Business underwritten inside Pakistan			
Commission paid or payable		1,218,959	1,139,371
Deferred commission expense - opening		393,554	285,324
Deferred commission expense - closing		(447,607)	(393,554)
Net commission		1,164,906	1,031,141
Commission received or recoverable		(912,432)	(549,408)
Unearned reinsurance commission - opening		(239,650)	(240,971)
Unearned reinsurance commission - closing		323,930	239,650
Commission from reinsurance		(828,152)	(550,729)
		336,754	480,412
30.2 Net commission and other acquisition costs - Business underwritten outside Pakistan			
Commission paid or payable		1,963,119	1,207,503
Deferred commission expense - opening		661,926	445,995
Deferred commission expense - closing		(1,041,473)	(661,926)
Currency translation effect		205,785	59,606
Net commission		1,789,357	1,051,178
Commission received or recoverable		(90,091)	(5,584)
Unearned reinsurance commission - opening		(1,444)	(4,347)
Unearned reinsurance commission - closing		41,680	1,444
Currency translation effect		(4,242)	(195)
Commission from reinsurance		(54,097)	(8,682)
		1,735,260	1,042,496
31 Management expenses			
Employees benefit cost	31.1	2,714,591	2,349,331
Travelling expenses		80,962	46,760
Advertisement & sales promotion		87,002	243,973
Printing & stationary		61,976	54,717
Depreciation		246,737	245,370
Amortization		46,432	45,878
Rent, rates & taxes		17,449	20,347
Legal & professional charges - business related		228,976	198,861
Electricity, gas & water		120,714	87,364
Entertainment		41,139	26,046
Vehicle running expenses		243,196	142,423
Office repairs & maintenance		137,877	105,492
Bank charges		151,510	60,068
Postages, telegrams & telephone		59,188	45,067
Supervision fee		101,382	72,921
IT related costs		212,371	174,336
Tracking and monitoring charges		115,438	142,976
Provision for doubtful balances against due from insurance contract holders		50,145	72,104
Regulatory fee		177,517	131,560
Miscellaneous		66,751	79,103
		4,961,353	4,344,697
31.1 Employee benefit cost			
Salaries, allowances and other benefits		2,589,886	2,217,286
Charges for post employment benefit		124,705	132,045
		2,714,591	2,349,331

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2022

2021

----- Rupees in thousand -----

32 Investment income

Business underwritten Inside Pakistan

Income from equity securities

Dividend Income

- Available for sale

1,774,270

2,261,245

- Fair value through profit or loss

692,517

624,416

2,466,787

2,885,661

Income from debt securities

Return on debt securities

- Fair value through profit or loss

599,830

297,512

599,830

297,512

Return on government securities

- Available for Sale

18,151

28,426

- Fair value through profit or loss

3,924,137

1,735,147

- Held to maturity

84,426

37,414

4,026,714

1,800,987

Income from term deposit receipts

- Held to maturity

690,510

461,233

690,510

461,233

Net realized fair value gains on investments

Available for sale

- Equity securities

(405,515)

5,421

- Government securities

(6,249)

(30)

(411,764)

5,391

Fair value through profit or loss

- Equity securities

(87,154)

466,723

- Debt securities

-

5,454

- Government securities

(144,242)

(81,459)

(231,396)

390,718

Provision for impairment in value of

'available-for-sale' investments

151,982

49,899

7,292,663

5,891,401

Business underwritten Outside Pakistan

Income from equity securities

Dividend income

- Available for Sale

102

334

102

334

Return on term deposits

- Held to maturity

127,211

104,224

127,211

104,224

127,313

104,558

Total investment income

7,419,976

5,995,959

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
33 Net fair value loss on financial assets at fair value through profit or loss			
Held for trading			
Net unrealized losses on:			
- Mutual Funds		(691,709)	2,049
- Listed equities		(1,822,414)	(823,246)
- Fixed income securities		(23,190)	62,970
- Government securities		(64,676)	(10,759)
Investment related expenses		(80,122)	(100,477)
		(2,682,111)	(869,463)
34 Rental income			
Rental income		105,660	85,693
Expenses of investment property		(805)	(2,073)
		104,855	83,620
35 Other income			
Return on bank balances		877,167	447,183
Mark-up on policy loans		4,060	3,662
Gain on sale of operating assets and derecognition of ROU asset		12,376	23,799
Return on loans to employees		156	190
Income against deferred grant		6,329	8,439
Exchange gain		7,404	2,758
Shared expenses received		19,360	14,030
Miscellaneous		17,689	23,069
		944,541	523,130
36 Other expenses			
Legal & professional charges other than business		41,824	29,092
Auditors' remuneration	36.1	21,836	20,066
Subscription fee		6,688	9,909
Donations	36.2	33,543	5,851
Directors' fee		515	320
Central depository expense		1,533	1,298
Others		4,946	1,911
		110,885	68,447
36.1 Auditors' remuneration			
Inside Pakistan:			
Audit fee		4,874	4,585
Interim review fee		1,144	1,795
Special certifications and sundry advisory services		2,414	2,125
Out-of-pocket expenses		824	1,611
		9,256	10,116
Outside Pakistan:			
Audit fee		10,463	8,276
Interim review fee		1,393	1,102
Out-of-pocket expenses		724	572
		12,580	9,950
		21,836	20,066

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36.2 The Parent Company has paid the donation amounting to Rs. 30 million (2021: Nil) to Saleem Memorial Trust Hospital, Rs. 1.5 million (2021: 1.5 million) to Pakistan Agricultural Coalition, Rs. 0.5 million (2021: Nil) to Insurance Association Of Pakistan and Rs. 0.4 million (2021: Nil) to Safco Support Foundation during the current year.

		2022	2021
		----- Rupees in thousand -----	
37	Taxation - net		
	Current tax		
	For the year		
	- Group	779,981	931,628
	- Window Takaful Operations	111,541	40,490
	Prior year		
	- Group	85,572	-
	- Window Takaful Operations	5,571	-
		982,665	972,118
	Deferred tax		
	For the year		
	- Group	(109,231)	354,252
	- Window Takaful Operations	1,369	(102)
		(107,862)	354,150
		874,803	1,326,268

(Effective tax rate)

		2022	2021
		----- Percentages -----	
37.1	Tax charge reconciliation		
	Tax at the applicable rate of 33% (2021: 29%)	33.00	29.00
	Prior year	2.62	-
	Tax effect of provision for impairment of investments	(21.36)	(0.32)
	Others	12.53	2.12
		26.79	30.80

		2022	2021
		----- Rupees in thousand -----	
38	Earnings per share		
	There is no dilutive effect on the basic earnings per share which is based on:		
	Net profit after tax for the year attributable to owners of the parent	2,341,165	2,943,593
		2022	2021
		----- Number of shares -----	
	Weighted average number of ordinary shares	350,000,000	350,000,000
		2022	2021
		----- Rupees -----	
	Earning per share - basic and diluted	6.69	8.41

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39 Compensation of Directors and Executives

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

	Chief Executive Officer		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	----- Rupees in thousand -----					
Fees	-	-	820	740	-	-
Managerial remuneration	46,266	31,013	-	-	1,220,129	1,042,566
Leave encashment	2,316	4,135	-	-	53,687	47,989
Bonus	5,290	4,723	-	-	117,197	111,445
Charge of defined benefit plan	1,291	1,085	-	-	38,935	33,266
Contribution to defined contribution plan	1,737	1,551	-	-	32,155	27,362
House rent allowance	4,612	-	-	-	247,445	203,024
Utilities	1,714	448	-	-	23,423	18,877
Medical	181	-	-	-	52,416	43,662
Conveyance	-	-	-	-	113,962	162,561
Special allowance	1,800	1,800	-	-	-	-
Other allowance	744	447	-	-	93,689	-
	65,951	45,202	820	740	1,993,038	1,690,752
Number	2	2	14	13	573	521

39.1 In addition, the Chief Executive Officer (CEO) of the Parent Company is also provided with Company maintained car (s), certain household items, furniture and fixtures and equipment in accordance with the policy of the Parent Company. Whereas, no remuneration was paid to CEO of the Subsidiary Company.

39.2 No remuneration was paid to Non - Executive Directors of the Group except for meeting fees.

40 Transactions with related parties

The Group has related party relationships with its associates, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment.

Investments, bank deposits and borrowing arrangements with related parties have been disclosed in note 8, 10, 14 and 22 to the consolidated financial statements. Other transactions with related parties are summarized as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

	Note	2022	2021
		----- Rupees in thousand -----	
Parent Company			
i) Transactions			
	Basis of relationship		
Premiums underwritten	Common directorship	2,210,656	1,734,106
Premiums received	Common directorship	2,314,397	1,264,474
Claims paid	Common directorship	684,447	647,164
Security deposit received	Common directorship	-	5,173
Security deposit paid	Common directorship	-	-
Commission Paid	Common directorship	40,518	27,939
Guarantee commission received	Common directorship	11,215	11,542
Rent paid	Common directorship	10,700	6,689
Rent received	Common directorship	62,937	63,767
Dividends received	Common directorship	938,893	1,320,294
Dividends paid	Common directorship	260,249	197,921
Income on bank deposits	Common directorship	75,458	42,794
Investments made	Common directorship	1,616,759	1,250,493
Investments sold	Common directorship	118,988	-
Fixed assets sold	Common directorship	-	33,055
Fee / service charges paid	Common directorship	12,017	15,941
Fee / service charges received / accrued	Common directorship	13,257	17,298
Payments made to provident fund	Employees' fund	40,791	36,543
ii) Period end balances			
Balances receivable	Common directorship	134,023	243,103
Balances payable	Common directorship	370,730	299,939
Payable to provident fund	Employees' fund	211	88
Subsidiary Company			
i) Transactions			
Premium written	Common directorship	338,265	277,742
Claims expense	Common directorship	189,249	208,492
Commission and other incentives in respect of Bancassurance	Common directorship	1,260,926	1,675,938
Profit on bank deposits	Common directorship	204,342	145,486
Bank charges	Common directorship	4,857	3,391
Investments purchased	Common directorship	27,043,133	12,220,338
Investments sold	Common directorship	27,788,397	11,431,722
Investment advisor fee	Common directorship	39,576	35,991
Dividend income	Common directorship	233,923	163,733
Reinsurance claim recoveries	Common directorship	-	-
Reinsurance premium ceded	Common directorship	-	-
Trustee fee	Common directorship	9,173	9,199
Purchase of right shares	Directors	-	29
Expense in relation to gratuity fund	Employees' fund	40,552	26,402

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

ii) Period end balances	Basis of relationship		
Premium due but unpaid	Common directorship	19,384	11,626
Premium received in advance	Common directorship	-	-
Bank deposits	Common directorship	1,851,156	1,668,509
Investments held	Common directorship	7,348,266	8,499,041
Dividend receivables	Common directorship	26,788	6,221
Accrued Income	Common directorship	41,548	250
Commission payable	Common directorship	334,192	289,696
Claims payable	Common directorship	-	5,700
Reinsurance receivable	Common directorship	-	-
Remuneration payable for the management of discretionary investment portfolio	Common directorship	6,934	3,284
Remuneration payable to Trustee	Common directorship	1,192	903
Other payable/(receivables)	Common directorship	-	-
Retirement Benefit Obligation Plan (Gratuity Fund)			
Receivable from / (payable to) Gratuity fund	Employees' fund	(4,866)	6,460

40.1 Following are the particulars of the related parties of the Group at the reporting date.

Name of Related Party	Basis of relationship	Aggregate % of Shareholding in the Group
AA Joyland (Private) Limited	Common directorship	Nil
AFLAK Developers	Common directorship	Nil
Agrohubs International (Private) Limited	Common directorship	Nil
Arshie Tech (Private) Limited	Common directorship	Nil
Avenew Marketing (Private) Limited	Company director Shareholder	Nil
Cotton Web (Private) Limited	Company director Chairman	Nil
D.G. Khan Cement Company Limited	Common Directorship	0.412%
Din Farm Products (Private) Limited	Common directorship	Nil
Din Leather (Private) Limited	Common directorship	Nil
Din Textile Mills Limited	Common Directorship	Nil
Din Textile Mills Limited	Company director Chairman	Nil
Dupak Developers Pakistan (Private) Limited	Common directorship	Nil
Dupak Energy (Private) Limited	Common directorship	Nil
Dupak Premier Properties (Private) Limited	Common directorship	Nil
Dupak Properties (Private) Limited	Common directorship	Nil
Dupak Residency (Private) Limited	Common directorship	Nil
Dupak Sky Line (Private) Limited	Common directorship	Nil
Dupak Tameer Limited	Common directorship	Nil
Dupak Tower (Private) Limited	Common directorship	Nil
Emporium Properties (Private) Limited	Common Directorship	Nil
Fortress Builders (Private) Limited	Common directorship	Nil
Fortress Developers (Private) Limited	Common directorship	Nil
Fortress Financials Services (Private) Limited	Common directorship	Nil
Fortress Square Services (Private) Limited	Common directorship	Nil
Golf View Land (Private) Limited	Common directorship	Nil

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Name of Related Party	Basis of relationship	Aggregate % of Shareholding in the Group
Hyundai Nishat Motor (Private) Limited	Common directorship	10.000%
IBSAL Logistics Limited	Common directorship	Nil
Joyland (Private) Limited	Common directorship	Nil
Joyland Construction (Private) Limited	Common directorship	Nil
Joyland Entertainment (Private) Limited	Common directorship	Nil
Masood Apparels (Private) Limited	Common directorship	Nil
Masood Fabrics Limited	Common directorship	Nil
Masood Holdings (Private) Limited	Common directorship	Nil
Masood Roomi Foods (Private) Limited	Common directorship	Nil
Masood Roomi Textile Mills (Private) Limited	Common directorship	Nil
MCB Bank Limited	Common directorship	5.530%
MCB Islamic Bank Limited	Common directorship	Nil
National Textile Foundation	Common directorship	Nil
Nishat (Aziz Avenue) Hotels & Properties Limited	Company director Shareholder	0.016%
Nishat (Raiwind) Hotels & Properties Limited	Common directorship	Nil
Nishat Agriculture Farming (Private) Limited	Common directorship	Nil
Nishat Agriculture Farming (Private) Limited	Common Directorship	Nil
Nishat Agrotech Farms (Private) Limited	Common directorship	Nil
Nishat Dairy (Private) Limited	Common directorship	Nil
Nishat Developers (Private) Limited	Common directorship	Nil
Nishat Hotels & Properties Limited	Common directorship	Nil
Nishat Linen (Private) Limited	Common Directorship	Nil
Nishat Mills Limited	Common directorship	0.001%
Nishat Papers Products Company Limited	Common Directorship	Nil
Nishat Sutas Dairy Limited	Common directorship	Nil
Pakgen Power Limited	Common directorship	6.889%
Pakistan Aviators & Aviation	Common Directorship	Nil
Roomi Fabrics Limited	Common directorship	Nil
Roomi Holdings (Private) Limited	Common directorship	Nil
Roomi Home (Private) Limited	Common directorship	Nil
Siddiqsons Limited	Common directorship	Nil
Siddiqsons Tin Plate Limited	Common directorship	Nil
Siddiqsons Energy Limited	Common directorship	Nil

41 Segment Information

The Group conducts general insurance business both inside and outside Pakistan while life assurance is conducted only in Pakistan.

2022

	General Insurance												Life Insurance	Aggregate	
	Fire and property damage		Marine, aviation and transport		Motor		Accident & health		Miscellaneous		Total				Aggregate General Insurance
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan			
Premium receivable (inclusive of federal excise duty, administrative surcharge)	14,369,244	25,443	2,316,342	22,406	4,149,788	8,351,226	3,042,882	2,338,444	1,438,639	8,893	25,336,885	10,746,512	36,083,407	20,943,416	57,026,823
Federal excise duty / VAT	(1,774,651)	(1,514)	(235,484)	(1,193)	(498,951)	(387,677)	(20,772)	(111,354)	(146,648)	(428)	(2,694,506)	(512,108)	(3,206,614)	-	(3,206,614)
Federal insurance fee	(123,657)	(40)	(20,465)	(12)	(36,569)	-	(30,132)	-	(13,277)	-	(224,100)	(52)	(224,152)	-	(224,152)
Gross written premium (inclusive of administrative surcharge)	12,470,936	23,889	2,040,393	21,259	3,616,268	7,953,549	2,991,976	2,227,080	1,298,714	8,365	22,418,289	10,234,352	32,652,641	20,943,416	53,596,057
Gross direct premium	12,470,936	23,889	2,040,393	21,259	3,616,268	7,953,549	2,991,976	2,227,080	1,298,714	8,365	22,418,289	10,234,352	32,652,641	20,943,416	53,596,057
Facultative inward premium	11,002,474	25,422	2,031,010	32,541	3,474,582	7,549,493	2,599,071	1,802,039	1,250,526	9,357	20,357,663	9,418,852	29,776,515	20,943,416	50,719,931
Administrative surcharge	(9,960,607)	(19,951)	(888,747)	(549)	(60,307)	(354,753)	-	(1,007,538)	(542,611)	(5,458)	(11,432,272)	(1,388,277)	(12,820,549)	(633,349)	(13,453,898)
Insurance premium earned	1,041,867	5,441	1,162,263	31,992	3,414,275	7,194,740	2,599,071	794,503	707,915	3,899	9,925,391	8,000,575	16,955,966	20,310,067	37,266,033
Net insurance premium	693,899	3,735	5,546	-	3,642	48,243	-	1,25,375	2,059	828,152	54,097	882,249	16,855,966	20,310,067	37,266,033
Commission income	1,735,456	9,236	1,167,809	31,992	3,417,917	7,242,983	2,599,071	794,503	833,290	5,965	9,739,545	8,084,672	17,838,215	20,310,067	38,148,282
Insurance claims	(9,196,650)	(663)	(588,394)	(165)	(1,712,203)	(9,523,552)	(2,283,233)	(1,635,640)	(763,674)	489	(14,524,159)	(1,159,542)	(25,683,701)	(14,597,821)	(40,281,522)
Insurance claim recoveries from reinsurer	8,697,342	1,074	6,898	174	82,588	4,054,619	-	1,142,060	429,307	(1,239)	9,202,338	5,196,688	14,399,027	383,385	14,782,412
Net claims	499,313	391	(575,292)	9	(1,629,615)	(5,468,933)	(2,283,233)	(493,580)	(334,367)	(741)	(5,321,820)	(6,962,854)	(11,284,674)	(14,234,436)	(25,519,110)
Commission expense	(530,189)	(3,310)	(175,500)	(5,762)	(268,892)	(1,576,860)	(69,516)	(203,197)	(120,809)	(228)	(1,164,906)	(1,789,357)	(2,841,263)	(2,841,536)	(5,795,799)
Management expense	(518,134)	(1,978)	(408,826)	(12,511)	(1,220,107)	(1,075,033)	(173,884)	(175,981)	(235,957)	(1,498)	(2,556,708)	(1,266,951)	(3,823,659)	(1,137,694)	(4,961,353)
Net insurance claims and expenses	(1,547,038)	(4,897)	(1,159,418)	(18,264)	(3,118,614)	(8,120,826)	(2,526,633)	(872,708)	(691,133)	(2,467)	(9,043,434)	(9,019,162)	(18,062,596)	(18,137,666)	(36,276,262)
Net change in insurance liabilities (other than outstanding claims)	187,820	4,339	8,391	13,728	299,303	(677,843)	72,438	(78,205)	142,157	3,491	710,109	(934,490)	(224,381)	(2,840,904)	(3,065,285)
Underwriting result	187,820	4,339	8,391	13,728	299,303	(677,843)	72,438	(78,205)	142,157	3,491	710,109	(934,490)	(224,381)	(2,840,904)	(3,065,285)
Net investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net fair value unrealized gain on financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workers' welfare fund reversal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit from Window Takatli Operations - Operators Fund (Parent Company)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	18,159,470	30,234	898,705	4,550	1,545,592	6,549,649	992,218	1,487,171	2,099,230	18,751	23,695,215	8,090,355	31,785,570	66,115,952	97,901,522
Segment Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Rupees in Thousand

41.1 Segment Information

The Group conducts general insurance business both inside and outside Pakistan while life assurance is conducted only in Pakistan.

