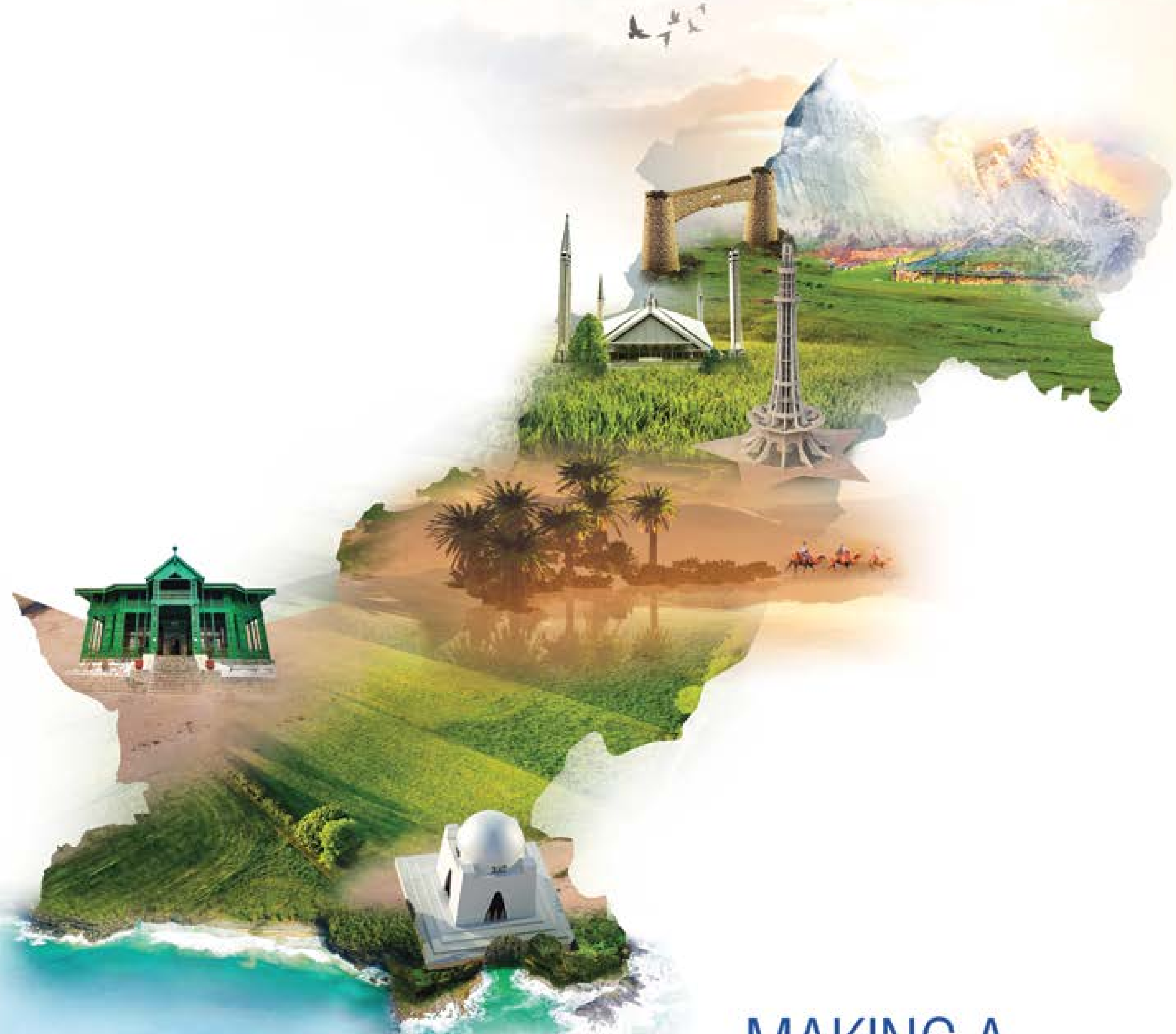
adamjee insurance



MAKING A MARK

ANNUAL REPORT 2021

Pakistan's rich cultural heritage and diverse customs have been spreading across, strengthening our identity as a nation and have been making a mark on a global stage over the years.

We at Adamjee Insurance are leading the way in delivering innovative solutions, creating our identity as the Largest General Insurance Company of Pakistan and also making a mark globally. Our quality services provide the support and security our customers need that strengthens their trust in us and allows them to reach new heights with confidence and helps them make their mark in the world!

About the Annual Report 2021

Adamjee Insurance Company Limited (the Company) proudly presents its annual report for the year 2021. 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.

Coverage & Contents

The Annual Report 2021 covers the twelve-month period from 1 January 2021 to 31 December 2021. Significant events, if any, that took place up to the date of authorization of financial statements and date of directors' report i.e. February 08, 2022 have also been explained in relevant sections of the report. The most recent previous report of the Company was dated 31 December 2020.

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

Sections	Insight in the section
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 educates 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 risk 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.
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).

Responsibility for the report

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 above. 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

Financial Highlights

Rs.24.8 Billion
Gross Premium/ Contribution Written

Rs.8.96
Earning per share

Rs.2.5 Billion
Investment income

Rs.31.1 Billion
Investments

Rs.25.4 Billion
Equity and reserves

Rs.12.2 Billion
Claims paid

Rs.61.6 Billion
Asset base

Rs.3.1 Billion
Profit after tax

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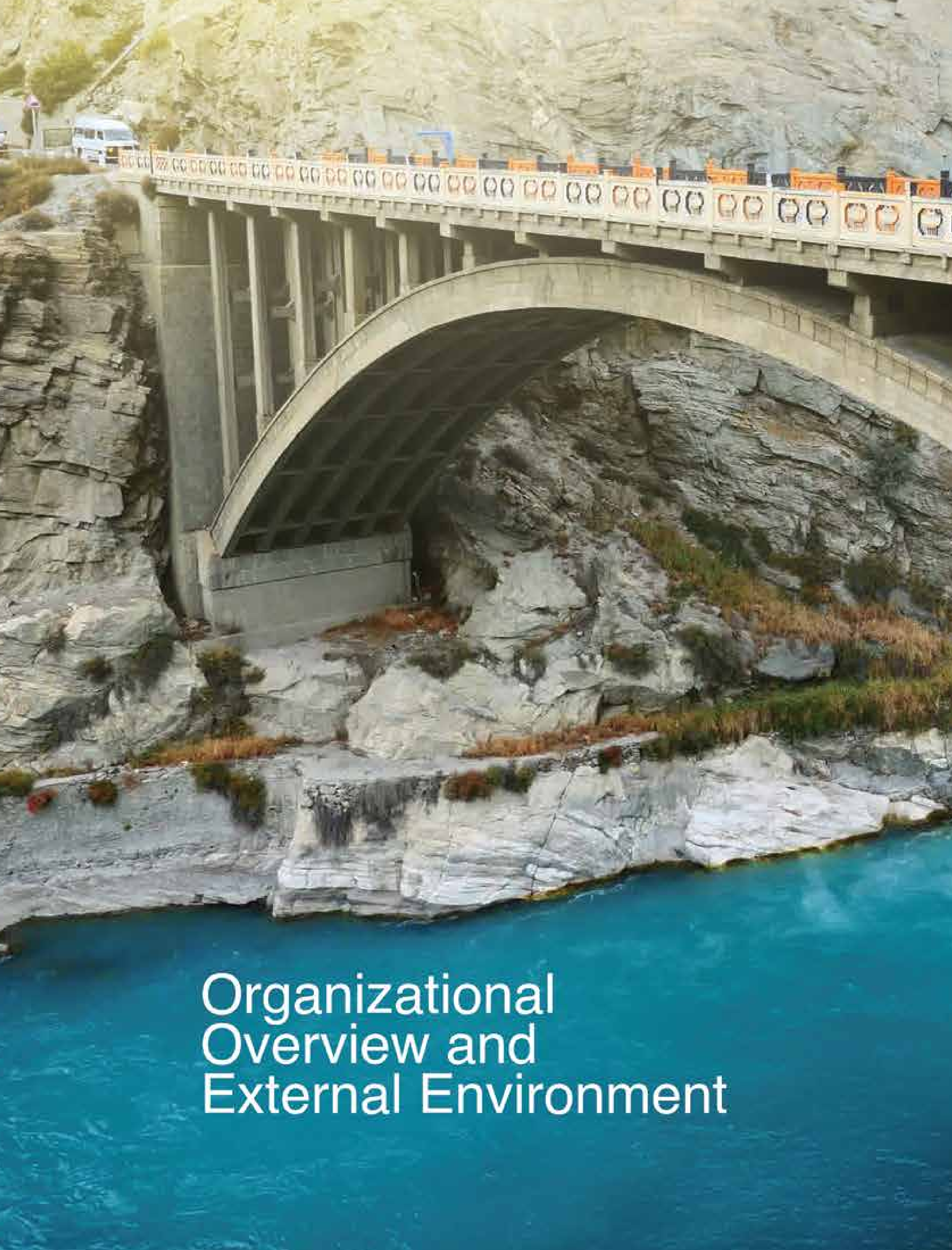


Organizational Overview and External Environment

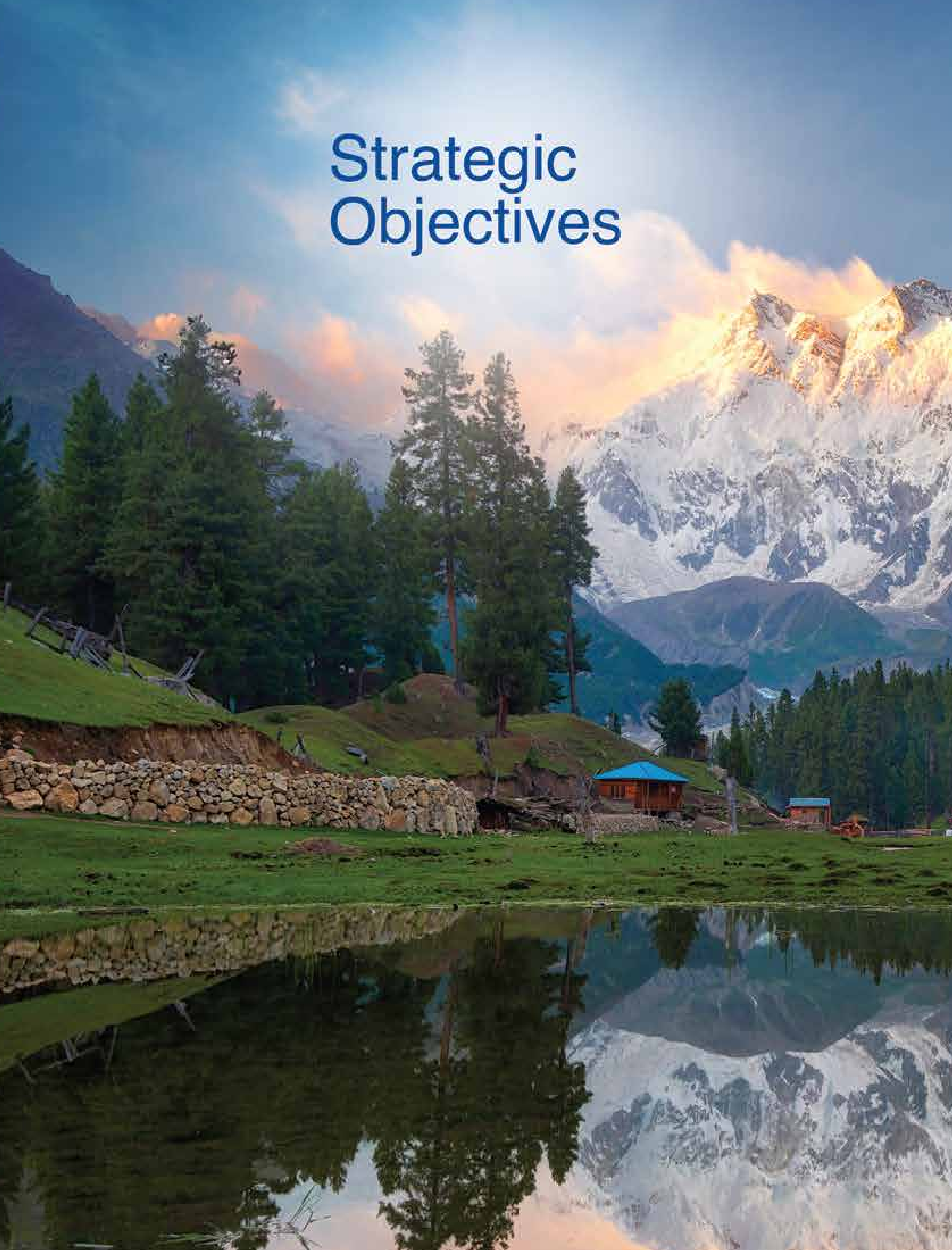
Vision & Mission

Our will is to **Explore, Innovate** and **Differentiate**.
Our passion is to provide **leadership** to the insurance industry.

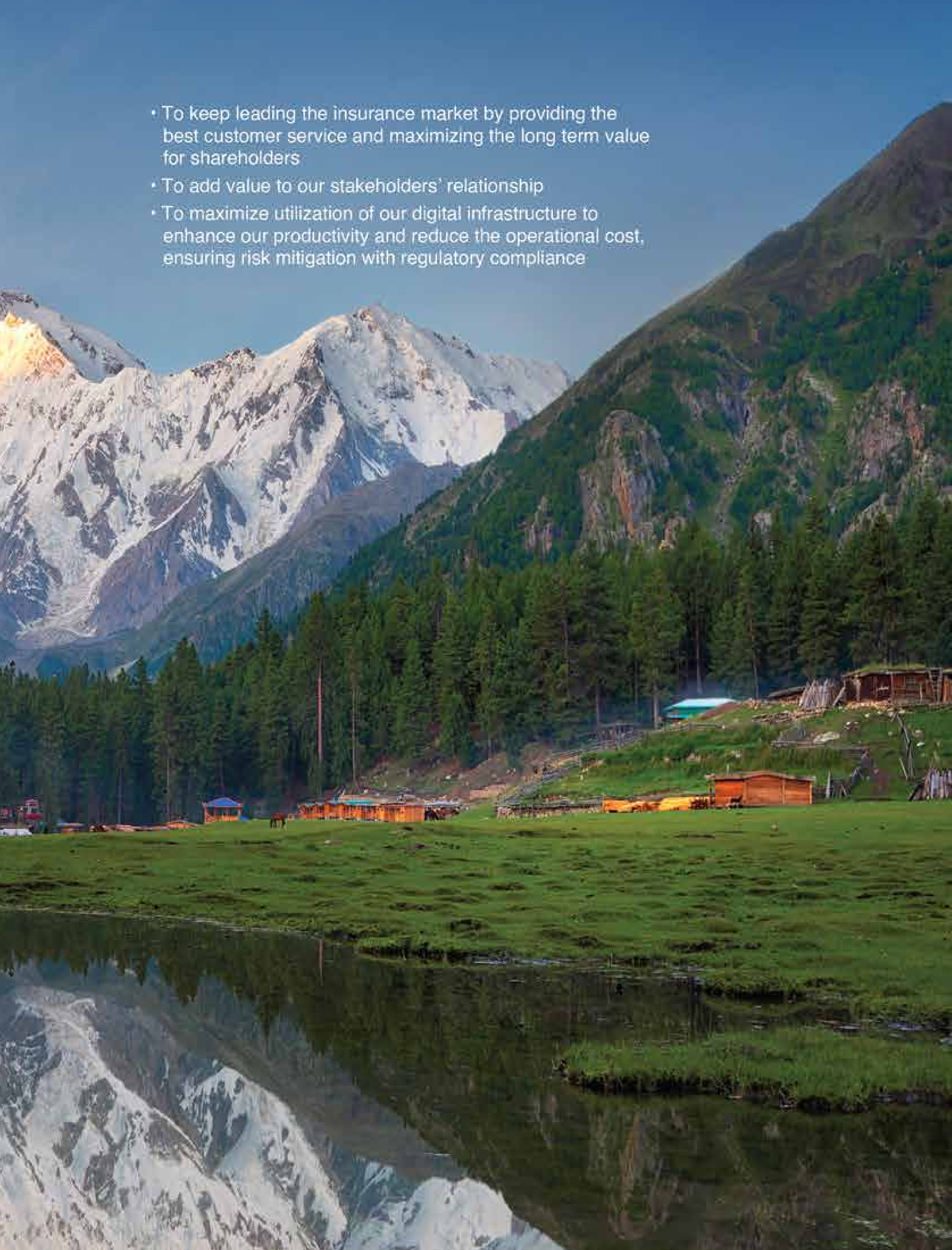
Core Values

- **Integrity** - Transparency & honesty without compromise
- **Humility** - Empathy, self-esteem & respect in all relationships
- **Fun at Workplace** - Work-life balance
- **Corporate Social Responsibility** - Service to humanity

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
Muhammad Anees	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 Anees	Chairman
Ibrahim Shamsi	Member
Shaikh Muhammad Jawed	Member
Umer Mansha	Member

ETHICS, HUMAN RESOURCE AND REMUNERATION COMMITTEE

Muhammad Anees	Chairman
Ibrahim Shamsi	Member
Muhammad Ali Zeb	Member
Umer Mansha	Member

INVESTMENT COMMITTEE

Umer Mansha	Chairman
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 Shahra-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 inspirit, 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.

The year 2021 will forever be remembered as one when Covid-19 continued to alter everything we define as everyday life. This is a tragedy that has regrettably continued to impact many and I want to take this opportunity to share my condolences with everyone that has suffered and lost loved ones to the pandemic. Covid-19 has also had a huge impact on all businesses. Everyone is simply trying to find their own way through this, but I particularly feel for all those, whose livelihoods have been impacted over the last year.

The Board has always focused on safeguarding the best interests of the Company's shareholders and has strived to maintain a balance between regulatory obligations and operational requirements. As part of this effort, the Board's properly structured committees are in place, with each one having well-defined objectives and appropriate Terms of Reference, performing their respective roles effectively and efficiently. Having an effective Board and professional Management team is of vital importance, especially given the prevailing macroeconomic environment which is still in a state of recovery due to the enduring pandemic. While the 2nd and 3rd waves of Covid-19 brought unique challenges, devastating for countries around the globe, Pakistan fared relatively better due to the Government's prudent and proactive policy measures, followed by a well-managed vaccination drive. At Adamjee Insurance, we fully supported the Government's vaccination efforts and are proud to confirm that all of our employees are now vaccinated.

Adamjee Insurance performed remarkably well during these times. Our focus remained to stand out as a leader in the insurance industry. I would like to mention here, in particular, the Board of Directors' performance which to say the least was commendable, where all the members fulfilled their duties diligently and with due care and expertise, which helped the Management surpass their budgeted growth targets and other strategic goals, despite demanding conditions.

Our most valuable asset, our employees, are central to our continued success and we are sincerely grateful for their commitment and dedication to the Company, especially during the spells of Covid-19 related government-imposed restrictions.

Finally, I would like to thank our customers for their continuous confidence and trust in us. I would also like to extend my 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 which has helped Adamjee Insurance to be where it stands today.

We look forward to the year 2022 and beyond, with a renewed commitment to serve our customers who have always been at the forefront of our success.

Umer Mansha
Chairman

چیئرمین کا جائزہ

مجھے آدم جی انشورنس کمپنی لمیٹڈ کے شئیر ہولڈرز کے سامنے بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی اور کمپنی کے اسٹریٹجک مقاصد کے حصول میں بورڈ کی طرف سے ادا کیے گئے کردار کی اثرات پر اپنا جائزہ پیش کرتے ہوئے خوشی ہو رہی ہے۔

سال 2021 ہمیشہ کے لیے یاد رکھا جائے گا کہ کووڈ19- نے ہر اس چیز کو بدل دیا ہے جن کو ہم روزمرہ کی زندگی کے معمول کے طور پر لیتے ہیں۔ یہ ایک المیہ ہے جس نے افسوس کے ساتھ بہت سے لوگوں کو متاثر کیا ہے اور میں اس موقع پر ہر اس شخص کے ساتھ اپنی تعزیت کا اظہار کرنا چاہتا ہوں جو وبائی امراض کا شکار ہوئے اور اپنے پیاروں کو کھو دیا۔ کووڈ19-کا تمام کاروبا پر بھی بہت بھاری اثر پڑا ہے۔ ہر شخص اس سے نکلنے کا راستہ تلاش کرنے کی کوشش کر رہا ہے، لیکن میں خاص طور پر ان تمام لوگوں کے لیے ہمدردی محسوس کرتا ہوں، جن کی روزی روٹی پچھلے سال سے متاثر ہوئی ہے۔

بورڈ نے ہمیشہ کمپنی کے شیئر ہولڈرز کے بہترین مفادات کے تحفظ پر توجہ مرکوز کی ہے اور ریگولیٹری ذمہ داریوں اور آپریشنل ضروریات کے درمیان توازن برقرار رکھنے کی کوشش کی ہے۔ اس کوشش کے ایک حصے کے طور پر، بورڈ کی مناسب طریقے سے تشکیل شدہ کمیٹیاں موجود ہیں، جن میں سے ہر ایک کے پاس اچھی طرح سے متعین مقاصد اور حوالہ کی مناسب شرائط ہیں، جو اپنے اپنے کردار کو مستعدی اور مؤثر طریقے سے انجام دے رہے ہیں۔ ایک موثر بورڈ اور پروفیشنل مینجمنٹ ٹیم کا ہونا بہت اہمیت کا حامل ہے، خاص طور پر موجودہ میکرو اکنامک ماحول کے پیش نظر جو کہ پائیدار وبائی امراض کی وجہ سے اب بھی بحالی کی حالت میں ہے۔ جہاں کووڈ19- کی دوسری اور تیسری لہریں منفرد چیلنجز لے کر آئیں، جو دنیا بھر کے ممالک کے لیے تباہ کن ہیں، پاکستان نے حکومت کے دانشمندانہ اور فعال پالیسی اقدامات کی وجہ سے نسبتاً بہتر کارکردگی کا مظاہرہ کیا، جس کے بعد ویکسینیشن مہم کا انتظام کیا گیا۔ آدم جی انشورنس میں، ہم نے حکومت کی ویکسینیشن کی کوششوں کی مکمل حمایت کی اور ہمیں اس بات کی تصدیق کرنے پر فخر ہے کہ ہمارے تمام ملازمین کو اب ویکسین لگائی جا چکی ہے۔

آدم جی انشورنس نے ان دنوں میں شاندار کارکردگی کا مظاہرہ کیا۔ ہمارا فوکس انشورنس انڈسٹری میں ایک لیڈر کے طور پر نمایاں ہونا تھا۔ میں یہاں خاص طور پر بورڈ آف ڈائریکٹرز کی کارکردگی کا تذکرہ کرنا چاہوں گا جو کہ کم از کم قابل ستائش تھی جہاں تمام ممبران نے اپنی ذمہ داریاں پوری تندہی اور مناسب دیکھ بھال اور مہارت کے ساتھ نبھائی جس کی وجہ سے انتظامیہ کو اپنے بجٹ میں ترقی کے اہداف اور دیگر متقاضی حالات کے باوجود اسٹریٹجک اہداف کو عبور کرنے میں مدد ملی۔

ہمارا سب سے قیمتی اثاثہ، ہمارے ملازمین، ہماری مسلسل کامیابی میں مرکزی حیثیت رکھتے ہیں اور ہم کمپنی کے ساتھ ان کی وابستگی اور خاص طور پر کووڈ19- سے متعلق حکومت کی طرف سے عائد پابندیوں کے دوران لگن کے لیے تہہ دل سے شکر گزار ہیں۔

آخر میں، میں اپنے صارفین کا ہم پر مسلسل اعتماد اور بھروسے کے لیے شکریہ ادا کرنا چاہوں گا۔ میں اپنے کاروباری شراکت داروں، ری انشوررز، اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کا بھی شکریہ ادا کرنا چاہوں گا کہ ان کی مدد اور رہنمائی نے آدم جی انشورنس کو آج اس مقام پر پہنچنے میں مدد بڑی فراہم کی ہے۔

ہم سال 2022 اور اس سے پرے بھی اپنے صارفین، جو ہمیشہ ہماری کامیابی میں سب سے آگے رہے ہیں، کی نئے عزم کے ساتھ خدمت کے لئے نہایت پرامید ہیں۔

عمر منشا
چیئرمین

CEO Message

I am pleased to share the Company's annual results for the financial year 2021.

During the year 2021, the Company has met many of the strategic targets it had set for itself, many of which have to do with business growth, process improvements and ensuring seemless customer experience. The Company has successfully regained its leadership position in the industry and has been able to improve its market share owing to the effective execution of business growth strategies and by maintaining strong customer relations.
Due to the onset of the Covid Pandemic and with the enforced lockdowns worldwide, the year 2020 was full of challenges and unprecedented pressures, locally as well as in the global economy. Thankfully, the year 2021 has been the road to recovery from these setbacks of the previous year. While the pandemic period has brought great loss, it has also shone a bright light on our resilience as a community. As we close out this financial year, we are proud of our Company for responding to all challenges head on and with a 'can-do' spirit, strongly focusing on the well-being of our stakeholders. With the grace of Allah Almighty, the Company has achieved a net revenue of PKR 24.7 billion (2020: PKR 19.6 billion) and net profitability of PKR 3.1 billion during the year 2021. We continue to be upbeat about similarly positive results in the year 2022.

Our growth strategy is predominantly based on our commitment to our stakeholders and in maximizing value for the shareholders. The Company has always strived for and has maintained high corporate standards and has maintained strict compliance with laws and regulations. We boast an ethical and diverse culture because we have leaders who set a clear and compelling direction and engage employees who go the extra mile for the organization. We strive to build an inclusive organization, addressing gender disparities and ensuring equal opportunities to all employees alike to fulfill their career aspirations and professional goals. All of this is achieved with the help of a systematic hierarchy that enables two-way communications, programs that recognize high performance, and extensive trainings to develop and turn workers into champions and in turn, these champions into leaders. This continuous development coupled with compensation and benefits, comprising almost half of all operating expenses, show that we highly value our employees. The Company has comprehensively promoted its talent development strategy, enhanced the skills of employees through continuous training and development, stimulated the potential and creativity of all employees, and thereby realized the mutual growth and progress of its staff.

The Company has come a long way in a short time span. However, there is still much that is to be achieved. The way forward is two-fold - striving for continuous growth in the business and to enrich the customer experience with a 'one stop solution' for all of the customers' insurance needs. Keeping in mind the entity's mission to exceed customer satisfaction and stay steadfast as the market leader, the Company is focusing on innovation, excellence and investment into state-of-the-art technology, expected to generate promising returns in the coming years. Finally, I would like to acknowledge the leadership of our Chairman and Board of Directors for making 2021 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 and efforts because they have always acted as a driving force behind the Company's achievements.

Muhammad Ali Zeb
CEO

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 and Adamjee Life Assurance Company 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
- Agrohub International (Pvt) Limited
- Cotton Web (Pvt) Limited
- Dupak Developers Pakistan (Pvt) Limited
- Dupak Properties (Pvt) Limited
- Dupak Tameer Limited
- Fortress Square Services (Pvt) Limited
- Fortress Supplies (Pvt) Limited
- Fortress Financials Services (Pvt) Limited
- Joyland (Pvt) Limited
- MCB Islamic Bank Limited
- Siddiqsons Energy Limited
- Siddiqsons Limited
- Siddiqsons Tin Plate 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 severed 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

Muhammad Anees

Director

Muhammad Anees joined Mahmood Group in 2003 as a member of the Board of Directors. Under his dynamic leadership and guidance, Mahmood Group flourished as he started managing strategic decisions related to Marketing, BMR, along with Production, Administration, Audit, IT, and ERP. Mahmood Group became the top 10 exporters of Pakistan assisted by his outreach to global markets. The will of being a responsible corporate citizen motivated him to be one of the largest private solar energy producers in Pakistan. His academic background and prowess have been from the finest business schools around the globe. He polished his skills by studying Financial Management and Risk Analysis from Wharton Business School (USA) after his MBA. He channelized and sharpened his inner strategist and attended Harvard Business School (USA) for a global understanding of Strategic Management in organizations. He strongly believes that his exposure to personal development and inspiring entrepreneurial growth has enhanced during his time at the London School of Economics and London Business School, UK. Being a compassionate patriot, he is also involved in CSR activities representing Mahmood Group at various platforms in the field of education, health, clean water, and the environment.

Other Directorships:

- Export Development Funds (EDF)
- D.G. Khan Solid Waste Management Company Limited Mahmood
- Textile Mills Limited
- Masood Spinning Mills Limited
- Multan Solid Waste Management Co. Limited
- Pakistan Single Window
- Punjab Industrial Estate Development Authority
- Punjab Social Security Health Management Company
- Roomi Foods (Pvt) Limited
- Roomi Poultry (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 Ltd

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 24 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:

- MCB Bank Ltd
- Adamjee Life Assurance Company Ltd
- 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 27 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 24 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 29 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 29 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 CMILT from London.

Muhammad Salim Iqbal

Executive Director Reinsurance

Muhammad Salim Iqbal has over 33 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 Anees	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Shaikh Muhammad Jawed	Member - Non-Executive Director
Umer Mansha	Member - Non-Executive Director

Investment Committee:

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

Ethics, Human Resources and Remuneration Committee:

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

Management Committees

Underwriting Committee:

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

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
Imran Ali	Head of Internal Audit

Claim Settlement Committee:

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

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 2021

OCTOBER
PINK RIBBON DAY

SEPTEMBER
BLOOD DONATION DRIVE

AUGUST
COVID-19 VACCINATION

APRIL
INSURANCE DAY CELEBRATION

MARCH
INTERNATIONAL WOMEN'S DAY

MAY
WORLD NO TOBACCO DAY

JUNE
WORLD ENVIRONMENT DAY

APRIL
EARTH DAY

AUGUST
INDEPENDENCE DAY CELEBRATION

MARCH
PAKISTAN DAY CELEBRATION

SEPTEMBER
SEMINAR ON "TEXTILE RISK"

NOVEMBER
ARC SPORTS FESTIVAL

NOVEMBER
TAKAFUL TRAINING

AUGUST
EMPLOYEES WELLBEING SEMINAR

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

ENGINEERING

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

HEALTH

- Micro Health
- Group Health
- Retail Health

MARINE

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

MOTOR

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

MISCELLANEOUS

- All Risk Valuable
- Bankers Policy
- Burglary
- Cash in Safe
- Cash in Transit
- Cellular Mobile Phone
- Contractual Liability
- Credit Card Travel Incovenience 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

Awards & Accolades

2021	Best Corporate Report Award by Institute of Chartered Accountant of Pakistan
2021	Certificate of Merit - SAFA Anniversary Award by South Asian Federation of Accountants
2021	Certificate of Merit - Best Governance Award in Insurance by South Asian Federation of Accountants
2021	Winner of Asia's Outstanding Insurance Company in Pakistan by Asia Money
2021	Best General Insurance Company in Pakistan by World Finance
2020	1st Position in Insurance Sector for Best Corporate Report Award by ICAP & ICMA
2020	Best General Insurance Company in Pakistan by World Finance
2020	Certification of ISO 9001:2015 by Lloyd's Register Quality Assurance
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	Certification of Green Office by WWF ' To Reduce Ecological Footprint'
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


Forbes
BEST UNDER
A BILLION
SOUTH ASIAN FEDERATION OF ACCOUNTANTS
SOUTH ASIAN FEDERATION OF ACCOUNTANTS
WORLD FINANCE
WORLD FINANCE

Our Geographical Presence

Total No. of Employees (31 December 2021)	843

- 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 2021)	78

Main Office and Branch
Branch Offices
Claim Centre

Insurer Financial Strength Ratings

IFS CREDIT RATINGS

LONG TERM RATING

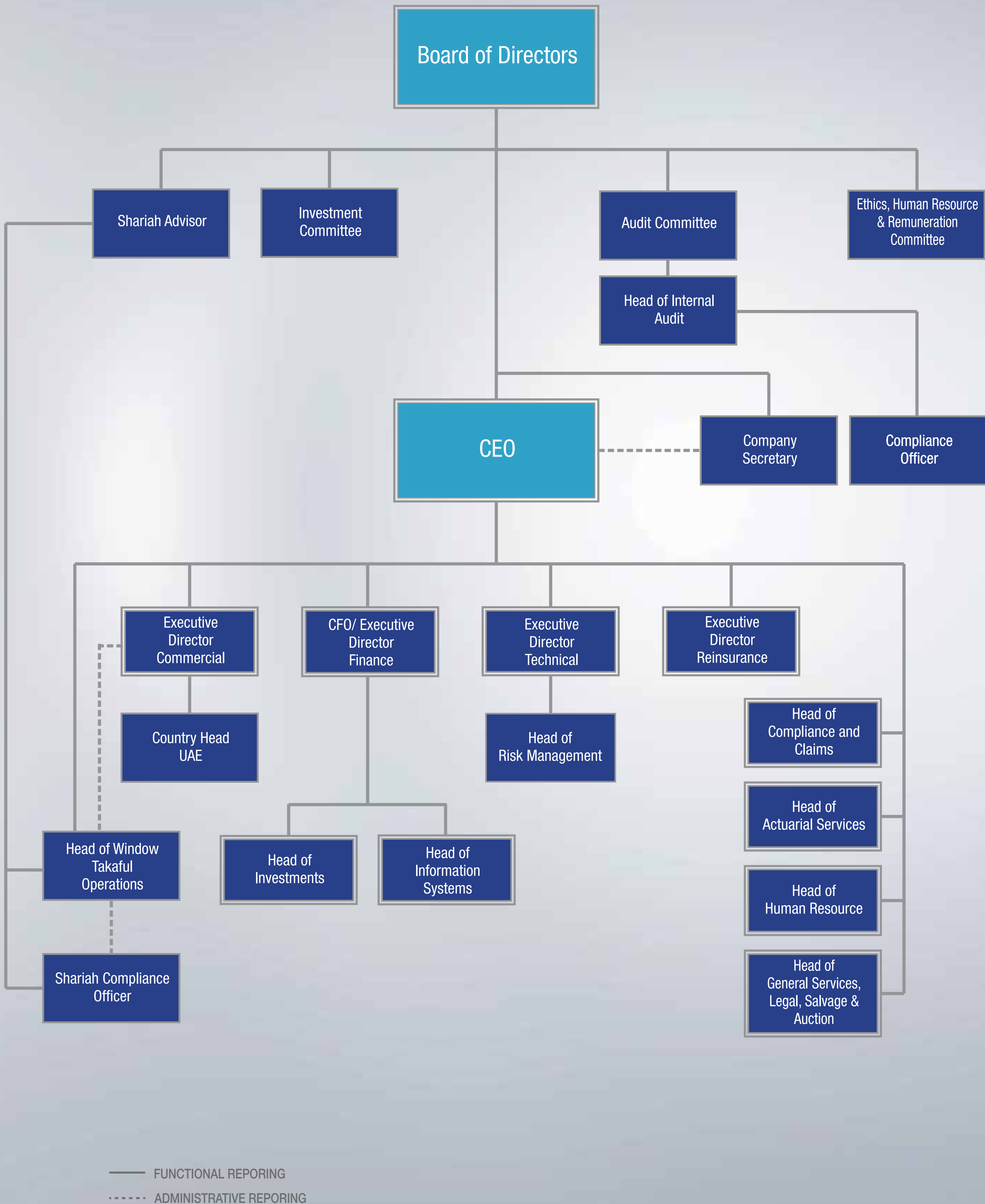
AA+

WITH STABLE OUTLOOK
BY PACRA

B

LONG TERM ISSUER CREDIT RATING "BB+"
WITH STABLE OUTLOOK
BY AM BEST - UK

Organizational structure



ISO 9001:2015 Certified

Lloyd's Register

Current issue date
Expiry date
Certificate identity number

Original approval(s):

Certificate of Approval

This is to certify that the Management System of:

Adamjee Insurance Company Limited

has been approved by Lloyd's Register to the following standards:

ISO 9001:2015

Approval number(s): ISO 9001 – 0049955

This certificate forms part of the approval identified by approval number: 0049955

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 - SAMEA

Issued by: Lloyd's Register Quality Assurance Limited

Page 1 of 1

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:

1

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 micro-insurance 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.

2

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.

3

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.

4

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.

5

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 wide spread 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 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.

ECONOMIC

In 2021 Pakistan's economy is moving progressively on higher inclusive and sustainable growth path despite numerous challenges during the year. Pandemics like COVID-19 are once-in-a-century event that devastate global economies. Pakistan did much better in coping up with the pandemic compared to many countries. Economy has witnessed a “V” shaped recovery. The current economic recovery has been achieved without compromising internal and external stability. Current account posted a surplus of $ 0.8 billion for the first time in 17 years. Inflows of foreign exchange through the Roshan Digital Account (RDA) crossed the $1 billion mark. The workers' remittances posted historically high growth of 29 percent and reached to $ 24.2 billion.

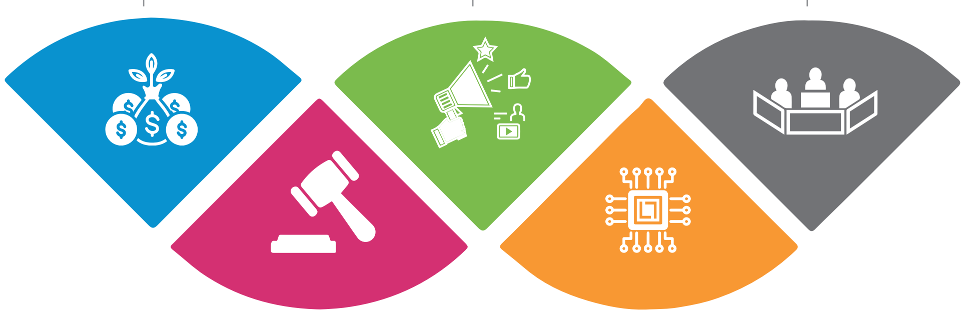
SOCIAL

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.

The growing awareness around health and protection. The Covid-19 pandemic has urged humanity to more closely look at health and wellbeing, while also raising unprecedented awareness around the importance of health insurance.

POLITICAL

The political stability of a country has always been a major factor in deciding the growth of an industry. Government has taken serval 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.



LEGAL

The Government of Pakistan and Securities and Exchange Commission of Pakistan (SECP) are strictly oversight the insurance industry to address the regulatory gaps in the existing law and creating a conductive regulatory environment to encourage the industry development.

SECP has enforced the Corporate Insurance Agent Regulations 2020 and the Minimum Capital Requirement for Non-Life Insurers stands at Rs.500 million alongside which insurance companies are required to maintain a deposit with the State Bank of Pakistan (SBP) with a minimum amount being 10% of the insurer's paid-up capital or any amount that may be specified by the Regulator. Government of Pakistan has introduced the new Auto Policy 2021-26 is expected to bring in reforms on the automobile sector which may lower the prices of vehicles for consumers and boost demand. Thus, demand in motor insurance is expected to add up with increased Auto-financing.

TECHNOLOGICAL

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.

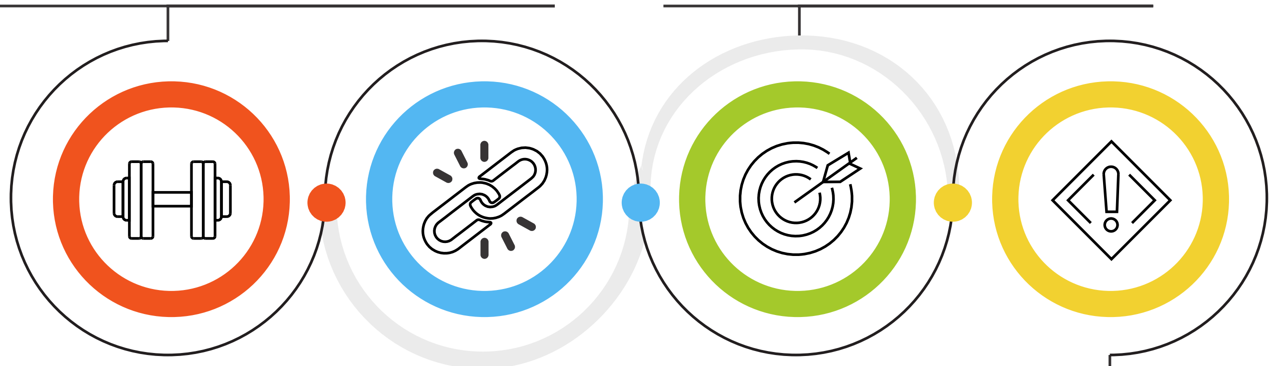
SWOT Analysis

STRENGTHS

- Strong position in market with a paid-up-capital of Rs. 3.5 Billion
- IFS Rating of “AA+” by PACRA and “B” (Good with stable outlook) 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

EXTERNAL

UPSTREAM

- Re-insurer / Re-takaful
- Re-insurance brokers / Re-takaful brokers
- Insurance brokers

DOWNSTREAM

- Sales
- Aggregators
- Retailers Distribution Network
- Consumer / Policyholder / Corporate Client

SUSTAINABLE LONG TERM VALUE

INTERNAL

PRIMARY ACTIVITIES

Marketing, Sales, and distribution:
- Extensive branch network in Pakistan & UAE
- Pioneer in establishing retail sales network
- Experienced and competent sales force
- Marketing, Public Relations & Corporate Communication and Advertising
- Performance Marketing for Online Sales Generation using Social Media
- Alliances with Online Sales Aggregators
- Robust relationship with Insurance Brokers

Underwriting:
- Focus on Enterprise Risk Management steps to underwrite risks
- Diversified Product Portfolio for Insurance & Takaful
- Adequate risk evaluation techniques before underwriting
- Conduct timely training to risk professionals to practice new risk management techniques

Claims Management:
- Use of SECP Proficient surveyor's network
- Appointment of Surveyor's as per risk merit
- Dedicated centralized Claim management department
- Hands on information of Claims Process
- Smooth process for Claim Payments

Assets & Investment Management:
- Invest in Long-term quality fixed assets
- Evaluate investment opportunities for placement of funds in diversified instruments for sustainable growth
- Portfolios are built to mitigate market and interest rate risks

Customer Experience & Service Quality:
- Dedicated 24/7 Call Center for Claims & Complaints
- 9001:2015 ISO Certified Company
- Focus on use of digital technology to ensure excellence in customer experience
- Department for Compliant Management
- Customer Satisfaction Surveys

SUPPORT ACTIVITIES

Governance & Risk Management:
- Implementation of Enterprise Risk Management framework
- Maintaining SECP regulatory compliance
- Compliance with Codes of Corporate Governance
- Adequate Re-insurance/ Re-takaful arrangements
- Actuarial services to support operations
- Strong internal control

Technological Advancement:
- Focus on digitalization
- Implementation of Enterprise Resource Management Specialized for Insurance
- Implementation of Takaful Specialized ERP
- Implementation of Business Intelligence System
- State of the art Information System Processes to meet highest security standards
- Online Portals for Motor, Travel and Health Insurance/ Takaful

Finance and Reporting:
- Financial reporting in compliance with applicable IFRS and provisions of and directives issued under the Companies Act,2017, the Insurance Ordinance, 2000 and the rules & regulations formulated thereunder
- Integrated ERP System for MIS reporting and decision making
- Finance as a business partner
- Investors' Relations Management

Human capital management:
- Transparent and fair recruitment process
- Focus on Training & Development Programs
- Fair system for appraisal management and rewards
- Activities for employee engagement and motivation
- Collaborative and self-motivated environment

Our Leading Business Model

Business Model & Value Creation

INPUTS

Financial Capital:
- Paid-Up Capital: Rs. 3.5 Billion
- Total Assets: Rs. 61.6 Billion
- Equity: Rs. 25.4 Billion
- Combined Investment and Cash & Bank Portfolio: Rs. 33.6 Billion

Human Capital:
- Total Employees: 921
- Highly Skilled, Experienced and Competent Employees
- Training & Development Programs
- Performance Management System

Manufactured Capital
- Property & Equipment Value is 5.9 Billion
- 2 Call Centers (Pakistan & UAE)
- 3 Dedicated Doctors Helplines (Karachi, Lahore & Islamabad)

Intellectual Capital:
- Technological Infrastructure is based on Centralized ERP and integrated with functional and technical departments.
- Dedicated Online Portals for Health, Travel, Motor and Window Takaful Operations .

Social & Relationship Capital:
- All Leading/ Regional Hospitals are on-board with Health Insurance.
- All Leading Auto- Assemblers, Workshops on-board for Motor Claims
- Partnerships with Local NGO's for Micro Insurance
- Dedicated Teams for CPEC & Special Projects
- Globally renowned and Reliable Re-Insurers/ Retakaful Partners
- Alliances with Digital Aggregators
- Largest distribution network with Partner Banks, and Auto Assemblers, Dealerships

Natural Capital:
- Green Office Initiative
- Largest Insurer of Renewable Energy Projects
- Invested in Green Initiative Projects in Karachi and Lahore Head Office. i.e; Complete LED's based Electrical Infrastructure

OUTPUTS	OUTCOMES
Financial Capital: • Earnings Per Share (EPS): Rs. 8.96 • ROAE: 0.173 • Current Ratio: 1.6 times • Liquid Assets/ Total Assets: 0.662	• Gross Written Premium & Contribution: Rs.24.8 Billion • Underwriting Profit: Rs. 672.3 Million • Claims Paid: Rs. 12.2 Billion • Total Investments: Rs. 31 Billion • Profit after tax: Rs. 3.1 Billion
Human Capital: • Female staff Ratio 16% • Male staff Ratio 84% • No. of Training Conducted: 12 • Employee Engagement Programs: 5	• More focus on customer centricity, Service excellence and customer engagement • Increase innovation & Competitiveness • Increase Employees Satisfaction
Manufactured Capital: • Addition of 1 New Branch for Window Takaful Operations • 4 Minutes Average Call Resolution Duration • 25000+ 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. • 3 New Product Developments • 25000+ 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. 674 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

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. However, in the year 2020, Covid-19 pandemic created unexpected circumstances with lockdowns. The sales remained under huge pressure especially during the second quarter. Export restrictions disrupted the seasonality of the year 2020, hence, the demand varied this year. Despite, the drop in premiums in marine line of business, the renewals happened as usual.