2021

	General Insurance														Life Insurance	Aggregate
	Fire and property damage		Marine, aviation and transport		Motor		Accident & health		Miscellaneous		Total		Aggregate General Insurance			
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan		
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs		
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	10,623,813	21,460	1,432,007	36,981	3,665,085	5,665,747	2,225,261	864,518	1,230,772	6,069	19,226,938	6,597,775	25,934,713	20,662,906	46,487,619	
Federal excise duty / VAT	(1,322,584)	(1,372)	(163,331)	(1,843)	(441,612)	(269,940)	(16,309)	(41,168)	(110,456)	(293)	(2,054,872)	(314,616)	(2,369,488)	-	(2,369,488)	
Federal insurance fee	(60,550)	(46)	(12,982)	(171)	(32,676)	-	(22,078)	-	(11,112)	(1)	(669,338)	(64)	(683,462)	-	(683,462)	
	9,220,689	20,042	1,275,694	35,121	3,220,797	5,395,807	2,186,274	823,350	1,108,204	5,775	17,012,668	6,283,096	23,235,763	20,662,906	43,948,669	
Gross written premium (Inclusive of administrative surcharge)	9,220,689	20,042	1,275,694	35,121	3,220,797	5,395,807	2,186,274	823,350	1,108,204	5,775	17,012,668	6,283,096	23,235,763	20,662,906	43,948,669	
Gross direct premium	9,183,336	19,987	1,243,502	35,121	3,101,539	5,337,399	2,184,019	823,350	1,097,963	5,744	16,810,359	6,271,601	23,081,960	20,662,906	43,734,866	
Facultative inward premium	17,946	-	1,476	-	-	-	-	-	-	-	19,422	-	19,422	-	19,422	
Administrative surcharge	18,417	55	30,716	-	119,258	11,408	2,255	-	11,241	31	182,887	11,494	194,381	-	194,381	
Insurance premium earned	9,220,689	20,042	1,275,694	35,121	3,220,797	5,395,807	2,186,274	823,350	1,108,204	5,775	17,012,668	6,283,096	23,235,763	20,662,906	43,948,669	
Insurance premium ceded to reinsurers	8,117,196	20,630	1,240,378	29,420	2,989,107	4,879,669	2,055,542	397,172	1,238,068	8,634	15,640,281	5,335,525	20,975,806	20,662,906	41,628,712	
Net insurance premium	(7,219,382)	(14,157)	(263,765)	(149)	(568,042)	(148,410)	-	(2,11,443)	(624,865)	(7,173)	(8,066,074)	(381,332)	(8,447,406)	(630,051)	(8,877,457)	
Commission income	897,814	6,473	976,613	29,271	2,391,065	4,731,259	2,055,542	1,85,729	713,173	1,461	7,574,207	4,954,193	12,528,400	20,122,855	32,651,255	
Net underwriting income	465,714	4,013	1,949	-	3,332	3,332	-	1,497	79,234	3,172	550,729	8,682	559,411	-	559,411	
Insurance claims	1,363,528	10,486	978,562	29,271	2,994,987	4,731,259	2,055,542	187,226	792,407	4,633	8,124,906	4,982,875	13,087,811	20,122,855	33,210,666	
Insurance claim recoveries from reinsurer	(3,504,148)	73,221	(606,881)	(6,630)	(1,477,422)	(4,382,332)	(1,788,550)	(405,404)	(825,641)	(1,389)	(8,003,652)	(4,717,508)	(12,721,160)	(9,351,060)	(22,272,220)	
	3,180,033	(60,265)	170,463	76	71,545	1,649,193	264,895	241,652	(935)	(305)	3,663,633	1,853,594	5,517,277	445,302	5,962,579	
Net claims	(324,115)	12,956	(436,428)	(6,616)	(1,405,877)	(2,733,739)	(1,788,550)	(140,909)	(933,969)	1,084	(4,339,959)	(2,863,924)	(7,203,883)	(9,105,758)	(16,309,641)	
Commission expense	(468,287)	(2,631)	(166,969)	(6,699)	(216,793)	(1,005,328)	(60,013)	(37,176)	(117,059)	(344)	(1,031,141)	(1,051,178)	(2,082,319)	(3,138,236)	(5,220,615)	
Management expense	(420,779)	(800)	(351,049)	(8,808)	(1,049,841)	(914,421)	(133,706)	(47,005)	(216,510)	(294)	(2,173,884)	(972,328)	(3,146,212)	(1,198,485)	(4,344,697)	
Net insurance claims and expenses	(1,213,161)	9,525	(954,465)	(19,123)	(2,674,511)	(4,653,488)	(1,983,269)	(224,790)	(719,558)	446	(7,544,984)	(4,887,430)	(12,432,414)	(13,442,539)	(25,874,953)	
Net change in insurance liabilities (other than outstanding claims)	150,347	20,011	24,087	10,148	260,386	77,771	72,273	(37,564)	72,849	5,079	579,982	75,445	655,397	(2,839,855)	(2,154,458)	
Underwriting result	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net fair value unrealized gain on financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net unrealized gains on investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Workers' welfare fund reversal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit from Window TakatU Operators - Operators Fund (Parent Company)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit before tax	11,179,552	24,697	819,410	11,616	1,472,253	4,098,417	771,191	651,760	1,765,915	16,220	16,006,321	4,793,710	20,802,031	59,116,387	79,916,418	
Segment Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated assets	11,591,214	28,176	1,149,567	37,421	2,923,636	8,898,921	1,812,336	808,489	2,400,998	18,123	19,877,751	9,791,130	29,668,881	58,021,231	87,690,112	
Segment Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated Liabilities	25,646,219	10,596,545	36,242,764	58,479,677	94,722,641	10,596,545	36,242,764	58,479,677	94,722,641	10,596,545	36,242,764	58,479,677	94,722,641	10,596,545	36,242,764	

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42 Movement in investments

	Available for sale	Held to Maturity	Fair value through profit or loss	Total
----- Rupees in thousand -----				
As at January 01, 2021	20,004,141	14,265,393	29,775,443	64,044,977
Additions	1,250,913	79,563,589	281,585,194	362,399,696
Disposals (sales and redemptions)	(1,118,467)	(79,609,162)	(268,611,564)	(349,339,193)
Fair value net gains (excluding net realized gain)	1,089,153	-	(768,986)	320,167
Currency translation effect	-	618,862	-	618,862
Unwinding of discount on debt securities	-	(9,564)	-	(9,564)
Impairment losses	49,899	-	-	49,899
As at December 31, 2021	21,275,639	14,829,118	41,980,087	78,084,844
Additions	3,343,363	89,630,907	649,191,918	742,166,188
Disposals (sales and redemptions)	(3,536,703)	(96,856,089)	(630,084,239)	(730,477,031)
Fair value net gains (excluding net realized gain)	(3,570,226)	-	(2,605,602)	(6,175,828)
Currency translation effect	-	1,685,638	-	1,685,638
Unwinding of discount on debt securities	-	13,146	-	13,146
Impairment losses	151,982	-	-	151,982
As at December 31, 2022	17,664,055	9,302,720	58,482,164	85,448,939

43 Management of insurance and financial risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Group's financial assets and liabilities are limited. The Group consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing the Group's risk management policies.

The individual risk wise analysis is given below :

Parent Company

43.1 Insurance risk

The principal risk that the Parent Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Parent Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Parent Company. The Parent Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Parent Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

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Although the Parent Company has reinsurance arrangements, it is not relieved of its direct obligations to its policy holders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Parent Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Parent Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar reinsurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Parent Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Parent Company principally issues the general insurance contracts e.g. Fire & property, Marine, aviation & transport, Motor, Accident & health and other Miscellaneous. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Parent Company to multiple insurance risks.

43.1.1 Geographical concentration of insurance risk

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

43.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Parent Company.

	Gross sum insured		Reinsurance		Net	
	2022	2021	2022	2021	2022	2021
----- Rupees in thousand -----						
Fire & property damage	8,784,680,283	6,924,274,110	8,077,572,271	6,170,569,904	707,108,012	753,704,206
Marine aviation & transport	5,307,604,943	3,430,150,972	894,317,296	339,471,868	4,413,287,647	3,090,679,104
Motor	444,311,923	302,050,319	18,163,584	7,328,767	426,148,339	294,721,552
Accident & health	666,873,844	213,755,098	264,392,280	44,005,051	402,481,564	169,750,047
Miscellaneous	595,275,193	463,322,671	426,662,735	363,891,891	168,612,458	99,430,780
	15,798,746,186	11,333,553,170	9,681,108,166	6,925,267,481	6,117,638,020	4,408,285,689

43.1.3 Sources of uncertainty in estimation of future claim payments

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

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In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

43.1.4 Key assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

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

43.1.5 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 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 statement of financial position is adequate. However, actual experience may differ from the expected outcome.

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

	Pre tax profit / (loss)	
	2022	2021
	----- Rupees in thousand -----	
10% increase in claims liability		
Net:		
Fire & property	(49,892)	(31,116)
Marine, aviation and transport	(57,528)	(44,004)
Motor	(709,855)	(413,961)
Accident & health	(277,681)	(193,016)
Miscellaneous	(33,511)	(38,291)
	(1,128,467)	(720,388)
10% decrease in claims liability		
Net:		
Fire & property	49,892	31,116
Marine, aviation and transport	57,528	44,004
Motor	709,855	413,961
Accident & health	277,681	193,016
Miscellaneous	33,511	38,291
	1,128,467	720,388

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Statement of Age-wise breakup of unclaimed insurance benefits

Particulars	Total	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
----- Rupees in thousand -----						
Claims not encashed	<u>541,249</u>	<u>310,600</u>	<u>31,016</u>	<u>25,911</u>	<u>26,883</u>	<u>146,839</u>

Subsidiary Company

43.2 Conventional business

43.2.1 Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of

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Benefits assured per life Rupees	Sum assured at the end of 2022			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	790	2.69%	454	3.34%
200,000 - 400,000	2,916	9.94%	1,441	10.59%
400,001 - 800,000	4,879	16.63%	2,121	15.58%
800,001 - 1,000,000	1,527	5.21%	1,158	8.51%
More than 1,000,000	19,219	65.52%	8,437	61.99%
Total	29,331	100.00%	13,611	100.00%

Benefits assured per life Rupees	Sum assured at the end of 2021			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	3,158	8.28%	2,644	12.91%
200,000 - 400,000	4,521	11.85%	2,783	13.59%
400,001 - 800,000	6,261	16.42%	2,915	14.23%
800,001 - 1,000,000	7,345	19.26%	6,928	33.83%
More than 1,000,000	16,856	44.19%	5,210	25.44%
Total	38,141	100.00%	20,480	100.00%

riders attached to the main policies.

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

c) Factors impacting future benefit payments and premium receipts are as follows:

The Subsidiary Company assumes the expected mortality to be 80% of SLIC (2001-05). Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

d) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Subsidiary Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The Subsidiary Company assumes the expected mortality to be 80% of SLIC (2001-05).
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly

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the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

- Expense levels and inflation: A periodic study is conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

e) Changes in assumptions

There are no changes in assumptions.

f) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 1% of the total policyholder liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

43.2.2 Group Life

The main risk written by the Subsidiary Company is mortality. The Subsidiary Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Subsidiary Company also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Subsidiary Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Subsidiary Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. Management undertakes to write business in line with the limits set by the appointed actuary, especially for large groups having a group assurance policy with annual premium of Rs 2 million or above in accordance with the requirements of Circular 11 of 2013 dated June 14, 2013. The Subsidiary Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure to any one life. The Subsidiary Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Subsidiary Company ensures that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

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Benefits assured per client	Sum assured at the end of 2022			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-500,000	75,658,064	15.83%	61,565,844	32.85%
500,001-1,000,000	46,644,860	9.76%	23,800,105	12.70%
1,000,001-1,500,000	53,405,535	11.18%	31,713,052	16.92%
1,500,001-2,000,000	35,520,803	7.43%	21,868,899	11.67%
More than 2,000,000	266,639,267	55.80%	48,455,756	25.86%
Total	477,868,529	100.00%	187,403,656	100.00%
Benefits assured per client	Sum assured at the end of 2021			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-500,000	47,926,846	10.37%	47,907,098	28.45%
500,001-1,000,000	54,760,037	11.84%	44,453,539	26.40%
1,000,001-1,500,000	37,197,192	8.04%	18,996,050	11.28%
1,500,001-2,000,000	14,245,645	3.08%	5,714,250	3.39%
More than 2,000,000	308,245,228	66.67%	51,303,080	30.47%
Total	462,374,948	100.00%	168,374,017	100.00%

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

Industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Variables	Change in Variable	Increase in liability 2022 (Rupees in '000')
Worsening of mortality rates for risk policies	+10% pa	3,628
Increase in reporting lag	+10% pa	3,628

The table below shows the level of respective variation in liabilities for change in each assumption while holding all other assumptions constant:

43.2.3 Non unitized Investment Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the insured person. The

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Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

Benefits assured per life	Sum assured at the end of 2022			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	30,603	5.28%	9,492	5.47%
200,000 - 400,000	129,094	22.26%	40,539	23.35%
400,001 - 800,000	204,348	35.23%	63,319	36.47%
800,001 - 1,000,000	142,321	24.54%	44,642	25.71%
More than 1,000,000	73,644	12.70%	15,634	9.00%
Total	580,010	100.00%	173,626	100.00%

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Benefits assured per life Rupees	Sum assured at the end of 2021			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	47,128	4.37%	14,507	4.66%
200,000 - 400,000	187,555	17.38%	58,295	18.74%
400,001 - 800,000	375,261	34.77%	114,776	36.91%
800,001 - 1,000,000	294,255	27.27%	91,076	29.29%
More than 1,000,000	175,005	16.22%	32,342	10.40%
Total	1,079,204	100.00%	310,996	100.00%

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term non-unitised investment linked assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behavior.

Factors impacting future benefit payments and premium receipts are as follows:

- Mortality: The expected mortality is assumed to be 80% of SLIC (2001-05)
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term non-unitised investment linked assurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The Subsidiary Company assumes the expected mortality to be 80% of SLIC (2001-05).
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: A periodic study is conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

43.2.4 Unit Linked Business

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For the year ended 31 December 2022

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Subsidiary Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one policyholder. The Subsidiary Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of

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For the year ended 31 December 2022

Benefits assured per life	Sum assured at the end of 2022			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	2,789,489	2.57%	2,323,055	3.56%
200,000 - 400,000	13,162,151	12.11%	11,214,890	17.19%
400,001 - 800,000	28,658,681	26.36%	23,927,076	36.67%
800,001 - 1,000,000	26,599,896	24.47%	16,596,738	25.44%
More than 1,000,000	37,502,418	34.50%	11,181,010	17.15%
Total	108,712,635	100.00%	65,242,769	100.00%

Benefits assured per life	Sum assured at the end of 2021			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	2,933,068	2.61%	2,351,756	3.61%
200,000 - 400,000	13,838,612	12.34%	11,469,209	17.61%
400,001 - 800,000	29,828,672	26.59%	24,033,130	36.90%
800,001 - 1,000,000	27,435,652	24.45%	16,275,720	24.99%
More than 1,000,000	38,152,704	34.00%	10,992,286	16.89%
Total	112,188,708	100.00%	65,122,101	100.00%

riders attached to the main policies.

a) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behaviour.

b) Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The expected mortality is assumed to be 80% of SLIC (2001-05)

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to be 80% of SLIC (2001-05)

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment

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return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

43.2.5 Individual Family Takaful Unit Linked Business

The risk covered is mainly death and sometimes disability and / or critical illness. The risk of death and disability will vary from region to region. The PTF may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The PTF may also face the risk of poor investment return, and liquidity issues on monies invested in the fund. The PTF faces the risk of inadequacy of the Mortality / Tabarru Charge (Takaful Contribution) particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency can lead to an impact on the size of the PTF. A larger PTF may allow for a greater degree of cross subsidization of Mortality Risk, increasing the probability of convergence between actual and expected Mortality experience.

The Subsidiary Company manages these risks through its underwriting, retakaful, claims handling policy and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids issuing cover to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of contribution charged for risk underwritten by the PTF. Retakaful contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one participant.

The Subsidiary Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency, the Subsidiary Company applies quality controls on the standard of service provided to Participants of the PTF and has placed checks to curb mis-selling and improvement in the standard of customer service. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, a Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company reserves the right to review the Takaful Contributions deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all Takaful contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and retakaful arrangements.

The table below presents the concentration of covered benefits across five bands of covered benefits per participant. The benefit covered figures are shown gross and net of the retakaful contracts described above.

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Benefits covered per life	Sum cover at the end of 2022			
	Total benefits covered			
	Before retakaful		After retakaful	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	849,097	1.78%	843,954	2.82%
200,000 - 400,000	4,442,312	9.29%	4,420,663	14.80%
400,001 - 800,000	11,608,845	24.27%	11,126,641	37.24%
800,001 - 1,000,000	10,724,837	22.42%	7,524,830	25.19%
More than 1,000,000	20,202,554	42.23%	5,961,383	19.95%
Total	47,827,645	100.00%	29,877,471	100.00%

Benefits covered per life	Sum assured at the end of 2021			
	Total benefits covered			
	Before retakaful		After retakaful	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	908,949	1.95%	903,369	3.03%
200,000 - 400,000	4,551,231	9.76%	4,525,204	15.19%
400,001 - 800,000	11,622,067	24.94%	11,165,995	37.49%
800,001 - 1,000,000	11,334,018	24.32%	7,779,698	26.12%
More than 1,000,000	18,192,610	39.03%	5,407,906	18.16%
Total	46,608,875	100.00%	29,782,172	100.00%

The amounts presented are showing total exposure of the PTF including exposure in respect of riders attached to the main policies.

b) Sources of uncertainty in the estimation of future benefit payments and contribution receipts

Uncertainty in the estimation of future benefit payments and contribution receipts for long-term unit linked takaful contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in participant's behavior.

c) Factors impacting future benefit payments and contribution receipts are as follows:

Mortality: The expected mortality is assumed to be 80% of SLIC (2001-05).

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

d) Process used to decide on assumptions

For long-term unit linked takaful contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to be 80% of SLIC (2001-05)

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: A periodic study is conducted on the Subsidiary Company's current business

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expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

e) Changes in assumptions

There are no changes in assumptions.

43.2.6 Group Life Family Takaful

The main exposure of the PTF is to mortality risk. The PTF may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality, writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The PTF also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of takaful contributions in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Subsidiary Company manages these risks through underwriting, retakaful, effective claims handling and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done using the retakaful rates. The contribution charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The rates are certified by the appointed actuary for large groups. The Subsidiary Company also maintains an MIS to track the adequacy of the takaful contribution charged. Retakaful contracts have been purchased by the Subsidiary Company to limit the maximum mortality exposure of any one covered person. The Subsidiary Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Subsidiary Company ensures that payment of any fraudulent claims is avoided. Strict monitoring is in place in order to keep the outstanding balances of contribution at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Subsidiary Company ensures that payment of any fraudulent claims is avoided. Strict monitoring is in place in order to keep the outstanding balances of contribution at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

The table below presents the concentration of covered benefits across five bands of covered benefits per participant. The benefit covered figures are shown gross and net of the retakaful contracts described above.