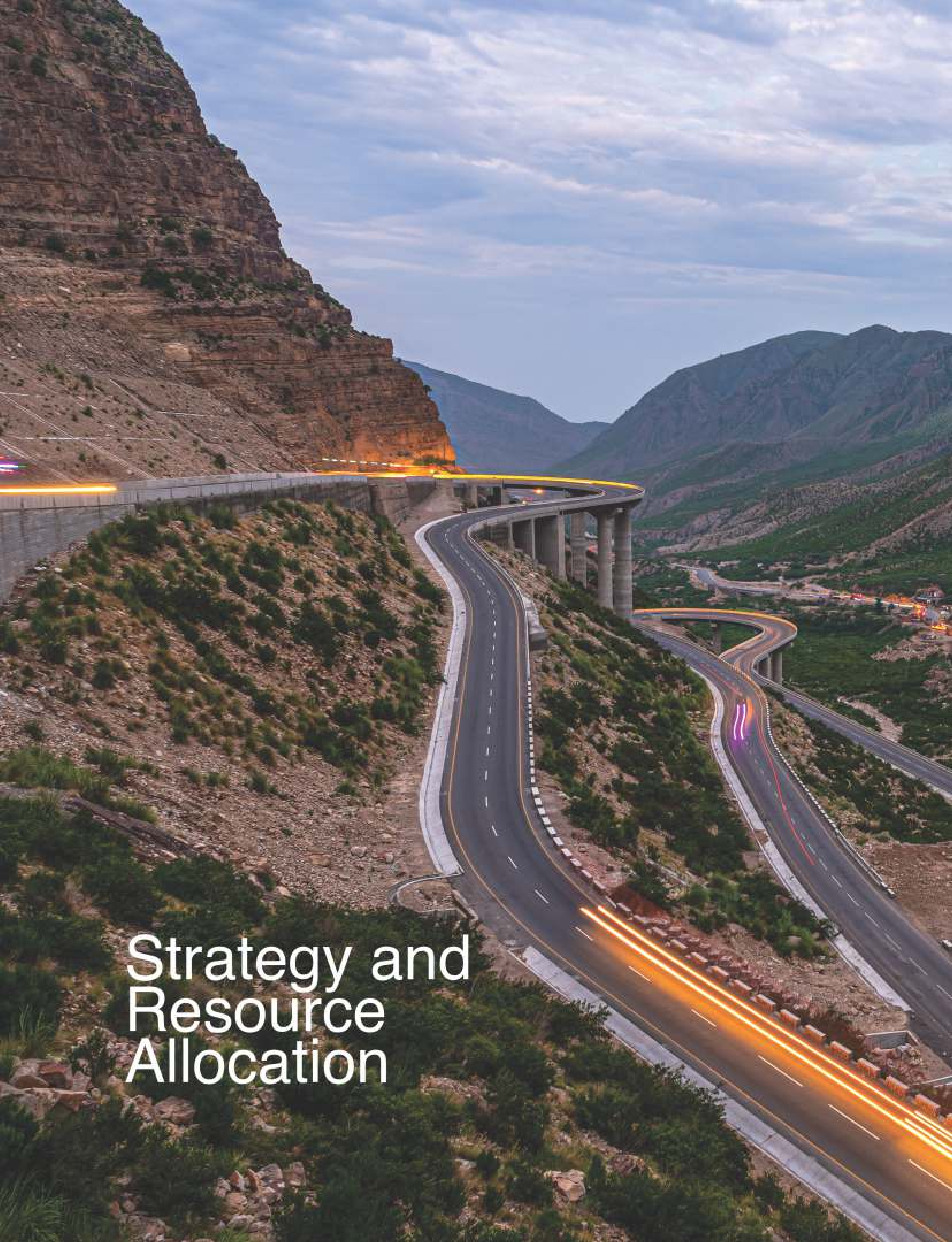
Most companies begin their fiscal year in July and some in January so overall renewals are high and sales are at their peak during this time. Motor insurance sales are affected in the month of Ramadan as lot of people plan to buy a new car before the occasion of EID.

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.



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	• Utilize technology to enhance productivity, reduce operational cost and ensure risk mitigation while being fully compliant with laws and regulations • Focus on improving technical profits • To increase our market reach through product innovation to meet the changing needs of the customers
Medium term	• Continuous technological advancement to maintain our strong market position and increase shareholders' wealth • Focus on developing retail-based products and increasing market share of Window Takaful Operations • Adding value to our stakeholders' relationship
Long term	• To lead the insurance industry by providing outstanding customer service and maximizing the long-term value for the shareholders • Increase our geographical presence and market share 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 country 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	• 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	• Explore untapped market segments 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	• Innovation and alternate products • 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	• Upgradation of technological tools to achieve competitive advantage • Use of artificial intelligence 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	• 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	• 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	• 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	• Introduction of motor insurance portal in UAE with new marketing strategy • Utilize AICL's close 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

Organizational Resources and Their Allocation

Organizational resources are the assets available with an organization for utilization in production of goods and 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. 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. 12,249 million (2020: Rs. 13,010 million) on account of claims to the insured & takaful participants and Rs. 962.5 million (2020: Rs. 962.5 million) as dividends to the shareholders. Further, the Company also acquired Rs. 1,390 million (2020: Rs. 178.6 million, under Refinance Scheme for Payment of Wages and Salaries) from MCB Bank Limited, a related party, to finance the right share subscription of its wholly owned subsidiary, Adamjee Life Assurance Company Limited. Please refer to note 21.2 in unconsolidated its financial statements for further details.

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.

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. The Company has a team of around 921 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. 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.

The Company through its experience of operations spread over 60 years has 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.

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

Factors Affecting Strategy and Resource Allocation

Factors	Effect on Company's Strategy & Resource Allocation	Company's Response
Technological Changes	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. 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. Furthermore, digital transformation is no longer seen as aspirational, but something that is essential to drive the industry forward.	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.
Societal Changes	We have analyzed the few of the impacts of societal changes as follows. • 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	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. Our initiatives to overcome challenges of societal issues has addressed in Corporate Social Responsibility section.
Environmental Changes	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.	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.

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 actioned upon.
- Placement of mechanism for integrity risk assessments on an ongoing basis.
- Reviewing and ensuring the 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. 2,428 million (2020: Rs.1,516 million). Further, liquid assets ratio is 1.2 times (2020: 1.3 times) as at 31 December 2021.

During the year 2021, the Company acquired Rs. 1,390 million (2020: Rs. 178.6 million, under Refinance Scheme for Payment of Wages and Salaries) from MCB Bank Limited, a related party, to finance the right share subscription of its wholly owned subsidiary, Adamjee Life Assurance Company Limited. Out of Rs. 1,390 million, the Company has made repayment of Rs. 550 million till 31 December 2021.

The Company is required to make repayment of loans amounting to Rs. 926.76 million in the year 2022. The management foresees that operations and investments of the Company would generate sufficient income / funds to easily meet the repayment of the liability.

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) is a wholly owned subsidiary of Adamjee Insurance Company Limited (AICL). ALACL is a public unlisted company. The Board of AICL has decided to list the shares of ALACL on the Pakistan Stock Exchange. Initially, 25 million shares of ALACL would be offered for sale to the public. The listing of ALACL is in process and is expected to complete in March 2022.

Significant Changes from Prior Years

There were no significant changes in objectives and strategies during the year except for the one disclosed in 'Cash & liquidity management' and 'Strategy to manage liquidity and repayment of debts' sections relating to loan obtained from MCB Bank Limited, a related party, to finance the right share subscription of wholly owned subsidiary, Adamjee Life Assurance Company Limited.

Risks and Opportunities

Enterprise Risk Management (ERM) Framework

At Adamjee Insurance Company Limited (AICL), the Enterprise Risk Management (ERM) Process is broken down into the following steps:

Risk Identification → Risk Estimation → Risk Evaluation → Risk Treatment → Risk Monitoring

Each step is explained in some detail below:

Risk Identification:

- By collaborating with a variety of departments in AICL, all the possible risks affecting the Company are identified, and to build an understanding of such risks, 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 help in recording specific risks and opportunities that are relevant to AICL.
- At this stage, immediate stakeholders are also identified. For example, in Capital Adequacy Risk, the immediate stakeholder would be Finance Department.
- Risks are described in detail at this stage, and the source of the risk is clearly identified.

Risk Estimation:

- Impact of the risk is estimated qualitatively, and its direct impact on the Company.
- 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 to some extent.

Risk Evaluation:

At this stage, Risk is evaluated in terms of:

- Risk appetite of AICL, as per Board's guidance
- Tolerance level of the risk, as per Board's guidance
- Risk treatment stance, which is either to avoid the risk completely, or merely reduce it.

Risk Treatment:

- Clear risk strategies are documented regarding each risk. Existing controls are also reviewed and a potential action for improvement is noted.
- Residual risks are also established at this stage.

Risk Monitoring:

- A Key Risk Indicator (KRI) is built for each risk, which rates the risk as Low, Medium, High, and Critical.
- Based on these ratings, it is assessed what kind of actions need to be taken regarding risk mitigation.

Commitment of the Board in the ERM Process

The Board of Directors of AICL oversees the risk management framework to make sure that the risks affecting AICL are identified properly and are being appropriately dealt with. In the above ERM framework, the Board's input is mostly evident in the third, fourth and fifth steps. Following are the responsibilities of the Board of Directors:

- Ensure that AICL has a comprehensive ERM framework.
- Advise on the risk appetite and tolerance regarding each risk, as highlighted in Step 3.
- Approve and advise on any steps that are necessary to control risks once the residual risk assessment is complete, as highlighted in Step 4.
- Ensure that risks are monitored appropriately, as highlighted in Step 5.
- Meet with the Risk Management Committee on a quarterly basis and take feedback on progress and compliance.

Key Risks

Following are the key risks that affect AICL, their consequences, their risk rating, and how the company has 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	The deadline to implement IFRS17 is 1st January 2023. In case AICL is not able to implement IFRS17 by then, 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. 5. Taken multiple demos of outsourced solutions to explore efficient solutions.
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 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. Relationships' credit rating.	Significant	Moderate	High	AICL aims to maintain strong capital adequacy ratio or solvency margin at least 25% above regulatory requirement. Moreover, regular assessments of capital needs are made.

Risk No.	Business Activity	Risk Name	Internal or External	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
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.
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.

Risk No.	Business Activity	Risk Name	Internal or External	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
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 the financial strength quarterly, and how it impacts IFS rating.
10	Strategic and Financial	Currency Risk i.e., decreasing PKR value	External	Continuous decrease in PKR value might result in increase in claim costs for AICL.	Due to decrease in PKR value: 1. Claim costs will increase, especially for Motor and Health lines of businesses. 2. Unearned premium reserve (UPR) runoff will become expensive. 3. Earnings and profit margin might be affected adversely.	Moderate	Moderate	High	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.

Key Opportunities

Following are the key opportunities 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	Description	Consequence	Strategy	Probability	Impact
Data	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	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	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	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	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 departments can collaborate and see if discounts are viable and invest time in Research and Development of new insurance products.	High	High
Positive impact on UAE Motor line of business due to COVID19	COVID19 resulted in fewer cars on the road due to lockdowns, which reduced the claim costs. It was assumed that this favorable impact would eventually diminish, but with prevalence of Delta and Omicron variants, this benefit increased as it was observed in favorable loss ratios.	Motor line of business makes majority of the business mix of AICL in UAE. Favorable loss ratios in Motor line of business would increase the overall profitability of AICL in UAE.	AICL needs to: 1. Observe COVID19 impact on claim costs closely. 2. If the benefit remains, business volumes can be increased to increase the profitability.	High	Moderate

Adequacy of Capital Structure

Share Capital and Reserves	2021	2020	2019
		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	5,486,879	4,486,946	4,555,491
Unappropriated Profit	16,402,885	14,247,913	13,325,001
Total Equity	**25,389,764**	**22,234,859**	**21,380,492**
Cash and Bank	2,174,053	1,312,004	1,176,685

The above table highlights the 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, of any sort.

There is absolutely no inadequacy in the capital structure.

Corporate Governance

Directors' Report

to the Members on Unconsolidated Financial Statements

On behalf of the Board of Directors, we are pleased to present the 61st Annual Report of your Company together with the audited unconsolidated financial statements for the year ended 31 December 2021.

ECONOMIC OVERVIEW

The year 2021 has seen signs of recovery in global as well as in Pakistan's economy especially after witnessing unprecedented pressures in year 2020 caused by the effects of COVID-19 pandemic and the related global and potential domestic lockdowns. During the fiscal year 2021, Pakistan's real GDP grew by 5.57% as against decline of 1% in 2020. However, rising economic activity also resulted in increased imports causing significant pressure on current account. In first half of the fiscal year 2022, current account deficit reached to USD 9.09 billion. The state bank of Pakistan (SBP) kept the policy rate at 7% in FY 2021. However, SBP has reversed the course during current fiscal year and jacked up the policy rate by cumulative 275 basis points to 9.75% to curb the current account deficit and higher than expected inflation.

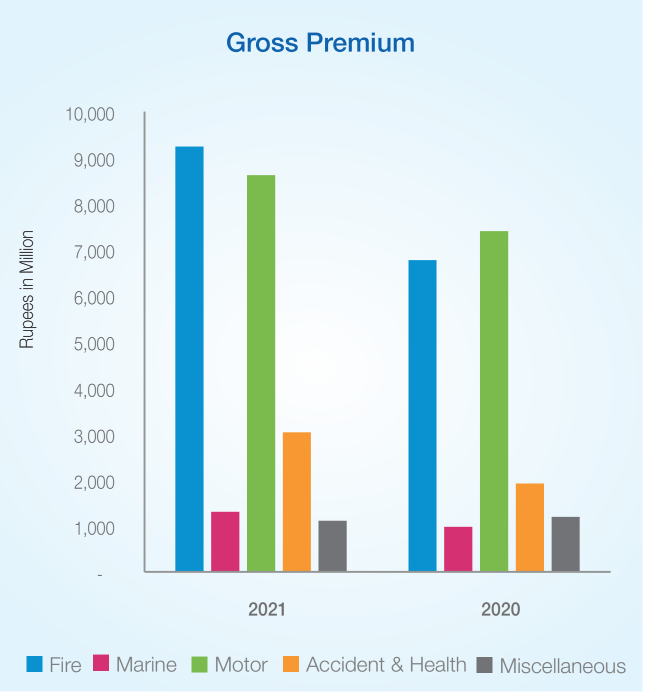
Concerning Pakistan Stock Exchange (PSX), the KSE-100 Index remained range-bound during the year with the Index reaching high and low levels of 48,726 and 42,780. The KSE-100 index posted meagre return of 1.92% in 2021 as against return of 7.4% in 2020, closing at 44,596 in the year 2021, as compared to 43,755 in 2020.

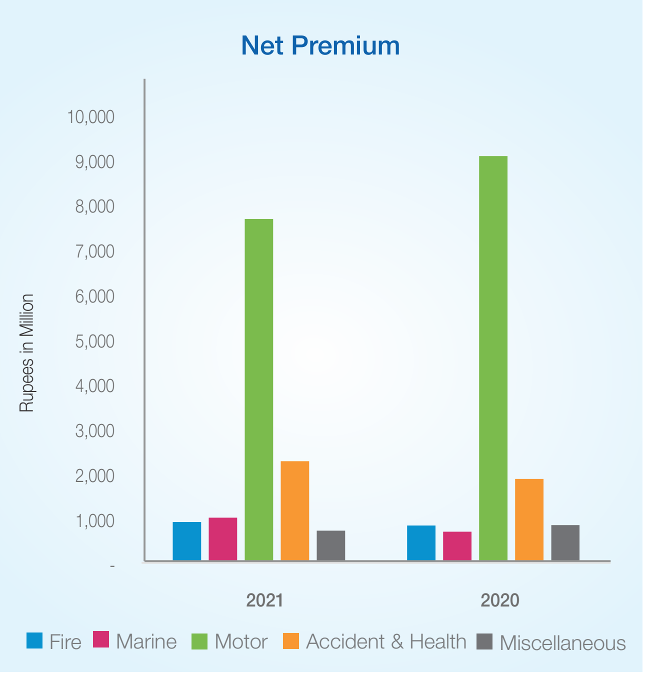
Standard & Poor's affirmed Pakistan's long-term credit rating to 'B-Negative' with stable outlook.

COMPANY PERFORMANCE REVIEW

Despite the challenging environment and the uncertainty caused by the Omicron variant of COVID-19 pandemic, the Company's performance for 2021 remained impressive as we closed the year delivering sound financial results with a premium growth of 28% 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 2021, the gross premium increased to Rs. 23,320 million (excluding Rs. 1,464.9 million of contributions generated through Window Takaful Operations) as compared to Rs. 18,279 million in 2020 (excluding Rs. 1,525.6 million of contributions generated through Window Takaful Operations). The net premium retention was 54% (Rs. 12,552 million) of total gross premium underwritten as compared to the net premium retention of 73% (Rs. 13,295 million) in 2020.





The net claims ratio decreased to 57% as compared to last year's ratio of 60% per annum due to decrease in loss ratio of Pakistan as well as UAE Operations.

The underwriting profit increased to Rs. 672.3 million from Rs. 375.7 million in 2020.

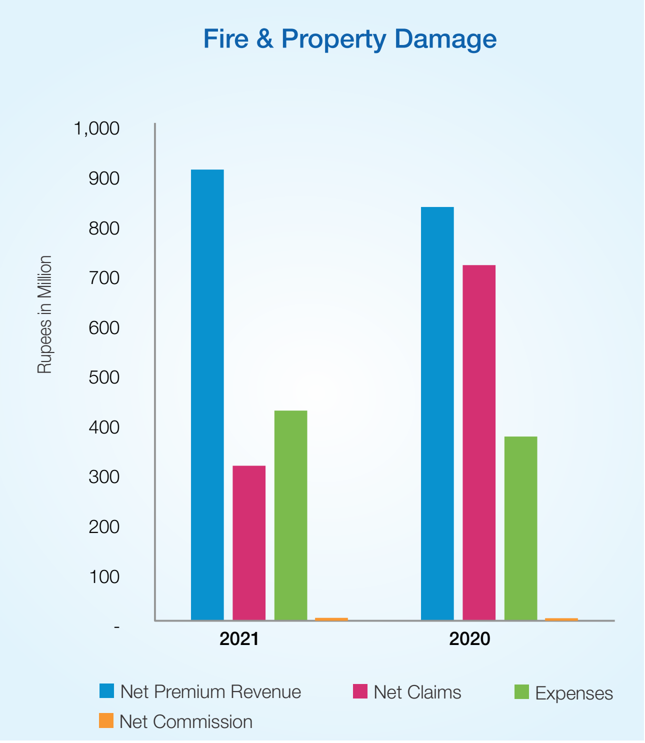
The return on investment portfolio also increased to 8% as compared to 4% in 2020.

Profit before tax amounted to Rs. 4,405.4 million recording an increase of 131% over last year at Rs. 1,910.2 million. While the Profit after tax improved by 67% to Rs. 3,136.5 million as against profits of Rs. 1,875.5 million of 2020.

PORTFOLIO ANALYSIS

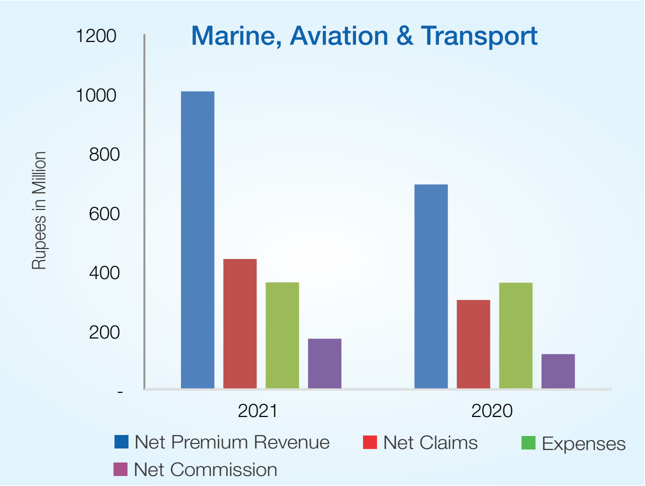
Fire & Property Damage

Fire and property class of business constituted 40% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 9,242.3 million (2020: Rs. 6,773.3 million). Net claims ratio to net premium decreased to 34% this year as compared to 86% last year. As a result, fire and property class posted underwriting profit of Rs. 171.9 million as compared to loss of Rs. 255.7 million in 2020.



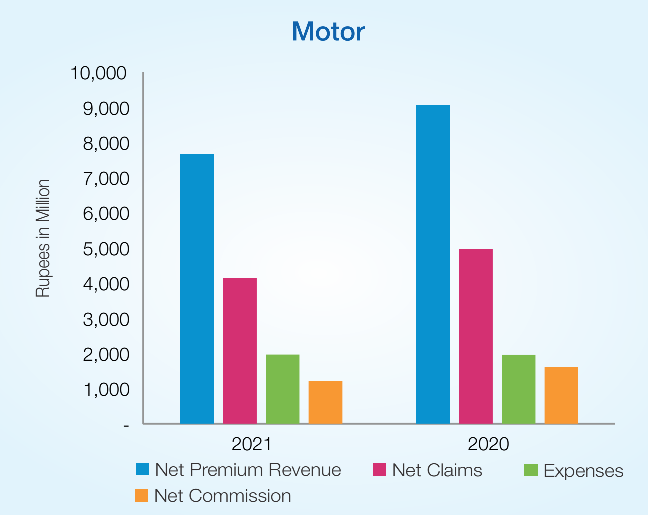
Marine, Aviation & Transport

Marine, Aviation & Transport constituted 6% of the total portfolio. The Company has underwritten a gross premium of Rs. 1,310.8 million in current year as compared to Rs. 981.7 million in 2020. The net claims ratio remained 44% as against 44% last year. This portfolio showed underwriting profit of Rs. 34.3 million in current year as compared to loss of Rs. 90 million in 2020.



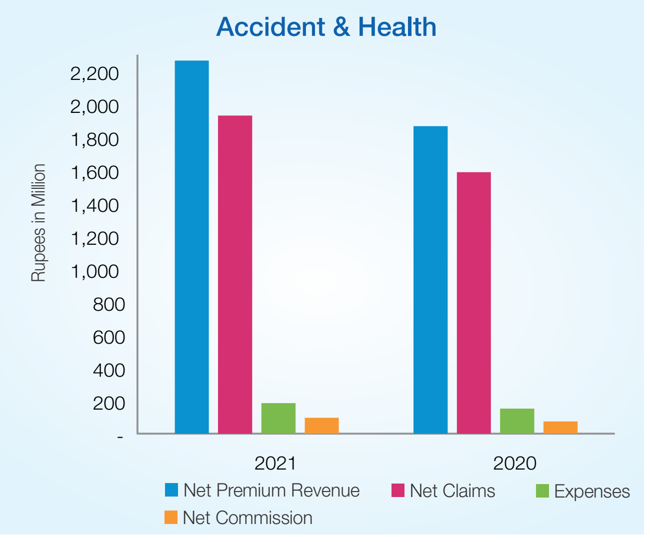
Motor

This class of business constituted 37% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 8,620.0 million as compared to Rs. 7,402.3 million in 2020. The ratio of net claims to net premium for the current year was 54% as compared to 55% in 2020. The portfolio showed an underwriting profit of Rs. 338.6 million as compared to Rs. 535.6 million in 2020.



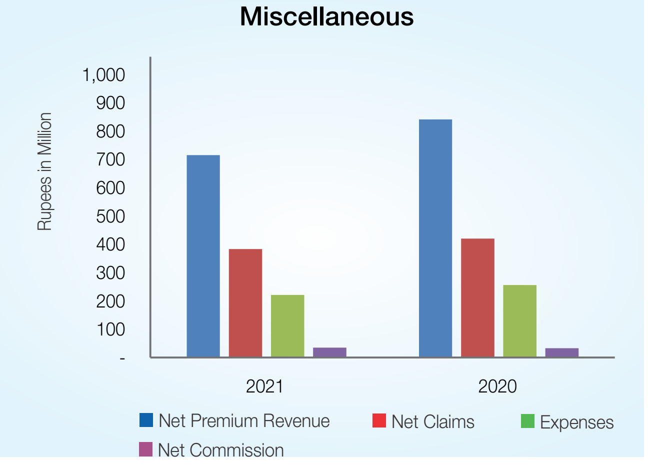
Accident & Health

The Accident & Health class of business constituted 13% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 3,031.1 million as compared to Rs. 1,923.8 million in 2020. The ratio of net claims to net premium remained 85% as against 85% in 2020. This portfolio showed an underwriting profit of Rs. 51.0 million in the current year against Rs. 53.7 million in 2020.



Miscellaneous

The miscellaneous class of business constituted 5% of the total portfolio. The Company has underwritten a gross premium of Rs. 1,115.5 million as compared to Rs. 1,198 million in 2020. The ratio of net claims to net premium was 54% as compared to 50% in 2020. The portfolio showed an underwriting profit of Rs. 76.5 million in the current year as compared to Rs. 132.1 million in 2020.



INVESTMENT INCOME

Investment income of the Company witnessed increase of 126% mainly due to increase in dividend income.

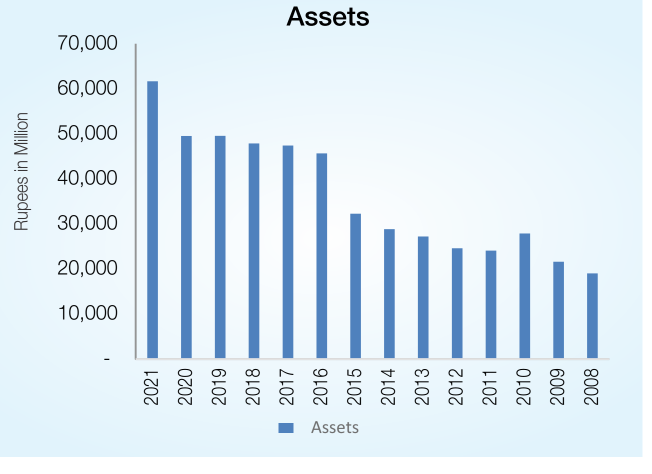
Dividend income increased by 126% in 2021 owing to release of dividends by banking sector that were put on hold in 2020 due to the temporary restriction on distribution of dividends imposed by State Bank of Pakistan. As a result, the overall income from investments amounted to Rs. 2,469 million in 2021 as against Rs. 1,093 million in 2020.

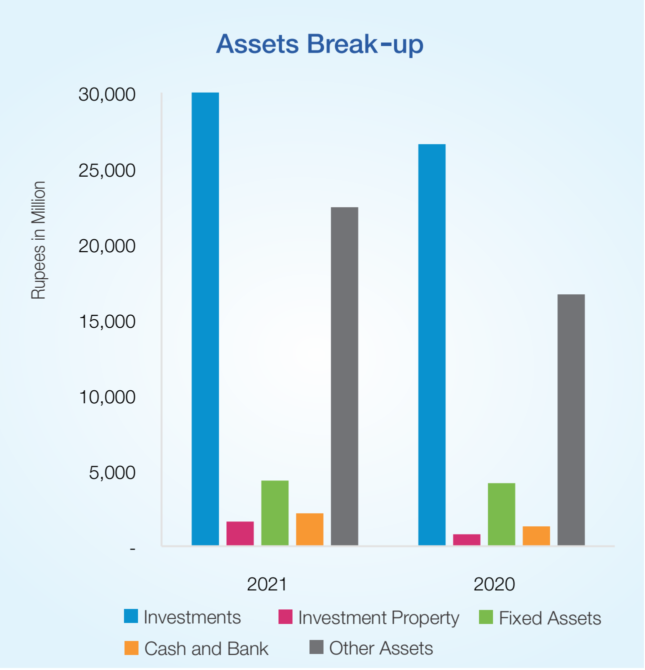
The break-up of investment income is as under:

	2021	2020
	(Rupees in million)	
Dividend income	**2,260**	1,000
Return on fixed income securities	**38**	39
Income from term deposits	**116**	171
Gain/(Loss) on sale of 'available-for-sale' investments (net of impairment)	**55**	(117)
Net investment Income	**2,469**	1,093

COMPANY'S ASSETS

Total assets of the Company as on 31 December 2021 amounted to Rs. 61,641 million as against Rs. 49,520 million last year. Total investments increased by 17% at Rs. 31,069 million as compared to Rs. 26,596 million in 2020. 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 Fund closed the year with a decline of 4% in gross written contribution at Rs. 1,464.9 million as compared to Rs. 1,525.6 million in the year 2020 and has made a profit after tax of Rs. 98.9 million as compared to profit of Rs. 116.4 million last year.

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.

After a significant decline of 37% in written gross premium in 2020 due to the uncertainties and lockdowns caused by the Covid-19 pandemic, Outside Pakistan operations witnessed recovery in 2021 and written gross premium increased by 31% in 2021 over the last year.

Outside Pakistan operations' profit before tax amounted to Rs. 209.9 million as compared to Rs. 246.2 million in 2020.

PROSPECTS FOR 2022

Pakistan's economy performed well in FY 2021 registering GDP growth rate of 5.57%. However, first half of FY 2022 witnessed the inflationary pressures and widening of the trade deficit resulting in current account deficit of USD 9.09 billion. These indicators have necessitated contractionary measures by the State Bank of Pakistan (SBP) which are expected to moderate the growth in domestic demand and reduce the inflation and current account deficit. SBP has forecasted the GDP Growth in range of 4% to 5% for the FY 2022.

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 of the industry. Amid current macro-economic and political environment, especially on the assumption of increased political activities towards end of year 2022 due to approaching elections in year 2023, we foresee distressed growth trajectory of Insurance Sector during the year 2022.

DIRECTORS

Total number of directors was 8 during the year 2021 and comprises as under:

1. Total Number of Directors:

i. Male 7
ii. Female 1

2. Composition of Board:

i. Independent directors 2

- Muhammad Anees
- 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	

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. 10,000/- per meeting is paid to directors. 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 38 of the Unconsolidated Financial Statements.

BOARD MEETINGS & ATTENDANCE

During year 2021, five meetings of the Board of Directors were held and attended by the Directors as under:

Umer Mansha	5
Ibrahim Shamsi	4
Imran Maqbool	5
Muhammad Anees	5
Mohammad Arif Hameed	4
Sadia Younas Mansha	4
Shaikh Muhammad Jawed	5
Muhammad Ali Zeb – CEO	5

BOARD COMMITTEES & ITS MEMBERS

The Board has formed following committees:

AUDIT COMMITTEE

Muhammad Anees	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

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

INVESTMENT COMMITTEE

Umer Mansha	Non-Executive Director	Chairman
Imran Maqbool	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 87.

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 the various sections, processes and departments and it analysis the perils to which these fixed assets are exposed to. Adamjee Insurance carries out risk surveys which give our underwriters an insight about pre-defined categories of risks and those risk which cross 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 equipped with maximum information about the risk are then in a 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, 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 400. 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 2021. 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. 8.96/- (2020: Rs. 5.36/-). Detailed working has been reported in Note 37 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 2021 have been separately mentioned in the annual report at page 152.

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 921 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 bring 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 2021 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 enhanced organized operating environment, better working conditions, increased job satisfaction and enhanced 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 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 (AICL). 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 February 2020 was a subsidiary of AICL and an associate of IVM Intersurer B.V. (IVM) having 74.28% and 25.72% holding respectively in the capital of ALACL.

In February 2020, the Company has 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.

Arrangements are under way to offer for sale 10% stake in ALACL equivalent to 25 million shares through book building. 75% shares i.e. 18,750,000 shares would be offered to successful bidders and 25% shares i.e. 6,250,000 shares to retail investors. During the first quarter 2022 ALACL shall be listed on PSX.

Financial performance and position of ALACL is given in the consolidated financial statements annexed to the Annual Report.

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) (2020: @ 12.5% [Rupee 1.25 per share]) was paid during the year. The Board recommended final cash dividend @ 15% (Rupees 1.5 per share) (2020: @12.5% [Rupees 1.25 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 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 2021, except those disclosed in the financial statements.
- The value of investments including accrued income of provident and gratuity funds on the basis of un-audited accounts as on 31 December 2021, is as follows:

	(Rupees in '000)
Provident Fund	1,102,345
Gratuity Fund	211,676

AUDITORS

The present auditors, namely, Messrs. 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 Yousuf Adil, Chartered Accountants as statutory auditors for the next term.

STATUS OF PENDING INVESTMENT DECISION:

The decision to make investment in Nishat Hotels and Properties Ltd, Nishat Mills Ltd and MCB Bank Ltd under the authority of resolution passed on April 28, 2014, May 28, 2016, and March 16, 2021 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 Hotels & Properties Ltd	Nishat Mills Ltd	MCB Bank Ltd.
Date of approval	April 28, 2014	May 28, 2016	March 16, 2021
Total Investment	Rs 500 million	Rs 625 million	Rs. 3 billion
Amount of Investment made up to 31 December, 2021	-	Rs 161.053 million	Rs. 1.225 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 6 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 2013 Rs 12.26 Jun 2021 Rs 18.82	Jun 2015 Rs 216.56 Jun 2021 Rs 243.88	Dec 2020 Rs. 162.85 Dec 2021 Rs. 149.84
b. Earnings / (loss) per share	Jun 2013 Rs (0.37) Jun 2021 Rs 1.14	Jun 2015 Rs 11.13 Jun 2021 Rs 16.84	Dec 2020 Rs. 24.82 Dec 2021 Rs. 26.31
c. Balance Sheet footing	Jun 2013 Rs 2.86 billion Jun 2021 Rs 40.27 billion	Jun 2015 Rs101.14 billion Jun 2021 Rs 113.112 billion	Dec 2020 Rs. 1,757.46 billion Dec 2021 Rs. 1,970.47 billion

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

Lahore : February 08, 2022

Imran Maqbool
Director

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

اپریل 2014مئی،28مئی 2016ءاور 16مارچ 2021ءکو منظور شدہ قرارداد کے تحت سرمایہ کاری کرنے کا فیصلہ مکمل طور پر نافذ نہیں کیا گیا۔ کمپنیز کے ضابطہ 4(2) کے تحت ارکان کو فیصلے کی حیثیت کی وضاحت جیسا کہ بحوالہ (ایسو سی ایٹڈ کمپنیز یا ایسو سی ایٹڈ انڈر ٹیکنگز میں سرمایہ کاری) ریگولیشن 2017 ء کی ذیل میں درکار ہے؛ کر دی گئی ہے۔

کمپنیز کے ریگولیشن 4(2) کے تحت سرمایہ کاری کی حیثیت (منسلک کمپنیز یا ایسو سی ایٹڈ انڈر ٹیکنگز میں سرمایہ کاری) ریگولیشنز 2017ء:

Description	Nishat Hotels & Properties Ltd	Nishat Mills Ltd	MCB Bank Ltd.
Date of approval	April 28, 2014	May 28, 2016	March 16, 2021
Total Investment	Rs 500 million	Rs 625 million	Rs. 3 billion
Amount of Investment made up to 31 December, 2021	-	Rs 161.053 million	Rs. 1.225 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 6 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 2013 Rs 12.26 Jun 2021 Rs 18.82	Jun 2015 Rs 216.56 Jun 2021 Rs 243.88	Dec 2020 Rs. 162.85 Dec 2021 Rs. 149.84
b. Earnings / (loss) per share	Jun 2013 Rs (0.37) Jun 2021 Rs 1.14	Jun 2015 Rs 11.13 Jun 2021 Rs 16.84	Dec 2020 Rs. 24.82 Dec 2021 Rs. 26.31
c. Balance Sheet footing	Jun 2013 Rs 2.86 billion Jun 2021 Rs 40.27 billion	Jun 2015 Rs101.14 billion Jun 2021 Rs 113.112 billion	Dec 2020 Rs. 1,757.46 billion Dec 2021 Rs. 1,970.47 billion

اعتراف:

کمپنی اپنے شیئر ہولڈرز کا ہم پر اظہارِ اعتماد کیلئے ان کا شکریہ ادا کرنا چاہے گی ہم اپنے کسٹمرز، ملازمین، اسٹریٹجک شراکت داروں، وینڈرز اور سپلائرز کا تہِ دل سے شکریہ ادا کرتے ہیں۔

ہم سال بھر کے دوران سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی طرف سے فراہم کردہ مسلسل تعاون اور رہنمائی کو بھی سراہتے ہیں۔

مجاز از بورڈ آف ڈائریکٹرز

محمد علی زیب
منیجنگ ڈائریکٹر اور چیف ایگزیکٹیو آفیسر

عمران مقبول
ڈائریکٹر

لاہور: ۸ فروری ۲۰۲۲ء

ڈیویڈنڈ کیلئے سفارش:

ایک عبوری منافعِ منقسمہ 15%(1.5روپے فی شیئر) کی شرح سے(2020: @ 2.5%)[1.25روپیہ فی شیئر] سال کے دوران ادا کیا گیا۔ بورڈ نے حتمی نقد منافع15% (1.5 روپے فی شیئر) کی شرح سے(2020:@12.5%)[1.25روپیہ فی شیئر] کی سفارش کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا گوشوارہ:

کارپوریٹ قوانین، قواعد وضوابط جو وہاں بنائے گئے ہیں، کمپنی کے بورڈ آف ڈائریکٹرز کے مجموعی امور کو بیان کرتے ہیں۔ بورڈ اپنی کارپوریٹ ذمےداریوں سے پوری طرح واقف ہے جیسا کہ کمپنیز ایکٹ، 2017ئ، کوڈ آف کارپوریٹ گورننس برائے بیمہ کنند گان، 2016ءاور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز2019ء(کوڈز) کے تحت احاطہ کیے گئے ہیں ہے 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 2017ء 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 2021ء تک بقایا ہیں، سوائے ان مالیاتی گوشواروں کے جن کا انکشاف کیا گیا ہے۔
- 31 دسمبر 2021ء کو غیر آڈٹ شدہ کھاتوں کی بنیاد پر پروویڈنٹ اور گریجویٹی فنڈز کی جمع شدہ آمدنی سمیت سرمایہ کاری کی قیمت درج ذیل ہے:

	(روپے '۰۰۰ میں)
پروویڈنٹ فنڈ	1,102,345
گریجویٹی فنڈ	211,676

آڈٹرز:

موجودہ آڈٹرز، یعنی میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کے بعد اگلی مدّت کیلئے آڈٹر 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 مدّت کیلئے قانونی آڈٹرز کے طور پر تعینات کرنے کی سفارش کی ہے۔

زیر التواء سرمایہ کاری کے فیصلے کی حیثیت:

نشاط ہوٹلز اینڈ پراپرٹیز لمیٹڈ، نشاط ملز لمیٹڈ اور ایم سی بی بینک لمیٹڈ میں بالترتیب 28

مینوفیکچرنگ اور / یا توانائی کے وسائل پر مبنی کاروبار کا سیٹ اپ نہیں ہے۔ تقریباً 921 ملازمین کے ساتھ، ہم محسوس کرتے ہیں کہ ماحولیاتی تحفظ بھی ہماری ذمّے 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 بتدریج 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 حسّاس بنا رہے ہیں۔

انسانی وسائل

آدمجی انشورنس میں، ہم سمجھتے ہیں کہ انسانی سرمایہ ہمارا بنیادی اثاثہ ہے۔ ہم اپنے لوگوں کی وجہ سے ترقّی اور پھلنے پھولنے کے بیجوں کی پرورش کرتے ہیں، جو پوری کوششوں کے ذریعے قدر میں اضافہ کرتے رہتے ہیں۔ ہمارا مقصد ترقّی 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 اشاریہ اور سال 2021 ءکیلئے کمپنی کا ٹرن اوور بھی متاثر کن ہے۔

ISO 9001:2015 سرٹیفکیشن

آدمجی 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، آدمجی نے ایک بار پھر صارفین کو یقین دلایا ہے کہ وہ ان کی انشورنس، ریگولیٹری 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۔

سرٹیفکیشن 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 (ISO9001:2015) 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 بندیاں:

سال کے دوران، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی بیمہ کنندہ مالیاتی استحکام (IFS) کی درجہ بندی کو ''AA+'' (ڈبل اے پلس) کے طور پر برقرار رکھا ہے۔ یہ درجہ بندی پالیسی ہولڈرز کے معاہدے کی ذمّے 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 مالیاتی 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۔

ذیلی کمپنی

کمپنی نے اپنے الگ الگ مالیاتی گوشواروں کے ساتھ ملحقہ مالیاتی گوشواروں کو جوڑ دیا ہے۔ آدمجی لائف اشورنس کمپنی لمیٹڈ (ALACL) آدمجی انشورنس کمپنی لمیٹڈ (ALCL) 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 4 اگست 2008ء کو ایک پبلک اَن 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% اور 25.72% شیئر ہولڈنگ تھی۔

فروری 2020ء میں، کمپنی نے IVM سے ALACL میں 25.72% کا بقیہ حصّہ 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 اجرا کے بعد ALACL کا ادا شدہ سرمایہ بڑھا کر 2,500 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 کامیاب 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 قابلِ ذکر واقعات رونما نہیں ہوئے۔

فائدے کیلئے ایک صحیح قیمت اور مناسب شرائط فراہم کی جاتی ہیں۔ رِسک سروسیز کی طرف سے دی گئی سفارشات صارفین کو ان کے عمل اور آپریشنز کو بہتر بنانے میں مدد کرتی ہیں، اس طرح خطرے کے سامنے کو نمایاں طور پر کم کیا جاتا ہے۔

کمپنی انڈر رائٹنگ کنٹرولز پر خاص توجہ دیتی ہے۔ بیمہ کی ہر کلاس کی سربراہی اہل اور تجربہ کار انڈر رائٹرز کرتے ہیں، جو اپنے متعلقہ طبقے کے کاروبار میں انڈر رائٹنگ کا انتظام اور کنٹرول کرتے ہیں۔ کسی بھی انڈر رائٹنگ کے عمل کا سب سے بڑا مقصد کمپنی کے نچلے حصّے کی حفاظت کرنا ہے۔ یہ ایکسپوژرز 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 کرکے اور ہر خطرے کو برقرار رکھنے کے بارے میں احتیاط سے فیصلہ کرکے حاصل کیا جاتا ہے۔

انڈر رائٹنگ میں متعدد تکنیکی کنٹرولنگ پروٹوکول شامل ہیں۔ ان پروٹوکولز میں رِسک کیٹگرائزیشن گرڈ، متعین انڈر رائٹنگ اتھارٹیز، انڈر رائٹرز کیلئے چیک لسٹ، کاروبار کے طبقے کے لحاظ سے رہنما خطوط، شرح کی نگرانی کا طریقہ کار، انڈر رائٹنگ پیئر ریویو اور رِسک ایکسپوژر گروپ (REG) سے بڑے اور پیچیدہ خطرات پر رہنمائی حاصل کرنے کی مشق شامل ہیں۔ اس گروپ کی نمائندگی ایگزیکٹیو ڈائریکٹر ٹیکنیکل، ایگزیکٹیو ڈائریکٹر کمرشل، ہیڈ آف کلیمز اینڈ کمپلائنس اور ایگزیکٹیو ڈائریکٹر ری انشورنس کرتے ہیں۔ خطرے کی درجہ بندی کا گرڈ بہت زیادہ خطرات، زیادہ خطرات، درمیانے خطرات اور کم خطرات کے زمرے کی وضاحت کرتا ہے۔

کمپنی کے پاس ایک بہت ہی موثر ری انشورنس ٹریٹی پروگرام ہے جو فیکلٹیٹیو رِسک وائز انتظامات کے ساتھ ساتھ کمپنی کو مختلف قسم کے خطرات سے پہلے سے تحفظ فراہم کرتا ہے۔ از سرنو بیمہ اور مشترکہ بیمہ دونوں انتظامات کو موثر طریقے سے ہر قسم کے رِسک ایکسپوژرز کے خلاف رِسک 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 وضوابط 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۔

شیئر ہولڈنگ کا پیٹرن

شیئر ہولڈنگ کا پیٹرن صفحہ 400 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۔

'ایگزیکٹیو' کی کیٹگری کیلئے بورڈ آف ڈائریکٹرز نے سال 2021 کیلئے حد مقرر کی ہے۔ سی ای او، سی ایف او، ہیڈ آف انٹرنل آڈٹ اور کمپنی سیکریٹری کے علاوہ ایگزیکٹیو ڈائریکٹر اور اس سے اوپر کے کیڈر کے افسران بھی اس زمرے میں شامل ہیں۔ 'ایگزیکٹیو' کا۔ بورڈ ہر سال حد کا جائزہ لیتا ہے۔

فی شیئر کمائی

زیرِ نظر سال کے دوران فی حصص آمدنی 8.96 روپے (2020: 5.36 روپے) رہی۔ نوٹ 37 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 طرزِ 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 قابلِ 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 2021ء کے دوران اٹھائے گئے CSR اقدامات کا صفحہ 152 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 آدمجی کے پاس کوئی

ڈائریکٹرز کا معاوضہ:

بورڈ آف ڈائریکٹرز نے بورڈ کے اجلاسوں میں شرکت کیلئے بورڈ کے اراکین (نان ایگزیکٹیو ڈائریکٹرز بشمول آزاد ڈائریکٹرز) کے معاوضے کی منظوری دے دی ہے۔ میٹنگ فیس روپے -/10,000 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 38 میں کیا گیا ہے۔

بورڈ میٹنگز اور حاضری:

سال 2021ء کے دوران، بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز نے درج ذیل شرکت کی:

عمر منشا	5
ابراہیم شمسی	4
عمران مقبول	5
محمد انیس	5
محمد عارف حمید	4
سعدیہ یونس منشا	4
شیخ محمد جاوید	5
محمد علی زیب– سی ای او	5

بورڈ کمیٹیز اور اس کے ممبرز:

بورڈ نے درج ذیل کمیٹیز تشکیل دی ہیں:

آڈٹ کمیٹی

محمد انیس – آزاد ڈائریکٹر –	چیئرمین
ابراہیم شمسی– نان ایگزیکٹیو ڈائریکٹر –	رکن
شیخ محمد جاوید– نان ایگزیکٹیو ڈائریکٹر –	رکن
عمر منشا– نان ایگزیکٹیو ڈائریکٹر –	رکن

اخلاقیات، انسانی وسائل اور معاوضہ کمیٹی

محمد انیس – آزاد ڈائریکٹر –	چیئرمین
ابراہیم شمسی– نان ایگزیکٹیو ڈائریکٹر –	رکن
عمر منشا– نان ایگزیکٹیو ڈائریکٹر –	رکن
محمد علی زیب– ایم ڈی اور سی ای او–	رکن

سرمایہ کاری کمیٹی

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

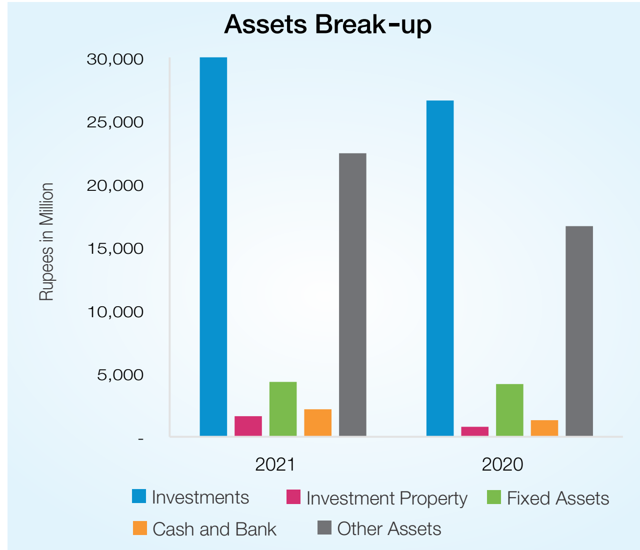
کارپوریٹ گورننس کے کوڈز کے ساتھ تعمیل کا گوشوارہ

کارپوریٹ گورننس کے ضابطوں کی تعمیل کا گوشوارہ صفحہ 87 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۔ آدمجی انشورنس میں خطرے کو کم کرنے میں ایک اہم کام بیمہ کیلئے پیش کیے جانے والے فکسڈ اثاثوں کا فزیکل رِسک مینجمنٹ ہے، چاہے صنعتی، انفرااسٹرکچر، کمرشل ہو یا پرائیویٹ ڈویلنگ۔ رِسک مینجمنٹ میں مختلف حصّوں، عمل اور محکموں کا جائزہ شامل ہوتا ہے اور یہ ان خطرات کا تجزیہ کرتا ہے جن سے یہ مقررہ اثاثے سامنے آتے ہیں۔ آدمجی انشورنس رِسک 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 حدوں کو عبور کرتے ہیں، بعض اوقات انشورنس کوٹیشن اور / یا انشورنس پالیسی جاری کرنے سے پہلے بھی۔ یہی وجہ ہے کہ ہمارے پاس قابل اور تجربہ کار رِسک سرویئرز کی ایک سرشار ٹیم ہے جو صنعت میں ہر سال سب سے زیادہ رِسک 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 قابلِ قدر صارفین کے



ونڈو تکافل آپریشنز:

کمپنی کے ونڈو تکافل آپریشنز - آپریٹر فنڈ نے اس سال مجموعی تحریری شراکت میں 4% کی کمی کے ساتھ سال 2020ء میں 1,525.6 ملین روپے کے مقابلے میں 1,464.9 ملین روپے اور پچھلے سال 116.4 ملین بعد از ٹیکس منافع کے مقابلے میں اس سال 98.9 ملین روپے کے منافع پر بند کیا۔

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

کمپنی کی تین مکمل طور پر فعال شاخیں ہیں جو دبئی، شارجہ اور ابوظہبی 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۔

2020ء میں Covid-19 وبائی امراض کی وجہ سے غیر یقینی صورتحال اور لاک ڈاؤن کی وجہ سے تحریری مجموعی پریمیم میں 37 فیصد کی نمایاں کمی کے بعد، 2021ء میں پاکستان سے باہر آپریشنز میں بحالی دیکھنے میں آئی اور تحریری مجموعی پریمیم میں گزشتہ سال کے مقابلے 2021ء میں 31 فیصد اضافہ ہوا۔

پاکستان سے باہر آپریشنز کا 2020ء میں 246.2 ملین روپے منافع قبل از ٹیکس کے مقابلے میں اس سال منافع 209.9 ملین روپے تھا۔

2022ء کے امکانات:

پاکستان کی معیشت نے مالی سال 2021ء میں اچھی کارکردگی کا مظاہرہ کرتے ہوئے جی ڈی پی کی شرحِ نمو 5.57 فیصد درج کی۔ تاہم، مالی سال 2022ء کی پہلی ششماہی میں افراطِ زر کے دباؤ اور تجارتی خسارے میں اضافہ دیکھنے میں آیا جس کے نتیجے میں کرنٹ اکاؤنٹ خسارہ 9.09 بلین ڈالر ہو گیا۔ ان اشاریوں سے اسٹیٹ بینک آف پاکستان((SBP کے کھنچاؤ والے اقدامات کی ضرورت ہے جس سے توقع کی جاتی ہے کہ ملکی طلب میں نمو کو معتدل کریں گے اور افراطِ زر اور کرنٹ اکاؤنٹ خسارے کو کم کریں گے۔ اسٹیٹ بینک نے مالی سال 2022ء کیلئے جی ڈی پی کی شرحِ نمو 4% سے 5% کی حد میں ہونے کی پیش گوئی کی ہے۔

پاکستان میں انشورنس انڈسٹری نے حالیہ برسوں میں کئی بلندیوں اور پستیوں کا مشاہدہ کیا۔ تاہم، یہ کامیابی سے معیشت اور صنعت کے دیگر شعبوں کی ترقّی کے ساتھ رفتار برقرار رکھنے میں کامیاب رہا۔ موجودہ میکرو اکنامک اور سیاسی ماحول کے درمیان، خاص طور پر سال 2023ء میں انتخابات کے قریب آنے کی وجہ سے سال 2022ء کے آخر میں بڑھتی ہوئی سیاسی سرگرمیوں کے مفروضے پر، ہم سال 2022ء کے دوران انشورنس سیکٹر کی پریشان کن نمو کی پیش گوئی کرتے ہیں۔

ڈائریکٹرز

سال 2021ء کے دوران ڈائریکٹرز کی کل تعداد 8 تھی اور ان پر مشتمل ہے:

۱ ڈائریکٹرز کی کل تعداد:

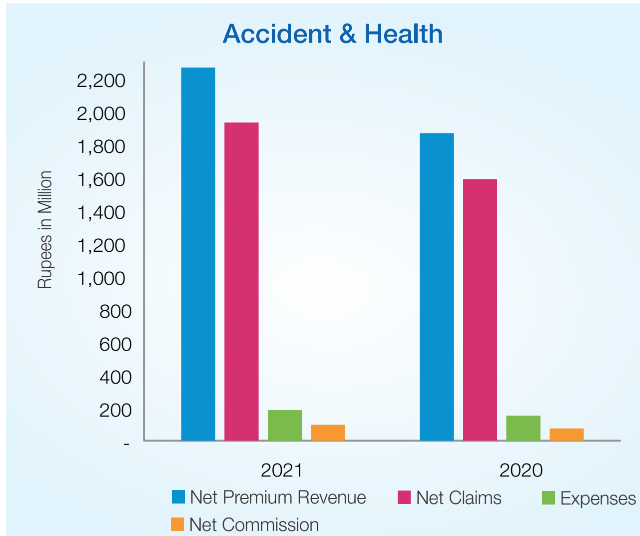
i.	مرد	7
ii.	خاتون	1

۲ بورڈ کی تشکیل:

i.	آزاد ڈائریکٹر	2
	- محمد انیس	
	- محمد عارف حمید	
ii	غیر ایگزیکٹیو ڈائریکٹرز - مرد	4
	- ابراہیم شمسی	
	- عمران مقبول	
	- شیخ محمد جاوید	
	- عمر منشا	
iii	غیر ایگزیکٹیو ڈائریکٹر - خاتون	1
	- سعدیہ یونس منشا	
iv	ایگزیکٹیو ڈائریکٹر	1
	- محمد علی زیب	

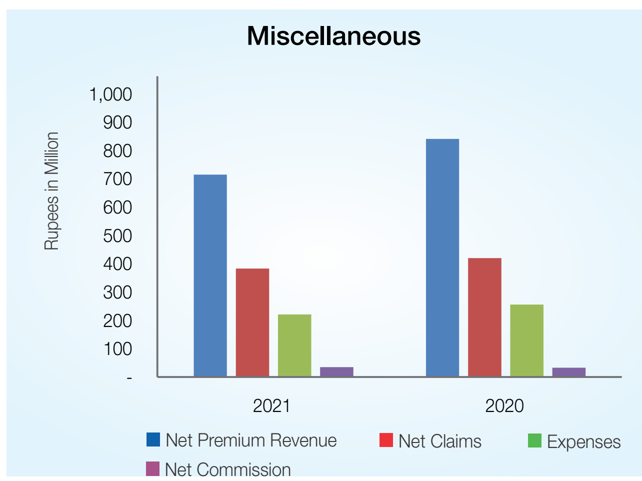
حادثہ اور صحت:

ایکسیڈنٹ اینڈ ہیلتھ کلاس کل بزنس پورٹفولیو کا 13% ہے۔ سال کے دوران، کمپنی نے 2020ء میں 1,923.8 ملین روپے کے مقابلے میں 3,031.1 ملین روپے کا مجموعی پریمیم درج کیا ہے۔ خالص دعووں کے خالص پریمیم کا تناسب 2020 میں 85% کے مقابلے میں 85% رہا۔ اس پورٹفولیو نے 2020 میں 53.7 ملین روپے کے مقابلے میں موجودہ سال کے اندر 51.0 ملین روپے کا انڈر رائٹنگ منافع ظاہر کیا ہے۔



متفرق:

کاروبار کی متفرق کلاس کل پورٹفولیو کے 5% کی تشکیل کرتا ہے۔ کمپنی نے 2020ء میں 1,198 ملین روپے کے مقابلے میں 1,115.5 ملین روپے کا مجموعی پریمیم ظاہر کیا ہے۔ خالص دعووں کا خالص پریمیم کا تناسب جو کہ 2020ء میں 50% تھا اب 54% رہا۔ موجودہ سال میں پورٹفولیو نے 2020ء میں 132.1 ملین روپے کے مقابلے میں 76.5 ملین روپے کا انڈر رائٹنگ منافع ظاہر کیا۔



سرمایہ کاری کی آمدنی:

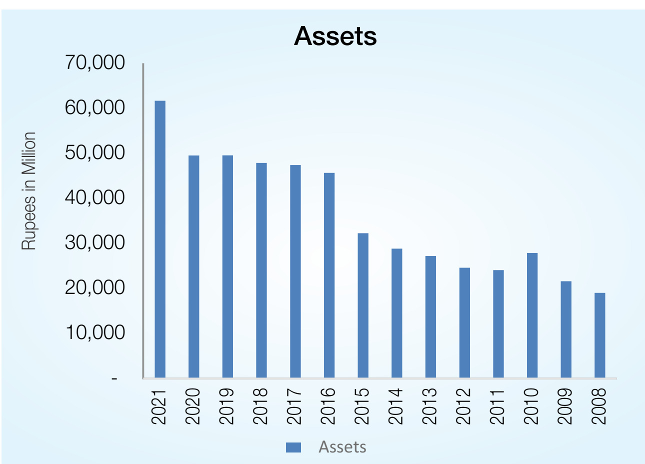
کمپنی کی سرمایہ کاری کی آمدنی میں 126% کا اضافہ دیکھا گیا جس کی بنیادی وجہ ڈیویڈنڈ آمدنی میں اضافہ ہے۔

2021ء میں ڈیویڈنڈ کی آمدنی میں 126 فیصد اضافہ ہوا جس کی وجہ بینکنگ سیکٹر کی جانب سے 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 2020ء میں 1,093 ملین روپے کے مقابلے میں 2021ء میں 2,469 ملین روپے ہوگئی۔ سرمایہ کاری کی آمدنی کی تقسیم درج ذیل ہے:

	2021	2020
	(روپے ملین میں)	
ڈیویڈنڈ آمدنی	**2,260**	1,000
فکسڈ انکم سیکیورٹیز پر واپسی	**38**	39
ٹرم ڈپازٹس سے آمدنی	**116**	171
'دستیاب برائے فروخت' سرمایہ کاری کی فروخت پر فائدہ / نقصان (خالص نقصان)	**55**	(117)
خالص سرمایہ کاری آمدنی	**2,469**	1,093

کمپنی کے اثاثے:

31 دسمبر 2021ء تک کمپنی کے کل اثاثے پچھلے سال 49,520 ملین روپے کے مقابلے میں 61,641 ملین روپے تھے۔ کل سرمایہ کاری 2020 ء میں 26,596 ملین روپے کے مقابلے میں ۱۷ فیصد بڑھ کر 31,069 ملین روپے ہوگئی۔ انتظامیہ کی حکمتِ عملی سرمایہ کاری کے منافع کو زیادہ سے زیادہ کرنے کیلئے طویل مدّتی سرمایہ کاری کے افق پر فنڈز کے استعمال کو بہتر بنانا ہے۔



خالص تناسب دعویٰ پچھلے سال کے 60فی صد سالانہ کے مقابلے میں 57فی صد کم رہا جس کی وجہ پاکستان کے ساتھ ساتھ متحدہ عرب امارات آپریشنز کے نقصان تناسب میں کمی ہے۔

پچھلے سال میں 375.7ملین روپے سے اس سال انڈر رائٹنگ منافع بڑھ کر 672.3ملین ہو گیا۔

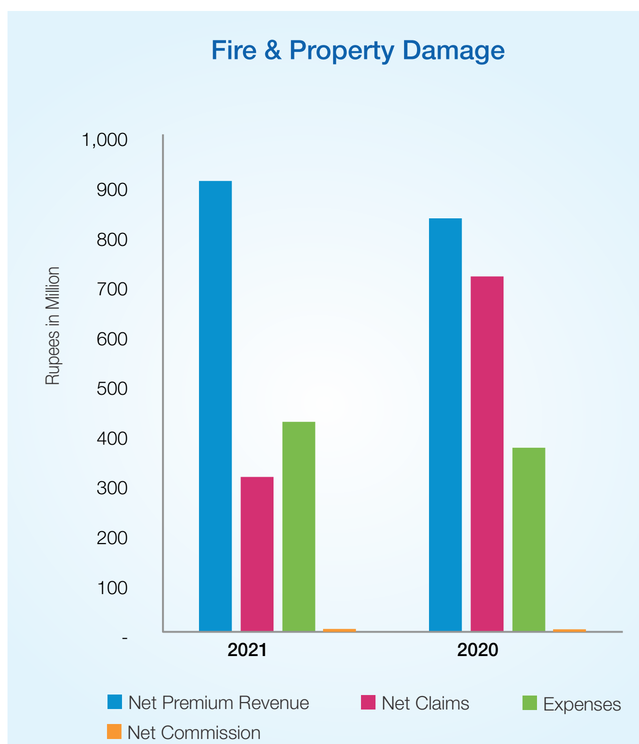
انویسٹمنٹ پورٹ فولیو پر منافع پچھلے سال کے 4فی صد سے بڑھ کر 8فی صد ہو گیا۔

منافع قبل از ٹیکس 4,405.4ملین روپے رہا جو کہ پچھلے سال کے 1,910.2ملین سے 131فی صد زیادہ ہے۔ جب کہ منافع بعد از ٹیکس پچھلے سال کے 1,875.5ملین روپے کے منافع کے مقابلے میں 67فی صد اضافے کے بعد 3,136.5ملین روپے ہو گیا۔

پورٹفولیو تجزیہ

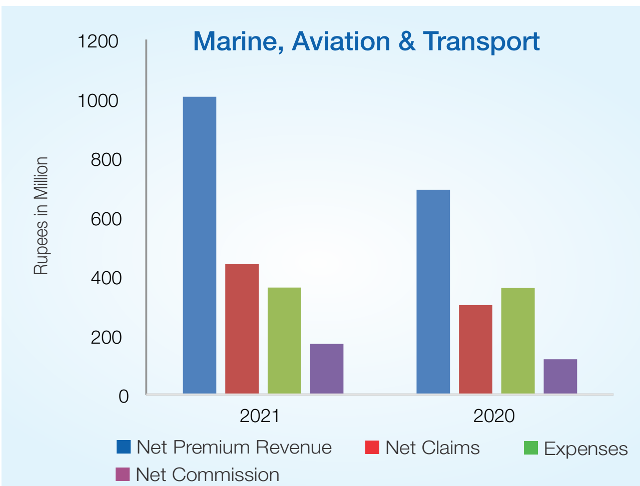
آگ اور جائیداد

کلاس آگ اور جائیداد کل کاروباری پورٹفولیو کا 40% ہے۔ سال کے دوران، کمپنی نے 9,242.3ملین روپے کا مجموعی پریمیم درج کیا ہے۔(2020: روپے 6,773.3 ملین)۔ خالص دعووں کا خالص پریمیم کا تناسب اس سال کم ہو کر 34% ہو گیا جو کہ گزشتہ سال 86% تھا۔ نتیجتاً فائر اینڈ پراپرٹی کلاس کو 2020 ء میں 171.9 ملین روپے کے نقصان کے مقابلے میں 255.7 ملین روپے کا انڈر رائٹنگ منافع ہوا۔



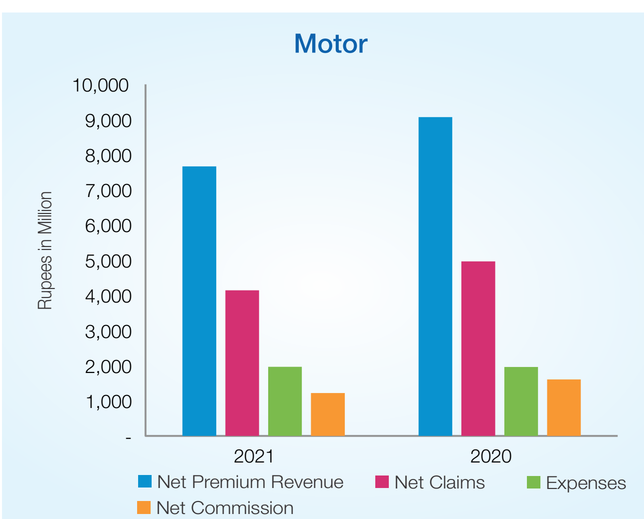
میرین، ایوی ایشن اور ٹرانسپورٹ:

میرین، ایوی ایشن اور ٹرانسپورٹ کل پورفولیو کا 6فیصد ہے۔ کمپنی نے موجودہ سال کے دوران 2020ء کے 981.7ملین روپے کے مقابلے میں 1,310.8ملین روپے کا مجموعی پریمیم ظاہر کیا ہے۔ خالص دعووں کا تناسب 44% رہا جو پچھلے سال 44% تھا۔ اس پورٹفولیو نے موجودہ سال میں 34.3ملین روپے کے نقصان کے مقابلے میں 2020ء میں 90ملین روپے کا انڈر رائٹنگ منافع ظاہر کیا ہے۔



موٹر:

کاروبار کی یہ کلاس کل پورٹفولیو کا 37% ہے۔ سال کے دوران، کمپنی نے 2020ء میں 7,402.3ملین روپے کے مقابلے میں 8,620.0ملین روپے کا مجموعی پریمیم ظاہر کیا ہے۔ 2020 میں 55% کے مقابلے میں موجودہ سال کے خالص پریمیم کے خالص دعووں کا تناسب 54% تھا۔ پورٹفولیو نے 2020ء میں 535.6ملین روپے کے مقابلے میں 338.6ملین روپے کا انڈر رائٹنگ منافع ظاہر کیا۔



ڈائریکٹرز کی رپورٹ

غیر اشتمال شدہ حسابات پر ممبران کو ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے، ہمیں 31 دسمبر، 2021 کو ختم شدہ سال کیلئے آڈٹ شدہ غیر جامع مالیاتی گوشواروں کے ہمراہ آپ کی کمپنی کی 61 ویں سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

معاشی جائزہ:

خاص طور پر کووڈ-19 کی وباء اور اس سے متعلق عالمی اور ممکنہ ملکی بندشوں کے اثرات کی وجہ سے سال 2020ء میں ایک بے مثال دباؤ کے مشاہدے کے بعد عالمی معیشت کے ساتھ ساتھ پاکستان کی معیشت میں بھی اب سال 2021ء میں بحالی کے آثار دیکھے گئے ہیں۔ مالی سال 2021ء کے دوران، پاکستان کی حقیقی شرح نمو سن 2020ء میں 0.47 فی صد کی کے مقابلے میں 5.57 فی صد تک بڑھ گئی۔ تاہم، معاشی سرگرمیوں میں اضافے کے نتیجے میں درآمدات میں اضافے کی وجہ سے کرنٹ اکاؤنٹ پر اچھے خاصے دباؤ کا سبب بھی بن گیا۔ مالی سال 2022ء کے پہلے نصف میں، کرنٹ اکاؤنٹ خسارہ 9.09 ارب ڈالر تک جا پہنچا۔ بینک دولت پاکستان (ایس بی پی) نے مالی سال 2021 میں شرح پالیسی 7 فی صد پر برقرار رکھی۔ لیکن ایس بی پی نے جاری مالی سال کیلئے اس سلسلے کو تبدیل کر دیا اور کرنٹ اکاؤنٹ خسارے اور توقع سے زیادہ افراطِ زر پر قابو پانے کی غرض سے شرحِ پالیسی مجموعی طور پر 275 بیسس پوائنٹس بڑھاتے ہوئے 9.75 فی صد کر دی۔

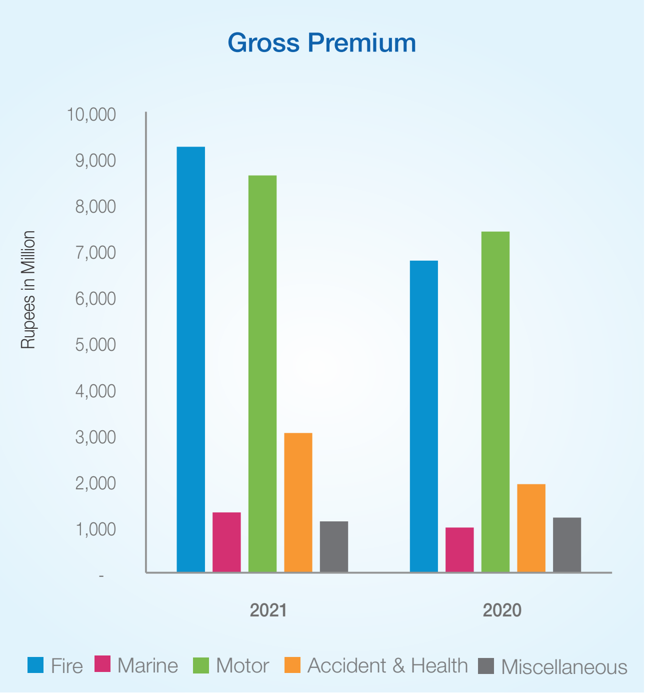
پاکستان اسٹاک ایکسچینج (پی ایس ایکس) خصوصاً اس کا کے ایس ای-100 انڈیکس 48,726 اور 42,780 کے بلند اور نچلی سطحوں پر پہنچنے کے ساتھ اس سال کے دوران رینج باؤنڈ ہی رہا۔ کے ایس ای-100 انڈیکس نے 2020ء میں 7.4 فی صد کے منافع کے مقابلے میں 2021ء میں 1.92 فی صد کا معمولی سا منافع ظاہر کیا ہے، جو کہ 2020ء میں 43,755 کے مقابلے میں سال 2021ء میں 44,596 پر بند ہوا۔

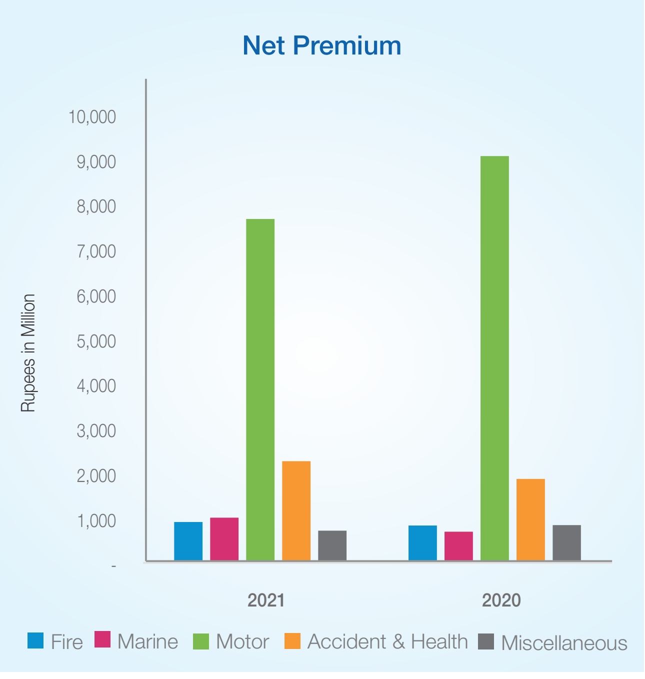
اسٹینڈرڈ اینڈ پورز نے پائیدار توقع کے ساتھ پاکستان کی طویل المدّت درجہ بندی کو 'بی- منفی' قرار دیا ہے۔

کمپنی کی کارکردگی کا جائزہ:

کووڈ-19 کی عالمی وباء کے اومیکرون ویریئنٹ کی وجہ سے چیلنجنگ ماحول اور غیر یقینی صورتحال کے باوجود، سال 2021ء کیلئے کمپنی کی کارکردگی متاثر کن رہی کیونکہ ہم نے پچھلے سال کی نسبت روایتی کاروبار میں 28 فی صد کے مجموعی 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 2021ء میں، مجموعی پریمیم سال 2020 میں 18,279 ملین کے مقابلے میں بڑھ کر 23,320 ملین روپے ہو گئے (جس میں ونڈو تکافل آپریشنز کے ذریعے پیدا کردہ اقساط کے 1,525.6 ملین روپے اور 1,464.9 ملین روپے شامل نہیں ہیں)۔ ضمانت کردہ کل مجموعی اقساط (12,552 ملین روپے) کا 54 فی صد خالص اقساط تھیں جو کہ مقابلتاً سال 2020ء میں (13,295 ملین روپے) کی خالص اقساط کے 73 فی صد کے برابر ہے۔





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	Muhammad Anees 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 28 May 2019. 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 2021.

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 2019 for its directors to apprise them of their duties and responsibilities. During the year 2021, two directors 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. The Board had approved the remuneration of Chief Financial Officer, Company Secretary and Head of Internal Audit Department.

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
Imran Ali	Head of Internal Audit

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
Muhammad Anees	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
Umer Mansha	Chairman - Non-Executive Director
Imran Maqbool	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 Anees	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;

    a) Audit Committee: quarterly meetings;
    b) Ethics, Human Resource and Remuneration Committee: Once a year;
    c) Investment Committee: quarterly meetings
    d) 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
Muhammad Saleem Iqbal	Head of Reinsurance
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Grievance Dept.
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.

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 2021 and March 2021, 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.

By Order of the Board

Umer Mansha

Umer Mansha
Chairman

Date: 8 February 2022

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, 2021 in accordance with the requirements of the Regulations.

The responsibility for compliance with the 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, 2021.

Yousuf Adil

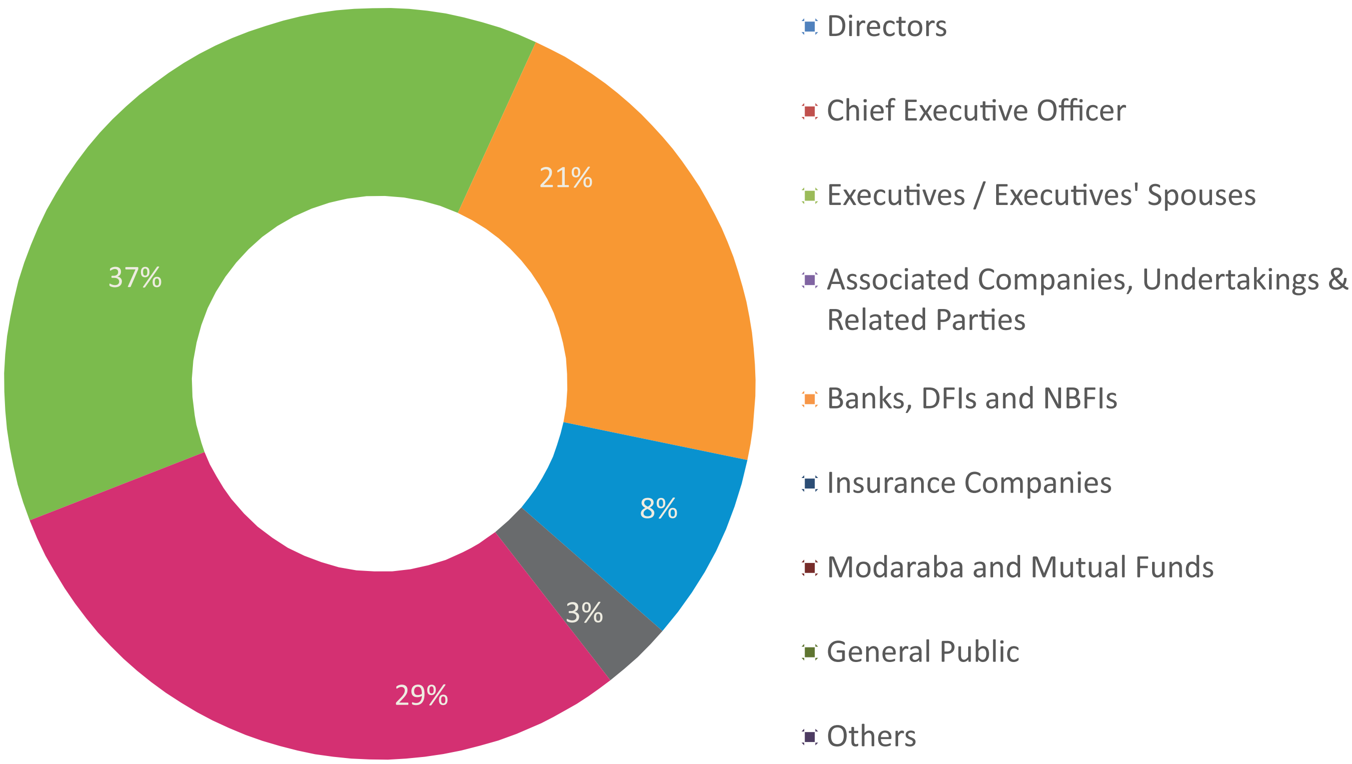
Chartered Accountants

Place: Lahore
Date: February 14, 2022
UDIN: CR202110088IKsSM93kZ

Ownership / Shareholding Structure

Ownership Structure

The Company has a diversified ownership structure as detailed below:



Categories Of Shareholders	Number of Shares	Stake %
Directors	131,705	0.038
Chief Executive Officer	7,073	0.002
Executives / Executives' Spouses	104	-
Associated Companies, Undertakings & Related Parties	72,167,050	20.619
Banks, DFIs and NBFIs	6,615,442	1.890
Insurance Companies	29,888,462	8.540
Modaraba and Mutual Funds	9,824,844	2.807
General Public	102,841,477	29.383
Others	128,523,843	36.721
	350,000,000	100.000

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 in 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 lays 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, mid line 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. 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 is a wholly owned subsidiary of Adamjee Insurance Company Limited. Common directorship of Directors among other companies is the main basis of relationship. Such companies are categorised as associated companies, of the Company.

Name of 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 one third 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:

i. Mr. Muhammad Anees
ii. 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

The Board was constituted in May 2019 after election of directors. For the elected directors, an orientation session was held in October 2019. A consultant on corporate laws, after board meeting, briefed the directors about their duties, responsibilities and about other matters.

Directors Training Program

Two non-executive directors, Sadia Younas Mansha and Shaikh Muhammad Jawed attended Director Training Program (DTP) during the year 2021 while no director availed the exemption.

Training of Key Personnel

During the year 2021, the following key officers of the Company have obtained certification of courses, namely, Pakistan Markets and Regulations (PMR) and Fundaments of Capital Market (FCM) from the Institute of Financial Markets of Pakistan (IFMP):

Name	Designation	Certifications
Muhammad Ali Zeb	Managing Director & Chief Executive Officer	1. Fundamentals of Capital Market 2. Pakistan's Market Regulations
Muhammad Asim Nagi	Chief Financial Officer & Executive Director Finance	1. Fundamentals of Capital Market 2. Pakistan's Market Regulations
Tameez ul Haq	Company Secretary	1. Fundamentals of Capital Market 2. Pakistan's Market Regulations
Anis Ahmed Ashrafi	Senior Manager - Investment Function	1. Fundamentals of Capital Market 2. Pakistan's Market Regulations

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 Management Letter wherein control deficiencies, if any, are highlighted during their course of audit.

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.

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. 10,000/- per meeting is paid to directors. Travel expense by air from city of residence to the city of the meeting are paid 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.

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).

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 skills 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.

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, 15 and 39 in unconsolidated financial statements.

Board meetings outside Pakistan

During the year 2021, all the board meetings were convened in Pakistan using video-link facility.

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.

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

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

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.

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 goal of AICL IT Governance is 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

Acquisition process for technological tools

Technology plays a vital role in business. Over the years, businesses have become dependent on technology so much so that if we were to take away that technology, virtually all business operations around the globe would come to a grinding halt. It is nearly impossible to conduct business without the aid of technology in one form or another. Almost every aspect of business is heavily influenced by technology. The Company understands the role of technology and invested accordingly by following six-step process to justify technology acquisitions:

- Conduct self-assessment and needs analysis
- Rank requirements based on organizational impact
- Potential solutions identification and shortlisting
- Demonstrations from promising vendors
- Solution scoring based on requirements
- Selection of right solution

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 2021, no such instance was reported to the Audit Committee.

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 technique 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 create 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.

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 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

Five 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	Meetings attended
Muhammad Anees	Chairman (Independent director)	5
Ibrahim Shamsi	Member (Non-executive director)	4
Shaikh Muhammad Jawed	Member (Non-executive director)	5
Umer Mansha	Member (Non-executive director)	5

REPORT OF THE AUDIT COMMITTEE

The Board Audit Committee ("the Committee") comprises of four members, three of which are non-executive directors and one independent director who is the chairman of the Committee.

Following are 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

All of the members of the Committee have relevant knowledge and experience of finance 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 five 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 Committees 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 year ending 31 December 2022.

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.

COVID-19 Pandemic related matters

Due to the outbreak of COVID-19 pandemic, the businesses in general witnessed unprecedented pressures which affected their ability to operating as going concern. In order 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 applicable from January 01, 2023. The said 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.

The Committee also reviewed the following:

- 'Gap Analysis Report' for Pakistan business, prepared by internal working group before submission to the Board and the Securities and Exchange Commission of Pakistan.

- 'Gap Analysis Report and Financial Impact Assessment Reports' for UAE business submitted to local regulator.

The Committee concluded that the measures being taken by the management for smooth implementation of IFRS-17 are 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 2021.

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 Anees

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.

One meeting of the Committee was convened during the year with below attendance:

Name of members	Status	Meetings attended
Muhammad Anees	Chairman (Independent director)	1
Ibrahim Shamsi	Member (Non-executive director)	1
Umer Mansha	Member (Non-executive director)	1
Muhammad Ali Zeb	MD & CEO	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	Meetings attended
Umer Mansha	Chairman (Non-Executive director)	4
Imran Maqbool	Member (Non-executive director)	4
Muhammad Ali Zeb	MD & CEO	4
Muhammad Asim Nagi	Chief Financial Officer	4

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 constituted in May 2019 after election of directors. At that time the Company used the database of 'Pakistan Institute of Corporate Governance' (PICG), an institute notified by the Commission, to appoint independent directors. However, during the year 2021, services of external search consultancy were not required.

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	Chief Executive Officer
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.

Pandemic recovery plan by the management and policy statement

Covid-19 pandemic brought many unexpected changes and accelerated the needs for digitalization in nearly all service sectors. AICL was well equipped with the digital infrastructure needed to cope with this change during and after the pandemic and because of it the pandemic has not affected AICL as adversely as it has affected some other organizations.

However, this does not mean that the changing environment has been in favor of the business. The pandemic has been catastrophic for a lot of industries and has brought very unpredictable changes to the lifestyles and habits of the end consumers.

AICL aims to tackle this situation with its high standards. It is continuously working on improving the customer experience through digital technology. AICL has set strict guidelines for compliance that are in line with international standards that match our customer expectations.

AICL has always worked for the betterment of its employees and customers during the difficult times of the pandemic, it continued working seamlessly with the support of its digital infrastructure and innovative techniques to bring best experience to its customers. Digital channels and online services are the new normal in the industry and future depends on digitalization of the business.

With the new challenges posed by the ongoing pandemic, business processes have been made more efficient and user friendly for both employees and customers.

AICL continues to provide the best customer experience during the pandemic while is strictly adhering to the Government guidelines issued from time-to-time.

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 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 appointed a Virtual Chief Information Security Officer (vCISO) to develop and manage 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.

Anti-Money Laundering and Countering Financing Terrorism Policy

Anti-Money Laundering and Counter Financing Terrorism (AML/ CFT) form the base lines 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 2021 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 2021 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

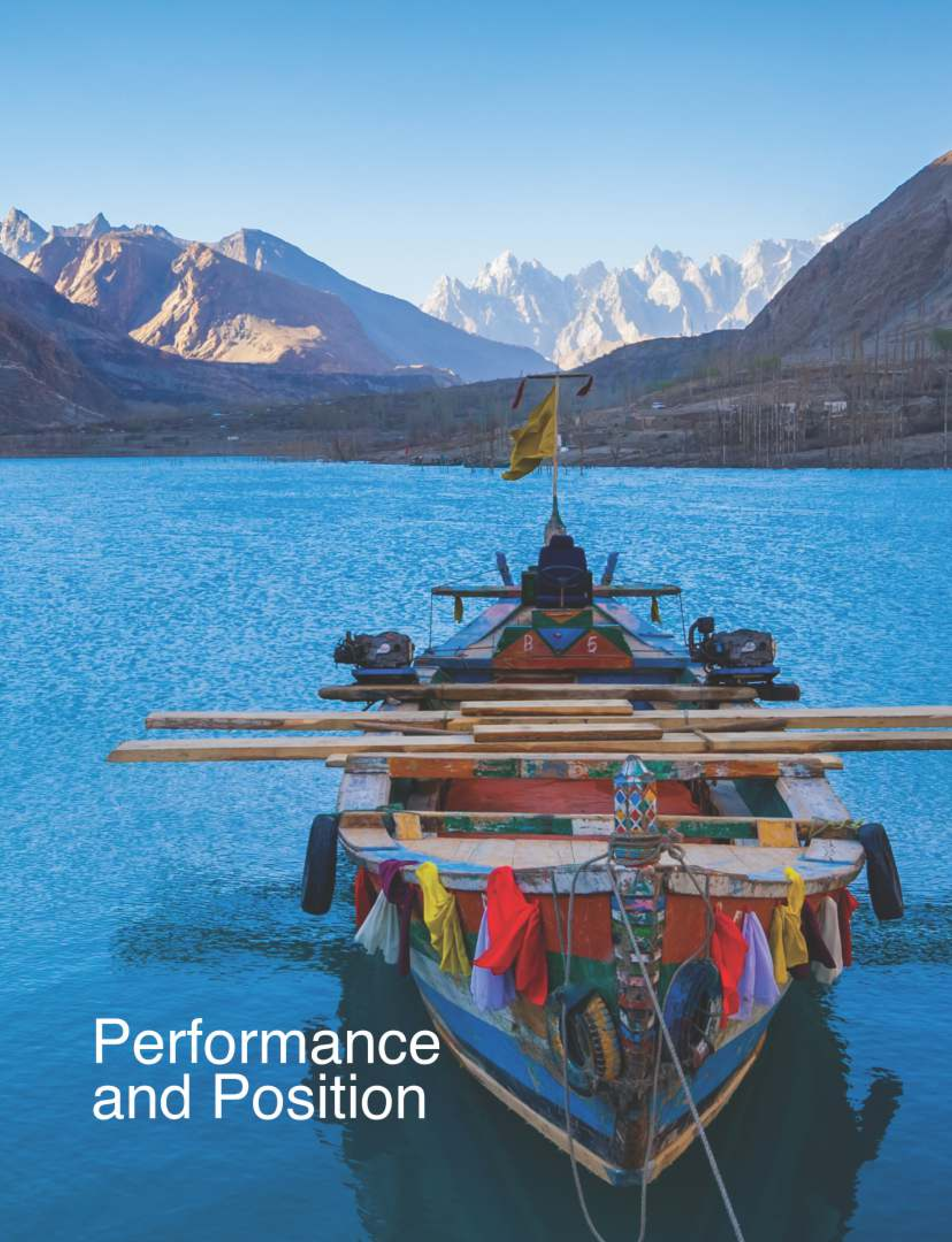
The incharge of the Management of the business was Muhammad Ali Zeb, Managing Director & Chief Executive Officer and the report on the affairs of business during the year 2021 signed by Muhammad Ali Zeb, Imran Maqbool and approved by the Board of Directors is part of the Annual Report 2021 under the 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	**Imran Maqbool** Director	**Muhammad Arif Hameed** Director	**Muhammad Asim Nagi** Chief Financial Officer	**Muhammad Ali Zeb** Managing Director & Chief Executive Officer



Performance and Position

Performance Evaluation Against Targets / Budgets

The Company prepares Annual Business Plan mainly comprising of 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 coordinated towards the achievement of 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 shows great recovery from decline in premium written during last year owing to economic slowdown brought about by the COVID-19 pandemic. This is due to double digit growth shown by Fire, Marine, Motor and Health classes of business during the year. The Company has managed to achieve this double digit growth despite tough competitive business environment faced.

INVESTMENT INCOME

Current year witnessed increase in investment income both from last year and budgeted investment income. This is mainly due to the increase in dividend income of the Company during the 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, 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 the year ending December 2021, the banking companies have released substantial amount of dividends which was hampered due to SBP's restrictions in the previous year.

OPERATIONAL PROFITABILITY

The Company succeeded in meeting its operational profitability objectives based on profitability targets and last year performance. The Company managed to have lower net loss ratios compared with last year due to adequate reinsurance arrangements in place with the reinsurance partners. The net commission ratios have also dropped from past trends. In addition to improvement in underwriting results, the operating profit has also improved due to increase in fair value measurement gain recorded during the year for Investment property and increased Investment income during the year.

Six Years Financial Performance (2016 - 2021)

		2021	2020	2019	2018	2017	2016
Balance Sheet							
Paid Up Capital	Rs. Mln	**3,500**	3,500	3,500	3,500	3,500	3,500
Reserves	""	**5,487**	4,487	4,555	3,784	5,001	6,278
Equity	""	**25,390**	22,235	21,380	19,663	20,364	21,872
Investments (Book Value)	""	**25,966**	22,589	21,781	21,006	18,649	17,359
Investments (Market Value)	""	**31,069**	26,596	25,888	24,114	23,749	24,337
Investment Property	""	**1,632**	787	402	-	-	-
Fixed Assets	""	**4,339**	4,171	4,301	3,593	2,632	1,250
Cash & Bank Deposits	""	**2,174**	1,312	1,177	2,211	2,279	3,811
Other Assets	""	**22,426**	16,654	17,770	17,926	18,727	16,242
Total Assets	""	**61,641**	49,520	49,538	47,845	47,388	45,640
Total Liabilities	""	**36,251**	27,285	28,158	28,182	27,023	23,768
Operating Data							
- Conventional							
Gross Premium	""	**23,320**	18,279	22,507	20,387	18,522	16,270
Net Premium	""	**12,552**	13,295	15,434	13,806	11,535	9,615
Net Claims	""	**7,204**	7,987	9,877	8,386	7,434	6,210
Net Commission	""	**1,523**	1,833	1,507	1,280	1,090	763
Underwriting Result	""	**672**	376	654	816	557	1,078
Financial Charges	""	**50**	15	8	-	-	-
Total Expenses	""	**3,212**	3,161	3,100	3,438	2,683	2,329
Investment Income	""	**2,469**	1,093	1,372	1,285	1,494	3,502
Profit Before Tax	""	**4,405**	1,910	2,533	2,174	2,121	4,054
Profit After Tax	""	**3,136**	1,876	1,813	1,239	1,221	3,492
- Window Takaful Operations							
Gross contribution written	""	**1,465**	1,526	1,213	1,102	743	187
Net contribution revenue	""	**654**	745	617	669	262	19
Net takaful claims - reported / settled	""	**610**	692	531	402	300	29
Underwriting Result - PTF	""	**39**	46	72	(8)	(38)	(5)
Surplus / (Deficit) - PTF	""	**78**	92	110	7	(31)	(5)
Wakala fee	""	**431**	409	324	253	176	23
Profit before taxation	""	**139**	164	108	79	67	4
Profit after taxation	""	**99**	116	77	53	47	3
Cash Flow Summary							
Operating activities	""	**1,402**	648	(93)	1,892	1,060	222
Investing activities	""	**(259)**	280	3	(1,274)	(1,210)	2,225
Financing activities	""	**(282)**	(793)	(944)	(685)	(1,383)	(1,036)
Share Information							
No. of Shares	(Million)	**350**	350	350	350	350	350
Net Assets per share (Break-Up Value Per Share)	(Rs.)	**72.54**	63.53	61.09	56.18	58.18	62.49
Share Price at Year End	(Rs.)	**40.00**	39.32	42.09	42.02	52.00	74.14
Highest Share Price During Year	(Rs.)	**47.22**	47.45	47.70	60.25	82.50	79.79
Lowest Share Price During Year	(Rs.)	**32.66**	24.10	26.00	38.10	43.02	46.70
KSE 100 Index		**44,596**	43,755.38	40,735.08	37,066.67	40,471.48	47,806.97
Market Price To Break-Up Value (P/B Ratio)	(Times)	**0.55**	0.62	0.69	0.75	0.89	1.19
Face Value (per share)	(Rs.)	**10.00**	10.00	10.00	10.00	10.00	10.00
Market Capitalization - Amount	Rs. Mln	**14,000**	13,762.00	14,731.50	14,707.00	18,200.00	25,949.00
Distribution							
Dividend Per Share	(Rs.)	**2.75**	2.75	2.50	2.00	4.00	3.00
Total Dividend - Amount	Rs. Mln	**962.50**	962.50	875.00	700.00	1,400.00	1,050.00
Cash Dividend	%	**27.50**	27.50	25.00	20.00	40.00	30.00
Bonus Shares	%	**-**	-	-	-	-	-
Total Dividend	%	**27.50**	27.50	25.00	20.00	40.00	30.00

Six Years Financial Performance (2016 - 2021)

Horizontal Analysis - Balance Sheet and Income Statement

	2021	2020	2019	2018	2017	2016	2021	2020	2019	2018	2017	2016
	Rs. Mln						% increase /(decrease) over preceding year					
Balance sheet												
Assets												
Cash and Bank Deposits	**2,174**	1,312	1,177	2,211	2,279	3,811	**65.70**	11.5	(46.8)	(3.0)	(40.2)	31.5
Loans to Employees	**52**	45	49	45	43	18	**15.56**	(9.1)	10.0	4.7	138.9	5.9
Investments	**31,069**	26,596	25,888	24,114	23,749	24,337	**16.82**	2.7	7.4	1.5	(2.4)	58.1
Deferred Taxation	**-**	-	-	-	-	-	**-**	-	-	-	-	(100.0)
Current Assets-others	**21,651**	16,020	17,295	17,499	18,444	16,125	**35.15**	(7.4)	(1.2)	(5.1)	14.4	27.1
Fixed Assets	**4,339**	4,171	4,301	3,594	2,632	1,250	**4.03**	(3.0)	19.7	36.6	110.6	(3.9)
Investment Property	**1,632**	787	402	-	-	-	**107.37**	95.8	100.0	-	-	-
Total assets of WTO-OP	**724**	589	426	382	241	99	**22.92**	38.2	11.6	58.5	143.4	100.0
Total Assets	**61,641**	**49,520**	**49,538**	**47,845**	**47,388**	**45,640**	**24.48**	**(0.0)**	**3.5**	**1.0**	**3.8**	**41.0**
Total Equity	**25,390**	22,235	21,380	19,663	20,365	21,872	**14.19**	4.0	8.7	(3.4)	(6.9)	50.2
Underwriting Provisions	**23,937**	19,380	20,848	20,784	20,639	17,184	**23.52**	(7.0)	0.3	0.7	20.1	30.9
Deferred Taxation	**2,031**	1,375	1,330	944	1,567	2,223	**47.67**	3.4	40.9	(39.8)	(29.5)	100.0
Deferred Liabilities	**270**	212	225	199	154	81	**27.36**	(5.8)	13.1	29.2	90.1	(30.4)
Borrowings	**927**	166	-	-	-	-	**457.20**	100.0	-	-	-	-
Creditors and Accruals	**2,446**	1,806	1,719	2,206	1,884	1,661	**35.42**	5.1	(22.1)	17.1	13.4	(63.1)
Other Liabilities	**6,361**	4,103	3,840	3,819	2,638	2,573	**55.04**	6.8	0.5	44.8	2.5	3,340.2
Total liabilities of WTO-OP	**279**	243	196	230	141	46	**14.91**	24.0	(14.8)	63.1	206.5	100.0
Total Equity and Liabilities	**61,641**	**49,520**	**49,538**	**47,845**	**47,388**	**45,640**	**24.48**	**(0.0)**	**3.5**	**1.0**	**3.8**	**41.0**
Profit and Loss Account												
Revenue account												
Net Premium Revenue	**12,552**	13,295	15,434	13,806	11,535	9,615	**(5.58)**	(13.9)	11.8	19.7	20.0	24.1
Net claims	**7,204**	7,987	9,877	8,386	7,434	6,210	**(9.80)**	(19.1)	17.8	12.8	19.7	18.9
Underwriting Expenses	**3,153**	3,099	3,397	3,324	2,576	1,615	**1.76**	(8.8)	2.2	29.0	59.5	3.8
Net Commission	**1,523**	1,833	1,507	1,280	1,090	763	**(16.92)**	21.6	17.8	17.4	42.9	36.7
Unexpired risk reserve	**-**	-	-	-	(122)	(50)	**-**	-	-	(100.0)	142.5	(129.8)
Underwriting Result	**672**	**376**	**654**	**816**	**557**	**1,078**	**78.97**	**(42.5)**	**(19.9)**	**46.5**	**(48.3)**	**346.0**
Investment Income	**2,469**	1,093	1,372	1,285	1,494	3,502	**126.03**	(20.4)	6.8	(14.0)	(57.3)	45.7
Rental Income	**131**	113	30	7	9	6	**16.59**	275.2	329.1	(22.2)	39.6	1.7
Other income	**138**	231	64	95	96	178	**(40.13)**	260.6	(32.7)	(1.0)	(46.0)	(3.7)
Change in fair value of investment property	**961**	-	12	-	-	-	**100.00**	(100.0)	100.0	-	-	-
Other / General And Administration Expenses	**59**	62	59	73	44	630	**(5.60)**	5.7	(19.2)	65.9	(93.0)	10.4
Exchange Gain / (Loss)	**3**	12	5	6	5	(2)	**(77.63)**	167.3	(23.1)	20.0	(412.5)	(127.1)
Finance Charges	**50**	15	8	-	-	-	**233.07**	80.1	100.0	-	-	-
Workers' welfare fund charge / (reversal)	**-**	-	(356)	41	63	83	**-**	100.0	(967.7)	(34.9)	(23.8)	43.4
Profit before tax from WTO-OP	**139**	164	108	79	67	4	**(14.96)**	52.1	36.3	17.9	1,559.2	100.0
Profit Before Tax	**4,405**	**1,910**	**2,533**	**2,174**	**2,121**	**4,054**	**130.63**	**(24.6)**	**16.5**	**2.5**	**(47.7)**	**83.1**
Provision for taxation	**1,269**	35	720	935	900	561	**3,559.17**	(95.2)	(23.0)	3.9	60.4	106.3
Profit after Tax	**3,136**	**1,875**	**1,813**	**1,239**	**1,221**	**3,493**	**67.23**	**3.4**	**46.3**	**1.5**	**(65.0)**	**79.8**