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Benefits covered per participant	Sum cover at the end of 2022			
	Total benefits covered			
	Before retakaful		After retakaful	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0 - 500,000	11,171,714	4.98%	11,171,714	7.01%
500,001-1,000,000	172,549,086	76.86%	131,166,931	82.29%
1,000,001-1,500,000	2,430,528	1.08%	1,343,881	0.84%
1,500,001-2,000,000	3,530,848	1.57%	1,611,635	1.01%
More than 2,000,000	34,825,324	15.51%	14,105,197	8.85%
Total	224,507,500	100.00%	159,399,358	100.00%

Benefits covered per participant	Sum cover at the end of 2021			
	Total benefits covered			
	Before retakaful		After retakaful	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0 - 500,000	11,528,919	21.60%	11,475,157	34.15%
500,001-1,000,000	8,823,451	16.53%	8,178,673	24.34%
1,000,001-1,500,000	2,260,910	4.24%	1,214,104	3.61%
1,500,001-2,000,000	4,875,495	9.14%	2,299,894	6.84%
More than 2,000,000	25,880,570	48.49%	10,437,280	31.05%
Total	53,369,345	100.00%	33,605,108	100.00%

The amounts presented are showing total exposure of the PTF including exposure in respect of riders attached to the main policies.

b) Sources of uncertainty in the estimation of future benefit payments and contribution receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

The business is too new for any meaningful investigation into the group's past experience. However, industry experience, the insured group's own past experience and retakaful risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Variables	Change in Variable	Increase in liability 2022 (Rupees in '000')
Worsening of mortality rates for risk policies	+10% pa	1,061
Increase in reporting lag	+10% pa	1,061

The table below shows the level of respective variation in liabilities for change in each assumption while holding all other assumptions constant.

43.3 Liability Adequacy Test

Liability adequacy test is applied to all long term contracts. Liability adequacy test is carried out using current best estimates

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of assumptions and future net cash flows, including premiums receivable, benefits payable and investment income from related assets.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. We have compared our valuation mortality assumption (SLIC mortality table) with the mortality of developing Asian countries, namely: India and Malaysia. The comparison suggests that the best estimate assumption is better than the experience reflected in SLIC mortality table.

The investment return assumed for valuation is 3.75% per annum. This rate is prescribed by law. We have valued our liabilities based on the 10-Year PIB rate of 13.4% to determine adequacy.

The table below compares total policyholder liabilities in Unit Linked Business, Non unitised Investment Linked Business,

Assumptions	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
	----- Rupees in thousand -----	
Mortality	59,940,101	59,889,472
Investment Returns	59,940,101	59,935,124

Individual Life Conventional business and Individual Family Takaful Unit Linked Business under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

43.4 Financial Risk

Maturity profile of financial assets and liabilities:

	2022						Total
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one	Maturity after one	Sub total	Maturity upto one	Maturity after one	Sub total	
	----- Rupees in thousand -----						
Financial assets							
Investment							
Equity securities- quoted	-	-	-	28,859,061	-	28,859,061	28,859,061
Equity securities- unquoted	-	-	-	5,102,075	-	5,102,075	5,102,075
Debt securities	30,123,226	12,444,145	42,567,371	-	-	-	42,567,371
Term deposits	8,836,433	83,999	8,920,432	-	-	-	8,920,432
Investments of Window Takaful							
Operations - Operator's Fund	-	-	-	376,052	-	376,052	376,052
Loans and other receivables	794	2,170	2,964	1,465,344	72,226	1,537,570	1,540,534
Loan secured against life insurance policies	42,163	-	42,163	-	-	-	42,163
Insurance / reinsurance receivables							
- unsecured and considered good	-	-	-	8,586,697	-	8,586,697	8,586,697
Reinsurance recoveries against outstanding claims	-	-	-	14,873,098	-	14,873,098	14,873,098
Cash and bank	6,220,957	-	6,220,957	4,288,735	-	4,288,735	10,509,692
Other Assets of Window Takaful							
Operations - Operator's Fund	-	-	-	621,045	-	621,045	621,045
	45,223,573	12,530,314	57,753,887	64,172,107	72,226	64,244,333	121,998,220
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	20,726,702	-	20,726,702	20,726,702
Insurance / reinsurance payables	-	-	-	7,134,481	-	7,134,481	7,134,481
Borrowings	-	-	-	-	-	-	-
Other creditors and accruals	-	-	-	3,780,870	-	3,780,870	3,780,870
Total liabilities of Window Takaful							
Operations- Operator's Fund	-	-	-	384,973	-	384,973	384,973
	-	-	-	32,027,026	-	32,027,026	32,027,026
	45,223,573	12,530,314	57,753,887	32,145,081	72,226	32,217,307	89,971,194

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	2021						Total
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Financial assets							
Investment							
Equity securities- quoted	-	-	-	31,678,241	-	31,678,241	31,678,241
Equity securities- unquoted	-	-	-	6,336,120	-	6,336,120	6,336,120
Debt securities	17,664,677	7,954,340	25,619,017	-	-	-	25,619,017
Term deposits	14,367,467	83,999	14,451,466	-	-	-	14,451,466
Investments of Window Takaful							
Operations - Operator's Fund	-	-	-	113,326	-	113,326	113,326
Loans and other receivables	711	2,806	3,517	894,749	66,844	961,593	965,110
Loan secured against life insurance policies	39,499	-	39,499	-	-	-	39,499
Insurance / reinsurance receivables							
- unsecured and considered good	-	-	-	7,311,312	-	7,311,312	7,311,312
Reinsurance recoveries against outstanding claims	-	-	-	7,598,556	-	7,598,556	7,598,556
Cash and bank	10,420,916	-	10,420,916	1,479,210	-	1,479,210	11,900,126
Other Assets of Window Takaful							
Operations - Operator's Fund	-	-	-	577,232	-	577,232	577,232
	<u>42,493,270</u>	<u>8,041,145</u>	<u>50,534,415</u>	<u>55,988,746</u>	<u>66,844</u>	<u>56,055,590</u>	<u>106,590,005</u>
Financial liabilities							
Outstanding claims	-	-	-	12,686,045	-	12,686,045	12,686,045
Insurance / reinsurance payables	-	-	-	5,215,694	-	5,215,694	5,215,694
Borrowings	1,011,650	-	1,011,650	-	-	-	1,011,650
Other creditors and accruals	-	-	-	3,184,643	-	3,184,643	3,184,643
Total liabilities of Window Takaful							
Operations- Operator's Fund	-	-	-	278,531	-	278,531	278,531
	<u>1,011,650</u>	<u>-</u>	<u>1,011,650</u>	<u>21,364,913</u>	<u>-</u>	<u>21,364,913</u>	<u>22,376,563</u>
	<u>41,481,620</u>	<u>8,041,145</u>	<u>49,522,765</u>	<u>34,623,833</u>	<u>66,844</u>	<u>34,690,677</u>	<u>84,213,442</u>

The liabilities evaluated under the assumptions suggest the recognised liabilities are adequate and no further provision is required.

43.4.1 Interest / mark - up rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark - up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or are repaid in a given period. The Group

	Effective interest rate (%)		Carrying amounts	
	2022	2021	2022	2021
	Percentage		Rupees in thousand	
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	15.02 - 17.67	7.10 - 11.71	36,604,567	20,282,895
Loans	5.00	5.00	2,964	3,517
Floating rate of financial instruments				
Financial assets:				
Bank and term deposits	8.5 to 16.0	3.50 - 10.90	15,141,389	24,872,382
Investments - TFCs & Sukuks	9.03 - 16.24	6.30 - 12.97	5,962,804	5,336,122
Sensitivity analysis				

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manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Group's significant interest / mark-up bearing financial instruments was as follows:

Sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rate will not affect the fair value of any financial instruments. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk.

	Effect on profit before tax		Effect on equity	
	Increase	Decrease	Increase	Decrease
----- Rupees in thousand -----				
As at December 31, 2022 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	151,414	(151,414)	101,447	(101,447)
As at December 31, 2021 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	248,724	(248,724)	176,594	(176,594)

Currency risk

Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Parent Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Assets and liabilities exposed to foreign exchange risk amounted to Rs. 19,057,731 thousands (2021: Rs. 13,061,212 thousands) and Rs. 16,569,441 thousands (2021: Rs. 10,596,545 thousands), respectively, at the end of the year.

	2022	2021
----- Rupees -----		
Rupees per US Dollar		
Average rate	204.6470	162.8972
Reporting date rate	226.4309	176.5135
Rupees per AED		
Average rate	55.7163	44.3528
Reporting date rate	61.6524	48.0564

The following significant exchange rates were applied during the year:

Price risk

Price risk represents the risk that the fair value of financial instruments will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Group is exposed to equity price risk that arises as a result of changes in the levels of PSE - Index and the value of individual shares. The equity price risk arises from the Group's investment in equity securities for which the prices in the future are uncertain. The Group policy is to manage price risk through selection of blue

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chip securities.

The Group's strategy is to hold its strategic equity investments on a long term basis. Thus, Group is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Group strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity volatility. The Group manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Group has investments in quoted equity securities amounting to Rs. 28,859,058 thousands (2021: Rs. 31,678,241 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

For the equity investment portfolio, a 10% increase / (decrease) in redemption value and share prices at year end

	Impact on profit before tax	Impact on equity
	----- Rupees in thousand -----	
2022		
Effect of increase in share price	327,508	219,430
Effect of decrease in share price	(3,977,764)	(2,665,102)
2021		
Effect of increase in share price	721,953	512,587
Effect of decrease in share price	(2,201,232)	(1,562,875)

would have increased / (decreased) impairment loss of investment recognized in profit and loss account as follows:

43.5 Credit risk and concentration of 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 Group attempts to control credit risk by monitoring credit exposure by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Group's credit risk exposure is not significantly different from that reflected in those consolidated financial statements. The management monitors and limits the Group's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial

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

	2022	2021
	----- Rupees in thousand -----	
Investments	85,448,939	78,084,844
Loan secured against life insurance policies	42,163	39,499
Loans and other receivable	1,540,534	965,110
Due from insurance contract holders	8,066,572	6,283,750
Due from other insurers / other reinsurers	520,125	1,027,562
Reinsurance recoveries against outstanding claims	14,873,098	7,598,556
Salvage recoveries accrued	360,380	344,957
Bank deposits	10,509,692	11,900,126
	<u>121,361,503</u>	<u>106,244,404</u>

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assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

Provision for impairment is made for doubtful receivables according to the Group's policy. The impairment provision is written off when the Group expects that it cannot recover the balance due. The movement in the provision for doubtful debt account

2022 2021

----- Rupees in thousand -----

Age analysis of due from insurance contact holders (net of provision) is as follows:

Upto one year	7,714,868	5,917,910
Above one year	1,722,748	1,452,283
	9,437,616	7,370,193
Less: provision for doubtful balances	(1,371,044)	(1,086,443)
	8,066,572	6,283,750

is shown in note 12.2 and 12.3 to these consolidated financial statements.

	Rating		Rating Agency	2022	2021
	Short Term	Long Term		-----Rupees in thousand-----	
Abu Dhabi Commercial Bank	A1	A	S&P	1,093,728	362,605
Al Baraka Limited	A1	A+	PACRA	39,384	27,709
Allied Bank Limited	A1+	AAA	PACRA	-	6,070
Askari Bank Limited	A1+	AA+	PACRA	3,173	834
Bank Al Habib Limited	A1+	AAA	PACRA	27,259	15,764
Bank Al Habib Limited - Islamic	Not available	Not available	Not available	-	-
Bank Alfalah Limited	A1+	AA+	PACRA	1,800,509	851,382
Bank Islami Pakistan Limited	A1	AA+	PACRA	1,044,874	507,952
Dubai Islamic Bank Pakistan Limited	A1+	A+	JCR-VIS	1,325,017	117,124
Faysal Bank Limited	A1+	AA	PACRA	792,884	28,687
FINCA Micro Finance Bank Limited	A1	AA	PACRA	390	3,909
First Abu Dhabi Bank	A1+	AA-	S&P	31,151	144,169
Habib Bank Limited	A1+	AAA	JCR-VIS	156,929	6,912,689
Habib Metropolitan Bank	A1+	AA+	PACRA	6,100	3,274
Khushhali Microfinance Bank Limited	A-2	A	JCR-VIS	20,686	7,925
MCB Bank Limited	A1+	AAA	PACRA	3,582,353	1,505,069
MCB Islamic Bank Limited	A1	A	PACRA	227,821	314,517
Mobilink Microfinance Bank	A1	A	PACRA	28,467	49,797
National Bank of Pakistan	A1+	AAA	PACRA	15,303	16,906
NRSP Microfinance Bank Limited	A1	A	PACRA	3,279	3,067
Samba Bank Limited	A1	AA	JCR-VIS	15,563	9,658
Silk Bank Limited	A1	AA	JCR-VIS	2,791	6,667
Soneri Bank Limited	A1+	AA-	PACRA	1	1
Standard Chartered Bank	A1+	AAA	PACRA	88,564	84,937
Telenor Microfinance Bank Limited	A1	A	PACRA	460	20,239
The Punjab Provincial Cooperative Bank Limited	Not available	Not available	Not available	3,425	3,425
United Bank Limited	A1+	AAA	JCR-VIS	162,552	230,184
U Microfinance Bank Limited	A1	A+	JCR-VIS	5,728	467,876
Zarai Taraqjati Bank Limited	A1+	AAA	JCR-VIS	3,694	177,136
				10,482,085	11,879,572

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The credit quality of Group's bank balance can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2022	2021
----- Rupees in thousand -----				
A or Above (including PRCL)	714,577	11,532,550	12,247,127	6,933,097
BBB	3,575	2,220,864	2,224,439	915,472
Others	3,275	1,119,684	1,122,959	978,851
Total	721,427	14,873,098	15,594,525	8,827,420

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

43.6 Capital risk management

The Group's goals and objectives when managing capital are :

- To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers as at 31 December 2022 is Rs. 500,000 thousands whereas for life insurers as at 31 December 2022 is Rs. 700,000 thousands. The Group's current paid-up capital is well in excess of the limit prescribed by the SECP;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain strong ratings and to protect the Group against unexpected events / losses; and
- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

43.7 Expense risk

The risk that the Group faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Group mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the Group to adjust its pricing in time to account for higher than expected expenses.

The Group closely monitors its expenses by regularly carrying out an expense analysis for its business. The assumptions for future policy expense levels are determined from the Group's most recent annual expense analysis, with an extra margin built-in to account for variability in future expenses. A review of product pricing is carried out each year based on the latest available expense factors. Constant monitoring of expenses enables the Group to take corrective actions in time.

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Based on the results of expense analysis, the Group apportions its management expenses to different lines of business.

44 Fair value measurement of financial instruments

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.

Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Group to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes

		2022										
		Available for sale	Held to maturity	Fair value through P&L	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		----- Rupees in thousand -----										
Financial assets - measured at fair value												
Investment												
	8	12,561,980	-	16,297,081	-	-	-	28,859,061	28,859,061	-	-	28,859,061
	8	5,102,075	-	-	-	-	-	5,102,075	-	-	5,102,075	5,102,075
	9	-	382,288	42,185,083	-	-	-	42,567,371	-	42,567,371	-	42,567,371
	15	251,052	125,000	-	-	-	-	376,052	376,052	-	-	376,052
Financial assets - not measured at fair value												
	11	-	-	-	1,540,534	-	-	1,540,534	-	-	-	-
		-	-	-	42,163	-	-	42,163	-	-	-	-
	10	-	8,920,432	-	-	-	-	8,920,432	-	-	-	-
	12	-	-	-	8,586,697	-	-	8,586,697	-	-	-	-
		-	-	-	14,873,098	-	-	14,873,098	-	-	-	-
	14	-	-	-	-	10,509,692	-	10,509,692	-	-	-	-
	15	-	-	-	456,830	164,215	-	621,045	-	-	-	-
		17,915,107	9,427,720	58,482,164	25,499,322	10,673,907	-	121,998,220	29,235,113	42,567,371	5,102,075	76,904,559
Financial liabilities - not measured at fair value												
Underwriting provisions:												
	29	-	-	-	-	-	20,726,702	20,726,702	-	-	-	-
		-	-	-	-	-	7,134,481	7,134,481	-	-	-	-
	22	-	-	-	-	-	-	-	-	-	-	-
	25	-	-	-	-	-	3,780,870	3,780,870	-	-	-	-
	15	-	-	-	-	-	384,973	384,973	-	-	-	-
		-	-	-	-	-	32,027,026	32,027,026	-	-	-	-

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

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44.1 Fair value measurement of financial instruments

		2021									
	Available for sale	Held to maturity	Fair value through P&L	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note Rupees in thousand											
Financial assets - measured at fair value											
Investment											
	8	14,841,107	-	16,837,134	-	-	31,678,241	31,678,241	-	-	31,678,241
	8	6,336,120	-	-	-	-	6,336,120	-	-	6,336,120	6,336,120
	9	98,412	377,652	25,142,953	-	-	25,619,017	-	25,619,017	-	25,619,017
	15	38,326	75,000	-	-	-	113,326	38,326	-	-	38,326
Financial assets - not measured at fair value											
	11	-	-	-	965,110	-	965,110	-	-	-	-
		-	-	-	39,499	-	39,499	-	-	-	-
	10	-	14,451,466	-	-	-	14,451,466	-	-	-	-
	12	-	-	-	7,311,312	-	7,311,312	-	-	-	-
	14	-	-	-	7,598,556	-	7,598,556	-	-	-	-
	15	-	-	-	312,997	264,235	577,232	-	-	-	-
		21,313,965	14,904,118	41,980,087	16,227,474	12,164,361	106,590,005	31,716,567	25,619,017	6,336,120	63,671,704
Financial liabilities - not measured at fair value											
Underwriting provisions:											
	29	-	-	-	-	12,686,045	12,686,045	-	-	-	-
	22	-	-	-	-	5,215,694	5,215,694	-	-	-	-
	25	-	-	-	-	1,011,650	1,011,650	-	-	-	-
	15	-	-	-	-	3,184,643	3,184,643	-	-	-	-
		-	-	-	-	278,531	278,531	-	-	-	-
		-	-	-	-	22,376,563	22,376,563	-	-	-	-

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

have occurred.

45 Non - Adjusting events after the statement of financial position date

The Board of Directors of the Parent Company in their meeting held on March 21, 2023 proposed a final cash dividend for the year ended December 31, 2022 @ 15% i.e. Rupees 1.5/- share (2021: 15% i.e. Rupees 1.5/- share). This is in addition to the interim cash dividend @ 15% i.e. Rupees 1.5/- per share (2021: 15% i.e. Rupee 1.5/- per share) resulting in a total cash dividend for the year ended December 31, 2022 of Rupees 3/- per share (2021: Rupees 3/- share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2022 do not include the effect of final dividend which will be accounted for in the financial

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

statements for the year ending December 31, 2023.

46 Number of employees

	2022	2021
	----- Number -----	
As at 31 December		
Parent Company	938	921
Subsidiary Company	1,742	1,991
Average during the year		
Parent Company	924	910
Subsidiary Company	1,866	1,900

The total average number of employees during the year and as at December 31, 2022 and 2021, are as follows:

47 Corresponding figures

Reclassification / rearrangement of corresponding figures have been made in these consolidated financial statements wherever necessary.

48 Date of authorization for issue

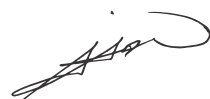
These unconsolidated financial statements were authorized for issue on March 21, 2023 by the Board of Directors of the Company.

49 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer



WINDOW TAKAFUL OPERATIONS



Shariah Advisor Profile

Mufti Muhammad Hassaan Kaleem

Mufti Muhammad Hassaan Kaleem is a renowned figure in the field of Islamic Finance. He is considered as one of the most revered Shariah scholar in the Islamic Finance industry, who sits on the Shariah Advisory Boards of numerous financial institutions, Islamic investment Funds and Takaful Companies, including Al-Ameen UBL Funds, Adamjee Takaful, State Life-Window Takaful Operations, Pak Qatar Family Takaful Ltd-Pakistan, Hanover Re Takaful –Bahrain and Takaful Emirate-UAE etc.



In addition, Mufti Hassaan is a Shariah Consultant of Deloitte (Global Islamic Finance Team), Trainer of Shariah Standard, a member of subcommittee of Shariah Standards at AAOIFI-Bahrain, Visiting faculty member of National Institute of Banking and Finance (State Bank of Pakistan) and Center for Excellence in Islamic Finance (CEIF)-IBA and a permanent faculty member of Center for Islamic Economics Karachi. Furthermore, he was former Shariah Advisor of Bank Al Baraka and Chairman Shariah board of SECP.

Statement of Compliance with the Shariah Principles

As at 31 December 2022

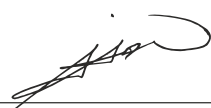
The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the Adamjee Insurance Company Limited (the Company') for the year ended 31 December 2022 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

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

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

Lahore: March 21, 2023



Shaikh Muhammad Jawed
Director



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of Adamjee Insurance Company Limited ('the Company') to report on the management's assessment of compliance of the Window Takaful Operations ('Takaful Operations') of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2022, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

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

Responsibilities of the management

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

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, the Board of Directors, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

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

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

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by

the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

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

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

The procedures performed included:

- Evaluating the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shariah Advisor and the board of directors;
- Testing for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended December 31, 2022 with the Takaful Rules, 2012.

Conclusion

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

In our opinion, the annexed statement, for the year ended December 31, 2022, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.



Chartered Accountants

Engagement Partner: Rana M. Usman Khan

Place: Lahore

Date: March 21, 2023

Shariah Advisor's Report to the Board of Directors

As at 31 December 2022

الحمد لله رب العالمين والصلوة والسلام على سيد الانبياء والمرسلين وبعد!

I have reviewed Takaful products, details of underwriting and other related documents, as well as, the Participant Takaful Fund (PTF) Policy, PTF pool position, Investment Policy, Re-Takaful arrangements, claims details and the related transactions of Adamjee Insurance – Window Takaful Operations (hereafter referred to as “Takaful Operator”).

I acknowledge that as Shariah Advisor of Takaful Operator, it is my responsibility to approve the above mentioned document and ensure that the financial arrangements, contracts and transactions entered into by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles.

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

The Takaful Operator's activities, operations are periodically checked and monitored by Shariah Advisor.

In my opinion and to the best of my understanding based on the provided information and explanations:

- i. Transactions undertaken by the Takaful Operator were in accordance with guidelines issued by Shariah Advisor as well as requirements of Takaful Rules 2012 and General Takaful Accounting Regulations 2019;
- ii. The investments have been done from the Participant's Takaful Fund and Operator's Fund into Shariah Compliant avenues with Shariah Approval. Further, all bank accounts related to Window Takaful Operations have been opened in Islamic Banking Institutions (IBIs) with Shariah Approval; and
- iii. The transactions and activities of Window Takaful Operations are in accordance with the Shariah principles in respect of the Participant's Takaful Fund (Waqf Fund) and Operator's Fund.

And Allah knows best



Date: March 21, 2023

Mufti Muhammad Hassaan Kaleem
Shariah Advisor

INDEPENDENT AUDITOR'S REPORT

To the Members of Adamjee Insurance Company Limited Window Takaful Operations Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Adamjee Insurance Company Limited – Window Takaful Operations (the 'Operator'), which comprise the statement of financial position of OPF and PTF as at December 31, 2022, and the statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholder's equity and participants' takaful funds, and the cash flow statement 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, statement of financial position of OTP and PTF, the statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholders equity and participants' takaful funds, and the cash flow Statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Operator's affairs as at December 31, 2022 and of the profit, total comprehensive income, the changes in shareholders equity and participants' takaful funds and its cash flow statement for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of 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 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 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000, the Takaful Rules, 2012, the General Takaful Accounting Regulations, 2019 and the Companies Act, 2017 (XIX of 2017);
- b) statement of financial position of OTF and PTF, the statement of profit and loss, the statement of comprehensive income, the statement of changes in Shareholders Equity and participants' takaful funds, and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000, the Takaful Rules, 2012, the General Takaful Accounting Regulations, 2019 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.



Chartered Accountants

Place: Lahore

Date: March 29, 2023

Statement of Financial Position of OPF and PTF

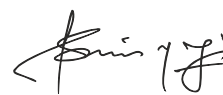
As at 31 December 2022

	Note	Operator's Takaful Fund		Participants' Takaful Fund	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		Rupees in thousand		Rupees in thousand	
ASSETS					
Qard-e-Hasna to Participants' Takaful Fund					
		221,460	146,460	-	-
Property and equipment	5	46,276	22,883	-	-
Intangible assets	6	6,047	10,409	-	-
Investments					
Equity securities	7	251,052	38,326	147,762	53,900
Debt securities	8	125,000	75,000	37,500	125,000
Term Deposits	9	-	-	150,000	50,000
Loans and other receivables	11	14,617	13,009	161,165	72,157
Takaful / re - takaful receivables	12	-	-	653,424	423,514
Re - takaful recoveries against outstanding claims		-	-	147,898	144,551
Salvage recoveries accrued		-	-	78,872	46,385
Wakala and mudarib fee receivable		146,414	108,181	-	-
Deferred commission expense	23	74,339	45,347	-	-
Prepayments	13	-	-	144,099	125,530
Cash and bank	14	164,215	264,235	619,465	522,515
		827,960	577,390	2,140,185	1,563,552
TOTAL ASSETS		1,049,420	723,850	2,140,185	1,563,552
FUNDS AND LIABILITIES					
Funds attributable to Operator's and Participants'					
Operator's Takaful Fund					
Statutory fund		50,000	50,000	-	-
Reserves		-	968	-	-
Unappropriated profit		614,447	394,351	-	-
		664,447	445,319	-	-
Waqf / Participants' Takaful Fund					
Ceded money		-	-	500	500
Reserves		-	-	-	11
Accumulated surplus		-	-	199,477	239,134
		-	-	199,977	239,645
Qard-e-Hasna from Operator's Takaful Fund					
		-	-	221,460	146,460
Liabilities					
Underwriting provisions					
Outstanding claims including IBNR	21	-	-	524,563	354,540
Unearned contribution reserve	19	-	-	663,817	441,519
Unearned retakaful rebate	20	-	-	25,251	22,466
Contribution deficiency reserve		-	-	14,488	12,582
Retirement benefit obligations		3,878	3,878	-	-
Deferred taxation	16	1,431	456	-	4
Contribution received in advance		-	-	72,759	67,232
Takaful / re - takaful payables	15	-	-	186,586	96,834
Wakala and mudarib fee payable		-	-	146,414	108,181
Unearned wakala fee	24	274,883	191,460	-	-
Other creditors and accruals	17	93,443	64,872	76,028	69,834
Taxation - provision less payments		11,338	17,865	8,842	4,255
Total Liabilities		384,973	278,531	1,718,748	1,177,447
TOTAL FUNDS AND LIABILITIES		1,049,420	723,850	2,140,185	1,563,552
Contingencies and commitments	18				

The annexed notes from 1 to 40 form an integral part of these financial statements.


Umer Mansha
Chairman

Shaikh Muhammad Jawed
Director

Khawaja Jalaluddin
Director

Muhammad Asim Nagi
Chief Financial Officer

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Statement of Profit or Loss Account

For the Year Ended 31 December 2022

2022 2021
----- Rupees in thousand -----

PARTICIPANTS' TAKAFUL FUND - REVENUE ACCOUNT

Contributions earned		1,567,393	1,001,560
Contributions ceded to retakaful		(415,674)	(347,518)
Net contribution revenue	19	1,151,719	654,042
Retakaful rebate earned	20	75,398	63,928
Net underwriting income		1,227,117	717,970
Net takaful claims - reported / settled	21	(1,279,142)	(597,232)
Charge of contribution deficiency reserve		(1,906)	(12,582)
		(1,281,048)	(609,814)
Other direct expenses	22	(47,877)	(69,043)
(Deficit) / surplus before investment income		(101,808)	39,113
Investment income	26	56,053	15,720
Other income	27	50,228	26,073
Mudarib's share of investment income	3.26	(11,211)	(3,144)
(Deficit) / surplus before taxation		(6,738)	77,762
Taxation expense	29	(32,919)	(11,208)
(Deficit) / surplus after taxation		(39,657)	66,554

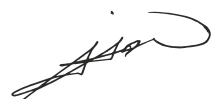
OPERATOR'S TAKAFUL FUND - REVENUE ACCOUNT

Wakala fee	24	640,740	430,587
Commission expense	23	(174,748)	(137,910)
General, administrative and management expenses	25	(205,845)	(172,925)
		260,147	119,752
Other income	27	48,280	17,852
Mudarib's share of PTF investment income	3.26	11,211	3,144
Investment income	26	22,797	2,340
Direct expenses	28	(3,858)	(3,821)
Profit before taxation		338,577	139,267
Taxation expense	29	(118,481)	(40,388)
Profit after taxation		220,096	98,879

The annexed notes from 1 to 40 form an integral part of these financial statements.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Statement of Comprehensive Income

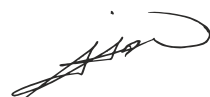
For the Year Ended 31 December 2022

	2022	2021
	----- Rupees in thousand -----	
PARTICIPANTS' TAKAFUL FUND		
(Deficit) / surplus after taxation	(39,657)	66,554
Other comprehensive income:		
Unrealized losses on available-for-sale investment- net of tax	(11)	(425)
Total comprehensive (deficit) / surplus for the year	(39,668)	66,129
OPERATOR'S TAKAFUL FUND		
Profit after taxation	220,096	98,879
Other comprehensive income:		
Unrealized (loss) / gain on available-for-sale investment- net of tax	(968)	85
Total comprehensive income for the year	219,128	98,964

The annexed notes from 1 to 40 form an integral part of these financial statements.



Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Statement of Changes in Shareholders Equity and Participants' Takaful Funds

For the Year Ended 31 December 2022

	Operator's Takaful Fund			Total
	Statutory fund	Unappropriated profit	Fair value reserves	
----- Rupees in thousand -----				
Balance as at December 31, 2020	50,000	295,472	883	346,355
Profit after taxation	-	98,879	-	98,879
Other comprehensive income for the year	-	-	85	85
Total comprehensive income for the year	-	98,879	85	98,964
Balance as at December 31, 2021	50,000	394,351	968	445,319
Profit after taxation	-	220,096	-	220,096
Other comprehensive loss for the year	-	-	(968)	(968)
Total comprehensive income for the year	-	220,096	(968)	219,128
Balance as at December 31, 2022	50,000	614,447	-	664,447

	Participants' Takaful Fund			Total
	Ceded money	Accumulated surplus / (deficit)	Fair value reserves	
----- Rupees in thousand -----				
Balance as at December 31, 2020	500	172,580	436	173,516
Surplus for the year	-	66,554	-	66,554
Other comprehensive deficit for the year	-	-	(425)	(425)
Total comprehensive surplus for the year	-	66,554	(425)	66,129
Balance as at December 31, 2021	500	239,134	11	239,645
Deficit for the year	-	(39,657)	-	(39,657)
Other comprehensive deficit for the year	-	-	(11)	(11)
Total comprehensive deficit for the year	-	(39,657)	(11)	(39,668)
Balance as at December 31, 2022	500	199,477	-	199,977

The annexed notes from 1 to 40 form an integral part of these financial statements.



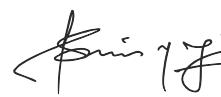
Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

1 Legal status and nature of business

Adamjee Insurance Company Limited ("the Operator") is a public limited company incorporated in Pakistan on September 28, 1960 under the Companies Act, 1913 (now the Companies Act, 2017). The Operator is listed on Pakistan Stock Exchange and is engaged in general takaful business comprising fire & property, marine aviation & transport, motor, accident & health and miscellaneous. The registered office of the Operator is situated at Adamjee House, 80/A, Block E-1, Main Boulevard, Gulberg-III, Lahore. The Operator operates 3 (2021: 3) branches within Pakistan.

The Operator was granted authorization on December, 23 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations ("WTO") in respect of general takaful products by the Securities and Exchange Commission of Pakistan ("SECP").

For the purpose of carrying on the Takaful business, the Operator has formed a Waqf (Participants' Takaful Fund (PTF)) on January 01, 2016 under the Waqf deed with a ceded money of Rs.500,000. The Waqf deed govern the relationship of Operator and Participants' for management of Takaful operations.

2 Basis of preparation and statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountant of Pakistan (ICAP) as or notified under companies act 2017; and
- Provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017, the Takaful Rules 2012, and General Takaful Accounting Regulations 2019.

Where the provisions of and directives issued under the Companies Act, 2017 differ, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, General Takaful Accounting Regulations 2019 and the Takaful Rules, 2012 shall prevail.

2.1 Basis of measurement

These financial statements have been prepared under historical cost convention except for available for sale investments carried at fair value and retirement benefit obligation under employees' benefits carried at present value. All transaction reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Operator operates ("the functional currency"). The financial statements are presented in Pak Rupees, which is the Operator's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in rupee, unless otherwise stated.

2.3 Amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on or after January 01, 2022:

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

2.4 Amendments and IFRS interpretations that are not yet effective

The following amendments will be effective for accounting periods beginning on or after January 01, 2022:

Standards or Interpretations	Effective from accounting period beginning on or after:
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies.	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 16 'Leases' - Clarification on how seller-lessee subsequently measures sale and leaseback transactions.	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

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

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2022 but are considered either not to be relevant or do not have any significant impact on these financial statements.

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has become applicable, however as an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

3 Summary of significant accounting policies

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

3.1 Property and equipment

Owned operating assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment.

Cost comprises of purchase price including import duties and non-refundable purchase taxes after deducting trade discounts, rebates and includes other costs directly attributable to the acquisition or construction including expenditures on the material, labor and overheads directly relating to constructions, and installation of operating assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Operator and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation is charged to profit and loss applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

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

An item of equipment is derecognized upon disposals when no future economic benefits are expected from its use or disposals. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

3.2 Intangible assets

These are stated at cost less accumulated amortization and any provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Operator. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each statement of financial position date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Operator.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.3 Takaful contracts

Takaful contracts are based on the principles of Wakala. Takaful contracts so agreed usually inspire concept of tabarru (to donate benefits to others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Takaful contracts are those contracts whereby the PTF has accepted significant takaful risk from the participants' by agreeing to compensate the participants' if a specified uncertain future event (the takaful event) adversely affects the participants'.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

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

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

Takaful contracts issued by the PTF are generally classified in five basic categories i.e. Fire & property, Marine aviation and transport, Motor, Accident & health and Miscellaneous.

- Fire & property Takaful contracts generally cover the assets of the participants against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful properties in their business activities.
- Marine aviation and transport Takaful contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel, etc.
- Motor Takaful contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.
- Accident & health Takaful contracts mainly compensate hospitalization and out-patient medical coverage to the participant.
- Miscellaneous Takaful contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, etc.

In addition to direct takaful, the PTF also participates in risks under co-takaful contracts from other takaful funds and also accepts risks through re-takaful inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Operator. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

3.4 Deferred commission expense/ acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of Takaful contract and is recognized as an asset. It is calculated in accordance with the pattern of its related provision for unearned contribution.

3.5 Unearned contributions

Unearned contribution is determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day except for marine cargo, where unearned contribution is determined as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

Administrative surcharge is recognized as a contribution at the time the policies are written and is included in above mentioned calculations.

3.6 Contribution deficiency reserve

The Operator maintains a provision in respect of contribution deficiency (also called unexpired risk reserve) for the class of business where the unearned contribution liability is not adequate to meet the expected future liability, after re-takaful, from claims and other supplementary expenses expected to be incurred after the date of financial statements in respect of the unexpired takaful policies in that class of business at the statement of financial position date.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

For this purpose, contribution deficiency reserve is determined by independent actuary. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned contributions and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with Unearned Contribution Reserve (UCR) shows whether UCR is adequate to cover the unexpired risks. If these ratios are adverse, contribution deficiency is determined.

Based on actuary's advice, the management has created a reserve for the same in these financial statements. The movement in the contribution deficiency reserve is recorded as an expense / income in profit and loss account for the year.

3.7 Re-Takaful contracts held

These are contracts entered into by the Operator with re-takaful operators for compensation of losses suffered on Takaful contracts issued. These Re-Takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of Takaful contracts for the purpose of these financial statements. The Operator recognizes the entitled benefits under the contracts as various re-takaful assets and liabilities.

Re-takaful Contribution is recognized as an expense at the time the re-takaful is ceded. Rebate from re-takaful is recognized in accordance with the policy of recognizing contribution revenue. The portion of re-takaful contribution not recognized as an expense is shown as a prepayment.

Re-takaful assets represent balances due from re-takaful operators and re-takaful recoveries against outstanding claims. Due from re-takaful operators are carried at cost less any provision for impairment (if any). Cost represents the fair value of the consideration to be received. Re-takaful recoveries against outstanding claims are measured at the amount expected to be received.

Re-takaful liabilities represent balances due to re-takaful operators and are primarily re-takaful contributions payable for Re-Takaful contracts and are recognized at the same time when re-takaful contributions are recognized as an expense.

Re-takaful assets are not offset against related takaful liabilities. Income or expense from Re-Takaful contracts are not offset against expenses or income from related Takaful contracts.

Re-takaful assets/liabilities are derecognized when the contractual rights are extinguished or expired.

An impairment review of re-takaful assets is performed at each statement of financial position date. If there is an objective evidence that the asset is impaired, the Operator reduces the carrying amount of that re-takaful asset to its receivable amount and recognize the impairment loss in profit and loss account.

3.8 Receivables and payables related to Takaful contracts

Receivables and payables, other than claim payables, relating to Takaful contracts are recognized when due. The claim payable is recorded when an intimation is received. These include contributions due but unpaid, contribution received in advance, contributions due and claims payable to participants. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

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

3.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

A business segment is a distinguishable component of the Operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the Insurance Rules,

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of takaful contracts issued, the Operator has five primary business segments for reporting purposes namely Fire & property, marine aviation & transport, motor, accident & health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 3.3 of these financial statements. Since the operation of the Operator are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of Cash Flow Statement, cash and cash equivalents comprise of cash in hand, policy stamps and bank balances.

3.11 Revenue recognition

3.11.1 Contribution

Contribution including administrative surcharge under a Takaful contracts are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where contributions for a policy are payable in installments, full contribution for the duration of the policy is recognized as written, where the first such installment has been duly received by the Takaful operator, at the inception of the policy and related assets is recognized for contribution receivable.

Revenue from contribution(s) is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognized as a liability.

Re-takaful contribution is recognized as expense after taking into account the proportion of deferred contribution expense which is recognized as a proportion of the gross re-takaful contribution of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The deferred portion of contribution expense is recognized as a prepayment.

3.11.2 Rebate from re-takaful operators

Rebate from re-takaful operators is deferred and recognized as revenue in accordance with the pattern of recognition of the re-takaful contribution ceded to which it relates.

3.11.3 Investment income

- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- Dividend income is recognized when the Operator's right to receive the dividend is established.
- Profit on saving accounts is recognized on accrual basis.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

3.12 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are recognized and classified as follows:

- Investment at fair value through profit and loss account
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired. The Operator does not have any 'investment at fair value through profit and loss account' at the statement of financial position date.

3.12.1 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit and loss account' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost.

3.12.2 Fair / market value measurements

For investments in Mutual funds fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to the Pakistan Stock Exchange limited quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the MUFAP.

3.12.3 Date of recognition

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

3.13 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Operator has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

3.14 Creditors, accruals, provisions and contingencies

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

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

Provisions are recognized when the Operator has a legal or constructive obligation as a result of a past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The provisions are reviewed at statement of financial position date and adjusted to reflect current best estimates.

Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

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

The Operator recognizes liability in respect of all claims incurred up to the statement of financial position date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the Takaful contract(s). The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, and any adjustments to claims outstanding from previous years.

SECP through its circular 9 of 2016, dated March 09, 2016, issued 'SEC guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016' ('Guidelines') and the Operator is required to comply with all provisions of these guidelines with effect from July 01, 2016.

The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed method "Chain Ladder Method (CLM)" and other alternate method as allowed under the provisions of the Guidelines. The CLM involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

As required under the guidelines, the Operator uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at December 31, 2022 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.16 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred taxation is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred taxation is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to Statement of Comprehensive Income in which case it is included in Statement of Comprehensive Income.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

3.17 Employees' benefit

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Operator and measured on an undiscounted basis. The accounting policy for employees retirement benefits is described below:

3.17.1 Defined contribution plan

The Operator operates an approved contributory provident fund scheme for all its eligible employees at entity level. Equal monthly contributions to the fund are made by the WTO and its employees at the rate of 8.33% of basic salary.