Six Years Financial Performance (2016 - 2021)

Vertical Analysis - Balance Sheet and Income Statement

	2021		2020		2019		2018		2017		2016	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Balance sheet												
Assets												
Cash and Bank Deposits	**2,174**	**3.5**	1,312	2.6	1,177	2.4	2,211	4.6	2,279	4.8	3,811	8.4
Loans to Employees	**52**	**0.1**	45	0.1	49	0.1	45	0.1	43	0.1	18	0.0
Investments	**31,069**	**50.4**	26,596	53.7	25,888	52.3	24,114	50.4	23,749	50.1	24,337	53.3
Deferred Taxation	**-**	**-**	-	-	-	-	-	-	-	-	-	-
Current Assets-others	**21,651**	**35.1**	16,020	32.4	17,295	34.9	17,499	36.6	18,444	38.9	16,125	35.3
Fixed Assets	**4,339**	**7.0**	4,171	8.4	4,301	8.7	3,594	7.5	2,632	5.6	1,250	2.7
Investment Property	**1,632**	**2.6**	787	1.6	402	0.8	-	-	-	-	-	-
Total assets of WTO-OP	**724**	**1.2**	589	1.2	426	0.9	382	0.8	241	0.5	99	0.2
Total Assets	**61,641**	**100**	**49,520**	**100.0**	**49,538**	**100.0**	**47,845**	**100.0**	**47,388**	**100.0**	**45,640**	**100.0**
Total Equity	**25,390**	**41.2**	22,235	44.9	21,380	43.2	19,663	41.1	20,365	43.0	21,872	47.9
Underwriting Provisions	**23,937**	**38.8**	19,380	39.1	20,848	42.1	20,784	43.4	20,639	43.6	17,184	37.7
Deferred Taxation	**2,031**	**3.3**	1,375	2.8	1,330	2.7	944	2.0	1,567	3.3	2,223	4.9
Deferred Liabilities	**270**	**0.4**	212	0.4	225	0.5	199	0.4	154	0.3	81	0.2
Borrowings	**927**	**1.5**	166	0.3	-	-	-	-	-	-	-	-
Creditors and Accruals	**2,446**	**4.0**	1,806	3.6	1,719	3.5	2,206	4.6	1,884	4.0	1,661	3.6
Other Liabilities	**6,361**	**10.3**	4,103	8.3	3,840	7.8	3,819	8.0	2,638	5.6	2,573	5.6
Total liabilities of WTO-OP	**279**	**0.5**	243	0.5	196	0.4	230	0.5	141	0.3	46	0.1
Total Equity and Liabilities	**61,641**	**100**	**49,520**	**100.0**	**49,538**	**100.0**	**47,845**	**100.0**	**47,388**	**100.0**	**45,640**	**100.0**
Profit and Loss Account												
Revenue account												
Net Premium Revenue	**12,552**	**100.0**	13,295	100.0	15,434	100.0	13,806	100.0	11,535	100.0	9,615	100.0
Net Claims	**7,204**	**57.4**	7,987	60.1	9,877	64.0	8,386	60.7	7,434	64.4	6,210	64.6
Underwriting Expenses	**3,153**	**25.1**	3,099	23.3	3,397	22.0	3,324	24.1	2,576	22.3	1,615	16.8
Net Commission	**1,523**	**12.1**	1,833	13.8	1,507	9.8	1,280	9.3	1,090	9.4	763	7.9
Unexpired risk reserve	**-**	**-**	-	-	-	-	-	-	(122)	(1.1)	(50)	(0.5)
Underwriting Result	**672**	**5.4**	**376**	**2.8**	**654**	**4.2**	**816**	**5.9**	**557**	**4.8**	**1,078**	**11.2**
Investment Income	**2,469**	**19.7**	1,093	8.2	1,372	8.9	1,285	9.3	1,494	13.0	3,502	36.4
Rental Income	**131**	**1.0**	113	0.8	30	0.2	7	0.1	9	0.1	6	0.1
Other income	**138**	**1.1**	231	1.7	64	0.4	95	0.7	96	0.8	178	1.9
Change in fair value of investment property	**961**	**7.7**	-	-	12	0.1	-	-	-	-	-	-
General And Administration Expenses	**59**	**0.5**	62	0.5	59	0.4	73	0.5	44	0.4	630	6.6
Exchange Gain / (Loss)	**3**	**0.0**	12	0.1	5	0.0	6	0.0	5	0.0	(2)	(0.0)
Finance Charges	**50**	**0.4**	15	0.1	8	0.1	-	-	-	-	-	-
Workers' welfare fund charge / (reversal)	**-**	**-**	-	-	(356)	(2.3)	41	0.3	63	0.5	83	0.9
Profit before tax from WTO-OP	**139**	**1.1**	164	1.2	108	0.7	79	0.6	67	0.6	4	0.0
Profit Before Tax	**4,405**	**35.1**	**1,910**	**14.4**	**2,533**	**16.4**	**2,174**	**15.7**	**2,121**	**18.4**	**4,054**	**42.2**
Provision for Taxation	**1,269**	**10.1**	35	0.3	720	4.7	935	6.8	900	7.8	561	5.8
Profit After Tax	**3,136**	**25.0**	**1,875**	**14.1**	**1,813**	**11.7**	**1,239**	**9.0**	**1,221**	**10.6**	**3,493**	**36.3**

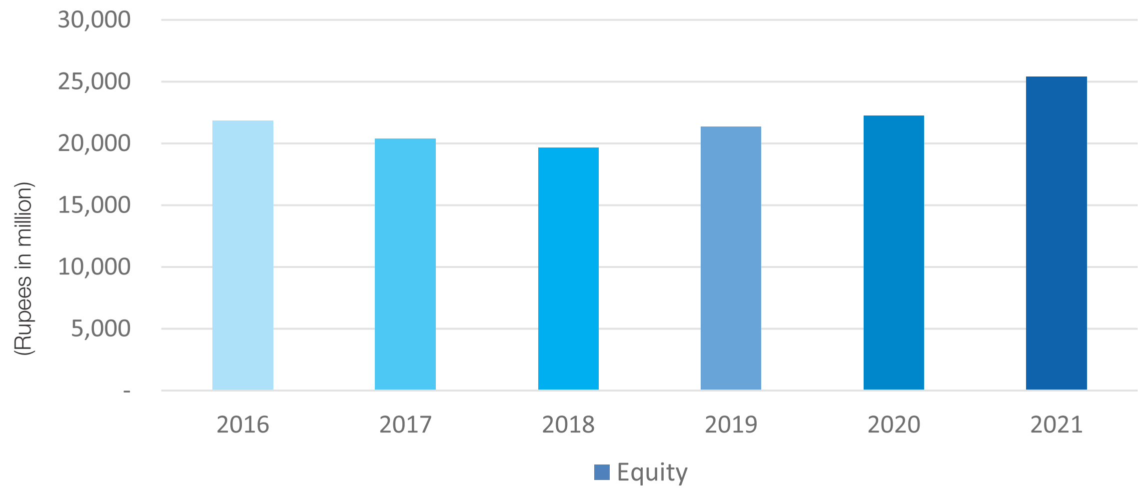
Six Years Financial Performance (2016 - 2021)

Financial Ratios

	2021	2020	2019	2018	2017	2016
Profitability Ratios						
Underwriting Result / Gross Premium (%)	**2.9**	2.1	2.9	4.0	3.0	6.6
Underwriting Result / Net Premium (%)	**5.4**	2.8	4.2	5.9	4.8	11.2
Combined Ratio (%)	**94.6**	97.2	95.8	94.1	95.2	88.8
Total Expenses / Gross Premium (%)	**13.8**	17.3	13.8	16.9	14.5	14.3
Total Expenses / Net Premium (%)	**25.6**	23.8	20.1	24.9	23.3	24.2
Management Expenses / Net Premium (%)	**25.1**	23.3	22.0	24.1	22.3	16.8
Other Expenses / Net Premium (%)	**0.5**	0.5	0.4	0.5	0.9	6.6
Net Claims / Net Premium (Claim Ratio) (%)	**57.4**	60.1	64.0	60.7	64.4	64.6
Net Commission / Net Premium (%)	**12.1**	13.8	9.8	9.3	9.4	7.9
Investment Income / Net Premium (%)	**19.7**	8.2	8.9	9.3	12.9	36.4
Overall Profitability						
Profit Before Tax / Gross Premium (%)	**18.9**	10.4	11.3	10.7	11.5	24.9
Profit After Tax / Gross Premium (%)	**13.4**	10.3	8.1	6.1	6.6	21.5
Profit Before Tax / Net Premium (%)	**35.1**	14.4	16.4	15.7	18.4	42.2
Profit After Tax / Net Premium (%)	**25.0**	14.1	11.7	9.0	10.6	36.3
Profit Before Tax / Total Income (%)	**26.9**	12.8	14.9	14.4	16.1	30.5
Profit After Tax / Total Income (%)	**19.1**	12.6	10.6	8.2	9.3	26.3
Return To Shareholders						
Return On Equity - PBT (%)	**17.3**	8.6	11.8	11.1	10.4	18.5
Return On Equity - PAT (%)	**12.4**	8.4	8.5	6.3	6.0	16.0
Return On Total Assets (%)	**5.1**	3.8	3.7	2.6	2.6	7.7
Earnings Per Share (Rs.)	**8.96**	5.36	5.18	3.54	3.49	9.98
Dividend Yield (%)	**6.9**	7.0	5.9	4.8	7.7	4.0
Dividend Payout (%)	**30.69**	51.3	48.3	56.5	114.6	30.1
Dividend Cover (Times)	**3.3**	1.9	2.1	1.8	0.9	3.3
Earnings Growth (%)	**67.2**	3.5	46.3	1.4	(65.0)	79.8
P/E Ratio (Times)	**4.5**	7.3	8.1	11.9	14.9	7.4
Performance/ Liquidity						
Current Ratio (Times)	**1.6**	1.7	1.7	1.6	1.8	1.7
Liquid Ratio (Times)	**1.2**	1.3	1.2	1.1	0.9	1.0
Cash / Current Liabilities (%)	**7.2**	6.0	4.8	8.2	9.0	20.2
Total Assets Turnover (Times)	**0.2**	0.3	0.3	0.3	0.2	0.2
Fixed Assets Turnover (Times)	**2.9**	3.2	3.6	3.8	4.4	7.7
Liquid Assets / Total Assets (%)	**66.2**	66.5	66.7	48.5	44.2	46.4
Earning Assets / Total Assets (%)	**54.9**	57.7	55.3	50.4	50.1	53.3
Equity / Total Assets (Shareholders' Funds ratio) (%)	**41.2**	44.9	43.2	41.1	43.0	47.9
Debt to Equity - Book Value (%)	**-**	0.34	-	-	-	-
Paid Up Capital / Total Assets (%)	**5.7**	7.1	7.1	7.3	7.4	7.7
Return On Capital Employed (%)	**17.5**	8.6	11.9	11.1	10.4	18.5

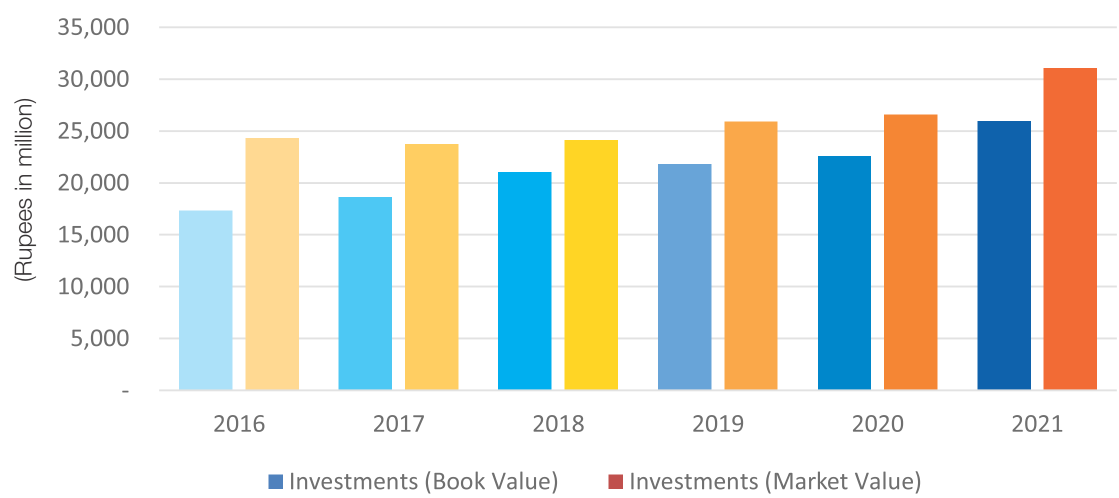
Six Years Graphical Summary (2016 - 2021)

Equity

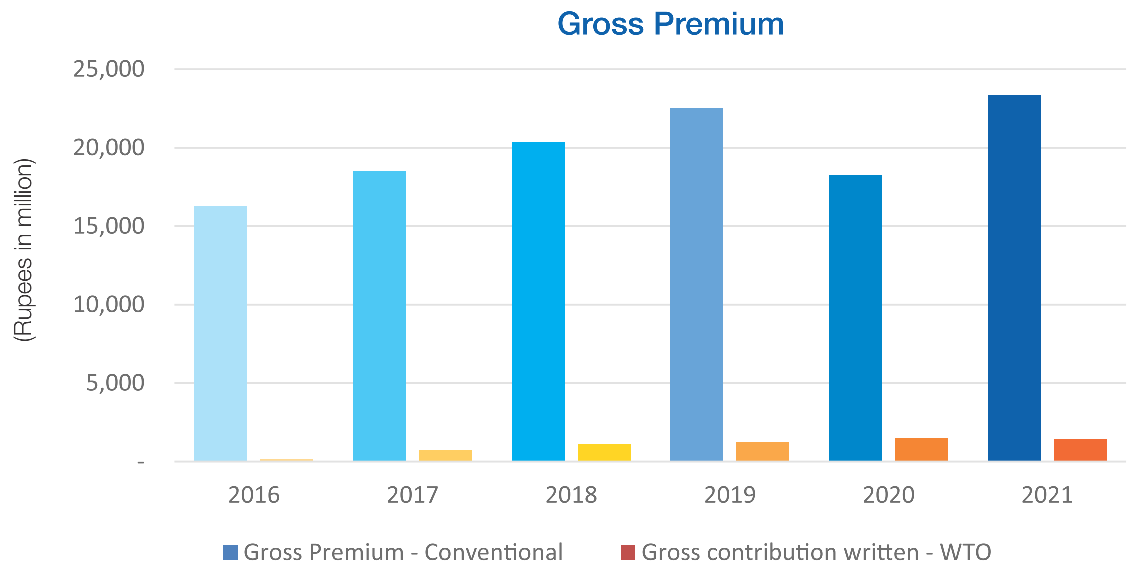


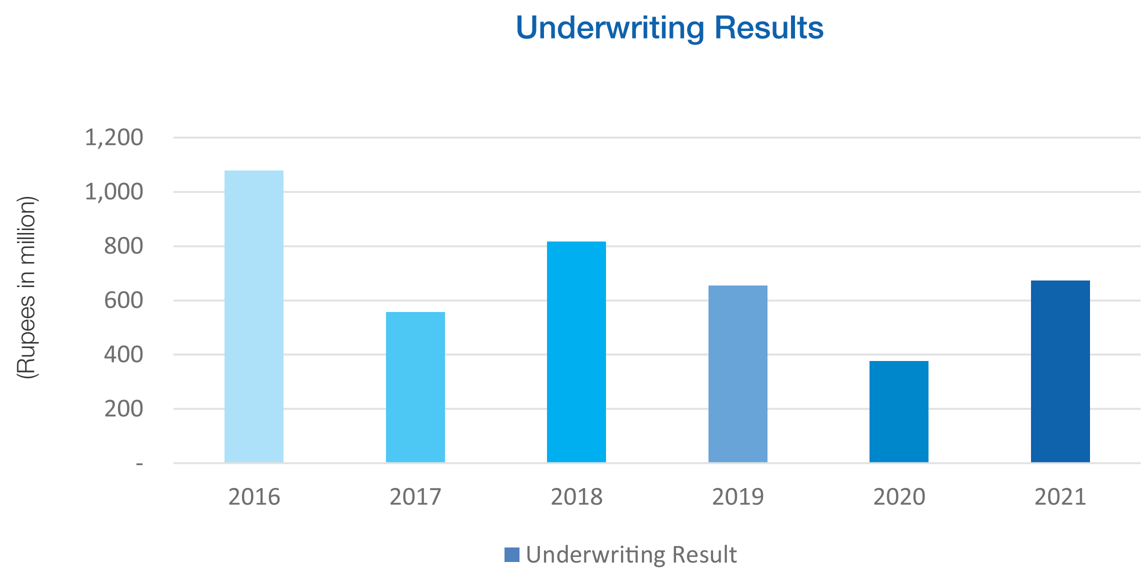
Total Assets & Liabilities

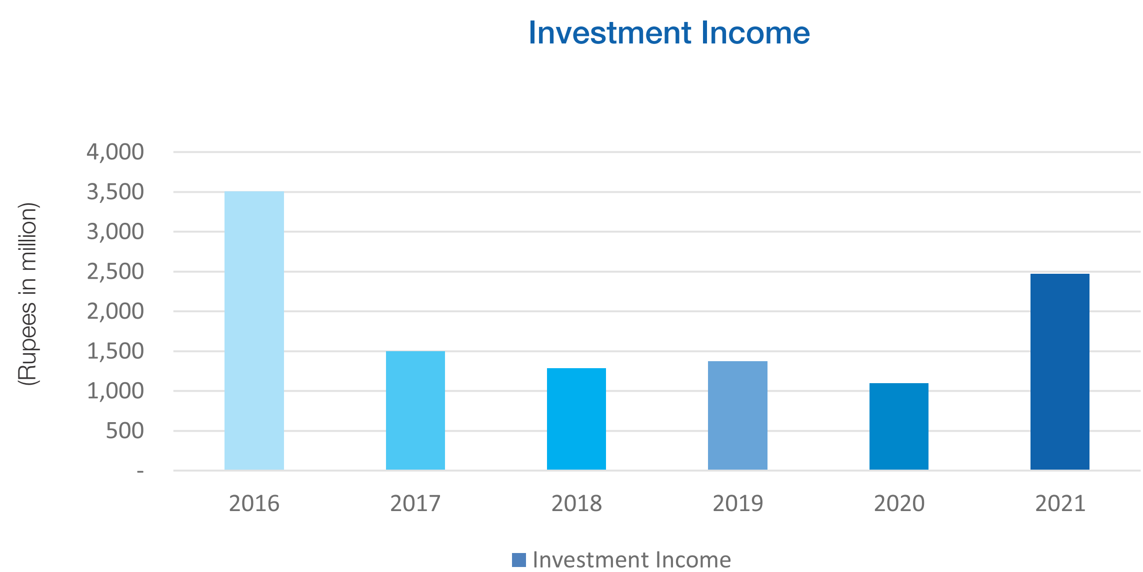
Investments



Six Years Graphical Summary (2016 - 2021)

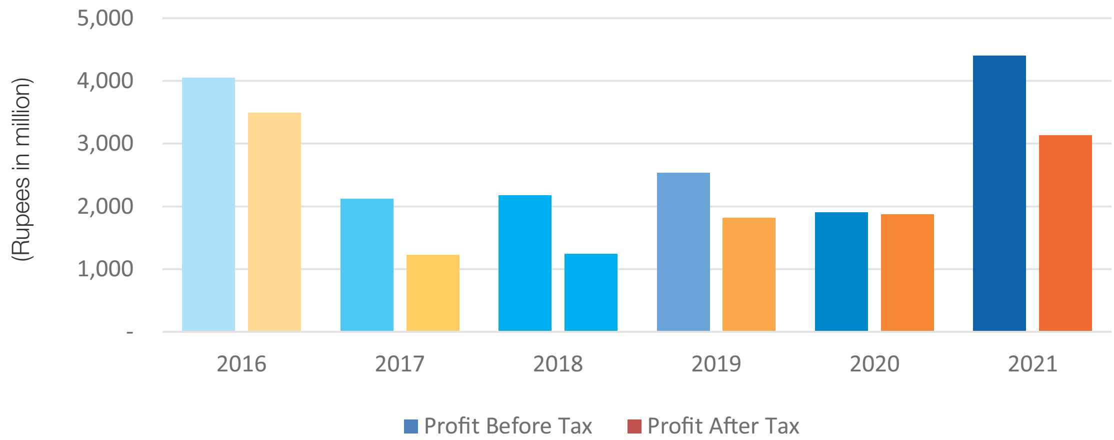




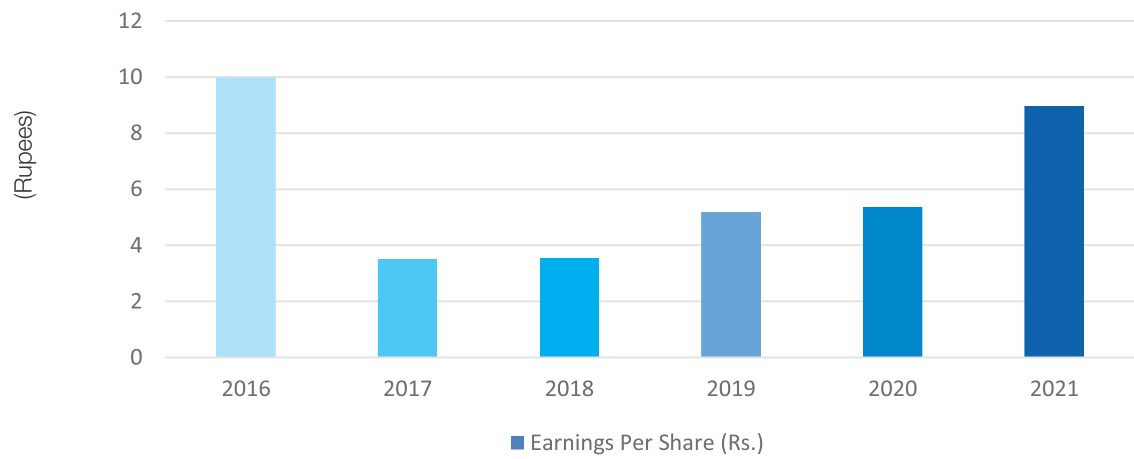


Six Years Graphical Summary (2016 - 2021)

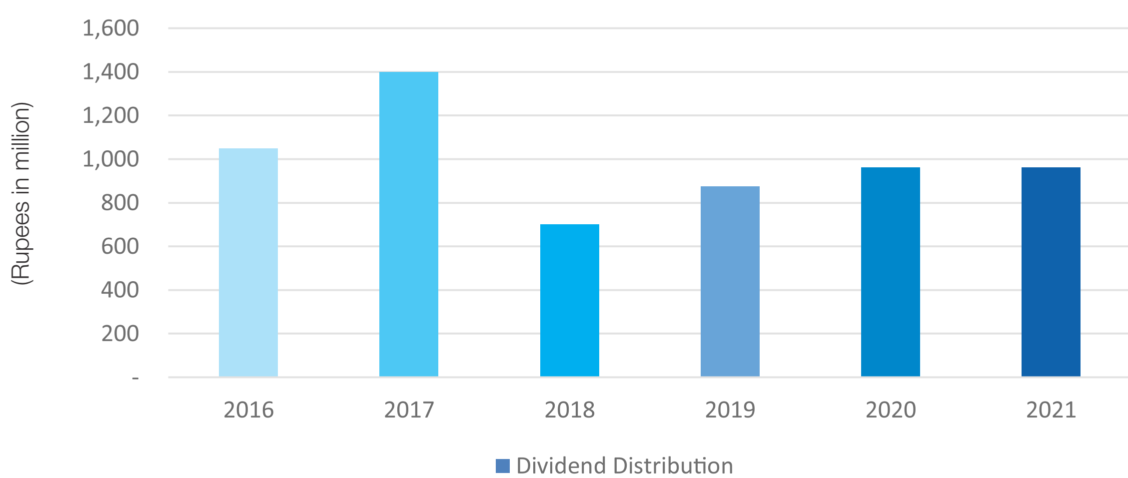
Profit



Earnings Per Share (Rs.)

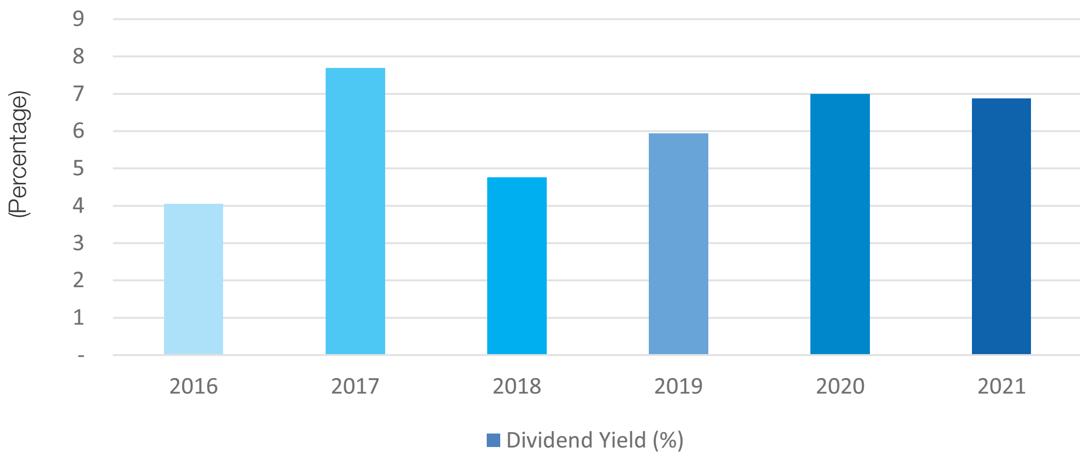


Dividend Distribution

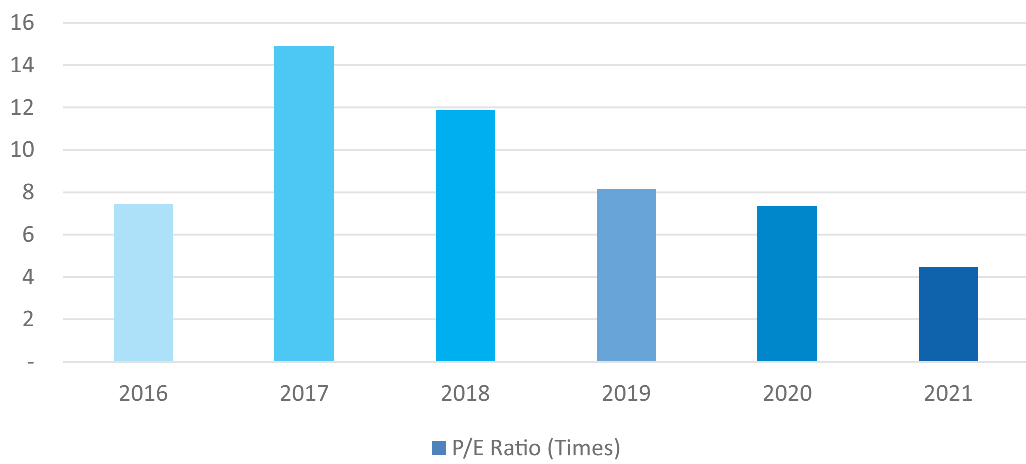


Six Years Graphical Summary of Ratios (2016 - 2021)

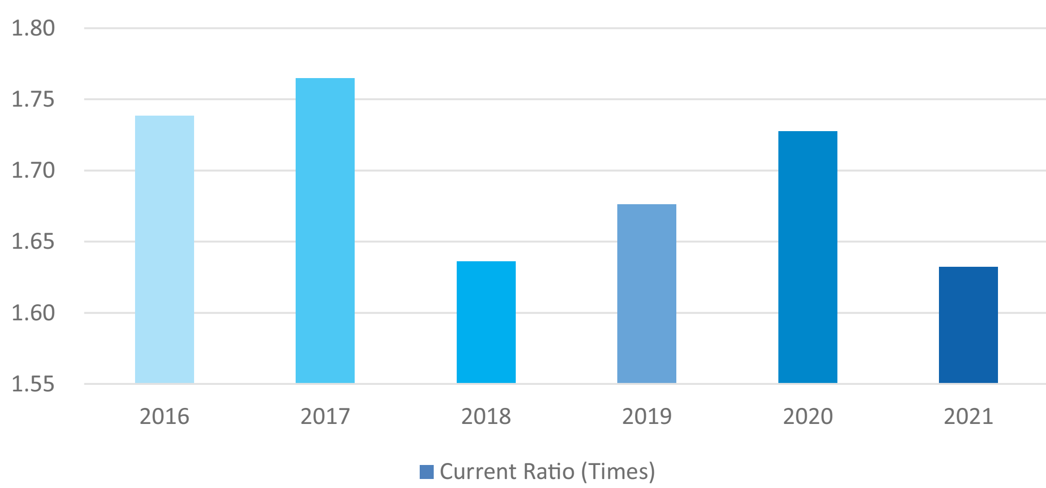
Dividend Yield (%)



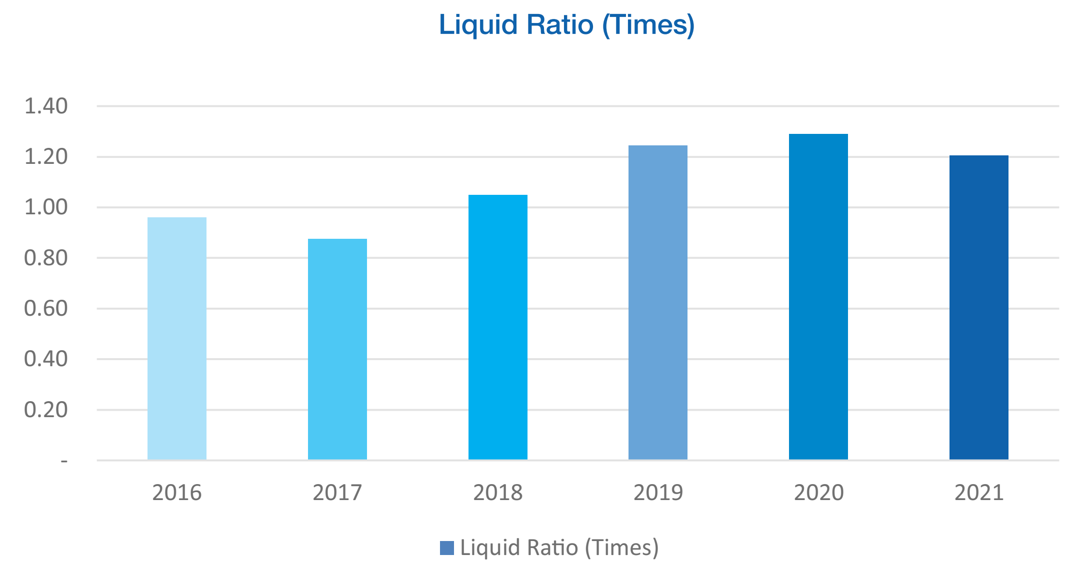
P/E Ratio (Times)

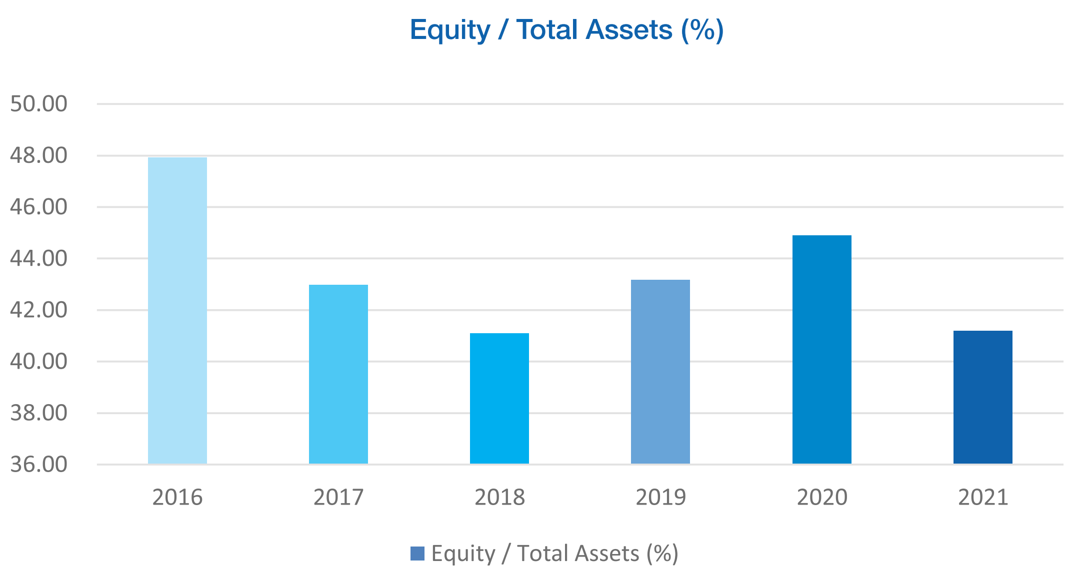


Current Ratio (Times)



Six Years Graphical Summary of Ratios (2016 - 2021)





Comments on Horizontal and Vertical Analysis

Profit & Loss Account

Over the years 2016 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, during 2021 the gross written premium of the Company's conventional business started to revive and witnessed a 28% increase from last year. Both Inside & Outside Pakistan Operations showed strong growth in gross written premium of 26% and 31% respectively, year on year. However in order to maintain the risk profile, the Company decided to cede 42% of the Gross premium written as compared to 37% of the last year, causing the Net Insurance Premium to decrease by 6% from last year.

Net claims expense decreased by 9.8% during the year resulting in 'Claim ratio' to reduce to 57% in current year as against 60% in last year. Management / underwriting expenses increased by 2% in current year as compared to year 2020.

Underwriting result of the Company improved by 79% in the current year, while Investment income of the Company also witnessed an increase of 126% year on year.

On the other hand, The Window Takaful Operations (WTO) of the Company, showed decline in gross contribution which decreased to Rs. 1.46 billion in 2021 as against Rs. 1.53 billion in 2020. WTO operator's fund contributed Rs. 139 million towards the profit before tax to the overall profits of the Company.

Profit after tax for the year 2021 has increased by 67.23% amounting to Rs. 3,136 million as against Rs. 1,876 million in 2020 resulting in Earning per Share (EPS) of Rs. 8.96 in current year as against Rs. 5.36 in last year.

Balance Sheet

The Company has the largest paid up capital in the industry amounting to Rs. 3,500 million.

The overall asset base of the Company increased by 24% (Rs. 12,120 million) reaching at Rs. 61,641 million as compared to Rs. 49,520 million in 2020.

Investments are the biggest asset which constitute approximately 50% of the total assets of the Company. With an increase of 16.8%, investments of the Company stood at Rs. 31,069 million as against Rs. 26,596 million in 2020. The Company's Investments have shown continuous growth over the last six years, except for 2017 where a slight decline was witnessed, due to adverse market conditions.

Cash and Bank balance of the Company increased by 66% approximately amounting to Rs. 2,174 million in current year as against Rs. 1,312 million in 2020.

Equity & Reserves increased by 14% year on year, reaching to Rs. 25,390 million at current year end as against Rs. 22,235 million which reflects the improving strength of the Company.

Underwriting liabilities increased by 24% year on year, reaching to Rs. 23,937 million at current year end as against Rs. 19,380 million in 2020.

Net Assets of the Company's 'Window Takaful Operations - Operator's Fund' increased significantly from Rs. 346 million to Rs. 445 million registering a growth of 29% year on year.

Comments on Ratios

Profitability Ratios

Profitability Ratios during the year depicted upward trends. Underwriting results stood at 5.4% of net premium in current year as against 2.8% in last year. Investment income as a percentage of Net Premium increased to 19.7% in current year as against 8.2% in last year. Profit after tax ratio, however, improved to 25% in current year as against 14.1% in last year. This is mainly related to decrease in Insurance claims and acquisition expenses amounting to Rs. 1,093 million and increase in dividend income from equity securities amounting to Rs. 1,260 million.

Return to Shareholders Ratios

Return to shareholders / investors' Ratios depicted overall favourable trends during the year. ‘Return on equity’ increased to 12.4% in current year as against 8.4% in last year. While ‘Return on total assets’ increased to 5.1% in current year as against 3.8% in last year.

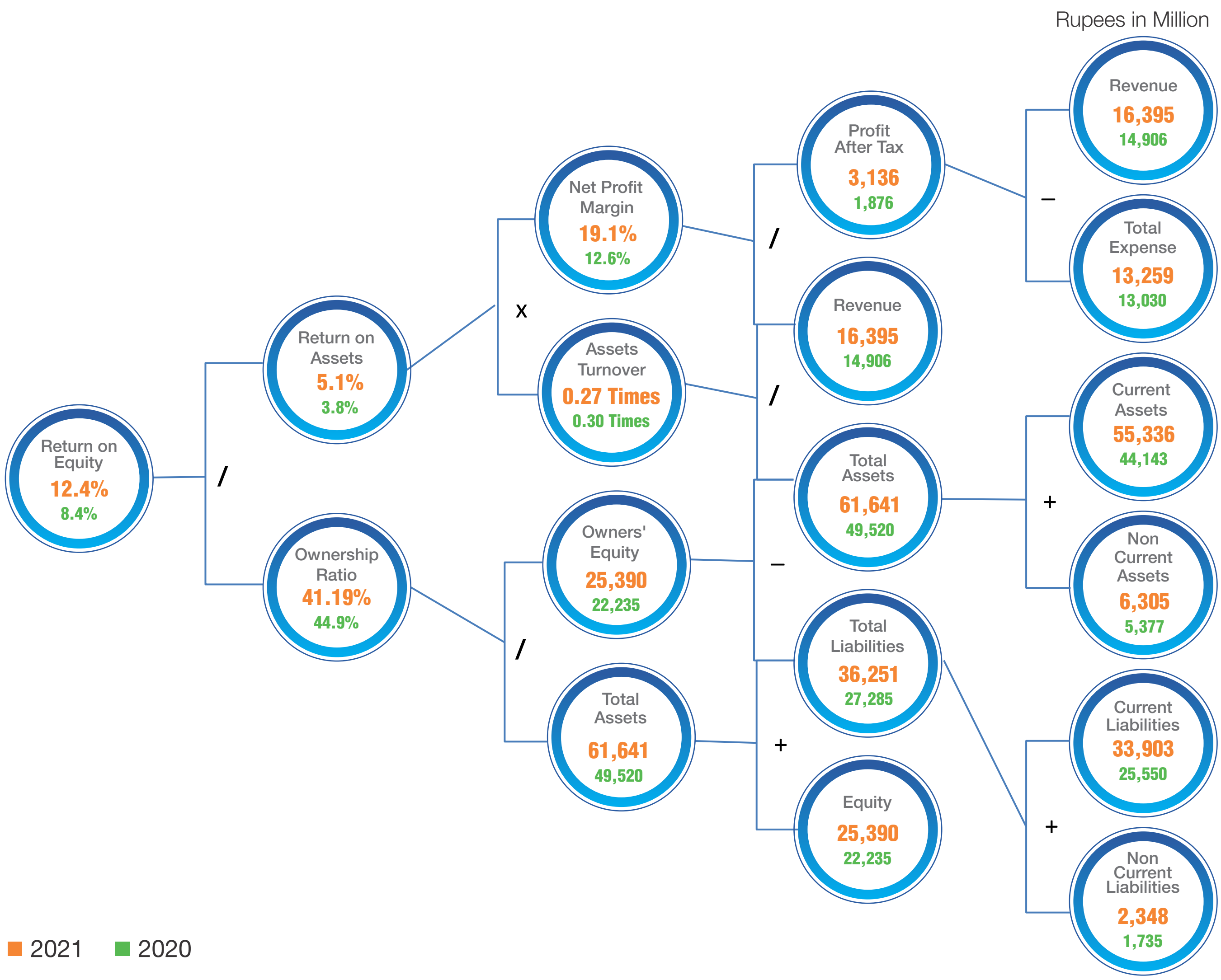
During the year, the Company has distributed Rs. 2.75 per share as dividend (Rs. 1.25/- per share as final dividend relating to year 2020 and Rs. 1.5/- per share as interim dividend relating to year 2021). Total dividend distribution amounted to Rs. 962.5 million.

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 maintain current ratio at 1.6 times while cash and bank balance to current liabilities ratio improved to 7.2% in current year as against 6.0% last year.

The proportion of ‘Earning assets’ to ‘Total assets’ has slightly reduced to 54.9% as against 57.7% while the proportion of ‘Liquid assets’ to ‘Total assets’, also witnessed a slight decline to 66.2% in current year as against 66.5% last year.

DuPont Analysis

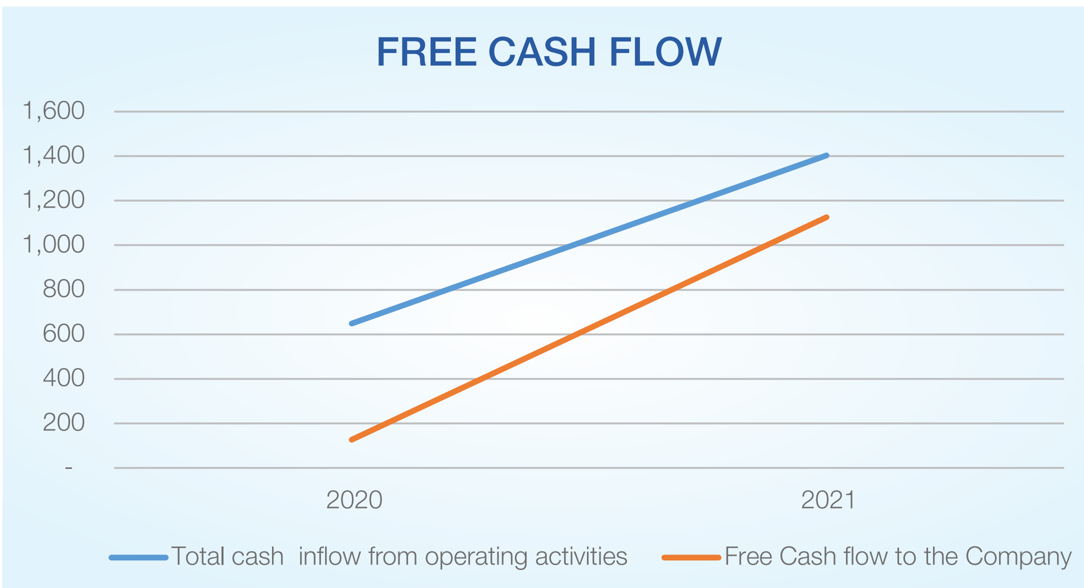


Analysis

- The Net Profit Margin has increased by 6.5% from last year due to increase in Underwiting results and investment income.
- Return on assets and return on equity have increased from last year by 1.3% and 4% respectively showing Company`s improved profitability.
- Owners` equity has increased during the current year but ownership ratio has decreased from last year mainly due to substantial increase in total assets mainly due to valuation gains in investments in securities and investment properties.
- The Company has shown significant growth in profitability as compared with last year.

Free Cashflows to the Company

	2021	2020
	Rupees in Million	
Net cash flows generated from Underwriting activities	**2,087**	968
Net cash flows generated from Other operating activities	**(685)**	(320)
Total cash inflow from operating activities	**1,402**	648
Less: Capital Expenditures	**(277)**	(521)
Free Cash flow to the Company	**1,125**	127



Comments on Free Cash Flow:

The operating cashflows of the Company have improved reaching at Rs. 1,402 million from Rs. 648 million which is mainly due to the increase in collection of due outstanding premiums which is result of the regular monitoring and control of credit policies adopted by the management.

Six Years' Summary of Cashflow Statements

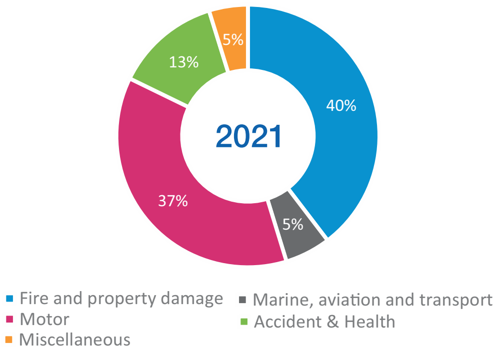
	2021	2020	2019	2018	2017	2016
			Rupees in Million			
Cashflow Summary						
Cash inflow / (outflow) from operating activities	**1,402**	648	(93)	1,892	1,060	222
Cash (outflow) / inflow from investing activities	**(259)**	280	3	(1,275)	(1,210)	2,225
Cash outflow from financing activities	**(282)**	(793)	(944)	(685)	(1,382)	(1,035)
Net cash inflow / (outflow) from all activities	**862**	135	(1,034)	(68)	(1,532)	1,412
Cash and cash equivalent at beginning of the year	**1,312**	1,177	2,211	2,279	3,811	2,889
Cash and cash equivalent at end of the year	**2,174**	**1,312**	**1,177**	**2,211**	**2,279**	**4,301**

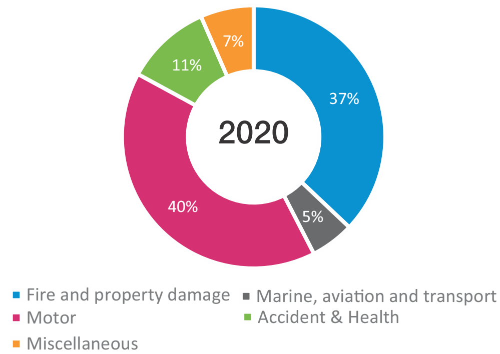
Analysis

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.