3.17.2 Defined benefit plans

The Operator operates a funded gratuity scheme for its employees at end of service benefits. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

3.17.3 Employees' compensated absences

The Operator accounts for these benefits in the period in which the absences are earned.

Employees are entitled to 30 days earned leave in a calendar year. They can accumulate up to 60 days leave. At the end of each calendar year, excess of leave balance over 60 days lapse. Employee must take 1 period of annual leave of at least 10 days in one stretch each calendar year. Encashment of leave is allowed at 1/30 of monthly gross salary per day. Serving employee can encash leave accumulated over 20 days. Minimum encashment is 16 calendar days and the ratio of encash leave can not exceed 4:1. Separating employees can encash 100% of their accumulated leave.

3.18 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of Operator's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

3.19 Claims expense

Claims are charged against PTF income as incurred based on estimated liability for compensation owed under the Takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

3.20 Takaful surplus

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

3.21 Management expenses

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross contribution written. Expenses not allocable to the underwriting business are charged as other expenses. Management expense of the Operator are charged to the Operator's Takaful Fund.

3.22 Financial instruments

Financial assets and liabilities are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument and de-recognized when the Operator loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account.

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, contribution due but unpaid, amount due from other takaful / re-takaful, contribution and claim reserves retained by cedants, accrued investment income, re-takaful recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other takaful / re-takaful, accrued expenses, other creditors and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.23 Commission expense / acquisition cost

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

3.24 Wakala fee

The Operator manages the general takaful operations for the participants and charge wakala fee to PTF on gross contribution written including administrative surcharge to meet the general and administrative expenses of the operator including commission to agents at following rates:

Wakala fee is recognized on issuance of takaful contract. Wakala fee is recognized as income in OTF on the same basis on which the related contribution revenue is recognized in PTF. Unearned portion of Wakala fee is recognized as a liability in OTF and an asset in PTF.

Class	2022	2021
	Percentage	
Fire & property	28.0%	28.0%
Marine aviation & transport	35.0%	35.0%
Motor	32.5%	32.5%
Accident & health	25.0%	25.0%
Miscellaneous	25.0%	25.0%

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

3.25 Qard-e-Hasna

If there is a deficit of admissible assets over liabilities in PTF, the Operator from the Operators Fund may provide Qard-e-Hasna to PTF so that PTF may become solvent as per Takaful Rules, 2012.

Qard-e-Hasna from PTF can be recovered by the Operator over any period of time without charging any profit.

3.26 Mudarib's fee

The Operator manages the participants' investment as Mudarib and charges 20% of the investment income earned by the PTF as Mudarib's fee. It is recognized on the same basis on which related revenue is recognized.

4 Critical accounting estimates and judgements

4.1 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

	Note
- Employee benefit	3.17
- Provision for outstanding claims (including IBNR) and re-takaful recoveries there against	3.15
- Residual values and useful lives of property and equipment	3.1
- Residual values and useful lives of intangible assets	3.2
- Taxation	3.16
- Segment reporting	3.9

5 Property and equipment

	Note	2022	2021
----- Rupees in thousand -----			
Operating assets	5.1	36,645	18,903
Capital work in progress	5.2	9,631	3,980
		46,276	22,883

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

5.1 Operating assets

	December 31, 2022											Rate
	Cost				Depreciation					Book value		
	As at 01 Jan 2022	Transfers	Additions	Disposals	As at 31 Dec 2022	As at 01 Jan 2022	Acc. Dep on Transfers	Charge for the year	On disposal	As at 31 Dec 2022	As at 31 Dec 2022	
----- Rupees in thousand -----												
Motor vehicles	27,809	-	22,305	(2,335)	47,779	10,444	-	3,547	(899)	13,092	34,687	15%
Office equipment	691	-	182	-	873	228	-	68	-	296	577	15%
Computer and related accessories	2,024	-	683	-	2,707	1,332	-	320	-	1,652	1,055	30%
Furniture and Fixture	632	-	-	-	632	249	-	57	-	306	326	15%
Total	31,156	-	23,170	(2,335)	51,991	12,253	-	3,992	(899)	15,346	36,645	

	December 31, 2021											Rate
	Cost				Depreciation					Book value		
	As at 01 Jan 2021	Transfers	Additions / Transfers	Disposals	As at 31 Dec 2021	As at 01 Jan 2021	Acc. Dep on Transfers	Charge for the year	On disposal	As at 31 Dec 2021	As at 31 Dec 2021	
----- Rupees in thousand -----												
Motor vehicles	24,300	-	3,509	-	27,809	7,383	-	3,061	-	10,444	17,365	15%
Office equipment	691	-	-	-	691	146	-	82	-	228	463	15%
Computer and related accessories	1,940	-	84	-	2,024	1,059	-	273	-	1,332	692	30%
Furniture and Fixture	632	-	-	-	632	182	-	67	-	249	383	15%
Total	27,563	-	3,593	-	31,156	8,770	-	3,483	-	12,253	18,903	

5.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Acc. Depreciation	Book Value	Sale Proceeds	Mode of disposal	Relationship	Particulars of purchaser
----- Rupees in thousand -----							
Motor vehicles (Owned)							
Honda Classic (AFS-611)	1,605	890	715	715	Negotiation	Parent company	Conventional
Suzuki Cultus (AZG-957)	267	3	264	880	Auction	Independent third party	Ali Ameer Adnan
Suzuki Cultus (AYV-963)	245	3	242	591	Auction	Independent third party	Muhammad Naeem Ahmed
Honda Civic (AUK-814)	218	3	215	1,021	Auction	Independent third party	Hafiz Muhammad Tahir
Grand Total	2,335	899	1,436	3,207			

Operator's Takaful Fund	
2022	2021
----- Rupees in thousand -----	
3,980	2,000
5,651	2,680
-	(700)
9,631	3,980

5.2 Capital work in progress

Opening balance	3,980	2,000
Additions during the year	5,651	2,680
Transfer to intangibles	-	(700)
Closing balance	9,631	3,980

This represent amount advanced to Ozoned Digital (Private) Limited. for digital platform of motor Takaful.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

	Note	Operator's Takaful Fund	
		2022	2021
----- Rupees in thousand -----			
6 Intangible assets			
Intangible assets	6.1	6,047	10,409
		6,047	10,409
6.1 Operating Assets-Intangible			
Opening balance - net book value		10,409	12,421
Transfer from Capital work-in-progress		-	700
Addition during the year		1,124	2,240
Book value of disposal during the year		-	-
Amortization charged during the year		(5,486)	(4,952)
		(5,486)	(4,952)
Closing balance		6,047	10,409

No. of Units		Face Value	Value of Units	
December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
----- Rupees in thousand -----				

7 Investments in equity securities

Operator's Takaful Fund

Available for sale

Mutual fund

	No. of Units	Face Value	Value of Units
	December 31, 2022	December 31, 2021	December 31, 2022
Meezan Islamic Income Fund	-	766,531	50.00
HBL Islamic Money Market Fund	746,052	-	101.20
NBP Islamicdaily Dividend Fund	7,457,521	-	10.10
ABL Islamic Cash Fund	5,010,464	-	10.00
Al Ameen Islamic Cash Fund Plan 1	500,532	-	100.00
Unrealized gain on revaluation			1,363
			251,052
			38,326

These represent investment in Mutual Funds which carries profit ranging from 14.75% to 15% per annum.

No. of Units		Face Value	Value of Units	
December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
----- Rupees in thousand -----				

Participants' Takaful Fund

Available for sale

Mutual fund

	No. of Units	Face Value	Value of Units
	December 31, 2022	December 31, 2021	December 31, 2022
Al Hamra Islamic Income Fund	1,484,733	-	100
Al Hamra Daily Dividend Fund	155	508,710	100
Unrealized gain on revaluation			15
			147,762
			53,900

These represent investment in Mutual Funds which carries profit ranging from 14.75% to 15% per annum.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

8 Investments in debt securities

Operator's Takaful Fund

Held - to - maturity

Sukuk certificates

Pak Electron Limited (PEL)
K-Electric

	No. of Units		Face Value	Value of Certificates	
	December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
	75	75	1,000,000	75,000	75,000
	500	-	100,000	50,000	-
				125,000	75,000
Participants' Takaful Fund					
Held - to - maturity					
Sukuk certificates					
Engro Polymer & Chemicals Limited	-	500	100,000	-	50,000
The Hub Power Company Limited (HUBCO)	375	750	100,000	37,500	75,000
				37,500	125,000

----- Rupees in thousand -----

9 Investments in Term Deposits

Held - to - maturity

Deposit Maturing within one month

Participants' Takaful Fund	
2022	2021
150,000	50,000
150,000	50,000

----- Rupees in thousand -----

These represent placement in Term Deposit Receipts with financial institutions having one month tenure with returns ranging from 14.15% to 15% per annum (2021: 8.49% to 11.83% per annum).

10 Qard-e-Hasna

Opening balance

Qard-e-Hasna transferred from OPF during the year

Closing balance

Participants' Takaful Fund	
2022	2021
146,460	146,460
75,000	-
221,460	146,460

----- Rupees in thousand -----

11 Loans and other receivables - Considered good

Federal excise duty

Accrued income

Loan to employees

Security deposits

Bid money for tenders

Advances

	Operator's Takaful Fund		Participants' Takaful Fund	
	2022	2021	2022	2021
	-	-	94,097	50,967
	7,830	2,309	7,561	4,387
	3,356	3,928	-	-
	310	310	-	-
	-	-	59,507	16,803
	3,121	6,462	-	-
	14,617	13,009	161,165	72,157

----- Rupees in thousand -----

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

		Participants' Takaful Fund	
		2022	2021
		----- Rupees in thousand -----	
12	Takaful / Re - takaful receivables - Unsecured and considered good		
	Due from takaful participants' holders	548,748	281,280
	Less: provision for impairment of takaful participants' holder	-	-
		548,748	281,280
	Due from other takaful / re - takaful operator's	104,676	142,234
	Less: provision for impairment of due from other takaful / re - takaful operator's	-	-
		104,676	142,234
		653,424	423,514
13	Prepayments		
	Prepaid re - takaful contribution ceded	131,491	109,704
	Prepaid monitoring charges (Tracking device)	12,608	15,826
		144,099	125,530

Note	Operator's Takaful Fund		Participants' Takaful Fund	
	2022	2021	2022	2021
----- Rupees in thousand -----				
14	Cash and bank			
	Cash and cash equivalents:			
	Cash in hand	175	226	-
	Current and other accounts:			
	Profit or loss accounts	164,040	264,009	619,465
		164,215	264,235	619,465

14.1 Saving accounts carry expected profit rates ranging from 7% to 14% (2021: 5% to 10%).

		Participants' Takaful Fund	
		2022	2021
		----- Rupees in thousand -----	
15	Takaful / re - takaful payables		
	Due to takaful participants' holders	21,899	15,641
	Due to other takaful / re - takaful operator's	164,687	81,193
		186,586	96,834

	Operator's Takaful Fund		Participants' Takaful Fund	
	2022	2021	2022	2021
----- Rupees in thousand -----				
16	Deferred taxation			
	Deferred tax credits arising for tax depreciation allowance	1,431	456	-
	Deferred tax credits arising for Investments - Available for sale	-	-	4
		1,431	456	4

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

	Operator's Takaful Fund		Participants' Takaful Fund	
	2022	2021	2022	2021
----- Rupees in thousand -----				
17 Other creditors and accruals				
Agents commission payable	67,378	47,448	-	-
Federal insurance fee	-	-	4,927	3,617
Sales tax payable	3,017	1,450	-	-
Income tax deducted at source	3,162	625	39,767	33,071
Accrued expenses	8,761	8,921	-	-
Others	11,125	6,428	31,334	33,146
	93,443	64,872	76,028	69,834

18 Contingencies and commitments

There has been no contingencies and commitments as at December 31, 2022.

	Participants' Takaful Fund	
	2022	2021
----- Rupees in thousand -----		
19 Net contribution revenue		
Gross contribution written	2,513,854	1,464,911
Wakala fee	(724,163)	(443,281)
Contribution net of wakala fee	1,789,691	1,021,630
Unearned contribution reserve - opening	441,519	421,449
Unearned contribution reserve - closing	(663,817)	(441,519)
Contribution earned	1,567,393	1,001,560
Less:		
Re - takaful contribution ceded	437,462	373,388
Prepaid re - takaful contribution ceded - opening	109,704	83,834
Prepaid re - takaful contribution ceded - closing	(131,492)	(109,704)
Re - takaful expense	415,674	347,518
Net contribution	1,151,719	654,042
20 Re - takaful rebate		
Re - takaful rebate received	78,183	69,211
Unearned re - takaful rebate - opening	22,466	17,183
Unearned re - takaful rebate - closing	(25,251)	(22,466)
Net re-takaful rebate	75,398	63,928
21 Net Takaful Claims		
Claims Paid	1,124,086	905,105
Outstanding claims including IBNR - closing	524,563	354,540
Outstanding claims including IBNR - opening	(354,540)	(558,082)
Claims expense	1,294,109	701,563
Less:		
Re - takaful and other recoveries received	(20,867)	228,513
Re - takaful and other recoveries in respect of outstanding claims net of impairment (if any) closing	226,770	190,936
Re - takaful and other recoveries in respect of outstanding claims net of impairment (if any) opening	(190,936)	(315,118)
Re-takaful and other recoveries revenue	14,967	104,331
Net claims expense	1,279,142	597,232

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

21.1 Net Takaful Claims

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2022.

	Accident year					Total
	2018 & prior	2019	2020	2021	2022	
	----- Rupees in thousand -----					
Estimate of ultimate claims cost						
At end of accident year with IBNR	510,467	760,440	1,369,784	863,158	1,503,060	5,006,909
One year later	141,659	209,695	364,770	181,376		897,500
Two years later	9,750	24,701	(42,843)			(8,392)
Three years later	5,218	4,010				9,228
Four years later	1,673					1,673
Current estimate of cumulative claims	1,673	4,010	(42,843)	181,376	1,503,060	1,647,276
Less: Cumulative payments to date	(1,212)	(1,509)	47,458	(154,871)	(1,012,579)	(1,122,713)
Liability recognized in the statement of financial position	461	2,501	4,615	26,505	490,481	524,563

Participants' Takaful Fund

2022 2021

----- Rupees in thousand -----

22 Other Direct Expenses

Monitoring charges	34,095	43,475
Other taxes	56	-
Inspection charges	7,413	4,898
Bank charges	271	187
Others	6,042	20,483
	47,877	69,043

Operator's Fund

2022 2021

----- Rupees in thousand -----

23 Commission Expense

Commission paid or payable	203,740	143,296
Deferred commission - opening	45,347	39,961
Deferred commission - closing	(74,339)	(45,347)
Net commission expense	174,748	137,910

24 Wakala Fee

Gross Wakala fee	724,163	443,281
Unearned Wakala fee - Opening	191,460	178,766
Unearned Wakala fee - Closing	(274,883)	(191,460)
Net wakala fee	640,740	430,587

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

The Operator manages the general takaful operations for the participants' and charges 28 % (2021: 28 %) for Fire & Property, 35 % (2021: 35 %) for Marine, Aviation & Transport, 32.5 % (2021: 32.5 %) for Motor, 25 % (2021: 25%) for Health and 25 % (2021: 25 %) for Miscellaneous classes, of gross contribution written including administrative surcharge as wakala fee against the services.

25 Management Expenses

	Operator's Takaful Fund	
	2022	2021
	----- Rupees in thousand -----	
Employee benefit cost	137,203	105,031
Depreciation	3,992	3,484
Amortization	5,486	4,952
Advertisement and sales promotion	3,518	15,225
Rent, rates and taxes	3,797	4,000
Communication	1,314	1,643
Legal and professional charges - business related	469	1,124
Travelling and conveyance expenses	1,900	826
Shared expenses	26,926	21,632
Entertainment	2,857	1,619
Printing, stationery and postage	775	725
Annual supervision fee SECP	2,429	1,935
Bank charges	98	83
Repair and maintenance	1,996	1,551
Others	13,085	9,095
	205,845	172,925

26 Investment Income

Profit on

	Operator's Takaful Fund		Participants' Takaful Fund	
	2022	2021	2022	2021
	----- Rupees in thousand -----			
Mutual funds - Dividend Income	3,236	31	10,700	2,134
Mutual funds - Capital Gain	1,620	-	-	2071
Term Deposits	4,661	2,309	29,933	342
Sukuks	13,280	-	15,420	11,173
	22,797	2,340	56,053	15,720

27 Other Income

Profit on bank deposits	46,509	17,852	47,484	26,073
Other Income	1,771	-	2,744	-
	48,280	17,852	50,228	26,073

28 Direct Expenses

	Note	Operator's Fund	
		2022	2021
		----- Rupees in thousand -----	
Auditors' remuneration	28.1	776	740
Shariah audit fee		3080	3,081
		3,856	3,821

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

28.1 Auditors remuneration

Annual audit fee
Hal year review fee
Shariah's compliance report
Out of pocket expense

Operator's Fund	
2022	2021
----- Rupees in thousand -----	
404	385
160	152
173	165
39	38
776	740

29 Taxation

Current tax:
- for the year
- for prior year

Deferred tax:
- for the year

Operator's Takaful Fund		Participants' Takaful Fund	
2022	2021	2022	2021
----- Rupees in thousand -----			

111,541	40,490	31,373	11,208
5,571	-	1,546	-
1,369	(102)	-	-
118,481	40,388	32,919	11,208

29.1 Tax Charge Reconciliation

Tax at the applicable rate of 33% (2021: 29%)
Prior year
Effective tax rate (Percentages)

33%	29%	33%	29%
2%	-	1.63%	-
35%	29%	34.63%	29%

30 Executives remuneration

Managerial remuneration
Leave encashment
Bonus
Rent and house maintenance
Medical
Conveyance
Contribution to defined contribution plan
Incentives
Other perquisites and allowances

Number of persons

Executives	
2022	2021
----- Rupees in thousand -----	
31,808	24,154
907	1,210
4,501	4,788
13,559	10,714
3,013	2,381
6,686	4,422
2,269	1,736
1,101	-
13,375	8,218
77,219	57,623
27	20

There has been no payments made to the directors / chief executive officer during the year 2022 (2021 : nil) from OPF .

31 Number of employees

As at December
Average during the year

107	80
90	71

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

32 Transactions with related parties

The Operator has related party relationship with its associates, subsidiary company, employee retirement benefit plans, key management personnel and other parties. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions. Balances and transactions with related party are disclosed in relevant notes to these financial statements.

	2022	2021
	----- Rupees in thousand -----	
i) Transactions		
Subsidiary Company		
Contribution underwritten	4,928	3,116
Contribution received	5,091	2,789
Claims paid	2,448	1,297
Other related parties		
Contribution underwritten	231,202	202,838
Contribution received	279,706	224,671
Claims paid	98,879	85,162
Income on bank deposits	9,374	12,455
ii) Period end balances		
Subsidiary Company		
Balances payable	236	471
Balances receivable	561	499
Contribution received in advance	1	-
Other related parties		
Balances receivable	1,569	20,624
Balances payable	28,820	26,381
Cash and bank balances	36,178	275,423
Contribution received in advance	465	557

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

33 Segment Information

Each class of business has been identified as reportable segment. Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000. The following is a schedule of class of business wise assets and liabilities.

	Participants' Takaful Fund					Total
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	
	December 31, 2022					
	Rupees in thousand					
Contribution receivable (inclusive of Federal excise duty, Federal insurance fee and Administrative surcharge)	307,406	106,261	1,106,991	1,012,987	82,015	2,615,660
Less : Federal excise duty	(10,829)	(6,693)	(74,139)	(1,013)	(5,615)	(98,289)
Federal insurance fee	(718)	(465)	(5,356)	(5,682)	(388)	(12,609)
Gross direct written contribution (inclusive of administrative surcharge)	295,859	99,103	1,027,496	1,006,292	76,012	2,504,762
facultative inward contribution	1,007	85	-	-	8,000	9,092
Gross Contribution Written	296,866	99,188	1,027,496	1,006,292	84,012	2,513,854
Wakala fee	(82,935)	(34,717)	(333,936)	(251,573)	(21,002)	(724,163)
Contribution net of wakala fee	213,931	64,471	693,560	754,719	63,010	1,789,691
Contribution earned	194,943	64,205	638,119	603,116	67,010	1,567,393
Takaful contribution ceded to retakaful	(216,718)	(92,313)	(33,807)	-	(72,836)	(415,674)
Net takaful contribution	(21,775)	(28,108)	604,312	603,116	(5,826)	1,151,719
Re-takaful rebate	44,121	17,923	(797)	-	14,151	75,398
Net underwriting income	22,346	(10,185)	603,515	603,116	8,325	1,227,117
Takaful claims	(2,956)	(13,881)	(497,102)	(768,744)	(11,426)	(1,294,109)
Re - takaful and other recoveries	(46,808)	9,910	41,948	-	9,917	14,967
Net claims	(49,764)	(3,971)	(455,154)	(768,744)	(1,509)	(1,279,142)
Contribution deficiency reserve				(587)	(1,319)	(1,906)
Direct expenses	(2,832)	14	(42,937)	(2,186)	64	(47,877)
Net takaful claims and expenses	(52,596)	(3,957)	(498,091)	(771,517)	(2,764)	(1,328,925)
(Deficit) / surplus before investment income	(30,250)	(14,142)	105,424	(168,401)	5,561	(101,808)
Other income						56,053
Investment income						50,228
Mudarib fee						(11,211)
Surplus transferred to Balance of PTF						(6,738)
Corporate segment assets	285,726	36,804	362,252	261,566	65,340	1,011,688
Corporate unallocated assets	-	-	-	-	-	1,128,497
Total assets	285,726	36,804	362,252	261,566	65,340	2,140,185
Corporate segment liabilities	272,026	28,925	679,036	591,197	62,695	1,633,879
Corporate unallocated liabilities	-	-	-	-	-	306,329
Total liabilities	272,026	28,925	679,036	591,197	62,695	1,940,208

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

	December 31, 2021					Total
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	
----- Rupees in thousand -----						
Contribution receivable (inclusive of Federal excise duty, Federal insurance fee and Administrative surcharge)	273,224	79,573	967,227	231,510	94,330	1,645,864
Less : Federal excise duty	(34,934)	(10,227)	(118,583)	(950)	(11,726)	(176,420)
Federal insurance fee	(2,375)	(687)	(8,413)	(2,278)	(818)	(14,571)
Gross direct written contribution (inclusive of administrative surcharge)	235,915	68,659	840,231	228,282	81,786	1,454,873
facultative inward contribution	2,958	30	-	-	7,050	10,038
Gross Contribution Written	238,873	68,689	840,231	228,282	88,836	1,464,911
Wakala fee	(66,885)	(24,041)	(273,075)	(57,071)	(22,209)	(443,281)
Contribution net of wakala fee	171,988	44,648	567,156	171,211	66,627	1,021,630
Contribution earned	153,959	45,165	562,771	177,691	61,974	1,001,560
Takaful contribution ceded to retakaful	(176,136)	(56,762)	(40,487)	-	(74,133)	(347,518)
Net takaful contribution	(22,177)	(11,597)	522,284	177,691	(12,159)	654,042
Re-takaful rebate	38,682	12,187	420	-	12,639	63,928
Net underwriting income	16,505	590	522,704	177,691	480	717,970
Takaful claims	(58,705)	(33,158)	(358,965)	(218,961)	(31,774)	(701,563)
Re - takaful and other recoveries	48,923	25,787	860	-	28,761	104,331
Net claims	(9,782)	(7,371)	(358,105)	(218,961)	(3,013)	(597,232)
Contribution deficiency reserve	-	-	-	(12,582)	-	(12,582)
Direct expenses	(4,042)	(2,686)	(58,568)	(2,774)	(973)	(69,043)
Net takaful claims and expenses	(13,824)	(10,057)	(416,673)	(234,317)	(3,986)	(678,857)
(Deficit) / surplus before investment income	2,681	(9,467)	106,031	(56,626)	(3,506)	39,113
Other income						15,720
Investment income						26,073
Mudarib fee						(3,144)
Surplus transferred to Balance of PTF						77,762

	December 31, 2021					Total
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	
----- Rupees in thousand -----						
Corporate segment assets	236,130	45,641	296,000	65,998	80,385	724,154
Corporate unallocated assets	-	-	-	-	-	839,398
Total assets	236,130	45,641	296,000	65,998	80,385	1,563,552
Corporate segment liabilities	233,409	43,224	568,284	182,390	76,047	1,103,354
Corporate unallocated liabilities	-	-	-	-	-	220,553
Total liabilities	233,409	43,224	568,284	182,390	76,047	1,323,907

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Operator's Takaful Fund						
December 31, 2022						
Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	Total	
----- Rupees in thousand -----						
Wakala fee income	75,551	34,573	307,242	201,039	22,335	640,740
Less : Commission expense	(42,165)	(12,466)	(63,230)	(48,344)	(8,543)	(174,748)
Management expenses	(49,668)	(14,684)	(74,481)	(56,949)	(10,063)	(205,845)
	(16,282)	7,423	169,531	95,746	3,729	260,147
Mudarib's share of PTF investment income						11,211
Investment income						22,797
Direct expenses						(3,858)
Other income						48,280
Profit before tax						338,577
Corporate segment assets	38,813	10,631	87,839	77,207	6,263	220,753
Corporate unallocated assets	-	-	-	-	-	828,667
Total assets	38,813	10,631	87,839	77,207	6,263	1,049,420
Corporate segment liabilities	37,958	480	156,018	76,610	3,817	274,883
Corporate unallocated liabilities	-	-	-	-	-	110,090
Total liabilities	37,958	480	156,018	76,610	3,817	384,973
December 31, 2021						
Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total	
----- Rupees in thousand -----						
Wakala fee income	59,875	24,319	266,504	59,230	20,659	430,587
Less : Commission expense	(31,369)	(9,043)	(74,078)	(15,626)	(7,794)	(137,910)
Management expenses	(39,334)	(11,339)	(92,886)	(19,593)	(9,773)	(172,925)
	(10,828)	3,937	99,540	24,011	3,092	119,752
Mudarib's share of PTF investment income						3,144
Investment income						2,340
Direct expenses						(3,821)
Other income						17,852
Profit before tax						139,267
December 31, 2021						
Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total	
----- Rupees in thousand -----						
Corporate segment assets	33,973	6,715	85,030	19,039	8,770	153,527
Corporate unallocated assets	-	-	-	-	-	570,323
Total assets	33,973	6,715	85,030	19,039	8,770	723,850
Corporate segment liabilities	30,574	336	129,324	26,076	5,150	191,460
Corporate unallocated liabilities	-	-	-	-	-	87,071
Total liabilities	30,574	336	129,324	26,076	5,150	278,531

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34 Management of takaful and financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Operator's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Operator's financial assets and liabilities are limited. The Operator consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Operator's risk management framework. The Board is also responsible for developing the Operator's risk management policies.

The individual risk wise analysis is given below :

34.1 Takaful risk

The principal risk that the Operator faces under takaful contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Operator is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Operator. The Operator further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Operator.

Amounts recoverable from retakaful are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts.

Although the Operator has retakaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded takaful, to the extent that any retakaful operator is unable to meet its obligations assumed under such retakaful agreements. The Operator's placement of retakaful is diversified such that it is neither dependent on a single retakaful operator nor are the operations of the Operator substantially dependent upon any single retakaful contract. Retakaful contracts are written with approved retakaful operators on either a proportionate basis or non-proportionate basis. The retakaful operators are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar retakaful contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Operator has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Operator principally issues the general takaful contracts e.g. fire and property damage, marine, aviation and transport, motor, accident & health and other miscellaneous. Risks under non-life takaful contracts usually cover twelve month or lesser duration. For general takaful contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Takaful contracts at times also cover risk for single incidents that expose the Operator to multiple takaful risks.

33.1.1 Geographical concentration of takaful risk

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

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33.1.2 Retakaful arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, a number of proportional and non-proportional retakaful arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Operator.

Class	Participants' Takaful Fund					
	Gross sum covered		Re-takaful		Net	
	2022	2021	2022	2021	2022	2021
----- Rupees in thousand -----						
Fire and property	323,532,751	259,167,731	273,408,731	210,046,743	50,124,020	49,120,988
Marine, aviation and transport	257,841,929	237,455,490	147,117,353	201,615,582	110,724,576	35,839,908
Motor	61,448,006	47,515,931	2,078,820	2,378,186	59,369,186	45,137,745
Accident and health	53,898,062	14,449,822	-	-	53,898,062	14,449,822
Miscellaneous	6,745,181	20,153,012	5,212,172	5,130,798	1,533,009	15,022,214
	703,465,929	578,741,986	427,817,076	419,171,309	275,648,853	159,570,677

33.1.3 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

33.1.4 Neutral assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the retakaful recoveries.

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

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33.1.5 Sensitivity analysis

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

As the Operator enters into short term takaful 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 surplus/(deficit), net of retakaful.

	Surplus/ (deficit)	
	2022	2021
	----- Rupees in thousand -----	
10% increase in claims liability		
Net:		
Fire	(4,976)	(978)
Marine	(397)	(737)
Motor	(45,515)	(35,811)
Accident & Health	(76,874)	(21,896)
Miscellaneous	(151)	(301)
	(127,913)	(59,723)
10% decrease in claims liability		
Net:		
Fire	4,976	978
Marine	397	737
Motor	45,515	35,811
Accident & Health	76,874	21,896
Miscellaneous	151	301
	127,913	59,723

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34.2 Financial Risk

Maturity profile of financial assets and liabilities:

Participants' Takaful fund						
December 31, 2022						
Markup bearing			Non-markup bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
----- Rupees in thousand -----						
Financial assets						
Investments - Equity securities	-	-	-	147,762	147,762	147,762
Investments - Debt Securities	-	37,500	37,500	-	-	37,500
Investments - Term Deposits	150,000	-	150,000	-	-	150,000
Loans and other receivables	-	-	-	67,068	67,068	67,068
Takaful / retakaful receivables-unsecured and considered good	-	-	-	653,424	653,424	653,424
Retakaful recoveries against outstanding claims	-	-	-	147,898	147,898	147,898
Salvage recoveries accrued	-	-	-	78,872	78,872	78,872
Cash and bank	619,465	-	619,465	-	-	619,465
	769,465	37,500	806,965	947,262	947,262	1,754,227
Financial liabilities						
Outstanding claims (including IBNR)	-	-	-	524,563	524,563	524,563
Takaful / retakaful payables	-	-	-	186,586	186,586	186,586
Wakala and mudarib fee payable	-	-	-	146,414	146,414	146,414
Other creditors and accruals	-	-	-	31,334	31,334	31,334
	769,465	37,500	806,965	888,897	888,897	888,897
				58,365	58,365	865,330
Participants' Takaful fund						
December 31, 2021						
Markup bearing			Non-markup bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
----- Rupees in thousand -----						
Financial assets						
Investments - Equity Securities	-	-	-	53,885	53,885	53,885
Investments - Debt Securities	-	125,000	125,000	-	-	125,000
Investments - Term Deposits	50,000	-	50,000	-	-	50,000
Loans and other receivables *	-	-	-	72,157	72,157	72,157
Takaful / retakaful receivables-unsecured and considered good	-	-	-	423,514	423,514	423,514
Retakaful recoveries against outstanding claims *	-	-	-	144,551	144,551	144,551
Salvage recoveries accrued	-	-	-	46,385	46,385	46,385
Cash and bank	522,515	-	522,515	740,492	740,492	1,438,007
	572,515	125,000	697,515	740,492	740,492	1,438,007
Financial liabilities						
Outstanding claims (including IBNR)	-	-	-	354,540	354,540	354,540
Takaful / retakaful payables	-	-	-	96,834	96,834	96,834
Wakala and mudarib fee payable	-	-	-	108,181	108,181	108,181
Other creditors and accruals	-	-	-	33,146	33,146	33,146
	572,515	125,000	697,515	147,791	147,791	845,306
				147,791	147,791	845,306

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Operator's Takaful fund						
December 31, 2022						
Markup bearing			Non-markup bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
----- Rupees in thousand -----						
Financial assets						
Investment - Equity securities	-	-	251,052	-	251,052	251,052
Investments - Debt securities	-	125,000	-	-	-	125,000
Loans and other receivables *	-	-	14,617	-	14,617	14,617
Wakala and mudarib fee receivable	-	-	146,414	-	146,414	146,414
Cash and bank	164,215	-	-	-	-	164,215
	164,215	125,000	289,215	412,083	412,083	701,298
Financial liabilities						
Other creditors and accruals	-	-	87,264	-	87,264	87,264
	-	-	87,264	-	87,264	87,264
	164,215	125,000	289,215	324,819	324,819	614,034

Operator's Takaful fund						
December 31, 2021						
Markup bearing			Non-markup bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
----- Rupees in thousand -----						
Financial assets						
Investment - Equity securities	-	-	38,326	-	38,326	38,326
Investment - Debt securities	-	75,000	-	-	-	75,000
Loans and other receivables *	-	-	4,169	2,378	6,547	6,547
Wakala and mudarib fee receivable	-	-	108,181	-	108,181	108,181
Cash and bank	264,235	-	-	-	-	264,235
	264,235	75,000	339,235	150,676	153,054	492,289
Financial liabilities						
Other creditors and accruals	-	-	62,797	-	62,797	62,797
	-	-	62,797	-	62,797	62,797
	264,235	75,000	339,235	87,879	90,257	429,492

33.2.1 Mark - up rate risk

Mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market mark - up rates. Sensitivity to mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Operator manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the statement of financial position date the mark-up rate profile of the Operator's significant interest / mark-up bearing financial instruments was as follows:

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	Effective interest rate (%)		Carrying amounts	
	2022	2021	2022	2021
	----- Rupees in thousand -----			
Floating rate financial instruments				
Financial assets:				
Cash at bank - saving account	7.00% - 14.00%	5.00% - 10.00%	783,505	786,750

33.2.2 Sensitivity analysis

The Operator does not have any fixed rate financial assets and liabilities. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in mark-up rates at the statement of financial position date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on funds	
	Increase	Decrease	Increase	Decrease
	----- Rupees in thousand -----			
As at 31 December 2022 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities				
Cash flow sensitivity - variable rate financial assets	78,351	(78,351)	52,495	(52,495)
As at 31 December 2021 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities				
Cash flow sensitivity - variable rate financial assets	78,675	(78,675)	55,073	(55,073)

Foreign currency risk

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

Price risk

Price risk represents the risk that the fair value of financial instruments will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Operator is exposed to equity price risk that arises as a result of changes in the net asset value of mutual funds. The equity price risk arises from the Operator's investment in equity securities of mutual funds.

The Operator's strategy is to hold its strategic equity investments on a long term basis. Thus, Operator is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Operator strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity volatility. The Operator manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Operator has investments in quoted equity securities amounting to Rs. 251,052 thousands (2021: Rs. 38,326 thousands) at the statement of financial position date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the statement of financial position date. Market

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prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

33.2.3 Sensitivity analysis

As the entire investment portfolio has been classified in the 'available-for-sale' category, a 10% increase / decrease in unit prices at year end would have increased / decreased Operator's fund as follows:

	December 31, 2022		December 31, 2021	
	Impact on profit before tax	Impact on operator's fund	Impact on profit before tax	Impact on operator's fund
	----- Rupees in thousand -----			
Effect of increase in unit price	25,105	16,820	3,400	7,933
Effect of decrease in unit price	(25,105)	(16,820)	(3,400)	(7,933)

34.3 Credit risk and concentration of 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 Operator attempts to control credit risk by monitoring credit exposure by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Operator's credit risk exposure is not significantly different from that reflected in these financial statements. The management monitors and limits the Operator's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

	December 31, 2022			December 31, 2021		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
	----- Rupees in thousand -----					
Investment in equity securities	251,052	147,762	398,814	38,326	53,885	92,211
Investment in debt securities	125,000	37,500	162,500	75,000	125,000	200,000
Investment in term deposits	-	150,000	150,000	-	50,000	50,000
Loans and other receivable	14,617	67,068	81,685	6,547	72,157	78,704
Due from takaful contract holders	-	548,748	548,748	-	281,280	281,280
Due from other takaful / other retakaful	-	104,676	104,676	-	142,234	142,234
Retakaful recoveries against outstanding claims	-	147,898	147,898	-	144,551	144,551
Salvage recoveries accrued	-	78,872	78,872	-	46,385	46,385
Wakala and mudarib fee receivable	146,414	-	146,414	108,181	-	108,181
Bank deposits	164,040	619,465	783,505	264,009	522,515	786,524
	701,123	1,901,989	2,603,112	492,063	1,438,007	1,930,070

Provision for impairment is made for doubtful receivables according to the Operator's policy. The impairment provision is written off when the Operator expects that it cannot recover the balance due.