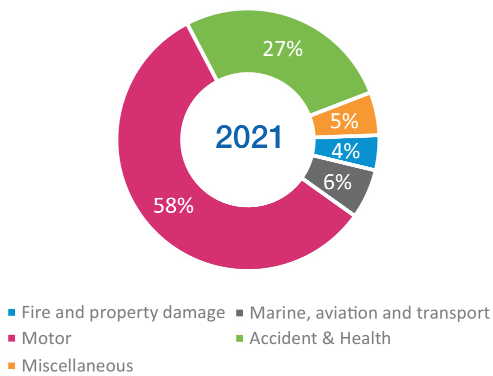
Graphical Presentation of Financial Statements

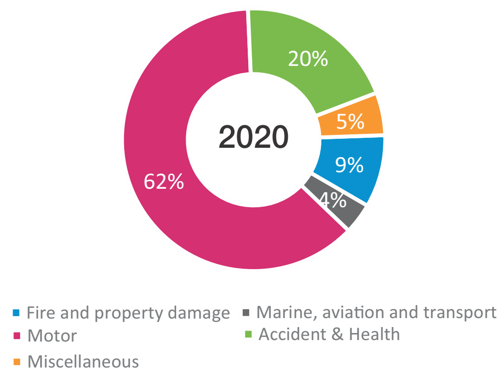
Gross Premium



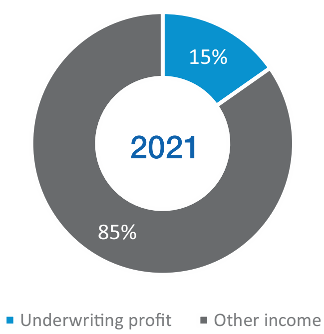


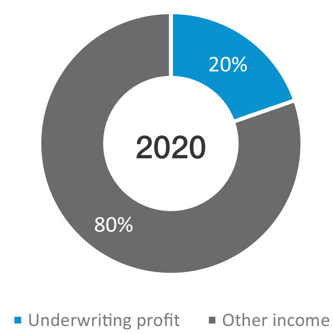
Net Claims



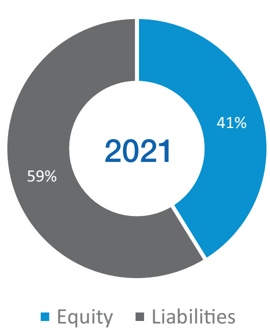


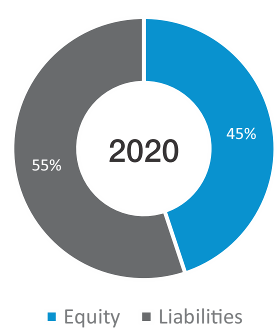
Analysis of Income





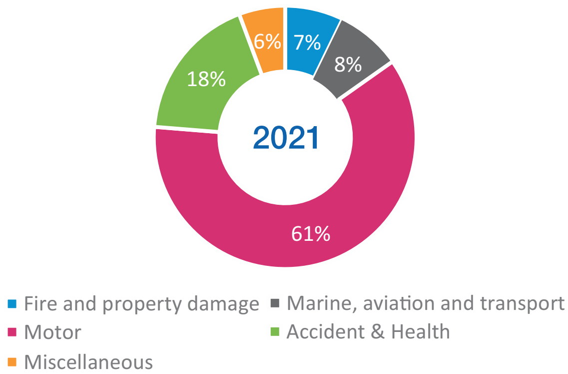
Total Equity and Liabilities

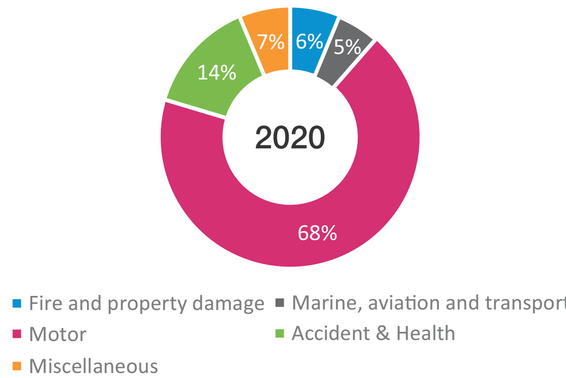




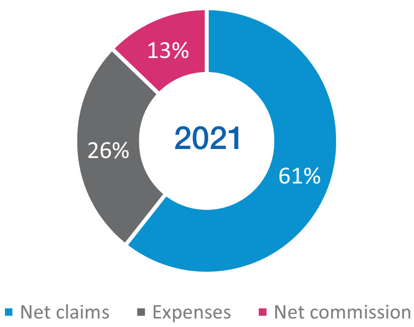
Graphical Presentation of Financial Statements

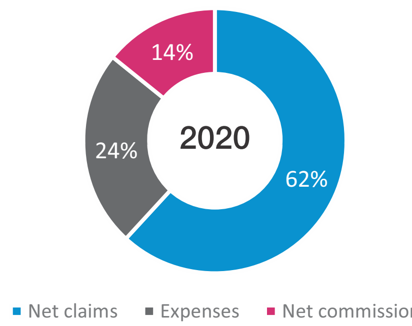
Net Premium Revenue



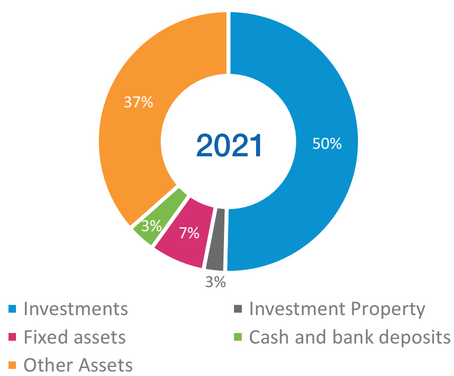


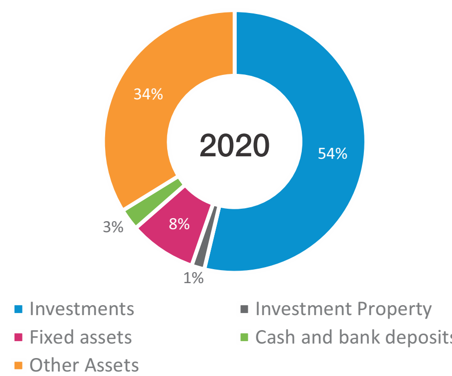
Combined Expenses



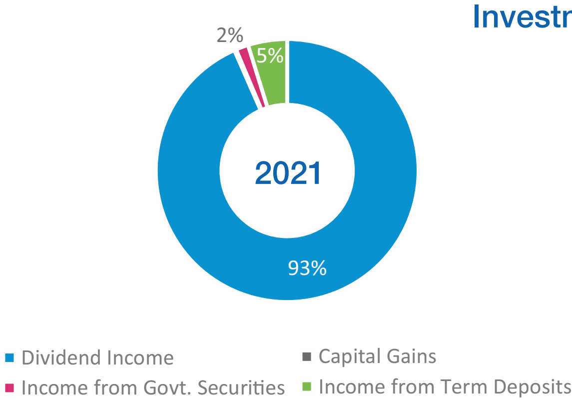


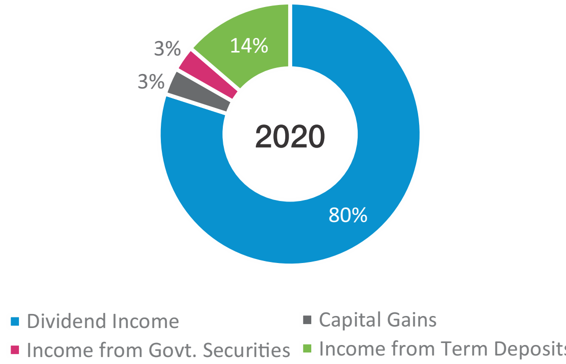
Total Assets



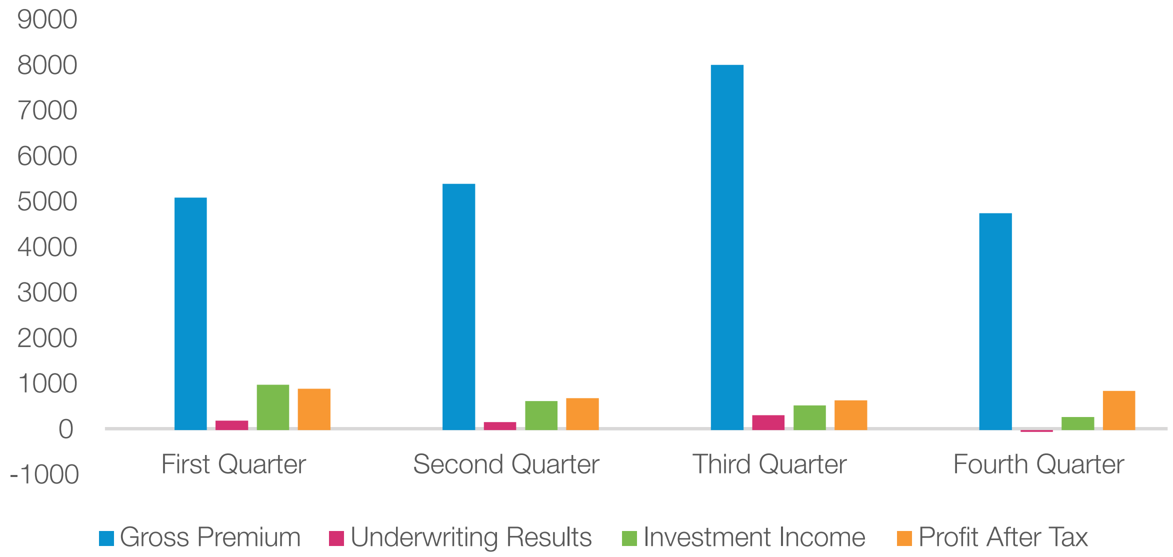


Investment Income





Quarterly Performance Analysis 2021



Gross Premium

The third quarter proved to be a major contributor of gross premium written of the current year by contributing 34% of the total Gross premium written during the year. The gross premium written at entity level increased by 28% from last year due to 26% and 31% increase in gross premium written for Inside and Outside Pakistan based operations respectively. This is a testament of strong recovery and business growth after facing decline in business growth last year brought about by pandemic of COVID-19 after a trend of positive growth of many years.

Underwriting results

Quarterly performance in terms of underwriting results remained profitable except for the last quarter which resulted in underwriting loss of Rs. 39 million due to high loss ratio of 62% which was a result of increase in claims booked during the last quarter. The main share of underwriting result was earned in 3rd quarter which is 49% of the total underwriting profit earned during the year which was mainly due to the lower claim ratio in the said quarter. The underwriting results at entity level have improved by 79% from last year mainly due to 9.8% decrease in net claims expense restricting the net claims expense ratio to 57% compared with 60% last year.

Investment Income

Current year witnessed 126% increase in investment income mainly due to increase in dividend income of Rs. 1,260 million. As illustrated graphically above, 40% of the total Investment income was earned during first quarter of the year which was due to the impact of high dividend payout by the banking sector. This was mainly due to temporary restrictions on dividend distribution imposed by State Bank of Pakistan for two quarters during COVID situation during last year 2020.

Profitability Analysis

The Company had a stable trend of profitability in all the quarters during the year with all the 4 quarters contributing 29%, 23%, 21% and 27% respectively which ultimately resulted in 67% increase in Profit after tax from the last 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 time 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

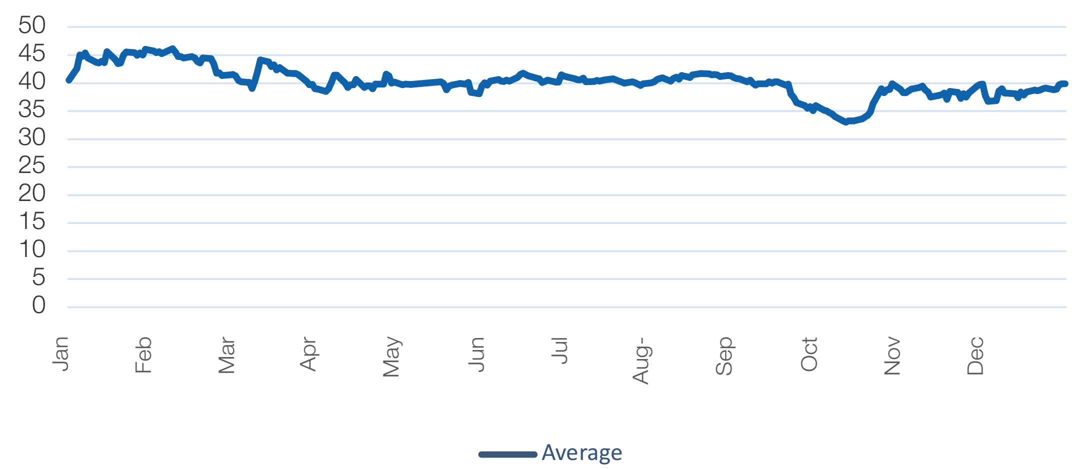
The performance measures are subject to periodic reviews and are regularly updated to help management scale the competitive environment. Revised KPIs are agreed with functional managers to ensure management/employee have their buy-in.

Market Statistics of AICL Share

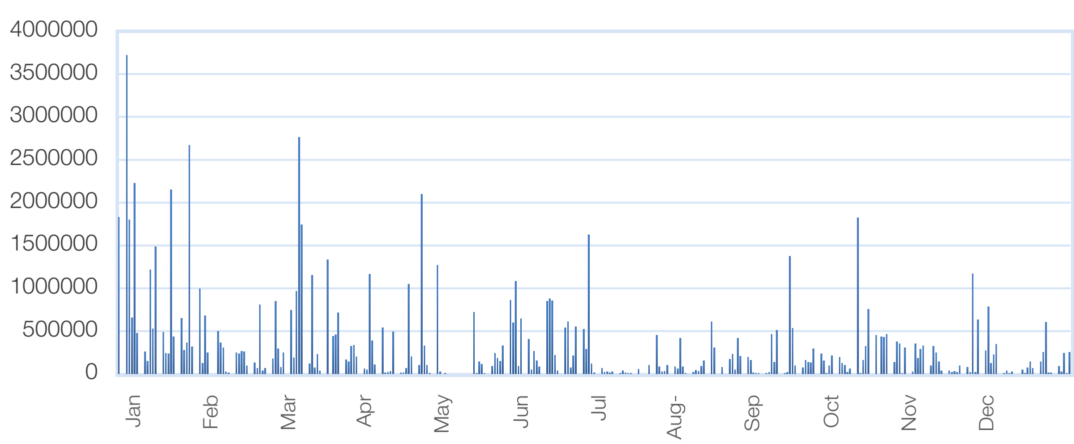
AICL's share price along with daily trading volume from Pakistan Stock Exchange (PSX) on key dates during the year 2021 are given below:

	High	Low	Closing	Daily TradingVolume
		Rupees		No of shares
December 31, 2021	40.00	39.75	40.00	250,500
September 30, 2021	35.90	34.25	35.26	95,500
June 30, 2021	43.00	40.00	41.47	1,623,500
March 31, 2021	40.49	39.00	39.23	320,000

Share price in 2021



Trading Volume in 2021



Share price sensitivity analysis

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

a. Operating performance of the Company

b. Performance of entities in which Company has invested (impacts investment income of the Company)

c. Announcement of dividends

d. Political stability

e. Law & Order situation

f. General economic conditions

g. Changes in regulatory environment

h. 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 December 31, 2021 (PSX)	Rs. 40
Market capitalization on December 31, 2021	Rs. 14,000 million
10% change in share price would have the following impact on the market capitalization of AICL:	
10% increase	Rs. 1,400 million
10% decrease	Rs. (1,400) 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. The branches at United Arab Emirates (UAE) and Export Processing Zone (EPZ) are however considered as “exchange translation reserve”, because these branches operate in foreign currencies, i.e. United Arab Emirates Dirham (AED) and US Dollar respectively.

Transactions in foreign currencies (other than the results of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction and exchange differences are taken to the profit and loss account.

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. 277 million (2020: Rs. 521 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 vechicles, 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 2022. 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. 3,008 million. The fair value calculated by an independent valuer, regarding the same land and building assets amounts to Rs. 3,858 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 are 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, the Company earned dividend income amounting to Rs. 2,260 million (2020: 1,000 million) on investments in equity securities. 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, DFIs for the FY2020 to curb the growing concerns of COVID-19. As a result, the banking companies restricted their normal dividend payout ratios, causing dividend income from banking sector to decrease sharply. During the year ending December 2021, the banking companies have released substantial amount of dividends which was hampered due to SBP's restrictions in the previous year.

During the year, the Company made further investment in lieu of right issue by Adamjee Life Assurance Company Limited, a wholly owned subsidiary of the Company, aggregating to Rs. 1,565 million (2020: Rs. 403 million). The transaction has been financed through short term financing facility obtained from MCB Bank Limited, a related party of the Company.

The Company has also recognised gain on fair value measurement of its Investment property amounting to Rs. 961 million (2020: Nil) during the year which has also helped in sharp increase in profitability 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 contributing the most to profitability of the Company. The foreign operations of the Company are in growth phase and profitably continuing its operating cycle mainly through retained profits.

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 13.08% compared with 14.84% of the last year.

Investment in Human Resource development has resulted in increase in productivity of the employees as Gross premium written per employee for the current year is Rs. 25.63 million (2020: Rs. 19.65 million) and Profit before tax per employee for the current year is Rs. 4.84 million (2020: Rs. 2.05 million) showing increase of 30% and 136% from last year respectively.

Management 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 26 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 insurer 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 2021, the Company has excess net admissible assets over minimum requirement by Rs. 3,116 million (2020: Rs. 4,099 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 99% (2020: 154%) excess solvency margin over the solvency requirement. The net admissible assets are 1.99 times (2020: 2.54 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 9.34% (2020: 7.92%) 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% (2020: 77%) 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 99.84% (2020: 99.74%) 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 2021	27 April 2021	Nil
Half Year Ended 30 June 2021	26 August 2021	@ 15% (Rs. 1.50 per share)
Third Quarter Ended 30 September 2021	28 October 2021	Nil
Year Ended 31 December 2021	8 February 2022	@ 15% (Rs. 1.50 per share)

Investor Relations Events	Month/Year
Subscription of right shares issued by Adamjee Life Assurance Company Limited - Subsidiary Company	03 September 2021
61st Annual General Meeting Scheduled on	28 April 2022

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 & 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 & order situation has been satisfactory and is expected to remain so.
- The State Bank of Pakistan (SBP) has forecasted the GDP growth in range of 4% to 5% for the FY 2022. However, the Company envisages the economic outlook of the Country, especially amidst the inflationary pressures, trade & current account deficit, contractionary measures by SBP and prevailing internal & regional geopolitical developments, to remain relatively 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 look more closely at the matters of health and general wellbeing. The Company expects that there would not be significant changes in the social environment in which the Company operates.
- Innovative digital solutions are becoming a norm in the insurance market and have a positive impact on the profitability as well. Today customers 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 of occurrence of insurance claims.
- Legal and regulatory environment is expected to become stricter to achieve the transparency and address concerns of the international bodies.

Outlook of UAE

The United Arab Emirates continued to rank as the largest insurance market in the MENA region for more than a decade. A well-diversified economy, strong demographics and strong government-led infrastructure stimulus and increased construction activities are augmenting the growth of the industry.

The UAE insurance industry continued its increasing trend in profitability along with premium growth in 2021. Though, first half of Year 2021 was slow due to COVID-19 Pandemic, business picked up in the 2nd half of the year. Expo 2020 Dubai also helped generate increased activity in the region. The UAE insurance market is expected to revive and maintain the growth pattern in the coming years. It is projected to grow to USD 15.7 billion by 2024.

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 2022 is to continue achieving sustainable growth. The focus is on strengthening the risk and compliance management and use digital technologies supported by appropriate infrastructure to increase its market share and achieve competitive advantage. By adopting the latest digital technologies such as Artificial Intelligence (AI) and Robotic Process Automation (RPA), the Company is committed to redefine the 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 on expanding the 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 2022

Quantitative projections for 2022 along with associated risks that might cause hindrance in achieving these projections are as below:

Targets	Associated Risk
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	Cut-throat competition in the market to retain existing and acquire new business, leading to softening of market
Claim ratio to remain at around last 3 years' average	Risk management to evaluate high risk businesses whilst following the Company's underwriting philosophy
Operational expenses percentage growth to remain in single digit	Inflation may pose risk in meeting the operational cost targets
Improvement in investment income	Stock market volatility would be the key associated risk to achieve the target
Stable dividend payout	Potential regulatory restrictions may cause deviation

With the latest digital infrastructure, improved customer services and better stakeholder relations, the Company is committed to achieve its quantitative targets for 2022.

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

Key Projects to Support Future Performance of Company

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:

- Adverse changes in Political environment, 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.
- The length and severity of the ongoing COVID-19 pandemic.
- 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 2021 disclosed in 2020

The Company disclosed the following quantitative projections for 2021 in its Annual Report 2020:

Targets set for 2021	Performance in 2021
Premium growth to recover in 2021 after decline in 2020	The Year 2020 was a challenging one especially due to the effects of Covid-19 pandemic. Gross Written Premium (GWP) of the Company declined by 19% in 2020. The Company analyzed the situation, devised the strategies accordingly and set the target for 2021 to revive the growth in GWP. Due to effective strategies and efficient management of resources, the Company was able to achieve the premium growth target. GWP witnessed 28% growth in 2021 amounting to Rs. 23,320 million as against Rs. 18,279 million in 2020 (excluding contributions generated by Wndow Takaful Operations of the Company).
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. Still the Company set this aggressive target for 2021 and successfully achieved it as well due to effective risk management. The net claims ratio remained at 57% during the year.
Operational expenses percentage growth to remain in single digit	Although unexpectedly higher inflation, especially towards the second half of year, posed a significant risk yet the Company was able to achieve this target as well. The percentage increase in expenses was approximately 2% in 2021. Due to effective analysis of the operational expenses to identify the areas where costs can be minimized without compromising quality of customer services and efficient measures to control these costs resulted in achieving this target.
Improvement in Investment income is expected to be achieved	The Company successfully achieved this target as well. Investment income of the Company witnessed a significant increase of 126% in 2021 over the year 2020 resulting in 8% return on investments.

Status of Projects Disclosed in Annual Report 2020

Project Details	Status
New Branding Design Implementation across all branches	Completed
UAE Website Online Selling Module Integration with ERP/CMS	Completed
Creating Awareness of Cyber Security among all users of Company	Completed
Motor Insurance Portal - Advance Version for Underwriting	In Process

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.

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.

Stakeholders' engagement process & frequency

Healthy and sustained relationship with the stakeholders 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	Frequencyof engagement
Shareholders, Investors / Lenders and Analysts	· 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 financial position and performance.	Quarterly, half yearly and annual reports. Board meetings, Annual General Meeting, Extraordinary General Meetings, Corporate Briefing Session and press releases and regular investor calls.	Quarterly, half yearly and annually. As and when required.
Customers	· Customized solutions · Customer satisfaction and protection · Convenience · Innovative products to fulfil their emerging needs · Simple and smooth process · 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.	Continuous as well as on the specific requirements.

Stakeholder	What matters to them	Reasons to engage them	Engagement method	Frequencyof engagement
Employees	· 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.	Daily, annually, quarterly, continuous availability
Regulator & Govt. Bodies	· 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	Specific timelines and whenever required
Media	· 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	As and when required
Supplier & Service Providers	· 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, and social media.	On regular basis

Stakeholder	What matters to them	Reasons to engage them	Engagement method	Frequencyof engagement
Society	· 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.	Continuous

Steps to encourage minority 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 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 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.

Covid-19:

- During the Covid-19 pandemic and even to date, the general meetings are being conducted virtually through video link which enables and increases participation of shareholders from all over the country and globe.

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 27 April 2021, no significant issues were raised and all agenda items were unanimously adopted by the shareholders.

Stakeholder engagement policy

The Company engages wide range of stakeholders for the purpose of its business as detailed above as well 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

Corporate and Analyst briefing sessions

The Company has planned to conduct its annual 'Corporate Briefing Session' in second quarter of year 2022 using video-link facility. The previous session was held on 3 December 2020 which 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'.

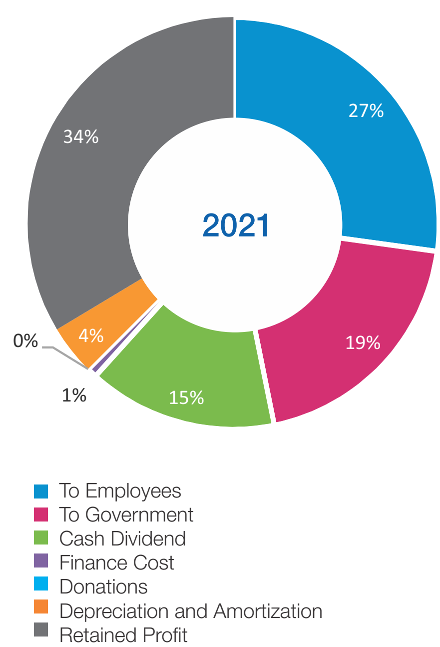
Highlights about redressal of Investors' Complaints

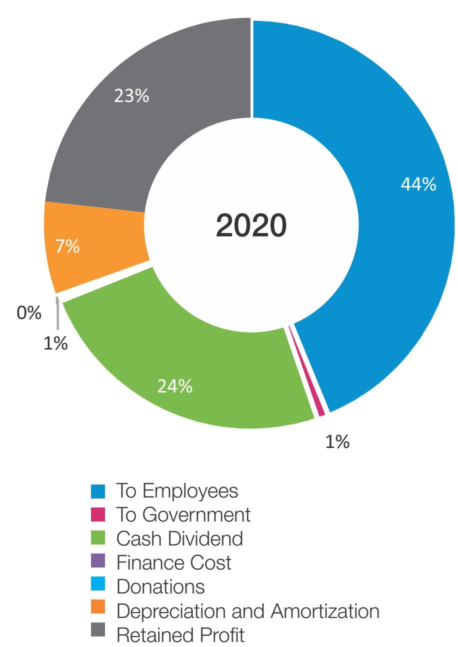
The Company assigns the grievances / Complaints from investors their due importance and strives hard to resolve them as soon as possible. Handling the complaints to the satisfaction of the parties involved and in such a way that it turns out to be a win-win situation for stakeholders is important for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

Statement of Value Addition and its Distribution

WEALTH GENERATED	2021 (Rupees In '000')	2021 %	2020 (Rupees In '000')	2020 %
Gross premium earned	20,999,883		20,308,335	
Investment and all other income	3,839,287		1,599,533	
	24,839,170		21,907,868	
Management and other expenses	(18,374,667)		(17,932,153)	
	6,464,503	100.00	3,975,715	100.00
WEALTH DISTRIBUTED				
To employees	1,757,356	27.18	1,753,267	44.10
To government	1,268,867	19.63	34,680	0.87
	3,026,223	46.81	1,787,947	44.97
To share holders				
Cash dividend	962,500	14.89	962,500	24.21
To providers of financial capital as finance cost	50,107	0.78	15,044	0.38
To society as donation	1,500	0.02	10,400	0.26
Retained in business				
Depreciation and amortization	250,179	3.87	286,818	7.21
Retained profit / (Loss)	2,173,994	33.63	913,006	22.96
	2,424,173	37.50	1,199,824	30.18
	6,464,503	100.00	3,975,715	100.00





Sustainability and Corporate Social Responsibility

Sustainability & Corporate Social Responsibility

Introduction

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.

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.

Our buildings went "Pink" to support the Pink Ribbon Campaign. 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.

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 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.

Blood Donation Drive

As a socially responsible corporate citizen, Adamjee Insurance promotes the values of care and compassion. Working together with its employees, The company carried out two blood donation drives at its Karachi and Lahore offices last year.

World No Tobacco Day

Celebrating World No Tobacco Day this year, the company put thorough restriction on smoking at its Lahore office.

Earth Day

An awareness session was conducted on Earth Day to increase the awareness of land preservation, environment conservation.

Covid-19 Vaccination

Adamjee Insurance and Adamjee Life jointly organised a Covid-19 vaccination drive at their Karachi Offices. The company's employees & people from the general public were vaccinated during the drive.

Patron of Polo

Adamjee Insrance takes pride in being the patron of the polo team. The company's own polo team has given an outstanding performance in the 2nd Jinnah Gold Polo Cup matches.

Independance Day Celebration

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.

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

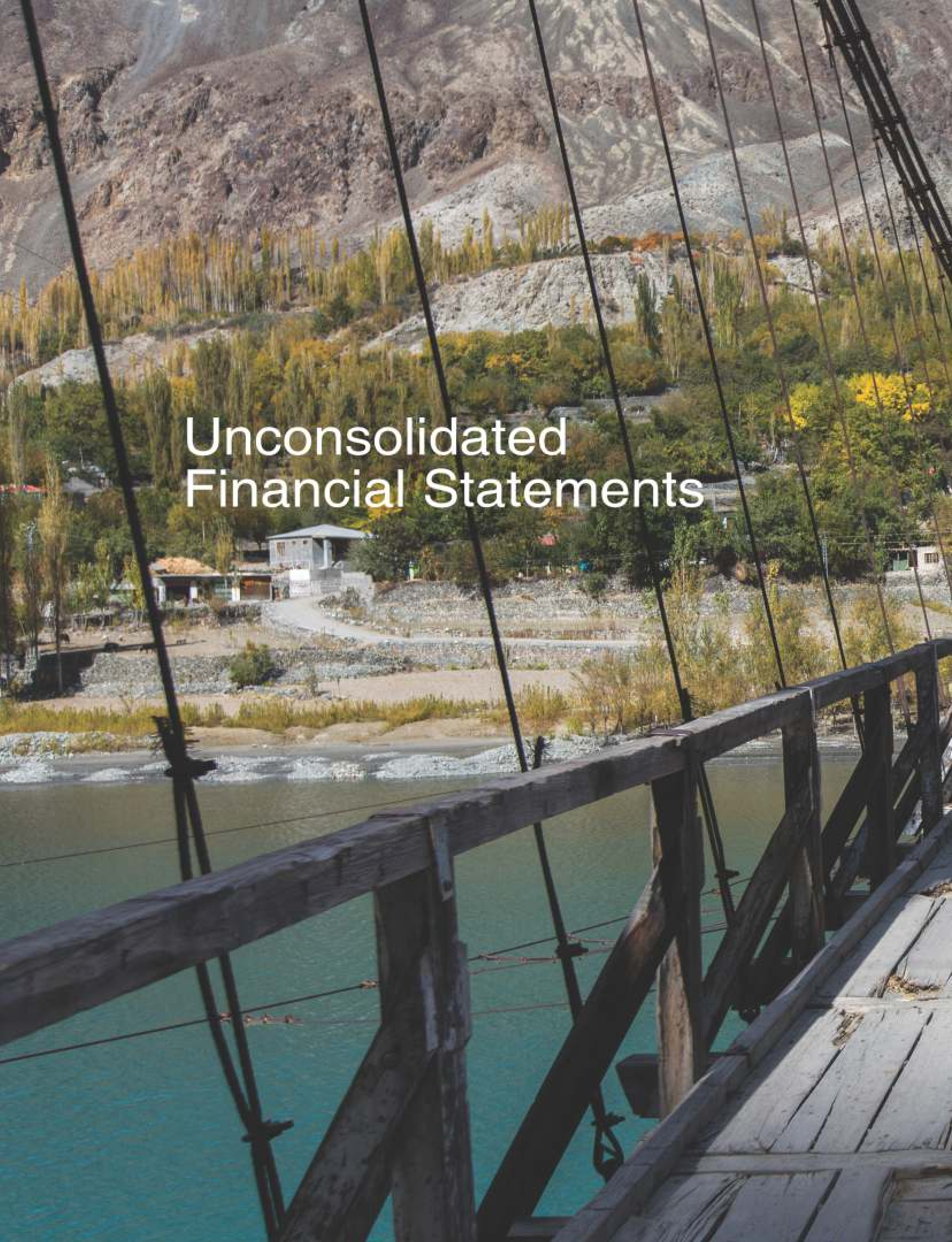
Adamjee Insurance operates a digital working environment that offers employees the opportunity to access virtual training and online books. The company regularly conducts virtual training sessions to improve employees' skill sets enabling them to achieve their professional aims.

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.



Unconsolidated Financial Statements

Independent Auditor's Report
To the Members of Adamjee Insurance Company Limited
Draft 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, 2021, and the unconsolidated profit and loss account, 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 profit and loss account, unconsolidated statement of comprehensive income, the 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, 2021 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.

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
1.	**Revenue Recognition Risk** Refer note 3.13 and 27 to the unconsolidated financial statements relating to revenue recognition and details in respect of net insurance premium respectively. The Company receives its revenue primarily from two main sources namely; premiums on insurance policies and investments income. Premiums from insurance policies comprise of 83.56% of the total revenue. We identified revenue recognition from premium income as a key audit matter because it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures in respect of this matter included the following: • Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums; • Assessed the appropriateness of the Company's accounting policy for recording of premiums and that it is in line with the requirements of applicable law, accounting and reporting standards; • Traced the premium recorded on sample basis from the underlying policies issued to insurance contract holders; • Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; and

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		• Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.
2.	**Valuation of Claims Liabilities** Refer note 3.18 and 28 to the unconsolidated financial statements for accounting policies and details in respect of claims liabilities. The Company's claims liabilities represent 35.00% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claims liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Company also maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process also involves significant judgment and the use of actuarial assumptions. Therefore, we have identified the valuation of claims liabilities as key audit matter.	Our audit procedures in respect of this matter included the following: • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on 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; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed on a sample basis that recoveries from reinsurance on account of claims reported have been accounted for based on agreed terms and conditions; • Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR; • Assessed competence, capability and objectivity of management's expert; • Assessed the data provided by the Company to its actuary for completeness and accuracy and ensured that the same has been provided to us; and • Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.
3.	**Valuation of Investment Properties** Refer note 3.4 and 7 to the unconsolidated financial statements relating to valuation of Investment property. The Company has recorded its Investment property at fair value, Fair value gain on investment properties represent 30.64% of its total profit after tax for the year. Valuation of these investment properties involves significant management judgment regarding uncertainty in the estimation of rates for the building and assessment of frequency. Fair value gain / loss is recognized based	Our audit procedures in respect of this matter included the following: • Obtained an understanding of management process related to valuation of investment property; • Used an external valuer to assist us in evaluation of Investment Properties, valuer assumptions and methods adopted for valuations by the valuer of the Company; • Assessed the data provided by the Company to its valuer for completeness and accuracy and ensured that the same has been provided to us;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
	on management judgment and estimated value from the management expert. The investment property's valuation process also involves significant judgments and the use of valuer's assumptions. We identified the valuation of investment property as key audit matter because of the significance of fair value gain and management's judgment involved in, valuation.	• Evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriateness of methodology and assumptions used by the professional valuer engaged by the Company to estimate the fair value of investment property; and • Assessed the appropriateness of valuation of investment property held by the Company in accordance with accounting and reporting standards as applicable in Pakistan.
4.	**Valuation of unquoted Investments** Refer note 3.15 and 9 to the unconsolidated financial statements relating to Valuation of Investments. The Company holds investment in the equity instrument of Hyundai Nishat Motor (Private) Limited (HNMPL) and Security General Insurance Company Limited (SGI). Due to HNMPL and SGI being a non-listed companies, their shares do not have a quoted price in an active market. Therefore, fair value of their shares has been determined through valuation methodology based on discounted cash flow method. This involves several estimation techniques and management's judgements to obtain reasonable expected future cash flows of the business and related discount rate. Due to the significant level of judgment and estimation required to determine the fair value of the investment, we consider it to be a key audit matter.	Our audit procedures in respect of this matter included the following: • Understood and evaluated the process by which the cash flow forecast was prepared and approved, including confirming the mathematical accuracy of the underlying calculations; • Evaluated the cash flow forecast by obtaining an understanding of respective businesses of HNMPL and SGI; • Obtained an understanding of the work performed by the management's expert on the model for the purpose of valuation; • Obtained corroborating evidence relating to the values as determined by the valuer 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; • Involved our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by the professional valuer in its discounted cash flow analysis used to derive the fair value of investment in unquoted equity; • Performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the value of the investment; 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.

Yousuf Adil

Chartered Accountants

Lahore : 14 February 2022

UDIN: AR202110088RtvarAMeb

Unconsolidated Statement of Financial Position

As at 31 December 2021

	Note	2021	2020
		Rupees in thousand	
ASSETS			
Property and equipment - Restated	5	**4,238,164**	4,082,536
Intangible assets	6	**100,379**	88,187
Investment property - Restated	7	**1,632,498**	787,279
Investment in subsidiary	8	**2,662,406**	1,097,900
Investments			
Equity securities	9	**21,157,579**	19,194,460
Debt securities	10	**377,652**	374,331
Term deposits	11	**6,871,466**	5,929,062
Loans and other receivables	12	**615,600**	582,896
Insurance / reinsurance receivables	13	**7,175,870**	4,759,151
Reinsurance recoveries against outstanding claims		**7,598,556**	5,922,296
Salvage recoveries accrued		**344,957**	270,275
Deferred commission expense / acquisition cost	29	**1,055,480**	731,319
Taxation - payment less provisions		**160,143**	376,484
Prepayments	14	**4,751,930**	3,422,781
Cash and bank	15	**2,174,053**	1,312,044
		60,916,733	48,931,001
Total assets of Window Takaful Operations - Operator's Fund	16	**723,850**	589,148
Total Assets		**61,640,583**	49,520,149
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	17	**3,500,000**	3,500,000
Reserves	18	**5,486,879**	4,486,946
Unappropriated profit		**16,402,885**	14,247,913
Total Equity		**25,389,764**	22,234,859
LIABILITIES			
Underwriting provisions			
Outstanding claims including IBNR	28	**12,686,045**	10,768,040
Unearned premium reserves	27	**11,010,289**	8,366,434
Unearned reinsurance commission	29	**241,094**	245,318
Retirement benefit obligations	19	**263,660**	197,232
Deferred taxation	20	**2,031,142**	1,375,394
Borrowings	21	**926,756**	166,367
Deferred grant income	22	**6,329**	14,767
Premium received in advance		**515,758**	399,494
Insurance / reinsurance payables	23	**5,215,694**	3,030,884
Other creditors and accruals	24	**2,446,386**	1,806,196
Deposits and other liabilities	25	**629,135**	672,367
		35,972,288	27,042,493
Total liabilities of Window Takaful Operations - Operator's Fund	16	**278,531**	242,797
Total Equity and Liabilities		**61,640,583**	49,520,149
Contingencies and commitments	26		

The annexed notes 1 to 50 form an integral part of these unconsolidated financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Unconsolidated Profit and Loss Account
For the year ended 31 December 2021

	Note	2021	2020
		Rupees in thousand	
Net insurance premium	27	12,552,477	13,294,626
Net insurance claims	28	(7,203,883)	(7,986,856)
Net commission and other acquisition costs	29	(1,522,908)	(1,833,190)
Insurance claims and acquisition expenses		(8,726,791)	(9,820,046)
Management expenses	30	(3,153,423)	(3,098,880)
Underwriting results		672,263	375,700
Investment income	31	2,469,444	1,092,506
Rental income	32	131,413	112,717
Other income	33	140,789	242,866
Fair value adjustment to investment property	7	961,132	-
Other expenses	34	(58,840)	(62,333)
Results of operating activities		4,316,201	1,761,456
Finance cost	35	(50,107)	(15,044)
Profit from Window Takaful Operations - Operator's fund	16	139,267	163,774
Profit before taxation		4,405,361	1,910,186
Income tax expense	36	(1,268,867)	(34,680)
Profit after taxation		3,136,494	1,875,506
		Rupees	
Earnings (after tax) per share - basic and diluted	37	8.96	5.36

The annexed notes 1 to 50 form an integral part of these unconsolidated financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Unconsolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021	2020
	Rupees in thousand	
Profit after taxation	**3,136,494**	1,875,506
Items that will not be subsequently reclassified to profit and loss account		
- Re-measurement of retirement benefit obligations	**(19,022)**	9,906
Items that may be subsequently reclassified to profit and loss account		
- Unrealized gain / (loss) on 'available-for-sale' investments - net of tax	**601,205**	(145,278)
- Reclassification adjustment relating to 'available for sale' investments disposed of in the year - net of tax	**177,198**	73,704
- Unrealized gain / (loss) on 'available for sale' investment from Window Takaful Operations - net of tax	**85**	(473)
- Net effect of translation of foreign branches	**221,445**	3,502
Other comprehensive income / (loss) for the year	**980,911**	(58,639)
Total comprehensive income for the year	**4,117,405**	1,816,867

The annexed notes 1 to 50 form an integral part of these unconsolidated financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Unconsolidated Cash Flow Statement

For the year ended 31 December 2021

	2021	2020
	Rupees in thousand	
Cash flows from operating activities		
Underwriting activities		
Insurance premiums received	21,166,988	19,452,743
Reinsurance premiums paid	(7,555,946)	(6,488,542)
Claims paid	(11,343,930)	(11,973,346)
Surrenders paid	(142,294)	(55,690)
Reinsurance and other recoveries received	4,057,858	4,326,300
Commissions paid	(2,089,856)	(1,952,076)
Commissions received	554,992	532,528
Other underwriting payments	(2,560,185)	(2,873,666)
Net cash inflow from underwriting activities	2,087,627	968,251
Other operating activities		
Income tax paid	(674,329)	(341,322)
Finance cost paid on lease liability	(6,877)	(7,373)
Other operating payments	(36,422)	(30,192)
Loans advanced	(60,445)	(45,178)
Loans repayments received	54,547	49,691
Other operating receipts	38,380	53,910
Net cash outflow from other operating activities	(685,146)	(320,464)
Total cash inflow from operating activities	1,402,481	647,787
Cash flows from investing activities		
Profit received on bank deposits	213,991	280,219
Income received from Pakistan Investment Bonds	7,305	10,221
Income from Treasury Bills	39,672	24,641
Dividends received	2,263,362	997,266
Rentals received	133,865	121,113
Payments made for investments	(13,794,008)	(11,103,896)
Proceeds from disposal of investments	11,081,618	10,367,467
Fixed capital expenditure - operating assets	(240,259)	(495,237)
Fixed capital expenditure - intangible assets	(36,768)	(25,837)
Proceeds from disposal of operating assets	72,367	104,134
Total cash (outflow) / inflow from investing activities	(258,855)	280,091
Cash flows from financing activities		
Payments against lease liability	(47,400)	(44,092)
Dividends paid	(967,626)	(926,576)
Loan obtained	1,390,000	178,609
Loan principal payment made	(639,304)	-
Interest expense against loan paid	(17,287)	(460)
Net cash outflow from financing activities	(281,617)	(792,519)
Net cash inflow from all activities	862,009	135,359
Cash and cash equivalent at beginning of the year	1,312,044	1,176,685
Cash and cash equivalent at end of the year	2,174,053	1,312,044

Unconsolidated Cash Flow Statement

For the year ended 31 December 2021

Reconciliation to profit and loss account	2021	2020
	Rupees in thousand	
Operating cash flows	1,402,481	647,787
Depreciation expense	(220,360)	(263,522)
Provision for retirement benefit obligations	(42,682)	(50,016)
Finance cost on borrowing	(43,230)	(7,671)
Provision for doubtful balances against insurance / reinsurance receivables	(67,667)	(44,062)
Other income - bank & term deposits	184,160	280,987
Gain on disposal of operating assets	26,207	74,944
Rental income	133,486	114,576
Fair value adjustment to investment property	961,132	-
Increase / (decrease) in assets other than cash	6,083,240	(1,486,218)
Increase in liabilities	(4,518,712)	(635,351)
Gain on disposal of investments	5,421	41,112
Amortization expense	(29,819)	(23,296)
(Increase) / decrease in unearned premium	(2,643,855)	1,875,914
Increase / (decrease) in loans	5,898	(4,513)
Income tax paid	674,329	341,322
Increase in tax liabilities	(1,268,867)	(34,680)
Reversal / (provision) for impairment of 'available-for-sale' investments	49,899	(158,641)
Dividend income	2,260,313	1,000,315
Income from Treasury Bills	26,161	27,218
Income from Pakistan Investment Bonds	11,253	11,284
Income against deferred grant	8,439	4,243
Profit for the year from Window Takaful Operations - Operator's fund	139,267	163,774
Profit after taxation	**3,136,494**	1,875,506

	2021	2020
	Rupees in thousand	
Cash and bank for the purposes of the cash flow statement consists of:		
Cash and cash equivalents	10,049	5,141
Current and saving accounts	2,164,004	1,306,903
Total cash and cash equivalents	**2,174,053**	1,312,044

The annexed notes 1 to 50 form an integral part of these unconsolidated financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Unconsolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company							
	Share capital	Capital reserve				Revenue reserve		
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair Value Reserve	General reserve	Unappropriated Profit	Total
	Rupees in thousand							
Balance as at January 01, 2020	3,500,000	22,859	3,764	674,936	2,917,432	936,500	13,325,001	**21,380,492**
Profit after taxation	-	-	-	-	-	-	1,875,506	**1,875,506**
Other comprehensive income	-	-	-	3,502	(72,047)	-	9,906	**(58,639)**
Total comprehensive income for the year ended December 31, 2020	-	-	-	3,502	(72,047)	-	1,885,412	**1,816,867**
Transactions with owners of the Company								
Final cash dividend at Rs. 1.5 per share - December 31, 2019	-	-	-	-	-	-	(525,000)	**(525,000)**
Interim cash dividend at Rs. 1.25 per share - June 30, 2020	-	-	-	-	-	-	(437,500)	**(437,500)**
	-	-	-	-	-	-	(962,500)	**(962,500)**
Balance as at December 31, 2020	3,500,000	22,859	3,764	678,438	2,845,385	936,500	14,247,913	**22,234,859**
Profit after taxation	-	-	-	-	-	-	3,136,494	**3,136,494**
Other comprehensive income	-	-	-	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**

The annexed notes 1 to 50 form an integral part of these unconsolidated financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Notes to the Unconsolidated Financial Statements
For the year ended 31 December 2021

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 91 (2020: 91) branches in addition to 20 (2020: 20) specialized agriculture field offices within Pakistan.

The Company also operates 3 (2020: 3) branches in the United Arab Emirates (UAE) and 1 (2020: 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 (2020: 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.

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 of accounting and reporting standards that will be effective for accounting periods beginning on January 01, 2021:

Standards or Interpretations	Effective from annual period beginning on or after:
IBOR 2 'Interest Rate Benchmark Reform — Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	January 01, 2021

2.5 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2022:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting the Company from deducting from the cost of property plant and equipment, amount received from selling items produced while the Company is preparing the asset for its intended use.	January 01, 2022
Amendments to IFRS 3 'Business Combinations' that updated an outdated reference in IFRS 3 without significantly changing its requirements.	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs of fulfilling the contract to include when assessing whether a contract is Onerous.	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.	January 01, 2023
Amendments to IAS 12 'Income Taxes' - regarding deferred tax on leases and decommissioning obligations.	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - regarding the definition of accounting estimates.	January 01, 2023
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

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

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

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

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. 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, 2021				
	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*	1,417,419	-	756,634	-	-
Investment in subsidiary*	2,662,406	-	-	-	-
Investments in equity securities - available-for-sale	21,157,579	1,096,342	-	-	-
Investment in debt securities - held to maturity	-	-	377,652	-	-
Term deposits*	-	-	6,871,466	-	-
Loans and other receivables*	426,558	-	3,517	-	-
Total	**25,663,962**	**1,096,342**	**8,009,269**	**-**	**-**

* 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 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 of.