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Age analysis of due from takaful contact holders (net of provision) other than related parties is as follows:

	Note	2022	2021
		----- Rupees in thousand -----	
Upto one year		527,717	237,198
Above one year		21,031	44,082
		548,748	281,280
Less: provision for doubtful balances		-	-
		548,748	281,280
Age analysis of due from related parties against takaful contracts is as follows:			
Upto one year		25,697	20,625
Above one year		67,916	497
		93,613	21,122
Less: provision for doubtful balances		-	-
		93,613	21,122

The credit quality of Participant's and Operator's bank balance can be assessed with reference to external credit rating as follows:

	Rating		Rating Agency	2022	2021
	Short Term	Long Term		Rupees in thousand	
Dubai Islamic Bank Limited	A-1+	AA	JCR-VIS	647,820	297,846
MCB Islamic Bank Limited	A	A1	PACRA	36,178	275,423
Meezan Bank Limited	A-1+	AAA	JCR-VIS	91,438	97,824
Bank Islami Pakistan Limited	A1	A+	PACRA	1,387	109,479
Faysal Islamic Bank Limited	A1+	AA	PACRA	4,574	5,849
UBL Ameen	A-1+	AAA	JCR-VIS	2,108	103
				783,505	786,524

The credit quality of amount due from other co-takaful/retakaful operators (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other co-takaful / retakaful operators	Retakaful and other recoveries against outstanding claims	December 31, 2022	Amounts due from other co-takaful / retakaful operators	Retakaful and other recoveries against outstanding claims	December 31, 2021
			----- Rupees in thousand -----			
A or Above (including PRCL)	104,676	126,231	230,907	142,234	117,975	260,209
BBB	-	-	-	-	24,259	24,259
Others	-	21,667	21,667	-	2,317	2,317
Total	104,676	147,898	252,574	142,234	144,551	286,785

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34.4 Capital adequacy risk

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

35 Fair values of financial instruments

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.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

		Participants' Takaful Fund								
		December 31, 2022								
Note	Carrying amount					Fair value				
	Available-for-sale	Held to maturity	Loans and receivable	Cash and cash	Other financial	Total	Level 1	Level 2	Level 3	Total
Rupees in thousand										
Financial assets measured at fair value										
	7	147,762	-	-	-	-	147,762	-	-	147,762
Financial assets not measured at fair value										
	8	-	37,500	-	-	37,500	-	-	-	-
	9	-	150,000	-	-	150,000	-	-	-	-
	11	-	-	67,068	-	67,068	-	-	-	-
	12	-	-	653,424	-	653,424	-	-	-	-
		-	-	147,898	-	147,898	-	-	-	-
		-	-	78,872	-	78,872	-	-	-	-
	14	-	-	-	619,465	619,465	-	-	-	-
		147,762	187,500	947,262	619,465	1,901,989	147,762	-	-	147,762
Financial liabilities not measured at fair value										
	21	-	-	-	524,563	524,563	-	-	-	-
		-	-	-	186,586	186,586	-	-	-	-
		-	-	-	146,414	146,414	-	-	-	-
	17	-	-	-	31,334	31,334	-	-	-	-
		-	-	-	888,897	888,897	-	-	-	-

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

		Participants' Takaful Fund										
		December 31, 2021										
		Carrying amount					Fair value					
Note	Available-for-sale	Held to maturity	Loans and receivable	Cash and cash	Other financial	Total	Level 1	Level 2	Level 3	Total		
Rupees in thousand												
Financial assets measured at fair value												
	Investments - Equity securities	7	53,885	-	-	-	53,885	53,900	-	-	53,900	
Financial assets not measured at fair value												
	Investments - Debt securities	8	-	125,000	-	-	125,000	-	-	-	-	
	Investments - Term Deposits	9	-	50,000	-	-	50,000	-	-	-	-	
	Loan and other receivables	11	-	-	72,157	-	72,157	-	-	-	-	
	Takaful / re - takaful receivables	12	-	-	423,514	-	423,514	-	-	-	-	
	Retakaful recoveries against outstanding claims		-	-	144,551	-	144,551	-	-	-	-	
	Salvage recoveries accrued		-	-	46,385	-	46,385	-	-	-	-	
	Cash and bank deposits	14	-	-	-	522,515	-	-	-	-	-	
			53,885	175,000	686,607	522,515	-	1,438,007	53,900	-	-	53,900
Financial liabilities not measured at fair value												
	Outstanding claims including IBNR	21	-	-	-	354,540	354,540	-	-	-	-	
	Takaful / retakaful payables		-	-	-	96,834	96,834	-	-	-	-	
	Wakala and mudarib fee payable		-	-	-	108,181	108,181	-	-	-	-	
	Other creditors and accruals	17	-	-	-	33,146	33,146	-	-	-	-	
			-	-	-	592,701	592,701	-	-	-	-	

		Operator's Takaful Fund										
		December 31, 2022										
		Carrying amount					Fair value					
Note	Available-for-sale	Held to maturity	Loans and receivable	Cash and cash	Other financial	Total	Level 1	Level 2	Level 3	Total		
Rupees in thousand												
Financial assets measured at fair value												
	Investments - Equity securities	7	251,052	-	-	-	251,052	251,052	-	-	251,052	
Financial assets not measured at fair value												
	Investments - Debt securities	10	-	125,000	-	-	125,000	-	125,000	-	125,000	
	Loan and other receivables	11	-	-	14,617	-	14,617	-	-	-	-	
	Wakala and mudarib fee receivable		-	-	146,414	-	146,414	-	-	-	-	
	Cash and bank deposits	14	-	-	-	164,215	164,215	-	-	-	-	
			251,052	125,000	161,031	164,215	-	701,298	251,052	125,000	-	376,052
Financial liabilities not measured at fair value												
	Other creditors and accruals	17	-	-	-	87,264	87,264	-	-	-	-	
			-	-	-	87,264	87,264	-	-	-	-	

		Operator's Takaful Fund										
		December 31, 2021										
		Carrying amount					Fair value					
Note	Available-for-sale	Held to maturity	Loans and receivable	Cash and cash	Other financial	Total	Level 1	Level 2	Level 3	Total		
Rupees in thousand												
Financial assets measured at fair value												
	Investments - Equity securities	7	38,326	-	-	-	38,326	38,326	-	-	38,326	
Financial assets not measured at fair value												
	Investments - Debt securities	10	75,000	-	-	-	75,000	-	-	-	-	
	Loan and other receivables	11	-	-	6,547	-	6,547	-	-	-	-	
	Wakala and mudarib fee receivable		-	-	108,181	-	108,181	-	-	-	-	
	Cash and bank deposits	14	-	-	-	264,235	264,235	-	-	-	-	
			113,326	-	114,728	264,235	-	492,289	38,326	-	-	38,326
Financial liabilities not measured at fair value												
	Other creditors and accruals	17	-	-	-	62,797	62,797	-	-	-	-	
			-	-	-	62,797	62,797	-	-	-	-	

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

2022

Rupees in thousand

36 Statement of Solvency - Participants' Takaful Fund

Assets

Investments	335,262
Loans and other receivables	161,165
Takaful / Retakaful receivables	653,424
Retakaful Recoveries against O/S benefits	147,898
Salvage recoveries accrued	78,872
Prepayments	144,099
Cash and Bank	619,465
Total Assets (A)	2,140,185

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

Contribution due but unpaid more than 3 months Direct	222,438
Co-Takaful balances more than 3 months	31,552
Prepaid Monitoring charges	12,608
Loans and other receivables	153,604
	420,202

Total of In-admissible assets (B)

Total Admissible Assets (C=A-B)

1,719,983

Total Liabilities

Outstanding benefits including IBNR	524,563
Unearned contribution reserves	663,817
Unearned commission income	25,251
Contribution deficiency reserves	14,488
Deferred taxation	-
Contributions received in advance	72,759
Takaful / Retakaful Payables	186,586
Wakala and mudarib fee payable	146,414
Other Creditors and Accruals	76,028
Taxation - provision less payments	8,842
Total Liabilities (D)	1,718,748

Total Net Admissible Assets (E=C-D)

1,235

Minimum Solvency Requirement (higher of following)

Method A - U/s 36(3)(a)	150,000
Method B - U/s 36(3)(b)	230,344
Method C - U/s 36(3)(c)	208,096

230,344

Deficit in Net Admissible Assets over Minimum Requirements

(229,109)

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2022

	Operator's Takaful Fund		Participants' Takaful Fund	
	Available for sale	Held to Maturity	Available for sale	Held to Maturity
----- Rupees in thousand -----				
37 Movement in Investment				
At the beginning of previous year	35,873	-	50,614	125,000
Additions	-	75,000	-	50,000
Disposals	-	-	-	-
Fair value gain (excluding net realized gain)	2,453	-	3,286	-
At the beginning of current period	38,326	75,000	53,900	175,000
Additions	251,052	50,000	147,762	100,000
Disposals	(38,326)	-	(53,900)	(87,500)
Fair value gain (excluding net realized gain)	-	-	-	-
At the end of current period	251,052	125,000	147,762	187,500

38 Subsequent events - non adjusting event

There are no significant events that need to be disclosed for the year ended December 31, 2022.

39 Date of authorization for issue

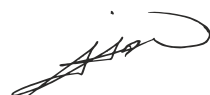
This financial information was authorized for issue on March 21, 2023 by the Board of Directors of the Operator.

40 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.



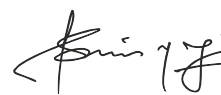
Umer Mansha
Chairman



Shaikh Muhammad Jawed
Director



Khawaja Jalaluddin
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

OTHER INFORMATION



BCR Criteria

S.No.	BCR Criteria	Page No.
1	Organizational Overview and External Environment (What does the organization do and circumstances under which it operates)	
1.01	Principal business activities and markets (local and international) including key brands, products and services.	40 & 41
1.02	Geographical location and address of all business units including sales units and plants.	44 & 45
1.03	Mission, vision, code of conduct, culture, ethics and values.	16, 19 & 24
1.04	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Also name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	101 & 102
1.05	Organization chart indicating functional and administrative reporting, presented with legends.	47
1.06	Identification of the key elements of the business model of the company through simple diagram supported by a clear explanation of the relevance of those elements to the organization. (The key elements of business model are Inputs, Business activities, Outputs and Outcomes).	54
1.07	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation).	52
1.08	Significant factors effecting the external environment and the associated organization's response. Also describe the effect of seasonality on business in terms of production and sales. (External environment includes commercial, political, economic, social, technological, environmental and legal environment).	50
1.09	The legitimate needs, interests of key stakeholders and industry trends.	106
1.1	SWOT Analysis of the company.	51
1.11	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	49
1.12	The legislative and regulatory environment in which the organization operates.	56
1.13	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	56
1.14	Significant changes from prior years (regarding the information disclosed in this section).	56
1.15	History of major events.	39
1.16	Details of significant events occurred during the year and after the reporting period.	150
2	Strategy and Resource Allocation (Where does the organization want to go and how does it intend to get there)	
2.01	Short, medium and long term strategic objectives.	58

S.No.	BCR Criteria	Page No.
2.02	Strategies in place or intended to be implemented to achieve the strategic objectives.	58 & 59
2.03	Resource allocation plans to implement the strategy and financial capital structure. Resource mean CAPITALS including: a. financial capital (e.g. liquidity, cash flows, financing arrangements); human capital; b. manufactured capital (e.g. building, equipment, infrastructure); c. intellectual capital (e.g. patents, copyrights, software, licenses, knowledge, system, procedures); d. human capital; e. social and relationship capital; and f. natural capital.	60 - 62
2.04	Key resources and capabilities of the company which provide sustainable competitive advantage.	60 - 62
2.05	Value created by the business, and for whom, using these resources and capabilities.	63
2.06	The effect of technological change, societal issues such as population and demographic changes, human rights, health, poverty, collective values and educational systems, environmental challenges, such as climate change, the loss of ecosystems, and resource shortages on the company strategy and resource allocation.	64
2.07	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues.	65
2.08	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	58 & 59
2.09	Board's statement on the following: a) significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations; b) business rationale of major capital expenditure or projects started during the year and those planned for next year etc.	65 146
2.10	Significant changes in objectives and strategies from prior years.	65
3	Risks and Opportunities (Specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how it is dealing with them)	
3.01	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	70 - 73
3.02	Risk Management Framework including risk management methodology and principal risk and uncertainties facing the company.	68 - 69
3.03	Sources of risks and opportunities (internal and external).	70 - 73
3.04	The initiatives taken by the company in promoting and enabling innovation.	65
3.05	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	70 - 73
3.06	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	70 - 73

S.No.	BCR Criteria	Page No.
3.07	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	69
3.08	Statement from the board that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	69
3.09	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	65
3.10	Inadequacy in the capital structure and plans to address such inadequacy.	74
4	Sustainability and Corporate Social Responsibility	
4.01	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility as per best business practices including: a) environment related obligation applicable on the company; b) company progress towards environmental, social and & governance initiatives during the year; and c) company's responsibility towards the staff, health & safety.	168 - 176
4.02	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	175
4.03	Certifications acquired and international standards adopted for best sustainability and CSR practices.	175
5	Governance (How does the organization's governance structure support its ability to create value in the short, medium and long term)	
5.01	Board composition: a) Leadership structure of those charged with governance. b) Name of independent directors indicating justification for their independence. c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience. d) Profile of each director including education, experience and involvement / engagement of in other entities as CEO, Director, CFO or Trustee etc. e) No. of companies in which the executive director of the reporting organization is serving as non-executive director	30, 79 & 80
5.02	Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	26
5.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	102 -103
5.04	Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees.	103

S.No.	BCR Criteria	Page No.
5.05	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	103
5.06	Details of formal orientation courses for directors.	103
5.07	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	103
5.08	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	103
5.09	<p>a) Approved policy for related party transactions.</p> <p>b) Details of all related parties transactions, along with the basis of relationship describing common directorship and percentage of shareholding.</p> <p>c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement.</p> <p>d) Disclosure of director's interest in related party transactions.</p> <p>e) In case of conflict, disclosure that how such a conflict is managed and monitored by the board.</p>	104
5.10	<p>Disclosure of Board's Policy on the following significant matters:</p> <p>a) Governance of risk and internal controls.</p> <p>b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.</p> <p>c) Disclosure of director's interest in significant contracts and arrangements.</p> <p>d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings.</p> <p>e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies.</p> <p>f) Security clearance of foreign directors.</p> <p>g) Board meetings held outside Pakistan.</p> <p>h) Human resource management including preparation of succession plan.</p> <p>i) Social and environmental responsibility</p> <p>j) Communication with stakeholders.</p> <p>k) Investors' relationship and grievances.</p> <p>l) Employee health, safety and protection.</p> <p>m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report.</p> <p>n) Safety of records of the company.</p> <p>o) Providing reasonable opportunity to the shareholder for participation in the AGM.</p>	<p>104</p> <p>105</p> <p>104</p> <p>105</p> <p>105</p> <p>105</p> <p>105</p> <p>105</p> <p>105</p> <p>105</p> <p>105</p> <p>106</p> <p>106</p> <p>107</p> <p>107</p>

S.No.	BCR Criteria	Page No.
5.11	Board review statement of the organization's business continuity plan or disaster recovery plan.	107
5.12	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	101 - 102
5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	95 - 99
5.14	A brief description about role of the Chairman and the CEO.	33 & 37
5.15	Shares held by Sponsors / Directors / Executives.	101
5.16	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	107 - 113
5.17	Timely Communication: Date of authorization of financial statements by the board of directors: within 40 days ---6 marks within 60 days ---3 marks (Entities requiring approval from a Regulator before finalization of their financial statements would be provided a 20 days relaxation, on providing evidence to the Committee).	249
5.18	Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include: a) Composition of the committee with at least one member qualified as "financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee. b) Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard. c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure. d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance. e) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures. f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded. g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.	109

S.No.	BCR Criteria	Page No.
	<p>h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the company's position and performance, business model and strategy.</p> <p>i) Results of the self-evaluation of the Audit Committee carried out of its own performance.</p> <p>j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.</p>	
5.19	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities / matters that are within the scope of the Audit Committee's responsibilities.	113
5.20	<p>Board disclosure on Company's use of Enterprise Resource Planning (ERP) software including:</p> <p>a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system;</p> <p>b) management support in the effective implementation and continuous updation;</p> <p>c) details about user training of ERP software;</p> <p>d) how the company manages risks or control risk factors on ERP projects;</p> <p>e) how the company assesses system security, access to sensitive data and segregation of duties.</p>	122-123
5.21	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.	113
5.22	Chairman's significant commitments and any changes thereto.	113 -114
5.23	Disclosure about the Government of Pakistan policies related to company's business/sector in Directors' Report and their impact on the company business and performance.	81
5.24	How the organization's implemented governance practices have been exceeding legal requirements.	114
6	Analysis of the Financial Information (To what extent has the organization achieved its strategic objectives for the period)	
6.01	<p>Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between:</p> <p>(a) Past and current performance;</p> <p>(b) Performance against targets /budget; and</p> <p>(c) Objectives to assess stewardship of management.</p> <p>The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits.</p>	126

S.No.	BCR Criteria	Page No.
6.02	Analysis of financial ratios (Annexure I) (this includes marks of ratios for Shariah compliant companies and companies listed on Islamic indices)	130
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years.	127 - 129
6.04	Graphical presentation of 6.02 and 6.03 above.	131 - 135
6.05	Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed in 6.02 and 6.03 above.	126 143
6.06	Any significant change in accounting policies, judgements, estimates and assumptions with rationale.	N / A
6.07	Information about defaults in payment of any debts and reasons thereof period.	65
6.08	Methods and assumptions used in compiling the indicators.	144
6.09	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	189
6.10	Segmental review and analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities.	234 - 235
6.11	a) Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning. b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations	145 146
6.12	Brief description and reasons:	
	a) for not declaring dividend despite earning profits and future prospects of dividend.	Not applicable
	b) where any payment on account of taxes, duties, levies etc. is overdue or outstanding.	84
6.13	CEO presentation video on the company's business performance of the year covering the company business strategy to improve and future outlook. (Please provide relevant webpage link of the video in the company's annual report).	115
7	Disclosures on IT Governance and Cybersecurity (How the Board evaluate the company's IT governance and cybersecurity risk and how the Board manages those risks that threaten the company's operations)	
7.1	The Board responsibility statement on the evaluation and enforcement of legal and regulatory implications of cyber risks and the responsibilities of the board in case of any breaches.	120 - 123
7.2	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	120 - 123
7.3	Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.	120 - 123

S.No.	BCR Criteria	Page No.
7.4	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	120 - 123
7.5	Disclosure about Company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	120 - 123
7.6	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	120 - 123
7.7	Disclosure about resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about company's cyber insurance.	120 - 123
7.8	Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (RPA, Block Chain, AI, Cloud Computing etc.) to improve transparency, reporting and governance.	120 - 123
7.9	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks.	120 - 123
8	Future Outlook (Challenges and uncertainties that the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance)	
8.01	Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the company's resources, revenues and operations in the short, medium and long term.	154-157
8.02	Explanation of the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and how it will affect the organization in terms of its business performance, strategic objectives and availability, quality and affordability of capitals.	154-157
8.03	Explanation as to how the performance of the company meets the forward looking disclosures made in the previous year.	154-157
8.04	Status of the projects in progress and were disclosed in the forward looking statement in the previous year.	154-157
8.05	Sources of information and assumptions used for projections / forecasts in the forward looking statement and assistance taken by any external consultant.	154-157
8.06	How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise.	154-157
9	Stakeholders Relationship and Engagement (State of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests)	
9.01	Stakeholders engagement policy of the company and how the company has identified its stakeholders.	160

S.No.	BCR Criteria	Page No.
9.02	Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the company, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees and g) Analysts.	160-162
9.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	162
9.04	Investors' Relations section on the corporate website.	162
9.05	Issues raised in the last AGM, decisions taken and their implementation status.	163
9.06	Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business.	63
9.07	Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year.	163
9.08	Highlights about redressal of investors' complaints.	163
10	Business Model (Business model is a system of transforming inputs, through business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term)	54 - 55
10.01	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework (IR Framework).	54
11	Striving for Excellence in Corporate Reporting	
11.01	Board's responsibility statement on full compliance of financial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)).	116
11.02	Adoption of IR Framework by fully applying the 'Fundamental Concepts', 'Content Elements' and 'Guiding Principles' in the IR Framework.	4 & 5
11.03	BCR criteria cross referred with page numbers of the annual report. (details can be maintained by companies on the Investor Relation section of the company's website).	408
11.04	Disclosures beyond BCR criteria (The participating organization to send the list of additional disclosures to BCR Committee).	420
12	Specific Disclosures of the Financial Statements	
12.01	Specific disclosures of the financial statements required under the Companies Act, 2017 and IFRSs (Annexure II).	Refer below
13	Assessment based on Qualitative Factors	
13.01	Please refer (Annexure IV).	All sections

S.No.	BCR Criteria	Page No.
14	Industry Specific Disclosures (if applicable)	
b)	Disclosures required for Insurance Company (Annexure VI).	Refer below
	Annexure I - Financial Sector	
	Profitability Ratios	130
a)	Profit before tax ratio	
b)	Gross Yield on Earning Assets	
c)	Gross Spread ratio	
d)	Cost/Income ratio	
e)	Return on Equity	
f)	Return on Capital employed	
g)	Shareholders' Funds	
h)	Return on Shareholders' Funds	
	Liquidity Ratios	130
a)	Advances to deposits ratio	
b)	Current ratio	
c)	Quick / Acid test ratio	
d)	Cash to Current Liabilities	
e)	Cost of Funds	
f)	Cash flow coverage ratio	
g)	Net interest income as a percentage of working funds / Operating cost - Efficiency ratio	
h)	Cash Reserve Ratio / Liquid Asset ratio	
i)	Gross Non-Performing assets to gross advances	
j)	Non-Performing loans to Total Loans	
	Investment /Market Ratios	130
a)	Earnings per share (EPS) and diluted EPS	
b)	Price Earnings ratio	
c)	Price to Book ratio	
d)	Dividend Yield ratio	
e)	Dividend Payout ratio / Dividend Cover Ratio	
f)	Cash Dividend per share / Stock Dividend per share	
g)	Market value per share at the end of the year and high/low during the year	
h)	Breakup value per share	
i.	Without Surplus on Revaluation of property, plant and equipment	Not applicable
ii.	With Surplus on Revaluation of property plant and equipment including the effect of all Investments	Not applicable
iii.	Including Investment in Related Party at fair /market value and also with Surplus on Revaluation of property plant and equipment.	Not applicable

S.No.	BCR Criteria	Page No.
i)	DuPont Analysis	138
j)	Free Cash Flow	139
k)	Economic Value Added (EVA)	63
	Capital Structure	130
a)	Capital Adequacy ratio	
b)	Earning assets to total assets ratio	
c)	Weighted Average cost of deposit	
d)	Statutory Liquidity Reserve (Ratio)	
e)	Net assets per share	
f)	Debt to Equity ratio (as per book and as per market value)	
	Non-Financial Ratios	148
a)	Staff turnover ratio	
b)	Customer Satisfaction Index	
c)	Employee Productivity Rate	
	Annexure II - Specific Disclosures of the Financial Statements	
1	Fair value of Property, Plant and Equipment.	147
2	Reconciliation of weighted average number of shares for calculating EPS and diluted EPS.	Not applicable
3	Particulars of significant/ material assets and immovable property including location and area of land.	147
4	Key quantitative information (Number of persons employed as on the date of financial statements and average number of employees during the year, separately disclosing factory employees).	249
5	Disclosure of product wise data mentioning, product revenue, profit etc.	234 - 235
6	Capacity of an industrial unit, actual production and the reasons for shortfall.	Not applicable
7	Disclosure of discounts on revenue.	Not applicable
8	Sector wise analysis of deposits and advances.	Not applicable
9	Complete set of financial statements (Balance sheet, Income statement & Cash flow) for Islamic banking operations.	367 - 406
10	Status for adoption of Islamic Financial Accounting Standards (IFAS) issued by the ICAP.	Not applicable
11	Summary of significant transactions and events that have affected the company's financial position and performance during the year.	147
12	Forced sale value in case of revaluation of Property, Plant and Equipment or investment property.	147
13	Distribution of shareholders (Number of shares as well as category, e.g. Promoter, Directors/Executives or close family member of Directors/Executives etc.).	101, 425 & 426
14	Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital in the company in Pattern of Shareholding.	101, 425 & 426

S.No.	BCR Criteria	Page No.
15	Particulars where company has given loans or advances or has made investments in foreign companies or undertakings.	148
16	Accounts Receivable in respect of Export Sales - Name of company or undertaking in case of related party and in case of default brief description of any legal action taken against the defaulting parties.	Not applicable
17	Treasury shares in respect of issued share capital of a company.	Not applicable
18	In describing legal proceedings, under any court, agency or government authority, whether local or foreign, include name of the court, agency or authority in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis of the proceeding and the relief sought.	223
19	Management assessment of sufficiency of tax provision made in the company's financial statements shall be stated along with comparisons of tax provision as per accounts vis a vis tax assessment for last three years.	148
20	Income tax reconciliation as required by IFRS and applicable tax regime for the year.	230
21	In respect of loans and advances, other than those to the suppliers of goods or services, the name of the borrower and terms of repayment if the loan or advance exceeds rupees one million, together with the collateral security, if any.	Not applicable
22	Disclosure about Human Resource Accounting (includes the disclosure of process of identifying and measuring the cost incurred by the company to recruit, select, hire, train, develop, allocate, conserve, reward and utilize human assets).	148
23	In financial statements issued after initial or secondary public offering(s) of securities or issuance of debt instrument(s) implementation of plans as disclosed in the prospectus/offering document with regards to utilization of proceeds raised till full implementation of such plans.	Not applicable
24	Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.	Not applicable
25	Standards, amendments and interpretations adopted during the current year along with their impact on the company's financial statements.	193
26	Standards, amendments and interpretations, not yet effective and not adopted along with their impact on the company's financial statements.	193
	Annexure VI - Specific Disclosures for Insurance Company	
1	Claims management and details of outstanding claims (IBNR & IBNER) with estimated liability and ageing thereof.	201 & 226
2	Highlights of segment revenue account.	234 - 235
3	Disclosure of outstanding premium/ unearned premium.	151
4	Details of claims under different categories of policies.	151

S.No.	BCR Criteria	Page No.
5	Disclosures pertaining to solvency margin.	149
6	Certificate of actuary giving details of the liabilities on account of live policies and estimates/assumptions made for the same.	Not Provided
7	Following accounting ratios pertaining to insurance sector: <ul style="list-style-type: none"> • Claim ratio • Solvency ratio • Premium growth ratio • Claim settlement ratio • Combined ratio • Persistency ratio • Reinsurance premium ceded on gross premium (%) • Reinsurance claim recovery percentage • Retention ratio • External liability ratio 	151
8	Review of assets quality.	150
9	Report of the life actuary (for life insurance).	Not applicable

Disclosures beyond BCR Criteria

The Company strives hard to provide information above and beyond minimum requirements to ensure transparency. Following list contains information beyond BCR Criteria presented in our annual report:

Disclosures	Page No.
Profile of Management Team	34
Awards and Accolades	42
IFS Rating of Company	46
ISO 9001:2015 Certificate	48
Country wise number of employees	44-45
Effect of seasonality on business in terms of sales	56
Anti-Money Laundering and Countering Financing Terrorism Policy	115
Proceedings regarding IFRS-17 adoption and implementation	111
Access to Reports and Enquiries	115
Stock Exchange listing code / symbol of the Company	115
Statement under Section 46 (6) of the Insurance Ordinance, 2000	117
Sensitivity analysis of change in market capitalization	146
Quarterly performance analysis	143

Notice of 62nd Annual General Meeting

NOTICE is hereby given that the 62nd Annual General Meeting (AGM) of Adamjee Insurance Company Limited (the "Company") will be held on April 28, 2023 (Friday) at 10:00 A.M. at Nishat Hotel, Gulberg, Lahore and through video-link facility to transact the following ordinary business:

1. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2022, Directors' and Auditors' reports thereon and the Chairman's Review Report.
2. To declare and approve, as recommended by the directors, the payment of final cash dividend of Rs. 1.50 per share i.e., @ 15% in addition to 15% interim cash dividend already declared and paid i.e., total 30% for the year ended 31 December 2022.
3. To appoint auditors and fix their remuneration. The members are hereby notified that the Board of Directors and the Audit Committee have recommended the name of retiring auditors M/s Yousuf Adil, Chartered Accountants, for appointment as auditors of the Company.

By Order of the Board



Tameez-ul-Haque
Company Secretary

Lahore: April 07, 2023

NOTES:

1. Book Closure

The share transfer books of the Company will remain closed from April 20, 2023 to April 28, 2023 (both days inclusive). Transfers received in order at the office of the Company's Independent Share Registrar, M/s CDC Share Registrar Services Ltd., CDC House, 99- B, S.M.C.H.S, Main Shahrah e Faisal, Karachi by the close of business (1:00 PM) on April 19, 2023 will be treated in time for the purposes of entitlement of members to the final cash dividend and for attending and voting at the AGM. Proxy Forms, in English and Urdu languages, have been dispatched to the members along with the notice of AGM.

2. Instrument of Proxy

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.

3. Attendance

To attend the meeting through video link, the members and their proxies are requested to register themselves by providing the following information along with their Name, Folio Number, Cell No., and Number of Shares held in their name, a valid copy of CNIC (both sides)/ passport attested copy of board resolution / power of attorney (in case of corporate shareholders) through email at zafar.iqbal@adamjeeinsurance.com and/or info@adamjeeinsurance.com by 19 April, 2023:

Name of Member/ proxyholders	CNIC No.	Folio No./ Participant Id/ Account No.	Cell No./ WhatsApp's No.	Email ID.

The shareholders who are registered after the necessary verification shall be provided with a video link by the Company at the said email address. The login facility will remain open from the start of the meeting till its proceedings are concluded.

4. Placement of Annual Reports, Financial Statements, AGM Notice

The annual report containing inter alia audited standalone and consolidated financial statements and mandatory reports and notice of AGM have been placed on the website of the Company www.adamjeeinsurance.com

5. Members who have deposited their shares into Central Depository Company of Pakistan Limited (“CDC”) will further have to follow the applicable guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular No 1 of 2000.

6. Members are requested to be timely notified of any change in their addresses to our independent Share Registrar.

7. Notice to Shareholders who have not provided CNIC:

The shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given in Note No. 1.

8. Payment of Cash Dividend Electronically:

Under the provision of Section 242 of Companies Act, 2017 and the Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrant.

In order to receive cash dividend directly into the designated bank account, shareholders are requested to fill and sign the “Mandate Form for E-DIVIDEND” available on the Company’s website link: https://www.adamjeeinsurance.com/pak/investors/downloads/shareholder_useful_documents/Mandate_for_e_dividend.pdf, and send to the relevant Broker/Participants/Investor Account Services of the CDC/Share Registrar of the Company (as the case may be) before April 19, 2023 along with a copy of their valid CNICs. The aforesaid form is also available at the end of the Annual Report of the Company. The form has also been provided with CDs to the shareholders. In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of CNICs, the Company will withhold cash dividend of such members in terms of Section 242 of the Companies Act, 2017.

9. Unclaimed Dividend:

Shareholders, who for any reason, could not claim their dividends/shares, if any, are advised to contact our Share Registrar to collect/ enquire about their unclaimed dividend/shares, if any.

10. Hardcopy of Annual Financials:

Shareholders have passed Special Resolution in AGM held on 29th April 2017 to transmit annual report from 31st December 2017 onwards through CD/DVD/USB in compliance of directive of SRO 470(1)/2016 dated 31st

May 2016. The annual report is emailed to shareholders who have provided their email address in terms of Section 223 (6) of the Companies Act, 2017 and through CD to other shareholders who have not so far provided their email addresses to the Company. The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand.

11. Deduction of Withholding Tax on the amount of Dividend:

Pursuant to Circular No.19/2014 dated October 24, 2014, SECP has directed all companies to inform shareholders about changes made in Section 150 of the Income Tax Ordinance, 2001. The Company, hereby advise to its shareholders, the important amendments, as under:

The Government of Pakistan through Finance Act, 2019 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- a. For filers of income tax returns 15%
- b. For non-filers of income tax returns 30%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of Federal Board of Revenue, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 30% instead @ 15%.

In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-Filer and tax will be deducted by the Company based on shareholding of each joint-holder as may be notified to the Company in writing. The joint-holders are, therefore, requested to submit their shareholdings otherwise each joint holder shall be presumed to have an equal number of shares. The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Independent Share Registrar at the below mentioned address. The shareholders, while sending NTN or NTN certificates, must quote the company name and their respective folio numbers.

12. Zakat Declarations:

The members of the Company are required to submit a Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980 to the Company.

13. Deposit of Physical Shares into CDC Account:

The Shareholders 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 script-less form. This will facilitate them in many ways including safe custody and the sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange. Further, Section 72 of the Act states that after the commencement of the Act from a date notified by SECP, a company having share capital shall have shares in book-entry form only. 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 SECP, within a period not exceeding four years from the promulgation of the A.

FORM 34
THE COMPANIES ACT 2017
THE COMPANIES(GENERAL PROVISIONS & FORMS)
REGULATION, 2019 [Section 227(2)(f)]
PATTERN OF SHAREHOLDING

1.1 Name of the Company **ADAMJEE INSURANCE COMPANY LIMITED.**

2.1 Pattern of holding of the shares held by the shareholders as at 31-12-2022

2.2	No. of Shareholders	Shareholdings	Total Shares Held
	1,002	Shareholding From 1 To 100	26,062
	898	Shareholding From 101 To 500	273,137
	484	Shareholding From 501 To 1000	396,027
	1,786	Shareholding From 1001 To 100000	21,427,263
	90	Shareholding From 100001 To 475000	19,942,345
	28	Shareholding From 480001 To 1135000	19,696,244
	17	Shareholding From 1150001 To 15025000	70,327,433
	1	Shareholding From 17105001 To 17110000	17,107,420
	1	Shareholding From 17225001 To 17230000	17,227,000
	1	Shareholding From 19210001 To 19215000	19,213,878
	1	Shareholding From 27875001 To 27880000	27,877,735
	1	Shareholding From 28515001 To 28520000	28,515,087
	1	Shareholding From 37970001 To 37975000	37,970,369
	1	Shareholding From 69995001 To 70000000	70,000,000
	4,312		350,000,000

FORM 34
THE COMPANIES ACT 2017
THE COMPANIES(GENERAL PROVISIONS & FORMS)
REGULATION, 2018 [Section 227(2)(f)]
PATTERN OF SHAREHOLDING

2.3 Categories of Shareholders	Number of Shareholders	Shares held	Percentage
2.3.1 Directors, Chief Executive Officer their spouses & minor children			
Ibrahim Shamsi	1	16,797	0.00
Imran Maqbool Malik	1	7,073	0.00
Khawaja Jalaluddin	2	8,586,000	2.45
Mohammad Ali Zeb	1	7,073	0.00
Mohammad Arif Hameed	1	2,500	0.00
Sadia Younas Mansha	1	2,500	0.00
Shaikh Muhammad Jawed	1	2,500	0.00
Umer Mansha	1	60,335	0.02
2.3.1 (a) Executives	1	104	0.00
2.3.2 Associated Companies, undertakings & related parties			
a) MCB Bank Limited - Treasury	2	70,861,241	20.25
b) Nishat Mills Limited	1	102,809	0.03
c) Nishat (Aziz Avenue) Hotels And Properties Limited	1	1,267,000	0.36
d) Roomi Holdings (Pvt.) Limited	3	15,249,000	4.36
e) Roomi Fabrics Limited	5	17,405,000	4.97
f) Masood Fabrics Limited	6	9,881,500	2.82
g) Masood Holdings (Private) Limited	1	3,984,500	1.14
2.3.3 NIT and ICP	-	-	-
2.3.4 Banks, Development Finance Institutions, Non-Banking Finance Companies	13	7,449,583	2.13
2.3.5 Insurance Companies	6	30,347,854	8.67
2.3.6 Modarabas and Mutual Funds	15	2,580,345	0.74
2.3.7 Shareholders holding 5% or more voting interest (reflected in relevant category, reference given)			
i) MCB Bank Ltd (2.3.2a)		70,861,241	20.25
ii) Trustee-MCB Employees Pension Fund(2.3.9)		37,970,369	10.85
iii) Security General Insurance Co Ltd (2.3.5)		28,515,087	8.15
iv) D.G. Khan Cement Company Limited (2.3.9)		27,877,735	7.97
v) Anjum Nisar (2.3.8a)		19,213,878	5.49
2.3.8 General Public			
a) Local-Individuals	4,104	72,527,922	20.72
b) Foreign Individuals	9	3,203,000	0.92
c) Foreign Companies/organizations(on repatriable basis)	10	10,572,896	3.02
2.3.9 Others:(Joint Stock Cos., Pension/Provident Funds etc.)	126	95,882,468	27.39
	4,312	350,000,000	100.00


Shaikh Muhammad Jawed
 Director


MUHAMMAD ALI ZEB
 Managing Director & Chief Executive Officer



ADAMJEE INSURANCE COMPANY LIMITED

Registered Office: Adamjee House, 80/A, E-1, Main Boulevard, Gulberg-III, Lahore.

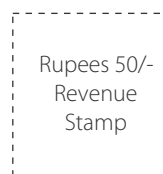
Form of Proxy

I/We _____ of _____ being a member of Adamjee Insurance Company Limited and holder of _____ shares as per Folio No. _____ CDC Participant ID No. _____ and Sub Account No. _____ / CDC Investors Account No. _____ hereby appoint Mr./Miss/Mrs. _____ of _____ (Folio No. _____ CDC Participant ID No. _____ and Sub Account No. _____ / CDC Investors Account No. _____) or failing him Mr./Miss/Mrs. _____ of _____ (Folio No. _____ CDC Participant ID No. _____ and Sub Account No. _____ / CDC Investors Account No. _____) as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the 62nd Annual General Meeting of the Company to be held on April 28, 2023 (Friday) at 10:00 AM at Nishat Hotel, Gulberg, Lahore and through video link facility and any adjournment thereof.

Signed this _____ day of _____ 2023

Witness 1:

Signature _____
 Name _____
 CNIC No. or Passport No. _____
 Address _____



Witness 2:

Signature _____
 Name _____
 CNIC No. or Passport No. _____
 Address _____

Signature of Member

Notes

- A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.
- Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their original National Identity Cards along with CDC Participant ID and account number at the meeting venue.
- Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular No 1 of 2000.

A. For Attending the Meeting

- In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements .
- The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

نمائندگی نامہ

میں/ہم مقیم، آدمجی انشورنس کمپنی لمیٹڈ کے ایک ممبر اور شہر کی ملکیت/فولیو نمبر
 سی ڈی سی پارٹنر آئی ڈی نمبر اور سب اکاؤنٹ نمبر کے مطابق محترم/محترمہ
 مقیم (فولیو نمبر سی ڈی سی پارٹنر آئی ڈی نمبر اور سب اکاؤنٹ نمبر / سی ڈی سی انویسٹرز اکاؤنٹ نمبر)
 یا اُن کے شریک نہ ہونے پر محترم/محترمہ مقیم (فولیو نمبر)
 سی ڈی سی پارٹنر آئی ڈی نمبر اور سب اکاؤنٹ نمبر / سی ڈی سی انویسٹرز اکاؤنٹ نمبر (کو بذریعہ بذانتنا ہاٹل، گلبرگ، لاہور
 میں بروز جمعہ مورخہ 28 اپریل 2023 بوقت صبح 10 بجے اور بذریعہ ویڈیو لنک منعقد ہونے والے 62 ویں سالانہ اجلاس عام میں شرکت ہونے، گفتگو کرنے اور ووٹ دینے کے لئے میرے / ہمارے نمائندے کے
 طور پر نامزد کرنا چاہتا / چاہتے ہیں۔
 آج بروز تاریخ 2023ء دستخط کیے گئے۔

گواہ 1

ریونیو اسٹیٹمپ
 -/۵۰ روپے کی

دستخط
 نام
 پتہ
 قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر

گواہ 2

ممبر کے دستخط

دستخط
 نام
 پتہ
 قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر

ملاحظات (نوٹس):

- 1- سالانہ اجلاس عام میں شرکت اور رائے دہی کا حق رکھنے والا ممبر کسی دوسرے ممبر کو اپنی بجائے شرکت اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پروکسی) مقرر کر سکتا ہے۔ کوئی کارپوریشن یا کمپنی، بحیثیت کمپنی کی ممبر، اپنے افسران میں سے کسی کی تقرری بورڈ ریزولوشن کے ذریعے کر سکتی ہے۔ نمائندگی نامہ (Proxy(s) اس اجلاس کے انعقاد کے مقررہ وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں وصول ہو جانا چاہیے۔
- 2- ایسے ممبران جو سینٹرل ڈپازٹری کمپنی آف پاکستان میں شہر رجسٹر کر چکے ہیں وہ اصل کمپیوٹرائزڈ قومی شناختی کارڈ اور سی ڈی سی پارٹنر آئی ڈی نمبر ساتھ لائیں۔
- 3- CDC اکاؤنٹ ہولڈرز کو سکریٹریز اینڈ ایگزیکٹو کمیشن آف پاکستان کی طرف سے جاری کردہ درج ذیل ہدایات کی مزید پیروی کرنا ہوگی:

(A) اجلاس میں شرکت کیلئے:

- (i) افراد کی صورت میں، اکاؤنٹ یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC ضوابط کے مطابق اپ لوڈ کی جا چکی ہیں، اجلاس میں شرکت کے وقت اپنی شناخت کی تصدیق کیلئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھائے گا۔
- (ii) کاروباری ادارے کی صورت میں اجلاس کے موقع پر بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد نمائندے کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔

(B) نمائندوں کی تقرری کیلئے:

- (i) افراد کی صورت میں، اکاؤنٹ یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC ضوابط کے مطابق اپ لوڈ کی جا چکی ہیں، اجلاس میں شرکت کے وقت درج بالا تقاضوں کے مطابق نمائندگی نامہ (Proxy Form) جمع کروائے گا۔
- (ii) نمائندگی نامے پر دو افراد کی گواہی موجود ہونی چاہیے جن کے نام، پتے اور CNIC نمبر تقرری نامے میں درج ہوں۔
- (iii) نمائندگی نامے کے ہمراہ اصل مالکان (beneficial owner) اور نمائندے کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول مہیا کی جائیں۔
- (iv) نمائندے کو اجلاس کے موقع پر اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (v) کاروباری ادارے کی صورت میں، اجلاس کے موقع پر نمائندگی نامے کے ہمراہ بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نمائندے/اثارنی کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔



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