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 of. 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 costs 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 costs 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.

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, 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, 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 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 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 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.

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 profit and loss account. Investment in subsidiary that suffered an impairment, is reviewed for possible reversal of impairment at each reporting date. Impairment losses recognised in the profit and loss account are reversed through the profit and loss account.

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 profit and loss account 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.

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, 2021 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.

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 features of the scheme operated by the Company for its employees are as follows:

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, 2021.

(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 out at December 31, 2021.

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 (2020: 60). The most recent valuation is carried out as at December 31, 2021 using the LIFO method. The liabilities are presented as a current employees benefit obligations in the statement of financial position.

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:

- 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 price 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 profit and loss account 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

4.2 Change in accounting estimate

The management reviews the useful lives of property and equipment on regular basis. During the current year, the management has revised its estimate of the residual values of its operating fixed assets ranging from 10% to 25% of the cost of respective assets based on the consultation with the valuer. The management has also reviewed the useful lives of the respective assets and concluded that the current estimates of useful lives are appropriate. Management believes that the said change in estimate is more accurate and better reflects the pattern of consumption of economic benefits of the respective classes of assets.

The aforementioned revision has been accounted for as change in accounting estimate in accordance with the requirement of IAS - 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The effects of this change in accounting estimate has been recognised prospectively in the current period. The change in estimates of residual values has resulted in decrease in depreciation charge as follows:

Class of assets	Rs in thousands
Buildings	(20,370)
Furniture and fixtures	(7,100)
Motor vehicles	(18,402)
Machinery and equipment	(19,999)
Computer Equipment	(6,203)
	(72,074)

Had there been no revision, profit before taxation for the current year would have been lower by Rs. 72,074 thousands whereas the carrying value of operating assets would have been reduced by same amount. Accordingly, earnings per share for the year ended December 31, 2021 would have been lower by Rs. 0.15. Impact of change in accounting estimate on future period has not been disclosed because it can not be estimated reliably.

5 Property and equipment

	Note	2021	2020
		Rupees in thousand	
Operating assets	5.1	4,132,230	3,970,750
Capital work in progress	5.2	16,205	11,170
Right of use asset	5.3	89,729	100,616
		4,238,164	4,082,536

5.1 Operating assets - owned

2021

	Cost						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 from investment property	As at Dec 31	As at Dec 31	Rate
	Rupees in thousand													%
Land - Restated	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**	

2020

	Cost						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 from investment property	As at Dec 31	As at Dec 31	Rate
	Rupees in thousand													%
Land - Restated	900,609	-	-	-	-	**900,609**	-	-	-	-	-	**-**	**900,609**	-
Buildings*	2,025,725	254,005	15,364	(4,945)	-	**2,290,149**	287,589	54,421	8,615	(4,353)	-	**346,272**	**1,943,877**	**3.0%**
Furniture and fixtures	264,638	98,177	3,022	(509)	-	**365,328**	112,434	25,039	809	(337)	-	**137,945**	**227,383**	**15.0%**
Motor vehicles	751,133	26,596	1,577	(59,034)	-	**720,272**	395,857	53,300	1,201	(32,255)	-	**418,103**	**302,169**	**15.0%**
Machinery and equipment	605,110	108,615	734	(990)	-	**713,469**	125,929	74,678	423	(713)	-	**200,317**	**513,152**	**15.0%**
Computer equipment	302,342	45,645	806	(1,807)	-	**346,986**	245,595	17,633	635	(437)	-	**263,426**	**83,560**	**30.0%**
Total	**4,849,557**	**533,038**	**21,503**	**(67,285)**	**-**	**5,336,813**	**1,167,404**	**225,071**	**11,683**	**(38,095)**	**-**	**1,366,063**	**3,970,750**	

*The Company owns 4 buildings and resulting area of land and 8 corporate offices in Pakistan and 1 corporate office in UAE.

*The Company has restated the cost of Land amounting to Rs. 385 million from Property and equipment to Investment property for the year ended December 31, 2019 and December 31, 2020 as explained in Note 7.1.

5.1.1 Details of tangible assets disposed of during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Relationship	Particulars of purchaser
Land and Building	Rupees in thousand						
Model Town premises	33,055	830	32,225	33,055	Negotiation	Chief Executive Officer	Muhammad Ali Zeb
	33,055	**830**	**32,225**	**33,055**			
Furniture and fixtures							
Items having book value below Rs. 50,000	68	30	38	3			
	68	**30**	**38**	**3**			
Motor vehicles							
Honda Citi (ANW-119)	846	754	92	980	Auction	Independent third party	Syed Al E Hasan Bukhari
Suzuki Cultus (AMU-983)	600	540	60	536	Auction	Independent third party	Nasir Mehmood
Honda Citi (AUV-482)	1,365	1,097	268	1,320	Auction	Independent third party	Muhammad Nadeem Farooqui
Toyota Corolla Gli (AUW-681)	1,373	1,105	268	1,375	Auction	Independent third party	Ashraf Ali Khan
Suzuki Cultus (AVB-652)	935	747	188	817	Auction	Independent third party	Syed Muhammad Naeem
Suzuki Cultus (AVA-979)	918	735	183	770	Auction	Independent third party	Muhammad Sohaib
Toyota Corolla Gli (AWA-988)	1,514	1,210	304	1,285	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Suzuki Cultus (AWV-141)	995	767	228	827	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Suzuki Cultus (AWY-191)	995	762	233	820	Auction	Independent third party	Muhammad Anwar
Suzuki Cultus (AXU-579)	950	725	225	860	Auction	Independent third party	Syed Al E Hasan Bukhari
Toyota Corolla Gli (AXS-164)	1,478	1,125	353	1,457	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Toyota Corolla Gli (AXS-158)	1,542	913	629	1,238	Auction	Independent third party	Rana Muhammad Zahid
Honda Citi (AYU-712)	1,507	1,076	431	1,608	Auction	Independent third party	Muhammad Nadeem Farooqui
Suzuki Cultus (BAV-761)	1,034	734	300	605	Auction	Independent third party	Mehmood Hayat Chaudhry
Toyota Corolla Xli (BAU-953)	1,572	1,092	480	1,255	Auction	Independent third party	Rab Nawaz Khan
Honda Citi Mt (BBT-674)	1,685	1,128	557	1,551	Auction	Independent third party	Farrukh Anwer Bajwa
Honda Civic Exi (BCL-671)	2,169	1,417	752	1,702	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Suzuki Cultus (BDB-832)	1,054	652	402	871	Auction	Independent third party	Muhammad Nadeem Farooqui
Honda Citi (BDA-810)	1,325	837	488	1,760	Auction	Independent third party	Muhammad Arshad Abbasi
Suzuki Cultus (LEH-15-3032)	1,069	633	436	1,010	Auction	Independent third party	Muhammad Tufail
Toyota Corolla Xli (BET-488)	1,651	978	673	1,638	Auction	Independent third party	Rana Muhammad Zahid
Honda Citi (BFE-384)	1,561	913	648	1,633	Auction	Independent third party	Muhammad Tufail
Suzuki Mehran (LEA-16A-8924)	708	373	335	671	Auction	Independent third party	Farrukh Anwar Bajwa
Suzuki Cultus (BAV-756)	1,076	766	310	867	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Suzuki Cultus (BGA-490)	1,126	630	496	1,186	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Ford Explorer (92187)	2,262	959	1,303	976	Negotiation	Employee	Salman Chaudhry - employee
Items having book value below Rs. 50,000	5,963	5,127	836	1,534			
	39,273	**27,795**	**11,478**	**31,152**			
Machinery and equipment							
Diesel Generator	1,646	700	946	3,217	Auction	Independent third party	Muhammad Asim
Generator	2,311	1,993	318	1,082	Auction	Independent third party	Muhammad Asim
Generator	3,348	2,893	455	1,547	Auction	Independent third party	Muhammad Asim
Generator	460	379	81	275	Auction	Independent third party	Muhammad Asim
Generator	3,715	3,162	553	1,880	Auction	Independent third party	Muhammad Asim
Items having book value below Rs. 50,000	56	54	2	26			
	11,536	**9,181**	**2,355**	**8,027**			
Computer equipment							
Items having book value below Rs. 50,000	1,672	1,608	64	130			
	1,672	**1,608**	**64**	**130**			
Grand Total	**85,604**	**39,444**	**46,160**	**72,367**			

5.2 Capital work in progress

	2021	2020
	Rupees in thousand	
Mobilization advance	-	5,868
Advance for computer hardware equipment	11,778	-
Advance for ERP software	4,427	5,302
	16,205	11,170

5.3 Right of use asset

	2021	2020
As at January 01	100,616	100,574
Additions during the year	14,274	40,955
Depreciation charge during the year	(33,341)	(38,451)
Exchange differences and other adjustments	8,180	(2,462)
Closing Net Book Value	89,729	100,616

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

	2021	2020
	Rupees in thousand	
Cost		
As at January 01	355,583	310,990
Additions during the year	37,643	40,886
Exchange differences and other adjustments	14,671	3,707
As at December 31	407,897	355,583
Accumulated amortization		
As at January 01	267,396	242,063
Amortization charged during the year	29,819	23,296
Exchange differences and other adjustments	10,303	2,037
As at December 31	307,518	267,396
Net book value as at December 31	100,379	88,187
Rate of amortization	20.00%	20.00%

7 Investment property

	Note	2021	2020
Net book value as at January 01 - Restated	7.1	787,279	787,279
Transfer to Property and equipment		(115,913)	-
Unrealized fair value gain		961,132	-
Net book value as at December 31		1,632,498	787,279

Investment property as at December 31, 2021 consists of the following:
- 5 floors of Adamjee House, Karachi which are rented out.
- 1 floor of Adamjee House, Lahore which is rented out.

Market value of these investment properties amounts to Rs. 1,632 million based on a valuation carried out by independent valuer, as at December 31, 2021.

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.

7.1 The Company recognised part of the Buildings as Investment property in the financial statements for the year ended December 31, 2019. However, the related cost of the land was previously recorded in Property and equipment. During the current year, the Company has restated the respective cost of land amounting to Rs. 385 million from Property and equipment to Investment property retrospectively to reflect its more appropriate treatment. The fair value of the land as at December 31, 2019 and December 31, 2020 was estimated to be the same as its carrying value on the respective dates. The Company has not presented the restated Statement of Financial Position for the year ended December 31, 2019 as the impact on the Statement of Financial Position for the year then ended was not considered material. The impact of this restatement is as follows:

(a) Impact of change on the Statement of Financial Position as at December 31, 2019:

	As previously reported	Adjustment	Restated
	Rupees in thousand		
Property and equipment	4,232,130	(385,383)	3,846,747
Investment property	401,896	385,383	787,279

(b) Impact of change on the Statement of Financial Position as at December 31, 2020:

	As previously reported	Adjustment	Restated
	Rupees in thousand		
Property and equipment	4,467,919	(385,383)	4,082,536
Investment property	401,896	385,383	787,279

(c) There is no impact of change on the profit and loss account for the years ended December 31, 2019 and December 31, 2020.

7.2 Previously, the Company had identified two floors to rent out at Adamjee House, Lahore; however, during the year, the Company occupied one floor for their own use whilst renting out only one floor.

	Note	2021	2020
		Rupees in thousand	
8 Investment in subsidiary			
Beginning of year		**1,097,900**	694,895
Addition during the year	**8.4**	**1,564,506**	403,005
End of year	**8.1, 8.2 & 8.3**	**2,662,406**	1,097,900

8.1 Number of shares

2021	2020	Face value	Company's Name	2021	2020
No. of Shares		Rupees		Rupees in thousand	
250,000,000	93,549,400	10	Adamjee Life Assurance Company Limited [Equity held 100.00% (2020: 100.00%)]	**2,662,406**	1,097,900

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2021

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	**61,917,559**	**58,667,831**	**20,658,169**	**173,804**	**100.00%**
Total at the end of 2021		**61,917,559**	**58,667,831**	**20,658,169**	**173,804**	**100.00%**
Adamjee Life Assurance Company Limited	Pakistan	50,839,416	49,348,801	17,100,887	191,014	100.00%
Total at the end of 2020		50,839,416	49,348,801	17,100,887	191,014	100.00%

8.3 Adamjee Life Assurance Company Limited was incorporated in Pakistan on August 04, 2008 as a public unlisted company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is located at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is located at Adamjee House, 3rd and 4th Floor, I.I Chundrigar Road, Karachi.

8.4 During the year, the Company has made further investment in Adamjee Life Assurance Company Limited for 156,450,600 (2020: 24,059,855) shares aggregating to Rs. 1,565 million (2020: Rs. 403 million).

9 Investment in equity securities

Available-for-sale

	Note	2021 Cost	2021 Impairment / Provision	2021 Carrying value	2020 Cost	2020 Impairment / Provision	2020 Carrying value
		Rupees in thousand					
Related parties							
Listed shares	9.1	**9,543,446**	**-**	**9,543,446**	8,318,076	-	8,318,076
Unlisted shares	9.2	**949,456**	**-**	**949,456**	924,333	-	924,333
		10,492,902	**-**	**10,492,902**	9,242,409	-	9,242,409
Unrealized gain				**2,096,135**			1,307,313
				12,589,037			10,549,722
Others							
Listed shares	9.3	**6,701,235**	**(2,108,194)**	**4,593,041**	7,135,270	(2,163,210)	4,972,060
Unlisted shares	9.4	**925,360**	**-**	**925,360**	925,360	-	925,360
Mutual Funds	9.5	**48,550**	**(5,117)**	**43,433**	48,130	-	48,130
NIT Units	9.6	**161**	**-**	**161**	161	-	161
		7,675,306	**(2,113,311)**	**5,561,995**	8,108,921	(2,163,210)	5,945,711
Unrealized gain				**3,006,547**			2,699,027
				8,568,542			8,644,738
Total		**18,168,208**	**(2,113,311)**	**21,157,579**	17,351,330	(2,163,210)	19,194,460

Notes to the Unconsolidated Financial Statements

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9.1 Related Parties - Listed shares

No. of Shares 2021	No. of Shares 2020	Face value Rupees	Company's Name	Cost 2021	Cost 2020	Market Value 2021	Market Value 2020
				Rupees in thousand			
			Commercial Banks				
55,196,435	47,827,287	10	MCB Bank Limited [Equity held 4.658% (2020: 4.036%)]	**9,187,854**	7,962,484	**8,464,374**	8,861,440
			Textile Composite				
2,050	2,050	10	Nishat Mills Limited [Equity held 0.001% (2020: 0.001%)]	**144**	144	**163**	208
			Power Generation & Distribution				
25,631,181	25,631,181	10	Pakgen Power Limited [Equity held 6.889% (2020: 6.889%)]	**355,448**	355,448	**615,148**	504,934
80,829,666	73,460,518			**9,543,446**	8,318,076	**9,079,685**	9,366,582

9.1.1 3,716,710 (2020 : 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 Company.

9.2 Related Parties - Unlisted shares

No. of Shares 2021	No. of Shares 2020	Face value Rupees	Company's Name	Cost 2021	Cost 2020	Market Value 2021	Market Value 2020
				Rupees in thousand			
			Automobile Assembler				
94,873,000	92,360,700	10	Hyundai Nishat Motor (Private) Limited [Equity held 10.000% (2020: 10.000%)]	**949,456**	924,333	**3,509,352**	1,183,140

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. 36.99 per ordinary share as at December 31, 2021 (Rs. 12.81 per ordinary share as at December 31, 2020) 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 18.52% (2020: 14.87%) per annum.
- Terminal growth rate in revenue of 4% (2020: 2%) 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, 2021 would be Rs. 247,619 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, 2021 would be Rs. 160,335 thousand higher.

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9.3 Others - listed shares

No. of Shares 2021	No. of Shares 2020	Face value Rupees	Company's Name	Cost 2021	Cost 2020	Market Value 2021	Market Value 2020
				Rupees in thousand			
			Automobile Assembler				
987,795	731,701	10	Millat Tractors Limited	591,172	591,172	851,714	800,547
			Cable & Electrical Goods				
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	116,770	116,770	98,141	80,760
			Cement				
-	3,358,344	10	D.G. Khan Cement Company Limited	-	434,035	-	384,799
645,100	645,100	10	Fecto Cement Limited	77,534	77,534	17,398	22,133
			Close - End Mutual Fund				
4,113,500	4,113,500	10	HBL Investment Fund 'A'	27,235	27,235	10,284	13,040
			Commercial Banks				
6,277,500	6,277,500	10	Allied Bank Limited	641,638	641,638	516,450	535,910
330,300	330,300	10	Habib Bank Limited	88,086	88,086	38,520	43,692
8,240,950	8,240,950	10	National Bank of Pakistan	504,670	504,670	284,478	354,031
1,250,000	1,250,000	10	United Bank Limited	242,721	242,721	170,725	157,325
			Engineering				
174,677	105,600	10	Aisha Steel Mills Limited	282	282	2,631	2,460
100,000	100,000	10	Crescent Steel & Allied Products Limited	20,324	20,324	5,138	8,411
300,000	300,000	10	International Steel Limited	46,811	46,811	19,836	27,969
-	-	10	Mughal Iron & Steel Industries Limited	-	-	-	-
			Fertilizer				
1,481,000	1,481,000	10	Engro Fertilizers Limited	105,935	105,935	112,689	93,644
9,998,900	9,998,900	10	Fauji Fertilizer Company Limited	1,050,979	1,050,979	1,002,490	1,084,881
			Food & Personal Care Products				
5,740	5,740	10	Nestle Pakistan Limited	59,278	59,278	32,864	38,257
70,304	70,304	10	Rafhan Maize Products Limited	223,250	223,250	660,858	688,909
			Insurance				
4,800	4,800	10	EFU General Insurance Company Limited	211	211	504	576
230,000	230,000	10	IGI Holdings Limited	66,917	66,917	35,335	46,791
286,843	286,843	10	Pakistan Reinsurance Company Limited	6,326	6,326	6,425	7,894
			Investment Companies				
2,220,100	2,220,100	10	Dawood Hercules Corporation	324,933	324,933	212,064	269,831
5,462,000	5,462,000	10	MCB Arif Habib Savings & Investment Limited	149,789	149,789	193,792	153,428
			Oil & Gas Exploration Companies				
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	245,134	245,134	131,395	158,177
5,696,595	5,696,595	10	Sui Northern Gas Pipelines Limited	309,302	309,302	190,551	253,043
			Paper & Board				
11,750	11,750	10	Packages Limited	6,144	6,144	5,843	7,014
			Pharmaceuticals				
369,400	369,400	10	Abbott Laboratories Pakistan Limited	320,902	320,902	265,048	279,033
			Power Generation & Distribution				
5,731,000	5,731,000	10	Kot Addu Power Company Limited	491,086	491,086	185,398	155,883
27,348,388	27,348,388	10	Lalpir Power Limited	371,516	371,516	385,886	350,606
923,500	923,500	10	Nishat Power Limited	42,001	42,001	18,359	21,804
4,935,882	4,935,882	10	Saif Power Limited	163,072	163,072	93,091	71,669
			Refinery				
37,500	37,500	10	Attock Refinery Limited	13,133	13,133	5,401	6,827
506,450	506,450	10	National Refinery Limited	394,084	394,084	144,131	177,176
				6,701,235	7,135,270	5,697,439	6,296,520

9.3.1 369,000 (2020 : 155,000) shares of Abbot Laboratories Limited, 2,220,000 (2020 : 1,405,000) shares of Dawood Hercules Corporation Limited, 1,480,000 (2020 : Nil) shares of Engro Fertilizers Limited, 9,250,000 (2020 : 3,650,000) shares of Fauji Fertilizer Company Limited, 330,000 (2020 : Nil) shares of Habib Bank Limited, 300,000 (2020 : Nil) shares of International Steels Limited, 823,000 (2020 : 255,000) shares of Millat Tractors Limited, 8,240,000 (2020 : Nil) shares of National Bank of Pakistan, 5,700 (2020 : Nil) shares of Nestle Pakistan Limited, 1,524,000 (2020 : Nil) shares of Oil & Gas Development Company Limited and 1,250,000 (2020 : 850,000) 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	Company's Name	Cost		Market Value	
2021	2020	Rupees		2021	2020	2021	2020
				Rupees in thousand			
9,681,374	9,681,374	10	Security General Insurance Company Limited [Equity held 14.224% (2020: 14.224%)]	925,360	925,360	2,826,768	2,301,069

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. 291.98 per ordinary share as at December 31, 2021 (Rs. 237.68 per ordinary share as at December 31, 2020) 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 15% (2020: 15%) per annum.
- Terminal growth rate of 2% (2020: 2%) per annum.

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, 2021 would be Rs. 8,574 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, 2021 would be Rs. 5,667 thousand higher.

9.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of Units		Face value	Fund's Name	Cost		Market Value	
2021	2020	Rupees		2021	2020	2021	2020
				Rupees in thousand			
45,669	42,779	100	Alfalah GHP Money Market Fund	4,488	4,206	4,492	4,201
22,246	20,880	100	HBL Cash Fund	2,242	2,104	2,269	2,122
4,234,546	4,234,546	10	HBL Investment Fund - Class B	41,820	41,820	36,703	39,956
				48,550	48,130	43,464	46,279

9.6 Open-Ended Equity Funds

No. of Units		Face value	Fund's Name	Cost		Market Value	
2021	2020	Rupees		2021	2020	2021	2020
				Rupees in thousand			
12,540	12,540	10	National Investment Trust	161	161	871	870
			Grand Total	18,168,208	17,351,330	21,157,579	19,194,460

10 Investment in debt securities

	2021	2020
	Rupees in thousand	
Held to maturity		
Treasury Bills	**275,005**	275,631
Pakistan Investment Bonds	**102,647**	98,700
Total	**377,652**	374,331

Treasury Bills

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	Cost 2021	Cost 2020	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand			
100,000,000	10.67%	On maturity	12 Month Treasury Bills	25-Mar-21	**-**	90,382	**-**	97,801
100,000,000	7.32%	On maturity	12 Month Treasury Bills	22-Apr-21	**-**	93,195	**-**	97,900
82,000,000	7.43%	On maturity	12 Month Treasury Bills	6-May-21	**-**	76,344	**-**	79,930
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**	-
					272,807	259,921	**275,005**	275,631

Pakistan Investment Bonds

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	Cost 2021	Cost 2020	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand			
100,000,000	11.7130%	On maturity	3 Years Pakistan Investment Bonds	19-Sep-22	**98,389**	96,136	**102,647**	98,700
					98,389	96,136	**102,647**	98,700

11 Investments in Term Deposits

	Note	2021	2020
		Rupees in thousand	
Held to maturity			
Deposits maturing within 12 months			
Inside Pakistan			
- related parties		**-**	6,811
- others		**175,066**	175,066
		175,066	181,877
Outside Pakistan			
- related parties		**1,441,691**	1,305,429
- others		**5,170,710**	4,364,568
		6,612,401	5,669,997
		6,787,467	5,851,874
Deposits maturing after 12 months			
Inside Pakistan			
- related parties		**8,811**	2,000
- others		**75,188**	75,188
		83,999	77,188
	11.1	**6,871,466**	5,929,062

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11.1 These include fixed deposits amounting to Rs. 5,526,486 thousands (AED 115,000,000) [2020: Rs. 4,904,014 thousands (AED 112,698,915)] kept in accordance with the requirements of Insurance Regulations applicable to the United Arab Emirates (UAE) branches for the purpose of carrying on business in (UAE). These also include liens against cash deposits of Rs. 259,065 thousands (2020: 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, bid bond guarantees and guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party.

	Note	2021	2020
		Rupees in thousand	
12 Loans and other receivables - considered good			
Rent receivable		**7,397**	7,776
Receivable from related parties	**12.1**	**58,745**	43,135
Accrued income		**96,481**	129,361
Security deposits		**50,627**	46,713
Advances to employees and suppliers		**177,729**	237,051
Advance agent commission		**7,796**	4,478
Loans to employees		**51,929**	45,336
Other receivables		**164,896**	69,046
		615,600	582,896

12.1 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.

	Note	2021	2020
		Rupees in thousand	
13 Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders	**13.1**	**7,336,121**	4,723,214
Provision for impairment of receivables from insurance contract holders	**13.2**	**(1,078,100)**	(932,384)
		6,258,021	3,790,830
Due from other insurers / reinsurers		**1,119,151**	1,169,623
Provision for impairment of due from other insurers / reinsurers	**13.3**	**(201,302)**	(201,302)
		917,849	968,321
		7,175,870	4,759,151

13.1 Due from insurance contact holders include an amount Rs. 237,666 thousands (2020: Rs. 192,060 thousands) held with related parties.

	2021	2020
	Rupees in thousand	
13.2 Reconciliation of provision for impairment of receivables from insurance contract holders		
Balance as at January 01	**932,384**	868,586
Charge for the year	**67,667**	44,062
Exchange difference	**78,049**	19,736
Balance as at December 31	**1,078,100**	932,384

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	2021	2020
	Rupees in thousand	
13.3 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
14 Prepayments		
Prepaid reinsurance premium ceded	**4,627,169**	3,307,863
Prepaid miscellaneous expenses	**124,761**	114,918
	4,751,930	3,422,781
15 Cash and bank		
Cash and cash equivalents		
Inside Pakistan		
Cash in hand	**353**	438
Policy & revenue stamps, bond papers	**9,696**	4,703
	10,049	5,141
Cash at bank		
Inside Pakistan		
Current accounts	**537,244**	237,821
Savings accounts	**755,152**	931,898
	1,292,396	1,169,719
Outside Pakistan		
Current accounts	**870,126**	136,313
Savings accounts	**1,482**	871
	871,608	137,184
	2,164,004	1,306,903
	2,174,053	1,312,044

15.1 Cash at bank includes an amount of Rs. 151,077 thousands (2020: 368,010 thousands) held with MCB Bank Limited, a related party of the Company.

15.2 Lien of Rs. 432,571 thousands (2020: Rs. 440,000 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.

15.3 Saving / Profit and loss accounts placed in Pakistan carry expected profit rates ranging from 3.50% to 10.90% (2020: 4.50% to 11.35%).

	Note	2021	2020
		Rupees in thousand	

16 Window Takaful Operations - Operator's Fund

	Note	2021	2020
Assets			
Cash and bank deposits		**264,235**	209,446
Qard e Hasna to Participants' Takaful Fund		**146,460**	146,460
Investments - Equity securities		**38,326**	35,873
Investments - Debt securities		**75,000**	-
Intangible assets		**10,409**	12,421
Property and equipment		**22,883**	20,793
Current assets - others		**166,537**	164,155
Total Assets		**723,850**	589,148
Total liabilities		**278,531**	242,797
Wakala income		**430,587**	408,608
Commission expense		**(137,910)**	(119,082)
Management expenses		**(172,925)**	(143,206)
Investment income		**2,340**	3,584
Other income		**17,852**	14,170
Mudarib's share of PTF investment income		**3,144**	3,521
Other expenses		**(3,821)**	(3,821)
Profit before taxation		**139,267**	163,774
Taxation		**(40,388)**	(47,369)
Profit after taxation		**98,879**	116,405

Details of assets, liabilities and segment disclosures of Window Takaful Operations are stated in the annexed financial statements.

17 Share capital

17.1 Authorized share capital

	2021	2020	2021	2020
	Number of shares		Rupees in thousand	
Ordinary shares of Rs. 10 each	**375,000,000**	375,000,000	**3,750,000**	3,750,000

17.2 Issued, subscribed and paid up capital

	2021	2020	2021	2020
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

17.3 As at December 31, 2021, associated undertakings MCB Bank Limited, Nishat (Aziz Avenue) Hotels & Properties Limited and Nishat Mills Limited held 70,861,241 (2020: 70,861,241), 1,203,000 (2020: 1,083,000) and 102,809 (2020: 102,809) ordinary shares of the Company.

	Note	2021	2020
		Rupees in thousand	
18 Reserves			
Capital reserves			
Reserves for exceptional losses	18.1	22,859	22,859
Investment fluctuation reserves	18.2	3,764	3,764
Exchange translation reserves	18.3	899,883	678,438
Fair value reserves	18.4	3,623,873	2,845,385
		4,550,379	3,550,446
Revenue reserves			
General reserves		936,500	936,500
		936,500	936,500
		5,486,879	4,486,946

18.1 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.

18.2 This amount has been set aside by the Company in prior years for utilization against possible diminution in the value of investments.

18.3 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.

18.4 The fair value reserve represents the net cumulative unrealized gain on available for sale investments held by the Company as at December 31, 2021.

	Note	2021	2020
		Rupees in thousand	
19 Retirement benefit obligations			
Unfunded gratuity scheme	19.1	82,145	64,359
Funded gratuity scheme	19.2	181,515	132,873
		263,660	197,232

19.1 Unfunded gratuity scheme

19.1.1 This provision relates to the Company's operations in UAE branches. The eligible employees under the scheme are 64 (2020 : 66). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2021 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:

19.1.2 Movement in the net assets / (liabilities) recognized in the statement of financial position are as follows:

	2021	2020
	Rupees in thousand	
Present value of defined benefit obligation as at January 01	64,359	82,708
Charge for the year	9,551	14,605
Benefits paid	(2,847)	(20,984)
Remeasurement loss / (gain) on obligation	3,511	(14,899)
Exchange loss	7,571	2,929
Present value of defined benefit obligation as at December 31	82,145	64,359

	2021	2020
	(Percentages)	
19.1.3 Principal actuarial assumptions used are as follows:		
- Valuation discount rate	**2.20**	2.20
- Expected rate of increase in salary level	**2.00**	2.00

	2021	2020
	Rupees in thousand	
19.1.4 The amount charged in profit and loss account is as follows:		
Service cost	**8,139**	12,934
Interest cost	**1,412**	1,671
Expense for the year	**9,551**	14,605
19.1.5 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	**-**	-
- Experience adjustments	**3,511**	(14,899)
	3,511	(14,899)

19.2 Funded gratuity scheme

19.2.1 The Company operates an approved funded gratuity scheme for all employees. The eligible employees under the scheme are 750 (2020 : 718). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2021 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:

Principal actuarial assumptions used are as follows:

	2021	2020
	(Percentages)	
- Discount rate	**11.50**	8.50
- Expected rate of increase in salary level	**9.50**	6.50

	2021	2020
	Rupees in thousand	
Movement in the net liabilities recognized in the statement of financial position are as follows:		
Net liabilities as at January 01	**132,873**	142,469
Expenses recognized	**33,131**	35,411
Contribution paid during the year	**-**	(50,000)
Remeasurement loss recognized - net	**15,511**	4,993
Net liabilities as at December 31	**181,515**	132,873
The amounts recognized in the profit and loss account are as follows:		
- Service cost	**21,836**	20,728
- Interest cost	**29,498**	40,594
- Interest income on plan assets	**(18,203)**	(25,911)
	33,131	35,411

The amounts recognized in statement of comprehensive income are as follows:

	2021	2020
	Rupees in thousand	
Remeasurement of plan obligation from:		
- Experience on obligation	**10,807**	(6,608)
- Change in financial assumptions	**-**	-
Remeasurement of plan assets:		
- Investment return	**4,704**	11,601
	15,511	4,993

19.2.2 The amounts recognized in the statement of financial position are as follows:

	2021	2020
Fair value of plan assets	**(211,676)**	(230,138)
Present value of defined benefit obligation	**393,191**	363,011
	181,515	132,873

19.2.3 Movement in fair value of plan assets

	2021	2020
Present value as at January 01	**230,138**	198,745
Interest income on plan assets	**18,203**	25,911
Actual benefits paid during the year	**(31,961)**	(32,917)
Contribution made during the year	**-**	50,000
Remeasurement loss due to investment return	**(4,704)**	(11,601)
Fair value of plan assets as at December 31	**211,676**	230,138
Actual return on plan assets		
Expected return on plan assets	**18,203**	25,911
Remeasurement loss due to investment return	**(4,704)**	(11,601)
	13,499	14,310

19.2.4 Movement in present value of defined benefit obligation

	2021	2020
Present value of defined benefit obligation as at January 01	**363,011**	341,214
Current service cost	**21,837**	20,728
Interest cost	**29,498**	40,594
Actual benefits paid during the year	**(31,961)**	(32,917)
Remeasurement loss / (gain) on obligation	**10,806**	(6,608)
Present value of defined benefit obligation as at December 31	**393,191**	363,011

19.2.5 Comparison for five years

Funded gratuity scheme

	2021	2020	2019	2018	2017
	Rupees in thousand				
Present value of defined obligation	**393,191**	363,011	341,214	326,883	283,925
Fair value of plan assets	**211,676**	230,138	198,745	193,756	199,482
Deficit	**181,515**	132,873	142,469	133,127	84,443
Experience adjustments					
Loss on plan assets (% age of plan assets)	**(2.22)**	(5.04)	(0.21)	(5.92)	(19.27)
Gain / (loss) on obligations (% age of obligation)	**2.75**	(1.82)	(4.78)	5.54	(1.26)

Unfunded gratuity schemes

	2021	2020	2019	2018	2017
	Rupees in thousand				
Present value of defined obligation	**82,145**	64,359	82,708	65,853	69,953
Experience adjustments					
(Loss) / gain on obligations (% age of obligation)	**(4.27)**	23.15	(9.71)	(2.44)	(3.10)

	2021	2020	2021	2020
	(Percentages)		Rupees in thousand	
19.2.6 Plan assets consist of the following:				
Mutual funds - Equity	**9.43**	17.92	**19,958**	41,252
Mutual funds - Debt	**30.36**	17.06	**64,258**	39,255
Government Bonds - Debt	**50.98**	46.43	**107,903**	106,842
Shares, bank deposits & cash equivalents - Others	**9.23**	18.59	**19,557**	42,789
Benefits due	**-**	-	**-**	-
	100.00	100.00	**211,676**	230,138

19.2.7 Plan assets do not include any investment in the Company's ordinary shares as at December 31, 2021 : Nil (2020: Nil).

19.2.8 Expected cost to be recorded in the profit and loss account for the year ending December 31, 2022 is Rs. 42,498 thousands.

19.2.9 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.

19.2.10 The weighted average duration of the defined benefit obligation for gratuity plan is 3.1 years (2020: 3.2 years).

19.2.11 These defined benefit plans expose the Company to actuarial risks such as investment risk and salary risk.

19.2.12 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.

19.2.13 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.

19.2.14 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

		Impact on Gratuity plans			
		Unfunded		Funded	
	Change in assumptions	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		Rupees in thousand			
Discount rate	1%	(2,892)	3,144	(10,487)	11,156
Salary growth rate	1%	3,119	(2,925)	11,260	(10,768)

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.

	2021	2020
	Rupees in thousand	
20 Deferred taxation		
Deferred tax debits arising in respect of:		
Provision for gratuity	**23,822**	18,664
Lease liability	**21,946**	29,461
	45,768	48,125
Deferred tax credits arising in respect of:		
Tax depreciation allowance	**(571,111)**	(232,501)
Right of use assets	**(26,021)**	(29,179)
Investments - Available for sale	**(1,479,778)**	(1,161,839)
	(2,076,910)	(1,423,519)
	(2,031,142)	(1,375,394)
20.1 Movement in deferred tax balances is as follows:		
As at January 01	**1,375,394**	1,329,898
Recognized in profit and loss account:		
- provision for gratuity	**(5,158)**	5,322
- lease liability against right of use asset	**7,515**	1,012
- right of use assets	**(3,158)**	13
- tax depreciation allowance	**338,610**	68,385
	337,809	74,732
Recognized in statement of comprehensive income:		
- investments - Available for sale	**317,939**	(29,236)
As at December 31	**2,031,142**	1,375,394

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21 Borrowings

Loan from financial institution	Note	2021	2020
		Rupees in thousand	
MCB Bank Limited - Refinance scheme	21.1	86,756	166,367
MCB Bank Limited - Demand finance - General	21.2	840,000	-
		926,756	166,367
Current portion		926,756	90,310
Non-current portion		-	76,057
		926,756	166,367

21.1 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 has 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%.

21.2 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 has 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%.

22 Deferred grant income

	2021	2020
	Rupees in thousand	
Deferred grant income	6,329	14,767

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.

23 Insurance / reinsurance payables

	2021	2020
	Rupees in thousand	
Due to other insurers / reinsurers	5,215,694	3,030,884

This amount represents amount payable to other insurers and reinsurers.

24 Other creditors and accruals

	2021	2020
Agents commission payable	840,609	554,372
Federal Excise Duty / Sales tax / VAT	346,924	94,242
Federal Insurance Fee payable	35,707	29,854
Workers' welfare fund payable	76,485	76,485
Tax deducted at source	86,451	92,945
Accrued expenses	229,363	204,872
Unpaid and unclaimed dividend	156,627	161,753
Payable to employees' provident fund	88	143
Sundry creditors	674,132	591,530
	2,446,386	1,806,196

	Note	2021	2020
		Rupees in thousand	
25 Deposits and other liabilities			
Cash margin against performance bonds	25.1	553,460	570,776
Lease liability	25.2	75,675	101,591
		629,135	672,367

25.1 This represents margin deposit on account of performance and other bond policies issued by the Company.

	2021	2020
	Rupees in thousand	
25.2 Maturity analysis		
Not later than 1 year	33,509	34,105
Later than 1 year and not later than 5 years	42,166	67,486
	75,675	101,591

26 Contingencies and commitments

26.1 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.

(b) The Taxation Officer has 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) Learned DCIR has passed an order under section 161/205 of the 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 and the appeal has not yet been fixed.

(e) During the year, the Assistant Commissioner, Sindh Revenue Board has passed order under section 23(1) of the Sindh Sales Tax On Services Act 2011 creating a demand of Rs. 469,020 thousands for the period from July 2011 to December 2011. 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. 532,636 thousands (2020: Rs. 72,681 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. 1,269,671 thousands (2020: Rs. 1,209,000 thousands).

The Company has issued letter of guarantees of AED 219,000 amounting to Rs.10,524 thousands (2020: AED 251,500 amounting to Rs.10,944 thousands) relating to UAE branch.

	2021	2020
	Rupees in thousand	
27 Net insurance premium		
Written gross premium	23,319,840	18,279,110
Unearned premium reserve - opening	8,366,434	10,242,348
Unearned premium reserve - closing	(11,010,289)	(8,366,434)
Currency translation effect	323,898	153,311
Premium earned	20,999,883	20,308,335
Reinsurance premium ceded	(9,740,756)	(6,818,262)
Prepaid reinsurance premium - opening	(3,307,863)	(3,500,512)
Prepaid reinsurance premium - closing	4,627,169	3,307,863
Currency translation effect	(25,956)	(2,798)
Reinsurance expense	(8,447,406)	(7,013,709)
	12,552,477	13,294,626
27.1 Net insurance premium - Business underwritten inside Pakistan		
Written gross premium	17,036,745	13,469,232
Unearned premium reserve - opening	6,021,464	6,197,501
Unearned premium reserve - closing	(7,393,851)	(6,021,464)
Premium earned	15,664,358	13,645,269
Reinsurance premium ceded	(9,108,055)	(6,583,537)
Prepaid reinsurance premium - opening	(3,260,277)	(3,425,355)
Prepaid reinsurance premium - closing	4,302,258	3,260,277
Reinsurance expense	(8,066,074)	(6,748,615)
	7,598,284	6,896,654
27.2 Net insurance premium - Business underwritten outside Pakistan		
Written gross premium	6,283,095	4,809,878
Unearned premium reserve - opening	2,344,970	4,044,847
Unearned premium reserve - closing	(3,616,438)	(2,344,970)
Currency translation effect	323,898	153,311
Premium earned	5,335,525	6,663,066
Reinsurance premium ceded	(632,701)	(234,725)
Prepaid reinsurance premium - opening	(47,586)	(75,157)
Prepaid reinsurance premium - closing	324,911	47,586
Currency translation effect	(25,956)	(2,798)
Reinsurance expense	(381,332)	(265,094)
	4,954,193	6,397,972

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	2021	2020
	Rupees in thousand	
28 Net insurance claims expense		
Claim paid	11,343,930	11,973,346
Outstanding claims including IBNR - closing	12,686,045	10,768,040
Outstanding claims including IBNR - opening	(10,768,040)	(10,367,347)
Currency translation effect	(540,775)	(196,160)
Claim expense	12,721,160	12,177,879
Reinsurance and other recoveries received	(4,007,386)	(4,346,714)
Reinsurance and other recoveries in respect of outstanding claims - closing	(7,943,513)	(6,192,571)
Reinsurance and other recoveries in respect of outstanding claims - opening	6,192,571	6,233,348
Currency translation effect	241,051	114,914
Reinsurance and other recoveries revenue	(5,517,277)	(4,191,023)
	7,203,883	7,986,856

28.1 Net insurance claims expense - Business underwritten inside Pakistan

	2021	2020
Claim paid	5,792,876	5,799,654
Outstanding claims including IBNR - closing	7,131,251	4,920,475
Outstanding claims including IBNR - opening	(4,920,475)	(4,398,967)
Claim expense	8,003,652	6,321,162
Reinsurance and other recoveries received	(1,707,578)	(1,684,522)
Reinsurance and other recoveries in respect of outstanding claims - closing	(5,482,393)	(3,526,278)
Reinsurance and other recoveries in respect of outstanding claims - opening	3,526,278	2,948,471
Reinsurance and other recoveries revenue	(3,663,693)	(2,262,329)
	4,339,959	4,058,833

28.2 Net insurance claims expense - Business underwritten outside Pakistan

	2021	2020
Claim paid	5,551,054	6,173,692
Outstanding claims including IBNR - closing	5,554,794	5,847,565
Outstanding claims including IBNR - opening	(5,847,565)	(5,968,380)
Currency translation effect	(540,775)	(196,160)
Claim expense	4,717,508	5,856,717
Reinsurance and other recoveries received	(2,299,808)	(2,662,192)
Reinsurance and other recoveries in respect of outstanding claims - closing	(2,461,120)	(2,666,293)
Reinsurance and other recoveries in respect of outstanding claims - opening	2,666,293	3,284,877
Currency translation effect	241,051	114,914
Reinsurance and other recoveries revenue	(1,853,584)	(1,928,694)
	2,863,924	3,928,023

28.3 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.

	2016	2017	2018	2019	2020	2021	Total
	Rupees in thousand						
At the end of accident year	11,752,724	11,307,403	13,278,246	14,544,497	12,607,367	14,166,057	**77,656,294**
One year later	7,075,979	6,362,632	6,250,676	6,218,787	5,366,245	**-**	**31,274,319**
Two years later	2,369,539	1,978,478	1,880,335	2,149,028	-	**-**	**8,377,380**
Three years later	1,662,339	956,949	863,553	-	-	**-**	**3,482,841**
Four years later	646,905	725,072	-	-	-	**-**	**1,371,977**
Five years later	760,020	-	-	-	-	**-**	**760,020**
Current estimate of cumulative claims	760,020	725,072	863,553	2,149,028	5,366,245	14,166,057	**24,029,975**
Less: Cumulative payments to date	29,141	82,526	348,519	1,062,884	3,369,367	6,451,493	**11,343,930**
Liability recognized in statement of financial position	730,879	642,546	515,034	1,086,144	1,996,878	7,714,564	**12,686,045**

	2021	2020
	Rupees in thousand	
29 Net commission and other acquisition costs		
Commission paid or payable	**2,346,874**	1,867,093
Deferred commission expense - opening	**731,319**	1,190,146
Deferred commission expense - closing	**(1,055,480)**	(731,319)
Currency translation effect	**59,606**	32,239
Net Commission	**2,082,319**	2,358,159
Commission received or recoverable	**(554,992)**	(532,528)
Unearned reinsurance commission - opening	**(245,318)**	(237,751)
Unearned reinsurance commission - closing	**241,094**	245,318
Currency translation effect	**(195)**	(8)
Commission from reinsurance	**(559,411)**	(524,969)
	1,522,908	1,833,190
29.1 Net commission and other acquisition costs - Business underwritten Inside Pakistan		
Commission paid or payable	**1,139,371**	857,203
Deferred commission expense - opening	**285,324**	352,673
Deferred commission expense - closing	**(393,554)**	(285,324)
Net Commission	**1,031,141**	924,552
Commission received or recoverable	**(549,408)**	(523,673)
Unearned reinsurance commission - opening	**(240,971)**	(236,381)
Unearned reinsurance commission - closing	**239,650**	240,971
Commission from reinsurance	**(550,729)**	(519,083)
	480,412	405,469

	Note	2021	2020
		Rupees in thousand	

29.2 Net commission and other acquisition costs - Business underwritten Outside Pakistan

		2021	2020
Commission paid or payable		**1,207,503**	1,009,890
Deferred commission expense - opening		**445,995**	837,473
Deferred commission expense - closing		**(661,926)**	(445,995)
Currency translation effect		**59,606**	32,239
Net Commission		**1,051,178**	1,433,607
Commission received or recoverable		**(5,584)**	(8,855)
Unearned reinsurance commission - opening		**(4,347)**	(1,370)
Unearned reinsurance commission - closing		**1,444**	4,347
Currency translation effect		**(195)**	(8)
Commission from reinsurance		**(8,682)**	(5,886)
		1,042,496	1,427,721

30 Management expenses

	Note	2021	2020
Employee benefit costs	30.1	**1,757,356**	1,753,267
Travelling expenses		**36,157**	39,015
Advertisement & sales promotion		**38,951**	48,223
Printing & stationery		**32,468**	28,155
Depreciation	5.1 & 5.3	**220,360**	263,522
Amortization	6	**29,819**	23,296
Rent, rates & taxes		**10,563**	4,665
Legal & professional charges - business related		**120,440**	116,822
Electricity, gas & water		**79,351**	62,191
Entertainment		**19,308**	13,128
Vehicle running expenses		**96,208**	87,135
Office repairs & maintenance		**71,566**	51,612
Bank charges		**54,774**	38,739
Postages, telegrams & telephone		**20,390**	23,574
Supervision fee		**52,116**	52,768
IT related costs		**104,786**	98,373
Tracking and monitoring charges		**142,976**	179,587
Provision for doubtful balances against due from insurance contract holders		**67,667**	44,062
Regulatory fee		**131,560**	117,028
Miscellaneous		**66,607**	53,718
		3,153,423	3,098,880

30.1 Employee benefit costs

		2021	2020
Salaries, allowances and other benefits		**1,672,953**	1,662,908
Charges for post employment benefit		**84,403**	90,359
		1,757,356	1,753,267

31 Investment Income

	2021	2020
	Rupees in thousand	
Business underwritten Inside Pakistan		
Income from equity securities		
Available-for-sale		
Dividend income		
- related parties	1,546,502	535,951
- others	713,477	462,049
	2,259,979	998,000
Income from debt securities		
Held to maturity		
Return on Pakistan Investment Bonds	11,253	11,284
Profit on Treasury Bills	26,161	27,218
	37,414	38,502
Income from term deposits		
- related parties	-	336
- others	12,173	14,765
	12,173	15,101
Net realized gains on investments		
Available-for-sale		
Realized gains on equity securities		
- related parties	-	-
- others	5,421	40,413
	5,421	40,413
	2,314,987	1,092,016
Provision of impairment in value of 'available-for-sale' investments	49,899	(158,641)
	2,364,886	933,375
Business underwritten Outside Pakistan		
Income from equity securities		
Available-for-sale		
Dividend income		
- related parties	-	-
- others	334	2,315
	334	2,315
Net realized gains on investments		
- related parties	-	-
- others	-	699
	-	699
Return on term deposits		
- related parties	22,980	27,871
- others	81,244	128,246
	104,224	156,117
	104,558	159,131
Net investment income	2,469,444	1,092,506

32 Rental income

	Note	2021	2020
		Rupees in thousand	
Rental income		**133,486**	114,576
Expenses of investment property		**(2,073)**	(1,859)
		131,413	112,717

33 Other income

	Note	2021	2020
Return on bank balances		**67,763**	109,769
Gain on sale of operating assets		**26,207**	74,944
Return on loans to employee		**190**	210
Income against deferred grant		**8,439**	4,243
Exchange gain		**2,758**	12,330
Shared expenses received		**14,030**	12,980
Miscellaneous		**21,402**	28,390
		140,789	242,866

34 Other expenses

	Note	2021	2020
Legal & professional charges other than business		**29,092**	23,776
Auditors' remuneration	34.1	**14,319**	14,318
Subscription Fee		**8,773**	7,250
Donations	34.2	**1,500**	10,400
Directors` fee		**320**	236
Central depository expense		**1,298**	1,905
Others		**3,538**	4,448
		58,840	62,333

34.1 Auditors' remuneration

	2021	2020
Inside Pakistan:		
Audit fee	**2,850**	2,850
Interim review fee	**500**	500
Special certifications and sundry advisory services	**556**	556
Out-of-pocket expenses	**463**	463
	4,369	4,369
Outside Pakistan		
Audit fee	**8,276**	8,275
Interim review fee	**1,102**	1,101
Out-of-pocket expenses	**572**	573
	9,950	9,949
	14,319	14,318

34.2 The Company has paid the donation amounting to Rs. 1.5 million (2020: Nil) to Pakistan Agricultural Coalition during the current year.

35 Finance cost

	2021	2020
	Rupees in thousand	
Finance cost on borrowing	**43,230**	7,671
Finance cost on lease liability	**6,877**	7,373
	50,107	15,044

	2021	2020
	Rupees in thousand	
36 Taxation		
Current taxation		
For the year		
- General	890,670	491,854
- Window Takaful Operations - Operator's fund	40,490	47,605
Prior year	-	(579,273)
	931,160	(39,814)
Deferred taxation		
For the year		
- General	337,809	74,730
- Window Takaful Operations - Operator's fund	(102)	(236)
	337,707	74,494
	1,268,867	34,680

	(Effective tax rate) 2021	2020
	(Percentage)	
36.1 Tax Charge Reconciliation		
Tax at the applicable rate of 29% (2020: 29%)	29.00	29.00
Prior year	-	(30.33)
Tax effect of provision for impairment of investments	(0.32)	2.41
Others	0.12	0.74
	28.80	1.82

37 Earnings per share - basic and diluted

There is no dilutive effect on the basic earnings per share which is based on:

	2021	2020
	Rupees in thousand	
Profit after tax for the period attributable to ordinary shareholders	3,136,494	1,875,506
	Number of shares	
Weighted average number of ordinary shares outstanding	350,000,000	350,000,000
	Rupees	
Earnings (after tax) per share - basic and diluted	8.96	5.36

38 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	
	2021	2020	2021	2020	2021	2020
	Rupees in thousand					
Fees	-	-	320	236	-	-
Managerial remuneration	31,013	27,691	-	-	853,793	866,120
Leave encashment	4,135	-	-	-	36,553	32,470
Bonus	4,723	4,360	-	-	66,735	59,727
Charge of defined benefit plan	1,085	2,400	-	-	33,266	36,094
Contribution to defined contribution plan	1,551	1,384	-	-	27,362	24,251
House rent allowance	-	-	-	-	127,515	124,277
Utilities	448	556	-	-	-	-
Medical	-	-	-	-	28,337	57,737
Conveyance	-	-	-	-	86,729	87,162
Special allowance	1,800	1,800	-	-	-	-
Other allowance	447	473	-	-	-	-
	45,202	38,664	320	236	1,260,290	1,287,838
Number	1	1	7	7	356	354

38.1 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.

38.2 No remuneration was paid to Non-Executive Directors of the Company except for meeting fees.

39 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, 15 & 21 and related cashflows included in these unconsolidated financial statements. Other transactions and balances with related parties are summarized as follows:

	Relationship with the Company	2021	2020
		Rupees in thousand	
i) Transactions			
Premiums underwritten	Subsidiary company	**24,078**	17,713
Premiums received	Subsidiary company	**22,983**	19,659
Investments made	Subsidiary company	**1,564,506**	-
Claims paid	Subsidiary company	**15,296**	11,731
Claims received	Subsidiary company	**3,000**	6,000
Premium paid	Subsidiary company	**20,875**	20,839
Security deposit received	Subsidiary company	**-**	3,190
Rent paid / payable	Subsidiary company	**4,463**	-
Rent / service charges / expenses received	Subsidiary company	**59,388**	66,694
Premiums underwritten	Other related parties	**1,734,106**	1,699,869
Premiums received	Other related parties	**1,264,474**	1,573,675
Claims paid	Other related parties	**647,164**	665,463
Security deposit received	Other related parties	**5,173**	-
Security deposit paid	Other related parties	**-**	115
Commission Paid	Other related parties	**27,939**	33,537
Guarantee commission received	Other related parties	**11,542**	8,460
Rent paid	Other related parties	**6,689**	8,067
Rent received	Other related parties	**63,767**	39,247
Dividends received	Other related parties	**1,320,294**	459,884
Dividends paid	Other related parties	**197,921**	197,582
Income on bank deposits	Other related parties	**42,794**	88,763
Investments made	Other related parties	**1,250,493**	226,107
Investments sold	Other related parties	**-**	-
Fixed assets sold	Other related parties	**33,055**	3,538
Purchases	Other related parties	**-**	-
Fee / service charges paid	Other related parties	**15,941**	10,931
Fee / service charges received / accrued	Other related parties	**17,298**	10,485
Payments made to provident fund	Employees' fund	**36,543**	35,124
ii) Period end balances			
Balances receivable	Subsidiary company	**64,112**	48,364
Balances payable	Subsidiary company	**5,186**	5,684
Balances receivable	Other related parties	**243,103**	206,040
Balances payable	Other related parties	**299,939**	313,285
Payable to provident fund	Employees' fund	**88**	143

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2021

39.1 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
AA Joyland (Private) Limited	Common directorship	Nil
Adamjee Life Assurance Company Limited	Subsidiary	100.000%
Agro Hub International (Private) Limited	Common directorship	Nil
Cotton Web Limited	Company director Chairman	Nil
Dupak Developers Pakistan (Private) Limited	Common directorship	Nil
Dupak Properties (Private) Limited	Common directorship	Nil
Dupak Tameer Limited	Common directorship	Nil
Export Development Funds	Common directorship	Nil
Fortress Financials Services (Private) Limited	Common directorship	Nil
Fortress Square Services (Private) Limited	Common directorship	Nil
Fortress Supplies (Private) Limited	Common directorship	Nil
Golf View Land (Private) Limited	Common directorship	Nil
Hyundai Nishat Motor (Private) Limited	Common directorship	10.000%
Joyland (Private) Limited	Common directorship	Nil
Mahmood Textile Mills Limited	Common directorship	Nil
Masood Spinning Mills Limited	Common directorship	Nil
MCB Bank Limited	Common directorship	4.658%
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%
Pakistan Single Window	Common directorship	Nil
Punjab Industrial Estate Development & Management Company	Common directorship	Nil
Punjab Social Security Health Management Company	Common directorship	Nil
Roomi Foods (Private) Limited	Common directorship	Nil
Roomi Poultry (Private) Limited	Common directorship	Nil
Siddiqsons Limited	Common directorship	Nil
Siddiqsons Tin Plate Limited	Common directorship	Nil
Siddiqsons Energy Limited	Common directorship	Nil

40 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	
	----- Rupees in thousands -----												
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	5,387,399	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
	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
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	(7,219,382)	(14,157)	(263,765)	(149)	(58,042)	(148,410)	-	(211,443)	(524,885)	(7,173)	(8,066,074)	(381,332)	(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	550,729	8,682	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	-	264,885	241,652	(305)	3,663,693	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)	(220,458)	(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)
Workers' welfare fund reversal											-	-	-
Profit from Window Takaful 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
											48,579,372	13,061,211	61,640,583
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											5,776,523	805,415	6,581,938
											25,654,274	10,596,545	36,250,819

40.1 Segment Information

	2020												
	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 thousands ----------												
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	7,807,455	22,809	1,093,491	21,577	3,164,282	4,874,936	1,843,638	120,239	1,318,979	10,319	**15,227,845**	**5,049,880**	**20,277,725**
Federal excise duty / VAT	(987,504)	(1,448)	(123,365)	(363)	(377,194)	(231,787)	(16,327)	(5,726)	(118,270)	(601)	**(1,622,660)**	**(239,925)**	**(1,862,585)**
Federal insurance fee	(67,970)	(48)	(9,626)	(23)	(27,904)	-	(18,057)	-	(12,396)	(6)	**(135,953)**	**(77)**	**(136,030)**
	6,751,981	21,313	960,500	21,191	2,759,184	4,643,149	1,809,254	114,513	1,188,313	9,712	**13,469,232**	**4,809,878**	**18,279,110**
Gross written premium (inclusive of administrative surcharge)	6,751,981	21,313	960,500	21,191	2,759,184	4,643,149	1,809,254	114,513	1,188,313	9,712	**13,469,232**	**4,809,878**	**18,279,110**
Gross direct premium	6,700,563	21,242	937,043	21,191	2,654,141	4,635,746	1,806,431	114,513	1,151,574	9,692	**13,249,752**	**4,802,384**	**18,052,136**
Facultative inward premium	33,239	-	415	-	215	-	-	-	27,876	-	**61,745**	**-**	**61,745**
Administrative surcharge	18,179	71	23,042	-	104,828	7,403	2,823	-	8,863	20	**157,735**	**7,494**	**165,229**
	6,751,981	21,313	960,500	21,191	2,759,184	4,643,149	1,809,254	114,513	1,188,313	9,712	**13,469,232**	**4,809,878**	**18,279,110**
Insurance premium earned	6,638,334	29,222	935,695	19,427	2,737,732	6,569,394	1,873,910	33,667	1,459,598	11,356	**13,645,269**	**6,663,066**	**20,308,335**
Insurance premium ceded to reinsurers	(5,816,310)	(20,701)	(263,140)	-	(47,389)	(195,141)	-	(41,406)	(621,776)	(7,846)	**(6,748,615)**	**(265,094)**	**(7,013,709)**
Net insurance premium	822,024	8,521	672,555	19,427	2,690,343	6,374,253	1,873,910	(7,739)	837,822	3,510	**6,896,654**	**6,397,972**	**13,294,626**
Commission income	413,856	2,603	1,727	-	4,147	-	-	1,905	99,353	1,378	**519,083**	**5,886**	**524,969**
Net underwriting income	1,235,880	11,124	674,282	19,427	2,694,490	6,374,253	1,873,910	(5,834)	937,175	4,888	**7,415,737**	**6,403,858**	**13,819,595**
Insurance claims	(2,219,655)	(107,757)	(348,185)	3,443	(1,283,439)	(5,691,685)	(1,567,530)	(62,161)	(902,353)	1,443	**(6,321,162)**	**(5,856,717)**	**(12,177,879)**
Insurance claim recoveries from reinsurer	1,577,406	35,947	42,523	-	162,184	1,849,868	-	42,390	480,216	489	**2,262,329**	**1,928,694**	**4,191,023**
Net claims	(642,249)	(71,810)	(305,662)	3,443	(1,121,255)	(3,841,817)	(1,567,530)	(19,771)	(422,137)	1,932	**(4,058,833)**	**(3,928,023)**	**(7,986,856)**
Commission expense	(415,970)	(2,645)	(118,735)	(2,465)	(184,654)	(1,424,474)	(72,073)	(3,431)	(133,120)	(592)	**(924,552)**	**(1,433,607)**	**(2,358,159)**
Management expense	(368,958)	(1,082)	(351,320)	(8,989)	(995,497)	(965,423)	(131,697)	(19,884)	(255,435)	(595)	**(2,102,907)**	**(995,973)**	**(3,098,880)**
Net insurance claims and expenses	(1,427,177)	(75,537)	(775,717)	(8,011)	(2,301,406)	(6,231,714)	(1,771,300)	(43,086)	(810,692)	745	**(7,086,292)**	**(6,357,603)**	**(13,443,895)**
Underwriting result	(191,297)	(64,413)	(101,435)	11,416	393,084	142,539	102,610	(48,920)	126,483	5,633	**329,445**	**46,255**	**375,700**
Net investment income											**933,375**	**159,131**	**1,092,506**
Rental income											**110,734**	**1,983**	**112,717**
Other income											**186,141**	**56,725**	**242,866**
Change in fair value of investment property											**-**	**-**	**-**
Other expenses											**(48,745)**	**(13,588)**	**(62,333)**
Finance cost											**(10,785)**	**(4,259)**	**(15,044)**
Workers' welfare fund reversal											**-**	**-**	**-**
Profit from Window Takaful Operations - Operator's fund											**163,774**	**-**	**163,774**
Profit before taxation											**1,663,939**	**246,247**	**1,910,186**
Segment Assets	6,767,220	84,504	498,520	7,214	1,111,411	4,087,762	503,065	99,727	1,812,432	19,049	**10,692,648**	**4,298,256**	**14,990,904**
Unallocated assets											**27,934,697**	**6,594,548**	**34,529,245**
											38,627,345	**10,892,804**	**49,520,149**
Segment Liabilities	7,633,997	99,635	736,427	22,678	2,397,597	8,116,777	1,433,789	141,733	2,206,070	21,468	**14,407,880**	**8,402,291**	**22,810,171**
Unallocated Liabilities											**3,833,873**	**641,246**	**4,475,119**
											18,241,753	**9,043,537**	**27,285,290**

41 Movement in investments

	Investment in subsidiary	Available for sale	Held to Maturity	Total
	Rupees in thousand			
As at January 01, 2020	694,895	18,843,017	6,349,760	25,887,672
Additions	403,005	1,580,251	9,120,640	11,103,896
Disposals (sales and redemptions)	-	(969,356)	(9,356,998)	(10,326,354)
Fair value net gains (excluding net realized gain)	-	(100,811)	-	(100,811)
Currency translation effect	-	-	184,091	184,091
Unwinding of discount on debt securities	-	-	5,900	5,900
Impairment losses	-	(158,641)	-	(158,641)
As at December 31, 2020	**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**

42 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 :

42.1 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.

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.

42.1.1 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.

42.1.2 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	
	2021	2020	2021	2020	2021	2020
	Rupees in thousand					
Fire & property damage	**6,924,274,110**	5,362,654,044	**6,170,569,904**	4,603,407,292	**753,704,206**	759,246,752
Marine aviation & transport	**3,430,150,972**	2,745,235,895	**339,471,868**	327,249,038	**3,090,679,104**	2,417,986,857
Motor	**302,050,319**	226,188,600	**7,328,767**	5,677,579	**294,721,552**	220,511,021
Accident & health	**213,755,098**	115,702,675	**44,005,051**	1,188,805	**169,750,047**	114,513,870
Miscellaneous	**463,322,671**	432,883,227	**363,891,891**	340,447,752	**99,430,780**	92,435,475
	11,333,553,170	8,882,664,441	**6,925,267,481**	5,277,970,466	**4,408,285,689**	3,604,693,975

42.1.3 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to the 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.

42.1.4 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 on 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 that 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.

42.1.5 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)	
	2021	**2020**
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire & property	**(31,116)**	(71,406)
Marine, aviation and transport	**(44,004)**	(30,222)
Motor	**(413,961)**	(496,307)
Accident & health	**(193,016)**	(158,730)
Miscellaneous	**(38,291)**	(42,021)
	(720,388)	(798,686)
10% decrease in claims liability		
Net:		
Fire & property	**31,116**	71,406
Marine, aviation and transport	**44,004**	30,222
Motor	**413,961**	496,307
Accident & health	**193,016**	158,730
Miscellaneous	**38,291**	42,021
	720,388	798,686

Notes to the Unconsolidated Financial Statements
For the year ended 31 December 2021

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	491,571	347,675	13,993	49,902	41,627	38,374

42.2 Financial Risk

Maturity profile of financial assets and liabilities:

	2021						
	Interest / markup bearing			Non - interest / markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Financial assets	Rupees in thousand						
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
	7,922,464	161,805	8,084,269	38,324,696	2,729,250	41,053,946	49,138,215
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
	926,756	-	926,756	20,710,224	-	20,710,224	21,636,980
	6,995,708	161,805	7,157,513	17,614,472	2,729,250	20,343,722	27,501,235

	2020						
	Interest / markup bearing			Non - interest / 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- quoted	-	-	**-**	15,710,251	-	**15,710,251**	**15,710,251**
Equity securities- unquoted	-	-	**-**	3,484,209	-	**3,484,209**	**3,484,209**
Debt securities	275,631	98,700	**374,331**	-	-	**-**	**374,331**
Term deposits	5,851,874	77,188	**5,929,062**	-	-	**-**	**5,929,062**
Investment in subsidiary	-	-	**-**	-	1,097,900	**1,097,900**	**1,097,900**
Investments of Window Takaful Operations - Operator's Fund	-	-	**-**	35,873	-	**35,873**	**35,873**
Loans and other receivables	521	2,964	**3,485**	277,082	60,800	**337,882**	**341,367**
Insurance / reinsurance receivables - unsecured and considered good	-	-	**-**	4,759,151	-	**4,759,151**	**4,759,151**
Reinsurance recoveries against outstanding claims	-	-	**-**	5,922,296	-	**5,922,296**	**5,922,296**
Cash and bank	932,769	-	**932,769**	379,275	-	**379,275**	**1,312,044**
Other Assets of Window Takaful Operations - Operator's Fund	-	-	**-**	520,061	-	**520,061**	**520,061**
	7,060,795	178,852	**7,239,647**	31,088,198	1,158,700	**32,246,898**	**39,486,545**
Financial liabilities							
Outstanding claims	-	-	**-**	10,768,040	-	**10,768,040**	**10,768,040**
Borrowings	90,310	76,057	**166,367**	-	-	**-**	**166,367**
Insurance / reinsurance payables	-	-	**-**	3,030,884	-	**3,030,884**	**3,030,884**
Other creditors and accruals	-	-	**-**	1,512,670	-	**1,512,670**	**1,512,670**
Deposits and other liabilities	-	-	**-**	672,367	-	**672,367**	**672,367**
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	**-**	242,797	-	**242,797**	**242,797**
	90,310	76,057	**166,367**	16,226,758	-	**16,226,758**	**16,393,125**
	6,970,485	**102,795**	**7,073,280**	**14,861,440**	**1,158,700**	**16,020,140**	**23,093,420**

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:

	Effective interest rate (%)		Carrying amounts	
	2021	2020	**2021**	2020
			Rupees in thousand	
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	**7.32% - 11.71%**	7.32% - 11.71%	**377,652**	374,331
Loans	**5%**	5%	**3,517**	3,485
Floating rate financial instruments				
Financial assets:				
Bank and term deposits	**3.50% - 10.90%**	4.50% - 11.35%	**7,628,100**	6,861,831

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, 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)**
As at December 31, 2020 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	68,618	(68,618)	48,719	(48,719)

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. 13,061,212 thousands (2020: Rs. 10,892,805 thousands) and Rs. 10,596,545 thousands (2020: Rs. 9,043,537 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:	**2021**	2020
	Rupees in thousand	
Rupees per US Dollar		
Average rate	**162.8972**	161.8459
Reporting date rate	**176.5135**	159.8344
Rupees per AED		
Average rate	**44.3528**	44.0622
Reporting date rate	**48.0564**	43.5143

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 an individual financial instrument or its issuer, or factors affecting all or similar financial instruments 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 a 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 strict discipline in internal risk management and investment policies.

The Company has investments in quoted equity securities amounting to Rs. 14,821,459 thousands (2020: Rs. 15,710,251 thousands) at the reporting date. The carrying value of investments subject to equity price risk is, 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 tax	Impact on equity
	Rupees in thousand	
2021		
Effect of increase in share price	**719,988**	**511,192**
Effect of decrease in share price	**(2,199,267)**	**(1,561,479)**
2020		
Effect of increase in share price	999,344	709,534
Effect of decrease in share price	(489,780)	(347,744)

42.3 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 a 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:

	2021	2020
	Rupees in thousand	
Investments	**31,069,103**	26,595,753
Loans and other receivable	**615,600**	582,896
Due from insurance contract holders	**6,258,021**	3,790,830
Due from other insurers / reinsurers	**917,849**	968,321
Reinsurance recoveries against outstanding claims	**7,598,556**	5,922,296
Salvage recoveries accrued	**344,957**	270,275
Bank deposits	**2,164,004**	1,306,903
	48,968,090	39,437,274

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 notes 13.2 and 13.3 to these unconsolidated financial statements.

Age analysis of due from insurance contact holders (net of provision) is as follows:

	2021	2020
	Rupees in thousand	
Upto one year	**5,883,838**	3,261,295
Above one year	**1,452,283**	1,461,919
	7,336,121	4,723,214
Provision for doubtful balances	**(1,078,100)**	(932,384)
	6,258,021	3,790,830

The credit quality of Company's bank balance can be assessed with reference to external credit rating as follows:

	Rating		Rating	2021	2020
	Short Term	Long Term	Agency	Rupees in thousand	
Abu Dhabi Commercial Bank	A1	A	S&P	**362,605**	141,791
Allied Bank Limited	A1+	AAA	PACRA	**6,070**	5,020
Askari Bank Limited	A1+	AA+	PACRA	**20**	46
Bank Al Habib Limited	A1+	AAA	PACRA	**15,764**	24,757
Bank Alfalah Limited	A1+	AA+	PACRA	**834,946**	690,417
FINCA Micro Finance Bank Limited	A1	A	PACRA	**3,519**	2,369
First Abu Dhabi Bank	A-1+	AA-	S&P	**144,169**	-
Habib Bank Limited	A1+	AAA	JCR-VIS	**162,289**	59,015
Habib Metropolitan Bank	A1+	AA+	PACRA	**(149)**	(149)
Khushhali Microfinance Bank Limited	A1	A+	JCR-VIS	**6,662**	5,706
MCB Bank Limited	A1+	AAA	PACRA	**151,077**	368,010
Mobilink Micro Finance Bank	A1	A	PACRA	**49,291**	8,781
National Bank of Pakistan	A1+	AAA	PACRA	**12,402**	1,703
Samba Bank Limited	A1	AA	JCR-VIS	**9,653**	33,710
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	**225,124**	(46,594)
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	**177,136**	8,895
				2,164,004	**1,306,903**

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 claims	2021	2020
	Rupees in thousand			
A or Above (including PRCL)	**1,008,046**	**5,815,338**	**6,823,384**	5,453,647
BBB	**29**	**915,443**	**915,472**	1,053,293
Others	**111,076**	**867,775**	**978,851**	584,979
Total	**1,119,151**	**7,598,556**	**8,717,707**	7,091,919

42.4 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, 2021 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.

43 Statement of Solvency

	2021
	Rupees in thousand
Assets	
Property and equipment	4,238,164
Intangible assets	100,379
Investment properties	1,632,498
Investment in subsidiary	2,662,406
Investments	
Equity securities	21,157,579
Debt securities	377,652
Term deposits	6,871,466
Loans and other receivables	615,600
Insurance / reinsurance receivables	7,175,870
Reinsurance recoveries against outstanding claims	7,598,556
Salvage recoveries accrued	344,957
Deferred commission expense / acquisition cost	1,055,480
Taxation - payment less provisions	160,143
Prepayments	4,751,930
Cash and bank	2,174,053
	60,916,733
Total assets of Window Takaful Operations - Operator's Fund	**723,850**
Total assets	**61,640,583**

	2021
	Rupees in thousand
In-admissible assets as per following clauses of Section 32(2) of the Insurance Ordinance, 2000	
Loans to employees	48,412
Investment in subsidiary	2,662,406
Premium due from insurance contract holder	1,299,474
Due from other insurers / reinsurers	866,695
Intangible assets	100,379
Lien on term deposits	6,218,122
Other prepayments and sundry receivables	243,251
Bank balances subject to encumbrances	704,537
Equity investment	11,229,530
Movable properties	1,230,131
Inadmissible assets of Window Takaful Operations - Operator's Fund	37,530
Total of in-admissible assets	**(24,640,467)**
Total admissible assets	**37,000,116**
Liabilities	
Underwriting provisions:	
Outstanding claims including IBNR	7,159,559
Unearned premium reserve	11,010,289
Unearned reinsurance commission	241,094
Retirement benefits obligations	263,660
Deferred taxation	2,031,142
Borrowings	926,756
Deferred grant income	6,329
Premium received in advance	515,758
Insurance / reinsurance payables	5,215,694
Other creditors and accruals	2,446,386
Deposits and other liabilities	629,135
Taxation - provision less payment	-
	30,445,802
Total liabilities of Window Takaful Operations - Operator's Fund	**278,531**
Total liabilities	**30,724,333**
Total net admissible assets	**6,275,783**
Minimum solvency requirement (higher of following)	
- Method A - U/s 36(3)(a)	150,000
- Method B - U/s 36(3)(b)	2,510,495
- Method C - U/s 36(3)(c)	3,159,345
	3,159,345
Excess in Net Admissible Assets over minimum requirement	**3,116,438**

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2021

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 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.

		2021									
	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	16	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 *	13	-	-	7,175,870	-	-	**7,175,870**	-	-	-	**-**
Reinsurance recoveries against outstanding claims *		-	-	7,598,556	-	-	**7,598,556**	-	-	-	**-**
Cash and bank *	15	-	-	-	2,174,053	-	**2,174,053**	-	-	-	**-**
Other Assets of Window Takaful Operations - Operator's Fund*	16	-	-	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*	21	-	-	-	-	926,756	**926,756**	-	-	-	**-**
Outstanding claims (including IBNR)*	28	-	-	-	-	12,686,045	**12,686,045**	-	-	-	**-**
Insurance / reinsurance payables *	23	-	-	-	-	5,215,694	**5,215,694**	-	-	-	**-**
Other creditors and accruals*		-	-	-	-	1,900,819	**1,900,819**	-	-	-	**-**
Deposits and other liabilities*	25	-	-	-	-	629,135	**629,135**	-	-	-	**-**
Total liabilities of Window Takaful Operations- Operator's Fund*	16	-	-	-	-	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 2021

	Note	2020									
		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	15,710,251	-	-	-	-	15,710,251	15,710,251	-	-	15,710,251
Equity securities- unquoted	9	3,484,209	-	-	-	-	3,484,209	-	-	3,484,209	3,484,209
Investments of Window Takaful Operations - Operator's Fund	16	35,873	-	-	-	-	35,873	35,873	-	-	35,873
Financial assets - not measured at fair value											
Debt securities	10	-	374,331	-	-	-	374,331	-	374,331	-	374,331
Loans and other receivables *		-	-	341,367	-	-	341,367	-	-	-	-
Investment - Term deposits*	11	-	5,929,062	-	-	-	5,929,062	-	-	-	-
Investment in subsidiary	8	-	-	1,097,900	-	-	1,097,900	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good *	13	-	-	4,759,151	-	-	4,759,151	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	5,922,296	-	-	5,922,296	-	-	-	-
Cash and bank *	15	-	-	-	1,312,044	-	1,312,044	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	16	-	-	310,615	209,446	-	520,061	-	-	-	-
		19,230,333	6,303,393	12,431,329	1,521,490	-	39,486,545	15,746,124	374,331	3,484,209	19,604,664
Financial liabilities - not measured at fair value											
Underwriting provisions:											
Borrowings*	21	-	-	-	-	166,367	166,367	-	-	-	-
Outstanding claims (including IBNR)*	28	-	-	-	-	10,768,040	10,768,040	-	-	-	-
Insurance / reinsurance payables *	23	-	-	-	-	3,030,884	3,030,884	-	-	-	-
Other creditors and accruals*		-	-	-	-	1,512,670	1,512,670	-	-	-	-
Deposits and other liabilities*	25					672,367	672,367	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	16	-	-	-	-	242,797	242,797	-	-	-	-
		-	-	-	-	16,393,125	16,393,125	-	-	-	-

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

45 Provident fund related disclosure

The following information is based on unaudited financial statements for the year ended December 31, 2021 and audited financial statements for the year ended December 31, 2020.

	2021	2020
	Rupees in thousand	
Size of fund - Total assets	**1,077,345**	1,094,909
Cost of investments	**1,060,707**	1,034,843
Fair value of investments	**1,102,345**	1,119,190
Investments made (Percentage)	**100.00**	100.00

45.1 The break-up of cost of investments is as follows:

	2021	2020	2021	2020
	(Percentage)		Rupees in thousand	
Investment in Money Market Collective Investment Scheme	**14.84**	12.24	**157,358**	126,672
Investment in Equity Collective Investment Schemes	**2.53**	4.50	**26,871**	46,599
Investment in Debt Collective Investment Schemes	**-**	-	**-**	-
Investment in Listed Debt Securities	**3.46**	4.19	**36,667**	43,333
Investment in Listed Equity Securities	**7.18**	6.24	**76,143**	64,543
Investment in Government Securities	**66.75**	63.51	**708,020**	657,183
Bank balances	**1.80**	6.12	**19,078**	63,321
Others	**3.44**	3.20	**36,570**	33,192
	100.00	100.00	**1,060,707**	1,034,843

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.

46 Non - Adjusting events after the statement of financial position date

46.1 The Board of Directors of the Company in their meeting held on February 08, 2022 proposed a final cash dividend for the year ended December 31, 2021 @ 15% i.e. Rupees 1.5/- share (2020: 12.5% i.e. Rupees 1.25/- share). This is in addition to the interim cash dividend @ 15% i.e. Rupees 1.5/- per share (2020: 12.5% i.e. Rupees 1.25/- per share) resulting in a total cash dividend for the year ended December 31, 2021 of Rupees 3/- per share (2020: Rupees 2.5/- 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, 2021 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending December 31, 2022.

46.2 The Company follows the development of the Covid-19 corona virus and evaluates the extent to which this may affect the Company's operations in the short and long term. With the high levels of uncertainty surrounding the situation and potential additional initiatives by authorities and customers, it is very difficult to predict the full financial impact that the situation may have on the Company.

47 Number of employees

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

	2021	2020
	Numbers	
As at December 31	**921**	900
Average during the year	**910**	930

48 Corresponding figures

Reclassification / rearrangement of corresponding figures have been made in these unconsolidated financial statements wherever necessary.

49 Date of authorization for issue

These unconsolidated financial statements were authorized for issue on February 08, 2022 by the Board of Directors of the Company.

50 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Consolidated Financial Statements

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, 2021, and the consolidated profit and loss account, 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, 2021 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 27.2 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.	**Revenue Recognition Risk** Refer note 3.2 and 28 to the consolidated financial statements relating to revenue recognition and details in respect of net insurance premium respectively. The Group receives its revenue primarily from two main sources namely; premiums on insurance policies and investments income. Premiums from insurance policies comprise of 84.49% of the total revenue. We identified revenue recognition from premium income as a key audit matter because it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not be recognized in the appropriate period	Our audit procedures in respect of this matter included the following: • Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums; • Assessed the appropriateness of the Group's accounting policy for recording of premiums and that it is in line with the requirements of applicable law, accounting and reporting standards; • Traced the premium recorded on sample basis from the underlying policies issued to insurance contract holders; • Tested the policies on sample basis where premium was recorded close to year end and subsequent to

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		year end, and evaluated that these were recorded in the appropriate accounting period; and • Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.
2.	**Valuation of Claims Liabilities** Refer note 3.2.7, 19.2, and 29 to the consolidated financial statements for accounting policies and details in respect of claims liabilities. The Group's claims liabilities represent 13.55% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claims liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Group also maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process also involves significant judgment and the use of actuarial assumptions. Therefore, we have identified the valuation of claims liabilities as key audit matter.	Our audit procedures in respect of this matter included the following: • Assessed the appropriateness of the Group's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested 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; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed on a sample basis that recoveries from reinsurance on account of claims reported have been accounted for based on agreed terms and conditions; • Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Group for determination of IBNR; • Assessed competence, capability and objectivity of management's expert; • Assessed the data provided by the Group to its actuary for completeness and accuracy and ensured that the same has been provided to us; and • Considered the adequacy of Group's disclosures about the estimates used and the sensitivity to key assumptions.
3.	**Valuation of Investment Properties** Refer note 3.6 and 7 to the consolidated financial statements relating to valuation of Investment property. The Group has recorded its Investment property at fair value, Fair value gain on investment properties represent 22.90% of its total profit after tax for the year. Valuation of these investment properties involves significant	Our audit procedures in respect of this matter included the following: • Obtained an understanding of management process related to valuation of investment property; • Used an external valuer to assist us in evaluation of Investment Properties, valuer assumptions and methods adopted for valuations by the valuer of the Group;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
	management judgment regarding uncertainty in the estimation of rates for the building and assessment of frequency. Fair value gain / loss is recognized based on management judgment and estimated value from the management expert. The investment property's valuation process also involves significant judgments and the use of valuer's assumptions. We identified the valuation of investment property as key audit matter because of the significance of fair value gain	• Assessed the data provided by the Group to its valuer for completeness and accuracy and ensured that the same has been provided to us; • Evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriateness of methodology and assumptions used by the professional valuer engaged by the Group to estimate the fair value of investment property; and • Assessed the appropriateness of valuation of investment property held by the Group in accordance with accounting and reporting standards as applicable in Pakistan.
4.	**Valuation of unquoted Investments** Refer note 3.14.3, 8.1.2 and 8.1.4 to the consolidated financial statements relating to Valuation of Investments. The Group holds investment in the equity instrument of Hyundai Nishat Motor (Private) Limited (HNMPL) and Security General Insurance Company Limited (SGI). Due to HNMPL and SGI being a non-listed companies, their shares do not have a quoted price in an active market. Therefore, fair value of their shares has been determined through valuation methodology based on discounted cash flow method. This involves several estimation techniques and management's judgements to obtain reasonable expected future cash flows of the business and related discount rate. Due to the significant level of judgment and estimation required to determine the fair value of the investment, we consider it to be a key audit matter.	Our audit procedures in respect of this matter included the following: • Understood and evaluated the process by which the cash flow forecast was prepared and approved, including confirming the mathematical accuracy of the underlying calculations; • Evaluated the cash flow forecast by obtaining an understanding of respective businesses of HNMPL and SGI; • Obtained an understanding of the work performed by the management's expert on the model for the purpose of valuation; • Obtained corroborating evidence relating to the values as determined by the valuer 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; • Involved our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by the professional valuer in its discounted cash flow analysis used to derive the fair value of investment in unquoted equity; • Performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the value of the investment; 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.

Yousuf Adil

Chartered Accountants

Lahore : 15 February 2022

UDIN: AR20211008884IjRouhC

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, 2021.

The following appropriation of profit has been recommended by the Board of Directors:

	2021	2020
	Rupees in thousand	
Profit before tax	**4,269,861**	2,230,566
Taxation	**(1,326,268)**	(153,858)
Profit after tax	**2,943,593**	2,076,708
Less: Profit attributable to non-controlling interest	**-**	(2,786)
Profit attributable to ordinary shareholders	**2,943,593**	2,073,922
Unappropriated profit brought forward	**14,650,455**	13,610,534
Profit available for appropriation	**17,594,048**	15,684,456
Final dividend for the year ended 31 December 2020 @ 12.5% (Rupees 1.25/- per share) [31 December 2019 @ 15% (Rupees 1.5/- per share)]	**(437,500)**	(525,000)
Interim dividend for the half year ended 30 June 2021 @ 15% (Rupee 1.5/- per share) [30 June 2020 @ 12.5% (Rupee 1.25/- per share)]	**(525,000)**	(437,500)
Acquisition of non-controlling interest	**-**	(57,794)
Other Comprehensive Income / (Loss) – remeasurement of defined benefit obligation	**6,885**	(13,707)
Profit after appropriation	**16,638,433**	14,650,455

	2021	2020
	Rupees	
Earnings (after tax) per share - Basic and diluted	**8.41**	5.93

For and on behalf of the Board

Lahore: 08 February 2022

Imran Maqbool
Director

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021	2020
		Rupees in thousand	
ASSETS			
Property and equipment - Restated	5	5,415,445	4,468,641
Intangible assets	6	123,465	127,381
Investment properties - Restated	7	1,259,667	1,473,367
Investments			
Equity securities	8	38,014,361	34,863,749
Debt securities	9	25,619,017	15,290,166
Term deposits	10	14,451,466	13,891,062
Loan secured against life insurance policies		39,499	29,912
Loans and other receivables	11	965,110	985,744
Insurance / reinsurance receivables	12	7,311,312	4,991,328
Reinsurance recoveries against outstanding claims		7,598,556	5,922,296
Salvage recoveries accrued		344,957	270,275
Deferred commission expense / acquisition cost	30	1,055,480	731,319
Taxation - payment less provisions		730,267	691,558
Prepayments	13	4,790,632	3,468,952
Cash and bank	14	11,900,126	11,267,096
		119,619,360	98,472,846
Total assets of Window Takaful Operations - Operator's Fund (Parent Company)	15	723,850	589,148
Total Assets		120,343,210	99,061,994
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	5,482,136	4,487,307
Unappropriated profits		16,638,433	14,650,455
Equity attributable to equity holders of the Parent Company		25,620,569	22,637,762
Non-controlling interest	18	-	-
Total Equity		25,620,569	22,637,762
LIABILITIES			
Insurance liabilities	19	56,874,290	46,990,343
Underwriting provisions:			
Outstanding claims including IBNR	29	12,686,045	10,768,040
Unearned premium reserves	28	11,010,289	8,366,434
Unearned reinsurance commission	30	241,094	245,318
Retirement benefits obligations	20	257,200	309,581
Deferred taxation	21	2,262,665	1,581,977
Borrowings	22	1,011,650	330,849
Deferred grant income	23	10,627	28,574
Premium received in advance		946,956	724,448
Insurance / reinsurance payables	24	5,215,694	3,161,519
Other creditors and accruals	25	3,189,647	2,892,994
Deposits and other liabilities	26	737,953	781,358
		37,569,820	29,191,092
Total liabilities of Window Takaful Operations - Operator's Fund (Parent Company)	15	278,531	242,797
Total Equity and Liabilities		120,343,210	99,061,994
Contingencies and commitments	27		

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Umer Mansha	**Imran Maqbool**	**Muhammad Arif Hameed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Consolidated Profit and Loss Account
For the year ended 31 December 2021

	Note	2021	2020
		Rupees in thousand	
Net insurance premium	28	**32,651,255**	29,808,605
Net insurance claims	29	**(16,309,641)**	(14,825,487)
Net commission and other acquisition costs	30	**(4,661,204)**	(4,525,262)
Insurance claims and acquisition expenses		**(20,970,845)**	(19,350,749)
Management expenses	31	**(4,344,697)**	(4,051,227)
Net change in insurance liabilities (other than outstanding claims)		**(9,490,171)**	(9,937,066)
Underwriting results		**(2,154,458)**	(3,530,437)
Investment income	32	**5,995,959**	4,339,163
Net fair value (loss) / gain on financial assets at fair value through profit or loss	33	**(869,463)**	738,783
Rental income	34	**83,620**	69,812
Other income	35	**523,130**	559,041
Fair value adjustment to investment property	7	**674,140**	(21,000)
Other expenses	36	**(68,447)**	(68,689)
Results of operating activities		**4,184,481**	2,086,673
Finance cost		**(53,887)**	(19,881)
Profit from Window Takaful Operations - Operator's Fund (Parent Company)	15	**139,267**	163,774
Profit before taxation		**4,269,861**	2,230,566
Income tax expense	37	**(1,326,268)**	(153,858)
Profit after taxation		**2,943,593**	2,076,708
Profit attributable to:			
Equity holders of the Parent		**2,943,593**	2,073,922
Non-controlling interest	18	**-**	2,786
		2,943,593	2,076,708
		Rupees	
Earnings (after tax) per share - basic and diluted	38	**8.41**	5.93

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021	2020
	Rupees in thousand	
Profit after taxation	**2,943,593**	2,076,708
Items that will not be subsequently reclassified to profit and loss account		
Re-measurement of retirement benefit obligations - net of tax	**6,885**	(13,707)
Items that may be subsequently reclassified to profit and loss account		
Unrealized gain / (loss) on 'available-for-sale' investments - net of tax	**596,101**	(141,355)
Reclassification adjustment relating to 'available for sale' investments disposed off in the year - net of tax	**177,198**	73,704
Unrealized gain / (loss) on 'available for sale' investment from Window Takaful Operations - net of tax	**85**	(473)
Net effect of translation of foreign branches	**221,445**	3,502
Other comprehensive income / (loss) for the year	**1,001,714**	(78,329)
Total comprehensive income for the year	**3,945,307**	1,998,379
Total comprehensive income attributable to:		
Equity holders of the Parent	**3,945,307**	1,994,896
Non-controlling interest	**-**	3,483
	3,945,307	1,998,379

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Imran Maqbool
Director

Muhammad Arif Hameed
Director

Muhammad Asim Nagi
Chief Financial Officer

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	2021	2020
	Rupees in thousand	
Cash flows from operating activities		
Underwriting activities		
Insurance premiums received	**41,783,255**	36,589,154
Reinsurance premiums paid	**(7,675,050)**	(6,632,269)
Claims paid	**(20,485,604)**	(19,072,381)
Reinsurance and other recoveries received	**4,057,858**	4,326,300
Commissions paid	**(4,715,797)**	(4,021,112)
Commissions received	**554,992**	532,528
Other underwriting payments	**(4,505,906)**	(4,973,401)
Net cash inflow from underwriting activities	**9,013,748**	6,748,819
Other operating activities		
Income tax paid	**(970,337)**	(411,376)
Finance cost paid on lease liability	**(6,877)**	(31,483)
Other operating payments	**(36,422)**	(30,192)
Loans advanced	**(60,445)**	(45,178)
Loans repayments received	**54,547**	49,691
Other operating receipts	**38,380**	113,738
Net cash outflow from other operating activities	**(981,154)**	(354,800)
Total cash inflow from operating activities	**8,032,594**	6,394,019
Cash flows from investing activities		
Profit / return received from bank deposits	**2,942,182**	874,898
Income from Debt Securities	**46,977**	1,054,181
Dividends received	**2,898,860**	1,352,787
Rentals received	**136,865**	124,863
Payments made for investments	**(294,021,339)**	(180,332,348)
Acquisition of Non controlling interest	**-**	(403,005)
Loan to policy holder	**(5,925)**	5,998
Proceeds from disposal of investments	**280,869,881**	173,248,318
Fixed capital expenditure - operating assets	**(315,528)**	(540,093)
Fixed capital expenditure - intangible assets	**(36,768)**	(27,247)
Proceeds from disposal of operating assets	**74,305**	104,832
Total cash outflow from investing activities	**(7,410,490)**	(4,536,816)
Cash flows from financing activities		
Payments against lease liability	**(47,400)**	(80,213)
Loan obtained	**1,390,000**	357,351
Loan paid including interest expense on loan	**(746,048)**	(913)
Dividends paid	**(967,626)**	(926,576)
Total cash outflow from financing activities	**(371,074)**	(650,351)
Net cash inflow from all activities	**251,030**	1,206,852
Cash and cash equivalents at beginning of the year	**19,229,096**	18,022,244
Cash and cash equivalents at end of the year	**19,480,126**	19,229,096

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	2021	2020
	Rupees in thousand	
Reconciliation to profit and loss account		
Operating cash flows	**8,032,594**	6,394,019
Depreciation and amortization expense	**(329,923)**	(367,157)
Finance cost on borrowing	**(75,462)**	(13,664)
Provision for retirement benefit obligations	**(14,690)**	(26,403)
Provision for doubtful balances against insurance / reinsurance receivables	**(72,104)**	(47,968)
Other income - bank & term deposits	**1,012,640**	934,440
Gain on disposal of operating assets	**23,799**	72,039
Rental income	**85,693**	71,671
Revaluation of investment	**(869,463)**	738,783
Fair value adjustment to investment property	**674,140**	(21,000)
Increase / (decrease) in assets other than cash	**6,250,883**	(1,032,963)
Increase in liabilities	**(15,676,663)**	(10,901,509)
Gain on disposal of investments	**396,109**	700,910
(Increase) / Decrease in unearned premium	**(2,643,855)**	1,875,914
Increase / (decrease) in loans	**5,898**	(4,513)
Income tax paid	**970,337**	411,376
Provision for impairment of 'available-for-sale' investments	**49,899**	(158,641)
Dividend and other income	**2,885,995**	1,362,106
Capital contribution from Shareholders' Fund	**-**	-
Income from Debt Securities	**2,098,499**	1,925,494
Profit for the year from Window Takaful Operations		
- Operator's fund (Parent Company)	**139,267**	163,774
Profit after taxation	**2,943,593**	2,076,708
Cash and bank for the purposes of the cash flow statement consists of:		
Cash and cash equivalents	**20,554**	11,079
Current and other accounts	**11,879,572**	11,256,017
Term deposit maturing within three months	**7,580,000**	7,962,000
	19,480,126	19,229,096

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	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 profits	Equity attributable to equity holders of the Parent	Non-controlling interest	Total Equity
	Rupees in thousand									
Balance as at January 01, 2020	3,500,000	22,859	3,764	674,936	2,914,787	936,500	13,610,534	**21,663,380**	341,508	**22,004,888**
Profit after taxation	-	-	-	-	-	-	2,073,922	**2,073,922**	2,786	**2,076,708**
Other comprehensive income	-	-	-	3,502	(68,821)	-	(13,707)	**(79,026)**	697	**(78,329)**
Total comprehensive income for the year ended December 31, 2020	-	-	-	3,502	(68,821)	-	2,060,215	**1,994,896**	3,483	**1,998,379**
Transactions with owners, recognized directly in equity										
Acquisition of Non-controlling interest	-	-	-	-	(220)	-	(57,794)	**(58,014)**	(344,991)	**(403,005)**
Final cash dividend at Rs. 1.5 per share - December 31, 2019	-	-	-	-	-	-	(525,000)	**(525,000)**	-	**(525,000)**
Interim cash dividend at Rs. 1.25 per share - June 30, 2020	-	-	-	-	-	-	(437,500)	**(437,500)**	-	**(437,500)**
	-	-	-	-	(220)	-	(1,020,294)	**(1,020,514)**	(344,991)	**(1,365,505)**
Balance as at December 31, 2020	3,500,000	22,859	3,764	678,438	2,845,746	936,500	14,650,455	**22,637,762**	-	**22,637,762**
Profit after taxation	-	-	-	-	-	-	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**
	3,500,000	22,859	3,764	899,883	3,619,130	936,500	17,600,933	**26,583,069**	-	**26,583,069**
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**

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

1 The Group and its operations:

These consolidated financials 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 100.00% (2020: 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 91 (2020: 91) branches in addition to 20 (2020: 20) specialized agriculture field offices within Pakistan.

The Parent Company also operates 3 (2020: 3) branches in the United Arab Emirates (UAE) and 1 (2020: 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 (2020: 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. 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. The Subsidiary Company is a wholly owned subsidiary of Adamjee Insurance 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. 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.

During the year, on March 10, 2021 the Board of Directors resolved that the Subsidiary Company would apply for listing on Pakistan Stock Exchange. In this connection, the Subsidiary Company has issued 156,450,600 right shares during the year to its Parent Company to increase its share capital to Rs. 2.5 billion. The Subsidiary Company has initiated the regulatory process of listing and intends to offer 25,000,000 shares to the public which represents 10% of its existing paid-up capital through Offer for sale for which Offer for sale document is made public subsequent to the year end.

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.

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

Standards or Interpretations	Effective from annual period beginning on or after:
IBOR 2 'Interest Rate Benchmark Reform — Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	January 01, 2021

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on January 01, 2021:

2.6 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2022:

Standards or Interpretations	Effective from annual period beginning
Amendments to IFRS 16 ' Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting the Company from deducting from the cost of property plant and equipment, amount received from selling items produced while the Company is preparing the asset for its intended use.	January 01, 2022
Amendments to IFRS 3 'Business Combinations' that updated an outdated reference in IFRS 3 without significantly changing its requirements.	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs of fulfilling the contract to include when assessing whether a contract is Onerous.	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.	January 01, 2023
Amendments to IAS 12 'Income Taxes' - regarding deferred tax on leases and decommissioning obligations.	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - regarding the definition of accounting estimates.	January 01, 2023
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture. Certain annual improvements have also been made to a number of IFRSs.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

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, 2022 but are considered either not to be relevant or do not have any significant impact on these consolidated 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

	2021				
	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*	1,479,210	-	10,420,916	-	-
Investments in equity securities	38,014,361	275,380	-	-	-
Investment in debt securities	-	-	25,619,017	-	-
Term deposits*	-	-	14,451,466	-	-
Loan secured against life insurance policies	-	-	39,499	-	-
Loans and other receivables*	961,593	-	3,517	-	-
Total	40,455,164	275,380	50,534,415	-	-

* 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.

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.

- 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.

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.

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 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.

3.3 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 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.

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 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 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 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 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.

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.

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.

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.

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 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, 2021.

- 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, 2021.

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 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 (2020: 60). The most recent valuation is carried out as at December 31, 2021 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, 2021. 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.

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.

Notes to the Consolidated Financial Statements
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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 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, 2021.

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**
- Provision for outstanding claims	**3.3**
- Impairment of assets - financial assets	**3.22**
- Segment Reporting	**3.11**

4.2 Change in accounting estimate

The management reviews the useful lives of property and equipment on regular basis. During the current year, the management of the Parent Company has revised its estimate of the residual values of its operating fixed assets ranging from 10% to 25% of the cost of respective assets based on the consultation with the valuer. The management has also reviewed the useful lives of the respective assets and concluded that the current estimates of useful lives are appropriate. The management believes that the said change in estimate is more accurate and better reflects the pattern of consumption of economic benefits of the respective classes of assets.

The aforementioned revision has been accounted for as change in accounting estimate in accordance with the requirements of IAS - 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The effects of this change in accounting estimate has been recognised prospectively in the current period. The change in estimates of residual values has resulted in decrease in depreciation charge as follows:

Class of assets	**Rs in thousands**
Buildings	(20,370)
Furniture and fixtures	(7,100)
Motor vehicles	(18,402)
Machinery and equipment	(19,999)
Computer Equipment	(6,203)
	(72,074)

Had there been no revision, profit before taxation for the current year would have been lower by Rs. 72,074 thousands whereas the carrying value of operating assets would have been reduced by same amount. Accordingly, earnings per share for the year ended December 31, 2021 would have been lower by Rs. 0.15. Impact of change in accounting estimate on future period has not been disclosed because it can not be estimated reliably.

	Note	2021	2020
		Rupees in thousand	
5 Property and equipment			
Operating assets	**5.1**	**5,190,298**	4,245,254
Capital work in progress	**5.2**	**53,719**	28,116
Right of use asset	**5.3**	**171,428**	195,271
		5,415,445	4,468,641

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5.1 Operating assets

	2021													
	Cost						Depreciation						Net Book value	
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals / Write Offs	Transfer from investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	Disposals / Write offs	Transfer from investment property	As at Dec 31	As at Dec 31	Rate
	(Rupees in thousands)													%
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**	

	2020													
	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 thousands)													%
Freehold:														
Land**	995,651	-	-	-	-	995,651	-	-	-	-	-	-	995,651	-
Building*	2,102,229	254,005	15,364	(4,945)	-	2,366,653	291,705	56,601	8,615	(4,353)	-	352,568	2,014,085	3.0%
Furniture and fixtures	320,264	107,479	3,024	(9,596)	-	421,171	128,431	33,114	809	(4,232)	-	158,122	263,049	14.3% - 15.0%
Motor vehicles	771,751	26,596	1,577	(60,108)	-	739,816	404,250	57,040	1,201	(32,631)	-	429,860	309,956	15.0% - 20.0%
Machinery and equipment	642,810	116,307	733	(7,144)	-	752,706	146,954	80,620	423	(4,461)	-	223,536	529,170	15.0% - 20.0%
Computer equipment	434,938	52,313	806	(6,453)	-	481,604	346,974	40,058	635	(5,083)	-	382,584	99,020	30.0% - 33.3%
Leasehold Improvements	60,711	5,651	-	(20,820)	-	45,542	11,935	8,204	-	(8,920)	-	11,219	34,323	14.3%
Total	5,328,354	562,351	21,504	(109,066)	-	5,803,143	1,330,249	275,637	11,683	(59,680)	-	1,557,889	4,245,254	

* The Group owns 4 buildings and resulting area of land and 8 corporate offices in Pakistan and 1 corporate office in UAE.

** The Parent Company has restated the cost of Land amounting to Rs. 290 million from Property and equipment to Investment property for the year ended December 31, 2019 and December 31, 2020 as explained in Note 7.1.

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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 thousands)						
Land and Building							
Model Town premises	33,055	830	32,225	33,055	Negotiation	Chief Executive Officer	Muhammad Ali Zeb
	33,055	**830**	**32,225**	**33,055**			
Furniture and fixtures							
Items having book value below Rs. 50,000	1,115	607	508	163			
	1,115	**607**	**508**	**163**			
Motor vehicles (Owned)							
Honda Citi (ANW-119)	846	754	92	980	Auction	Independent third party	Syed Al E Hasan Bukhari
Suzuki Cultus (AMU-983)	600	540	60	536	Auction	Independent third party	Nasir Mehmood
Honda Citi (AUV-482)	1,365	1,097	268	1,320	Auction	Independent third party	Muhammad Nadeem Farooqui
Toyota Corolla Gli (AUW-681)	1,373	1,105	268	1,375	Auction	Independent third party	Ashraf Ali Khan
Suzuki Cultus (AVB-652)	935	747	188	817	Auction	Independent third party	Syed Muhammad Naeem
Suzuki Cultus (AVA-979)	918	735	183	770	Auction	Independent third party	Muhammad Sohaib
Toyota Corolla Gli (AWA-988)	1,514	1,210	304	1,285	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Suzuki Cultus (AWV-141)	995	767	228	827	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Suzuki Cultus (AWY-191)	995	762	233	820	Auction	Independent third party	Muhammad Anwar
Suzuki Cultus (AXU-579)	950	725	225	860	Auction	Independent third party	Syed Al E Hasan Bukhari
Toyota Corolla Gli (AXS-164)	1,478	1,125	353	1,457	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Toyota Corolla Gli (AXS-158)	1,542	913	629	1,238	Auction	Independent third party	Rana Muhammad Zahid
Honda Citi (AYU-712)	1,507	1,076	431	1,608	Auction	Independent third party	Muhammad Nadeem Farooqui
Suzuki Cultus (BAV-761)	1,034	734	300	605	Auction	Independent third party	Mehmood Hayat Chaudhry
Toyota Corolla Xli (BAU-953)	1,572	1,092	480	1,255	Auction	Independent third party	Rab Nawaz Khan
Honda Citi Mt (BBT-674)	1,685	1,128	557	1,551	Auction	Independent third party	Farrukh Anwer Bajwa
Honda Civic Exi (BCL-671)	2,169	1,417	752	1,702	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Suzuki Cultus (BDB-832)	1,054	652	402	871	Auction	Independent third party	Muhammad Nadeem Farooqui
Honda Citi (BDA-810)	1,325	837	488	1,760	Auction	Independent third party	Muhammad Arshad Abbasi
Suzuki Cultus (LEH-15-3032)	1,069	633	436	1,010	Auction	Independent third party	Muhammad Tufail
Toyota Corolla Xli (BET-488)	1,651	978	673	1,638	Auction	Independent third party	Rana Muhammad Zahid
Honda Citi (BFE-384)	1,561	913	648	1,633	Auction	Independent third party	Muhammad Tufail
Suzuki Mehran (LEA-16A-8924)	708	373	335	671	Auction	Independent third party	Farrukh Anwar Bajwa
Suzuki Cultus (BAV-756)	1,076	766	310	867	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Suzuki Cultus (BGA-490)	1,126	630	496	1,186	Auction	Independent third party	Augmentech Business Solution (Private) Limited
Ford Explorer (92187)	2,262	959	1,303	976	Negotiation	Employee	Salman Chaudhry - employee
Honda Civic (BJL-527)	2,588	1,984	604	1,172	Final Settlement	Employee	Ahmed Subhan - employee
Honda City (BHS-817)	1,154	866	288	546	As per company policy	Employee	Nasir Mehmood - employee
Items having book value below Rs. 50,000	5,963	5,127	836	1,534			
	43,015	**30,645**	**12,370**	**32,870**			
Machinery & equipment							
Diesel Generator	1,646	700	946	3,217	Auction	Independent third party	Muhammad Asim
Generator	2,311	1,993	318	1,082	Auction	Independent third party	Muhammad Asim
Generator	3,348	2,893	455	1,547	Auction	Independent third party	Muhammad Asim
Generator	460	379	81	275	Auction	Independent third party	Muhammad Asim
Generator	3,715	3,162	553	1,880	Auction	Independent third party	Muhammad Asim
Items having book value below Rs. 50,000	666	390	276	26			
	12,146	**9,517**	**2,629**	**8,027**			
Computer equipment							
Items having book value below Rs. 50,000	2,275	2,211	64	190			
	2,275	**2,211**	**64**	**190**			
Leasehold improvements							
Items having book value below Rs. 50,000	5,618	2,908	2,710	-			
	5,618	**2,908**	**2,710**	**-**			
Grand Total	**97,224**	**46,718**	**50,506**	**74,305**			

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		2021	2020
		Rupees in thousand	
5.2	**Capital work in progress**		
	Mobilization advance	-	5,868
	Advance for computer hardware equipment	11,778	-
	Advance for ERP softwares	16,999	5,302
	Leasehold improvements	24,942	16,946
		53,719	28,116
5.3	**Right of use asset**		
	As at January 01	195,271	272,496
	Derecognition / Adjustments in Agency branches	(3,768)	(109,176)
	Additions during the year	30,004	78,114
	Depreciation charged during the year	(58,259)	(43,701)
	Exchange difference	8,180	(2,462)
	Closing Net Book Value	171,428	195,271

5.3.1 All the right of use assets include premises obtained on rent for branch operations (inside and outside of Pakistan).

		2021	2020
		Rupees in thousand	
6	**Intangible assets**		
	Cost		
	As at January 01	524,073	478,070
	Additions during the year	37,643	42,296
	Exchange differences and other adjustments	14,671	3,707
	As at December 31	576,387	524,073
	Less: Accumulated amortization		
	As at January 01	396,692	346,834
	Amortization charged during the year	45,927	47,821
	Exchange differences and other adjustments	10,303	2,037
	As at December 31	452,922	396,692
	Net book value as at December 31	123,465	127,381
	Rate of amortization	20.00%	20.00%
7	**Investment Properties**		
	Net book value as at January 01	1,473,367	1,494,367
	Additions and capital improvements	-	-
	Transfer to property and equipment	(887,840)	-
	Unrealized fair value gain / (loss)	674,140	(21,000)
	Net book value as at December 31	1,259,667	1,473,367

Investment property as at December 31, 2021 consists of the following:

- 3 floors of Adamjee House, Karachi which are rented out.

- 1 floor of Adamjee House, Lahore which is rented out.

Market value of these investment properties amounts to Rs. 1,259 million based on a valuation carried out by independent valuer, as at December 31, 2021.

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 Group 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.

7.1 The Parent Company recognised part of the Buildings as Investment property in the financial statements for the year ended December 31, 2019. However, the related cost of the land was previously recorded in Property and equipment. During the current year, the Parent Company has restated the respective cost of land amounting to Rs. 290 million from Property and equipment to Investment property retrospectively, from the year 2019 onwards to reflect its more appropriate treatment. The fair value of the land as at December 31, 2019 and December 31, 2020 was estimated to be the same as its carrying value on the respective dates. The Parent Company has not presented the restated Statement of Financial Position for the year ended December 31, 2019 as the impact on the Statement of Financial Position for the year then ended was not considered material. The impact of this restatement is as follows:

	As previously reported	Adjustment	Restated
	Rupees in thousand		
(a) Impact of change on the Statement of Financial Position as at December 31, 2019:			
Property and equipment	4,626,364	(290,341)	4,336,023
Investment property	1,204,026	290,341	1,494,367
(b) Impact of change on the Statement of Financial Position as at December 31, 2020:			
Property and equipment	4,758,982	(290,341)	4,468,641
Investment property	1,183,026	290,341	1,473,367

(c) Previously, the Parent Company had identified two floors to rent out at Adamjee House, Lahore; however, during the year, the Parent Company occupied one floor for their own use whilst renting out only one floor.

	Note	2021	2020
		Rupees in thousand	
8 Investments in equity securities			
Available-for-sale	8.1	**21,177,227**	19,213,873
Fair value through profit or loss (designated upon initial recognition)	8.2	**16,837,134**	15,649,876
		38,014,361	34,863,749

		Note	2021 Cost	2021 Impairment / provision	2021 Unrealized Gain / (loss)	2021 Carrying value	2020 Cost	2020 Impairment / provision	2020 Unrealized Gain / (loss)	2020 Carrying value
			----- (Rupees in thousand) -----							
8.1	Available-for-sale									
	Related parties									
	Listed shares	8.1.1	9,586,807	(23,854)	(464,114)	9,098,839	9,104,774	(265,237)	1,187,635	10,027,172
	Unlisted shares	8.1.2	949,456	-	2,559,896	3,509,352	924,333	-	258,807	1,183,140
			10,536,263	(23,854)	2,095,782	12,608,191	10,029,107	(265,237)	1,446,442	11,210,312
	Others									
	Listed shares	8.1.3	6,678,467	(2,084,340)	1,103,806	5,697,933	6,369,165	(1,897,973)	1,184,151	5,655,343
	Unlisted shared	8.1.4	925,360	-	1,901,408	2,826,768	925,360	-	1,375,709	2,301,069
	Mutual Funds	8.1.5	48,550	(5,117)	31	43,464	48,130	-	(1,851)	46,279
	NIT Units	8.1.6	161	-	710	871	161	-	709	870
			7,652,538	(2,089,457)	3,005,955	8,569,036	7,342,816	(1,897,973)	2,558,718	8,003,561
			18,188,801	(2,113,311)	5,101,737	21,177,227	17,371,923	(2,163,210)	4,005,160	19,213,873

8.1.1 Related parties- Listed Shares

No. of shares 2021	No. of shares 2020	Face value Rupees	Company's Name	Market Value 2021	Market Value 2020
				Rupees in thousand	
			Commercial Banks		
55,196,435	47,827,287	10	MCB Bank Limited	8,464,374	8,861,440
			Textile Composite		
2,050	2,050	10	Nishat Mills Limited	163	208
			Cement		
-	3,358,344	10	D.G. Khan Cement Company Limited	-	384,799
			Power Generation & Distribution		
963,500	923,500	10	Nishat Power Limited	19,154	21,804
25,631,181	25,671,181	10	Pakgen Power Limited	615,148	505,878
			Oil & Gas Exploration Companies		
-	5,696,595	10	Sui Northern Gas Pipelines Limited	-	253,043
81,793,166	83,478,957			9,098,839	10,027,172

8.1.1.1 3,716,710 (2020 : 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 2021	No. of shares 2020	Face value Rupees	Company's Name	Market Value 2021 (Rupees in thousand)	Market Value 2020 (Rupees in thousand)
			Automobile Assembler		
94,873,000	92,360,700	10	Hyundai Nishat Motor (Private) Limited	**3,509,352**	1,183,140

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. 36.99 per ordinary share as at December 31, 2021 (Rs. 12.81 per ordinary share as at December 31, 2020) 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 18.52% (2020: 14.87%) per annum.

- Terminal growth rate in revenue of 4% (2020: 2%) 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, 2021 would be Rs. 247,619 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, 2021 would be Rs. 160,335 thousand higher.

8.1.3 Others - listed shares

No. of shares 2021	No. of shares 2020	Face value Rupees	Company's Name	Market Value 2021 (Rupees in thousand)	Market Value 2020 (Rupees in thousand)
			Automobile Assembler		
987,795	731,701	10	Millat Tractors Limited	**851,714**	800,547
			Cable & Electrical Goods		
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	**98,141**	80,760

8.1.3 Others - listed shares (continued)

No. of shares 2021	No. of shares 2020	Face value Rupees	Company's Name	Market Value 2021 (Rupees in thousand)	Market Value 2020 (Rupees in thousand)
			Cement		
24,000	24,000	10	Attock Cement Pakistan Limited	**3,335**	3,601
645,100	645,100	10	Fecto Cement Limited	**17,398**	22,133
			Close - End Mutual Fund		
4,113,500	4,113,500	10	HBL Investment Fund 'A'	**10,284**	13,040
			Commercial Banks		
6,277,500	6,277,500	10	Allied Bank Limited	**516,450**	535,910
389,107	389,107	10	Habib Bank Limited	**45,378**	49,647
8,320,012	8,320,012	10	National Bank of Pakistan	**287,207**	357,428
1,279,400	1,279,400	10	United Bank Limited	**174,740**	161,025
			Engineering		
178,637	109,560	10	Aisha Steel Mills Limited	**2,697**	2,574
100,000	100,000	10	Crescent Steel & Allied Products Limited	**5,138**	8,411
300,000	300,000	10	International Steel Limited	**19,836**	27,969
			Fertilizer		
1,481,000	1,481,000	10	Engro Fertilizers Limited	**112,689**	93,644
9,000	9,000	10	Fatima Fertilizer Company Limited	**324**	262
9,998,900	9,998,900	10	Fauji Fertilizer Company Limited	**1,002,490**	1,084,881
			Food & Personal Care Products		
5,740	5,740	10	Nestle Pakistan Limited	**32,864**	38,257
70,304	70,304	10	Rafhan Maize Products Limited	**660,858**	688,909
			Insurance		
4,800	4,800	10	EFU General Insurance Company Limited	**504**	576
230,000	230,000	10	IGI Holdings Limited	**35,335**	46,791
286,843	286,843	10	Pakistan Reinsurance Company Limited	**6,425**	7,894
			Investment Companies		
2,220,100	2,220,100	10	Dawood Hercules Corporation Limited	**212,064**	269,831
5,462,000	5,462,000	10	MCB Arif Habib Savings & Investment Limited	**193,792**	153,428
			Oil & Gas Exploration Companies		
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	**131,395**	158,177
600	600	10	Pakistan Oilfields Limited	**215**	239
5,696,595	-	10	Sui Northern Gas Pipelines Limited	**190,551**	-
			Paper & Board		
11,750	11,750	10	Packages Limited	**5,843**	7,014
			Pharmaceuticals		
369,400	369,400	10	Abbott Laboratories Pakistan Limited	**265,048**	279,033
			Power Generation & Distribution		
5,743,000	5,743,000	10	Kot Addu Power Company Limited	**185,786**	156,209
130,000	130,000	10	K-Electric Limited	**447**	508
27,348,388	27,348,388	10	Lalpir Power Limited	**385,886**	350,606
4,960,882	4,960,882	10	Saif Power Limited	**93,563**	72,032
			Refinery		
37,500	37,500	10	Attock Refinery Limited	**5,401**	6,827
49	49	10	Pakistan Petroleum Limited	**4**	4
506,450	506,450	10	National Refinery Limited	**144,131**	177,176
88,860,783	82,839,017			**5,697,933**	5,655,343

8.1.3.1 369,000 (2020 : 155,000) shares of Abbot Laboratories Limited, 2,220,000 (2020 : 1,405,000) shares of Dawood Hercules Corporation Limited, 1,480,000 (2020 : Nil) shares of Engro Fertilizers Limited, 9,250,000 (2020 : 3,650,000) shares of Fauji Fertilizer Company Limited, 330,000 (2020 : Nil) shares of Habib Bank Limited, 300,000 (2020 : Nil) shares of International Steels Limited, 823,000 (2020 : 255,000) shares of Millat Tractors Limited, 8,240,000 (2020 : Nil) shares of National Bank of Pakistan, 5,700 (2020 : Nil) shares of Nestle Pakistan Limited, 1,524,000 (2020 : Nil) shares of Oil & Gas Development Company Limited and 1,250,000 (2020 : 850,000) 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	Company's Name	Market Value	
2021	2020	Rupees		2021	2020
				Rupees in thousand	
9,681,374	9,681,374	10	Security General Insurance Company Limited	2,826,768	2,301,069

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. 291.98 per ordinary share as at December 31, 2021 (Rs. 237.68 per ordinary share as at December 31, 2020) 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 15% (2020: 15%) per annum.

- Terminal growth rate of 2% (2020: 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, 2021 would be Rs. 8,574 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, 2021 would be Rs. 5,667 thousand higher.

8.1.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units		Face value	Fund Name	Market Value	
2021	2020	Rupees		2021	2020
				Rupees in thousand	
45,669	42,779	100	Alfalah GHP Money Market Fund	4,492	4,201
22,246	20,880	100	HBL Cash Fund	2,269	2,122
4,234,546	4,234,546	10	HBL Investment Fund - Class B	36,703	39,956
4,302,461	4,298,205			43,464	46,279

8.1.6 Open-Ended Equity Funds

12,540	12,540		National Investment Trust	871	870

8.2 Fair value through profit or loss

	Note	2021 Cost	2021 Impairment / provision	2021 Unrealized Gain / (loss)	2021 Carrying value	2020 Cost	2020 Impairment / provision	2020 Unrealized Gain / (loss)	2020 Carrying value
		(Rupees in thousand)							
Related Party									
Listed shares	8.2.1	1,411,292	-	(208,805)	1,202,487	1,283,897	-	5,319	1,289,216
Mutual Funds	8.2.2	6,902,701	-	(11,942)	6,890,759	5,517,488	-	656,652	6,174,140
		8,313,993	-	(220,747)	8,093,246	6,801,385	-	661,971	7,463,356
Others									
Listed shares	8.2.3	9,407,055	-	(2,632,258)	6,774,797	7,786,807	-	(2,023,136)	5,763,671
Mutual Funds	8.2.4	960,373	-	1,008,718	1,969,091	2,084,774	-	338,075	2,422,849
		10,367,428	-	(1,623,540)	8,743,888	9,871,581	-	(1,685,061)	8,186,520
		18,681,421	-	(1,844,287)	16,837,134	16,672,966	-	(1,023,090)	15,649,876

8.2.1 Related parties- Listed Shares

No. of shares 2021	No. of shares 2020	Face value Rupees	Company's Name	Market Value 2021	Market Value 2020
				Rupees in thousand	
			Commercial Banks		
6,363,681	6,048,331	10	MCB Bank Limited	975,871	1,120,635
			Textile Composite		
1,290,000	-	10	Nishat Chunian Limited	58,760	-
400	451,900	10	Nishat Mills Limited	32	45,990
			Cement		
2,023,450	738,300	10	D.G. Khan Cement Company Limited	167,824	84,594
			Miscellaneous		
-	1,847,000	10	Siddiqsons Tin Plate Limited	-	37,993
			Oil & Gas Exploration Companies		
-	100	10	Sui Northern Gas Pipelines Limited	-	4
9,677,531	9,085,631			1,202,487	1,289,216

8.2.2 Related parties- Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units 2021	No. of units 2020	Face value Rupees	Fund's Name	Market Value 2021	Market Value 2020
				Rupees in thousand	
-	55,847	100	Alhamra Daily Dividend Fund	-	5,585
127,332,624	159,350,568	10	Alhamra Islamic Stock Fund	1,342,085	1,725,767
1,813,615	49,244	100	Alhamra Islamic Income Fund	192,160	5,180
2,976,246	2,520,442	50	Alhamra Islamic Asset Allocation Fund	216,781	188,673
8,455,118	504,207	100	MCB Cash Management Optimizer Fund	854,353	50,862
3,878,276	6,004,684	100	MCB Pakistan Asset Allocation Fund	327,871	495,370
38,403,219	37,778,525	50	MCB Pakistan Stock Market Fund	3,804,011	3,702,703
2,716,884	-	50	Pakistan Income Fund	153,498	-
185,575,982	206,263,517			6,890,759	6,174,140

8.2.3 Others - listed shares

No. of shares 2021	No. of shares 2020	Face value Rupees	Company's Name	Market Value 2021 (Rupees in thousand)	Market Value 2020 (Rupees in thousand)
			Automobile Assembler		
-	220,400	5	Agriauto Industries Limited	-	51,627
141,000	-	10	Atlas Honda Limited	57,249	-
-	941	10	Millat Tractors Limited	-	1,030
170	295,430	10	Indus Motor Company Limited	209	353,913
189,300	500	10	Honda Atlas Cars (Pakistan) Limited	44,823	164
119,900	-	10	Pak Suzuki Motor Company Limited	27,968	-
			Automobile Part & Accessories		
674,000	-	10	General Tyre & Rubber Company of Pakistan	31,246	-
2,509,337	-	10	Panther Tyres Limited	104,790	-
341,900	416,100	5	Thal Limited	130,842	196,682
			Cable & Electrical Goods		
4,292,000	4,120,000	10	Pak Elektron Limited	96,656	165,336
1,963,500	-	10	Waves Singer Pakistan Limited	30,611	-
			Cement		
1,145,800	8,591	10	Cherat Cement Company Limited	169,934	1,256
401,300	537,200	10	Bestway Cement Limited	61,985	86,672
-	13,500	10	Dewan Cement Limited	-	140
3,364,000	7,971,500	10	Fauji Cement Company Limited	61,797	172,742
692,501	273,556	10	Lucky Cement Limited	470,403	190,420
5,246,758	1,000,422	10	Maple Leaf Cement Factory Limited	188,620	45,029
600	500	10	Pioneer Cement Limited	53	52
2,200,000	-	10	Power Cement Limited	13,992	-
			Leather & Tanneries		
18,392	4,471	10	Service Industries Limited	8,617	3,729
120,560	-	10	Bata Pakistan Limited	261,754	-
			Commercial Banks		
1,000	900	10	Allied Bank Limited	82	77
1,964	2,464	10	Askari Bank Limited	43	58
15,960	2,250,394	10	Bank Al Habib Limited	1,101	156,627
8,288,575	4,569,404	10	Bank Alfalah Limited	286,785	161,437
5,500	7,611,000	10	Bank of Punjab Limited	47	70,554
7,506,775	1,275	10	Faysal Bank Limited	172,656	22
1,357,284	3,258,432	10	Habib Bank Limited	158,286	432,849
2,189,500	1,050,000	10	Habib Metropolitan Bank Limited	93,776	40,940
4,450,000	-	10	JS Bank Limited	21,449	-
1,220,080	305,992	10	Meezan Bank Limited	163,625	31,958
1,000,000	1,000,000	10	National Bank of Pakistan	34,520	42,960
931,675	89,466	10	United Bank Limited	127,248	11,260
			Engineering		
5,250	603,500	10	Agha Steel Industries Limited	138	23,784
1,730,500	2,500	10	Aisha Steel Mills Limited	26,061	58
1,464,500	-	10	Amreli Steels Limited	65,551	-
275,200	241	10	International Industries Limited	38,201	43
309,375	377,000	10	Mughal Iron & Steel Industries Limited	32,209	28,550
4,680	-	10	Sazgar Engineering Works Limited	456	-
			Chemical		
-	52,650	10	Archroma Pakistan Limited	-	29,394
90,700	-	10	Dynea Pakistan Limited	19,546	-
1,338,669	3,458,669	10	Engro Polymer and Chemicals Limited	72,570	164,321
10,200	59,600	10	ICI Pakistan Limited	7,761	45,301
2,211,500	-	10	Lotte Chemical Pakistan Limited	30,209	-
240	200	10	Pakistan Oxygen Limited	37	31
79,400	-	10	Sitara Chemical Industries Limited	24,461	-
			Fertilizer		
36,300	36,300	10	Arif Habib Corporation Limited	1,301	1,454
1,172,343	626,951	10	Engro Corporation Limited	319,369	192,700
2,000,273	2,000,301	10	Engro Fertilizers Limited	152,201	126,479
-	62,500	10	Fatima Fertilizer Company Limited	-	1,819
500	-	10	Fauji Fertilizer Bin Qasim Limited	12	-
36	224,532	10	Fauji Fertilizer Company Limited	4	24,362

8.2.3 Others - listed shares (continued)

No. of shares 2021	No. of shares 2020	Face value Rupees	Company's Name	Market Value 2021 (Rupees in thousand)	Market Value 2020 (Rupees in thousand)
			Food & Personal Care Products		
2,248	5,050	10	At-Tahur Limited	51	102
387,750	280,200	10	Murree Brewery Company Limited	192,766	175,803
16,401	12,641	10	Nestle Pakistan Limited	93,905	84,252
671,400	945,600	5	National Foods Limited	102,476	206,510
2,140	-	10	Rafhan Maize Products Company Limited	20,116	-
676,000	-	10	The Organic Meat Company Limited	21,450	-
860,000	-	10	Unity Foods Limited	22,763	-
614,532	-	10	Unity Foods Limited (R)	451	-
			Insurance		
144,600	-	10	IGI Holdings Limited	22,215	-
-	7,500	10	Pakistan Reinsurance Company Limited	-	206
			Textile Composite		
1,478,300	18,000	10	Gul Ahmed Textile Mills Limited	69,569	662
1,633,387	2,295,735	10	Interloop Limited	118,731	156,271
1,038,000	-	10	Azgard Nine Limited	13,587	-
160,000	824	10	Kohinoor Textile Mills Limited	30,176	56
			Technology & Communication		
600	2,000	10	Avanceon Limited	55	186
573,000	-	10	Netsol Technologies Limited	53,782	-
299	-	10	Octopus Digital Limited	23	-
16,403,000	-	10	Pakistan Telecommunication Company Limited	142,707	-
55	90	10	Systems Limited	42	38
2,000	-	10	TRG Pakistan Limited	236	-
			Transport Companies		
3,950,000	-	10	Pakistan International Bulk Terminal Limited	29,072	-
			Investment Companies		
2,410,500	-	10	Jahangir Siddiqui & Company Limited	38,568	-
			Oil & Gas Exploration Companies		
297,357	239,217	10	Mari Petroleum Company Limited	491,898	320,508
1,655,479	2,555,530	10	Oil & Gas Development Company Limited	142,703	265,187
445,284	586,157	10	Pakistan Oilfields Limited	159,242	231,772
884,800	-	10	Shell Pakistan Limited	107,229	-
924,600	-	10	Sui Northern Gas Pipelines Limited	30,928	-
			Paper & Board		
618,250	70,900	10	Packages Limited	307,437	42,322
-	23	10	Cherat Packaging Limited	-	5
			Pharmaceuticals		
92,950	190,350	10	Abbott Laboratories Pakistan Limited	66,686	143,785
553,400	605,000	10	AGP Limited	53,674	68,897
318,700	-	10	Glaxosmithkline Pakistan Limited	43,506	-
60,700	369,400	10	GlaxoSmithKline Consumer Healthcare Pakistan Limited	14,632	70,862
36,740	50,000	10	Highnoon Laboratories Limited	23,068	29,991
70,400	697	10	The Searle Company Limited	10,118	174
			Power Generation & Distribution		
1,203,000	1,809,500	10	Kot Addu Power Company Limited	38,917	49,218
13,861,500	16,338,000	10	K-Electric Limited	47,684	63,882
394,690	3,871,473	10	Hub Power Company Limited	28,157	307,124
			Miscellaneous		
505,832	205,220	10	Synthetic Products Enterprises Limited	9,130	8,925
-	4,000	10	Tri-Pack Films Limited	-	651
8,000,000	-	10	Cnergyico Pk Limited	54,480	-
444,242	-	10	Shifa International Hospitals Limited	84,152	-
			Oil & Gas Marketing Companies		
386,550	380,950	10	Attock Petroleum Limited	121,376	127,477
3,451	4,200,000	10	Hascol Petroleum Limited	21	61,698
734,200	179,500	10	Hi-Tech Lubricants Limited	31,938	7,859
872,007	986,858	10	Pakistan State Oil Company Limited	158,609	212,471

8.2.3 Others - listed shares (continued)

No. of shares 2021	No. of shares 2020	Face value Rupees	Company's Name	Market Value 2021 (Rupees in thousand)	Market Value 2020 (Rupees in thousand)
			Refinery		
43,329	250	10	Attock Refinery Limited	**6,241**	46
40,169	-	10	National Refinery Limited	**11,432**	-
1,351,210	2,999,013	10	Pakistan Petroleum Limited	**106,800**	270,901
2,825,500	-	10	Pakistan Refinery Limited	**40,744**	-
128,767,549	81,717,060			**6,774,797**	5,763,671

8.2.4 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units 2021	No. of units 2020	Face value Rupees	Fund's Name	Market Value 2021 (Rupees in thousand)	Market Value 2020 (Rupees in thousand)
2,086,997	2,059,100	10	ABL Islamic Stock Fund	**31,593**	32,189
-	14,742,274	10	ABL Stock Fund	**-**	221,762
478,044	146,456	100	Al Ameen Islamic Asset Allocation Fund	**61,483**	18,601
311,709	1,476,006	100	Al Ameen Shariah Stock Fund	**48,817**	224,796
5,281,206	2,301,661	100	Alfalah GHP Money Market Fund	**519,492**	226,013
1,055,876	985,010	100	Alfalah GHP Islamic Income Fund	**107,975**	100,545
921	864	100	Faysal Income & Growth Fund	**103**	96
4,054,498	3,819,347	100	Faysal Savings and Growth Fund	**433,426**	404,698
3,496,857	3,263,683	100	Faysal Money Market Fund	**357,074**	332,746
-	535,400	10	Meezan Balanced Fund	**-**	8,349
-	6,331,208	10	NAFA Islamic Stock Fund	**-**	77,030
4,399,915	4,172,762	10	NBP Islamic Mahana Amdani Fund	**45,943**	43,256
23,587,717	22,333,717	10	NBP Islamic Savings Fund	**234,421**	218,870
6,398,752	-	10	NBP Islamic Stock Fund	**77,832**	-
5,138,741	-	10	NBP Money Market Fund	**50,932**	-
-	3,404,310	100	UBL Financial Sector Fund	**-**	275,426
-	3,167,048	100	UBL Stock Advantage Fund	**-**	238,472
56,291,233	68,738,846			**1,969,091**	2,422,849

	Note	2021	2020
		Rupees in thousand	
9 Investments in debt securities			
Held to maturity			
Treasury Bills	9.1.1	275,005	275,631
Pakistan Investment Bonds	9.1.2	102,647	98,700
		377,652	374,331
Available for sale			
Treasury Bills	9.2.1	-	688,532
Pakistan Investment Bonds	9.2.2	98,412	101,736
		98,412	790,268
Fair value through profit or loss			
Term Finance Certificate	9.3.1	1,553,480	1,125,156
Advance against purchase of term finance certificate		1,425,000	100,000
Corporate Sukuks	9.3.2	1,465,126	2,155,587
Ijara Sukuks	9.3.3	892,516	464,354
Treasury Bills	9.3.4	17,845,946	6,371,663
Pakistan Investment Bonds	9.3.5	1,960,885	3,908,807
		25,142,953	14,125,567
		25,619,017	15,290,166

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 2021	Carrying amount 2020
					Rupees in thousand	
100,000	10.39%	On maturity	3 Month Treasury Bills	2022	98,452	-
100,000	11.32%	On maturity	6 Month Treasury Bills	2022	95,419	-
82,000	8.17%	On maturity	3 Month Treasury Bills	2022	81,134	-
100,000	10.67%	On maturity	12 Month Treasury Bills	2021	-	97,801
100,000	7.32%	On maturity	12 Month Treasury Bills	2021	-	97,900
82,000	7.43%	On maturity	12 Month Treasury Bills	2021	-	79,930
					275,005	275,631

9.1.2 Pakistan Investment Bonds

Face value rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand	
100,000	11.71%	On maturity	3 Years Pakistan Investment Bonds	2022	102,647	98,700
					102,647	98,700

9.2 Available for sale

9.2.1 Treasury Bills

Face value rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand	
220,870	7.12%	On maturity	1 Year Treasury Bills	2021	-	216,740
355,000	6.77% - 7.13%	On maturity	6 Month Treasury Bills	2021	-	351,097
122,000	7.08%	On maturity	3 Month Treasury Bills	2021	-	120,695
					-	688,532

9.2.2 Pakistan Investment Bonds

Face value rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand	
100,000	9.00%	On maturity	3 Years Pakistan Investment Bonds	2022	98,412	101,736
					98,412	101,736

9.3 Fair value through profit or loss

9.3.1 Term Finance Certificates

Face value rupees in thousand	Coupon Rate %	No. of certificates 2021	No. of certificates 2020	Company's Name	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand	
1000	12.97%	100	100	Askari Bank Limited VI	100,000	100,000
1000	12.01%	100	100	Askari Bank Limited VII	101,000	99,040
5	8.03% - 14.76%	-	39,680	Bank Al Habib Limited	-	178,788
5	9.03%	20,000	-	Bank Alfalah Limited	92,893	-
100	12.19%	3,400	3,400	Bank of Punjab I	353,402	336,202
100	9.99%	2,580	2,580	Bank of Punjab II	266,012	252,802
100	11.97%	500	500	Habib Bank Limited II	50,000	50,000
100	7.71% - 15.00%	-	590	Habib Bank Limited	-	58,894
4	8.94%	30,000	-	Jahangir Siddiqui and Company Limited	100,929	-
1000	8.89%	4,250	-	Samba Bank Limited	438,299	-
5	9.00%	10,000	10,000	Soneri Bank Limited	50,945	49,430
					1,553,480	1,125,156

9.3.2 Corporate Sukuks

Face value rupees in thousand	Yield Rate %	No. of certificates 2021	No. of certificates 2020	Company's Name	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand	
40	11.43%	820	820	Aspin Pharma (Pvt) Limited	32,800	49,593
60	8.30% - 14.75%	-	2,380	Dawood Hercules Limited I	-	144,365
70	8.30% - 14.75%	-	4,400	Dawood Hercules Limited II	-	311,807
1000	8.16%	58	58	Dubai Islamic Bank (Pakistan) Limited	59,943	59,622
100	8.86%	900	900	Engro Polymer & Chemicals Limited	96,845	91,935
46	9.32%	600	600	Ghani Chemical Industries Limited	20,700	25,123
100	9.02%	1,000	1,000	International Brands Limited	16,787	64,659
5	8.67% - 15.4%	-	30,000	JS Limited	-	123,656
1000	7.68% - 14.63%	-	40	Meezan Bank Limited I	-	40,877
1000	8.58%	50	750	Meezan Bank Limited II	104,000	768,750
1000	10.11%	250	-	Meezan Bank Limited II Perpetual	250,000	-
1000	8.58%	450	-	Meezan Bank Limited III	416,000	-
5	9.06%	90,000	90,000	Pakistan Energy II	456,750	452,700
750	11.19%	30	30	TPL Tracker Limited	11,301	22,500
					1,465,126	2,155,587

9.3.3 Ijara Sukuk

Face value rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand	
430,000	6.3% - 8.3%	On maturity	5 year GOP Ijara Sukuk	2025	420,773	-
475,000	7.8% - 8.7%	On maturity	5 year GOP Ijara Sukuk	2026	471,743	-
470,430	6.27% - 8.37%	On maturity	5 year GOP Ijara Sukuk	2025	-	464,354
					892,516	464,354

9.3.4 Treasury Bills

Face value rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand	
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**	-
1,332,500	6.74% - 10.67%	On maturity	12 Month Treasury Bills	2021	**-**	1,310,144
5,011,000	7.07% - 7.15%	On maturity	3 Month Treasury Bills	2021	**-**	4,946,806
115,000	6.47%	On maturity	6 Month Treasury Bills	2021	**-**	114,713
					17,845,946	6,371,663

9.3.5 Pakistan Investment Bond

Face value rupees in thousand	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount 2021	Carrying amount 2020
					Rupees in thousand	
25,000	7.50%	On maturity	5 years Pakistan Investment Bond	2025	**22,046**	-
110,000	8.00%	On maturity	10 years Pakistan Investment Bond	2030	**88,417**	-
1,100,000	7.1% - 8.2%	On maturity	2 years Pakistan Investment Bond	2022	**1,097,250**	-
50,000	8.20%	On maturity	2 years Pakistan Investment Bond	2023	**49,665**	-
30,000	8.20%	On maturity	3 years Pakistan Investment Bond	2023	**29,986**	-
25,500	7.50%	On maturity	5 years Pakistan Investment Bond	2025	**22,487**	-
50,000	6.80%	On maturity	10 years Pakistan Investment Bond	2028	**49,660**	-
625,000	8.0% - 8.3%	On maturity	10 years Pakistan Investment Bond	2030	**601,374**	-
50,000	7.00%	On maturity	10 year Pakistan Investment Bond	2028	**-**	49,420
500,000	8.11% - 8.27%	On maturity	10 year Pakistan Investment Bond	2030	**-**	499,400
500,000	7.00%	On maturity	2 year Pakistan Investment Bond	2022	**-**	498,250
2,865,000	7.12% - 8.27%	On maturity	3 year Pakistan Investment Bond	2023	**-**	2,861,737
					1,960,885	3,908,807

10 Investments in Term Deposits

	Note	2021	2020
		Rupees in thousand	
Deposits maturing within 12 months			
Inside Pakistan			
- related parties		**405,000**	448,811
- others		**7,350,066**	7,695,066
		7,755,066	8,143,877
Outside Pakistan			
- related parties		**1,441,691**	1,305,429
- others		**5,170,710**	4,364,568
		6,612,401	5,669,997
		14,367,467	13,813,874
Deposits maturing after 12 months			
Inside Pakistan			
- related parties		**8,811**	2,000
- others		**75,188**	75,188
		83,999	77,188
Outside Pakistan			
- related parties		**-**	-
- others		**-**	-
		-	-
		83,999	77,188
	10.1	**14,451,466**	13,891,062

10.1 These include fixed deposits amounting to Rs. 5,526,486 thousands (AED 115,000,000) [2020: Rs. 4,904,014 thousands (AED 112,698,915)] kept in accordance with the requirements of Insurance Regulations applicable to the United Arab Emirates (UAE) branches for the purpose of carrying on business in (UAE). These also include liens against cash deposits of Rs. 259,065 thousands (2020: 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, bid bond guarantees and guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party.

11 Loans and other receivables - considered good

	Note	2021	2020
		Rupees in thousand	
Rent receivable		7,397	7,776
Accrued investment income		279,766	251,749
Security deposits		124,857	102,938
Advances to employees and suppliers		177,729	237,051
Advance agent commission		7,796	4,478
Loans to employees		64,567	52,335
Receivable against the sale of investment		131,128	233,958
Receivable from related parties		-	16,694
Other receivables		171,870	78,765
		965,110	985,744

12 Insurance / reinsurance receivables - unsecured and considered good

	Note	2021	2020
Due from insurance contract holders	12.1	7,370,193	4,753,304
Provision for impairment of receivables from insurance contract holders	12.2	(1,086,443)	(936,290)
		6,283,750	3,817,014
Due from other insurers / reinsurers		1,228,864	1,375,616
Provision for impairment of due from other insurers / reinsurers	12.3	(201,302)	(201,302)
		1,027,562	1,174,314
		7,311,312	4,991,328

12.1 Due from insurance contact holders include an amount Rs. 249,292 thousands (2020: Rs. 201,453 thousands) held with related parties.

12.2 Reconciliation of provision for impairment of receivables from insurance contract holders

	Note	2021	2020
		Rupees in thousand	
Balance as at 01 January		936,290	868,586
Charge for the year		72,104	47,968
Exchange difference		78,049	19,736
Balance as at 31 December		1,086,443	936,290

12.3 Reconciliation of provision for impairment of due from other insurers / reinsurers

	2021	2020
Balance as at 01 January	201,302	201,302
Charge for the year	-	-
Write off against provision for the year	-	-
Balance as at 31 December	201,302	201,302

13 Prepayments

	Note	2021	2020
Prepaid reinsurance premium ceded	28	4,627,169	3,307,863
Prepaid miscellaneous expenses		163,463	161,089
		4,790,632	3,468,952

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

	Note	2021	2020
		Rupees in thousand	
14 Cash and bank			
Cash and cash equivalents			
Inside Pakistan			
Cash in hand		372	580
Policy and revenue stamps, bond papers		20,182	10,499
		20,554	11,079
Outside Pakistan		-	-
		20,554	11,079
Cash at bank			
Inside Pakistan			
Current accounts		588,530	331,680
Savings accounts		10,419,434	10,787,153
		11,007,964	11,118,833
Outside Pakistan			
Current accounts		870,126	136,313
Savings accounts		1,482	871
		871,608	137,184
		11,879,572	11,256,017
		11,900,126	11,267,096

14.1 Cash at bank includes an amount of Rs. 1,819,586 thousands (2020: Rs. 3,674,945 thousands) held with MCB Bank Limited and MCB Islamic Bank Limited, related parties of the Group.

14.2 Lien of Rs. 432,571 thousands (2020: Rs. 440,000 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 Saving / Profit and loss accounts placed in Pakistan carry estimated profit rates ranging from 3.50% to 10.90% (2020: 4.50% to 13.00%).

	Note	2021	2020
		Rupees in thousand	
14.4 Cash and bank for the purposes of the cash flow statement consists of:			
Cash and cash equivalents		20,554	11,079
Current and other accounts		11,879,572	11,256,017
Term deposit maturing within three months		7,580,000	7,962,000
		19,480,126	19,229,096

		Note	2021	2020
			Rupees in thousand	
15	**Window Takaful Operations - Parent Company**			
	Operator's Fund			
	Assets:			
	Cash and bank deposits		**264,235**	209,446
	Qard e Hasna to Participant Takaful Fund		**146,460**	146,460
	Investments - Equity securities		**38,326**	35,873
	Investments - Debt securities		**75,000**	-
	Intangible assets		**10,409**	12,421
	Property and equipment		**22,883**	20,793
	Current assets - Others		**166,537**	164,155
	Total Assets		**723,850**	589,148
	Total Liabilities		**278,531**	242,797
	Profit and loss account			
	Wakala income		**430,587**	408,608
	Commission expense		**(137,910)**	(119,082)
	Management expenses		**(172,925)**	(143,206)
	Investment income		**2,340**	3,584
	Other income		**17,852**	14,170
	Mudarib's share of PTF investment income		**3,144**	3,521
	Other expenses		**(3,821)**	(3,821)
	Profit before taxation		**139,267**	163,774
	Taxation		**(40,388)**	(47,369)
	Profit after tax		**98,879**	116,405

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

	2021	2020	2021	2020
	------ 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

	2021	2020	2021	2020
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, 2021, associated undertakings MCB Bank Limited, Nishat (Aziz Avenue) Hotels & Properties Limited and Nishat Mills Limited held 70,861,241 (2020: 70,861,241), 1,203,000 (2020: 1,083,000) and 102,809 (2020: 102,809) ordinary shares of the Parent Company.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

		Note	2021	2020
17	**Reserves**		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	899,883	678,438
	Fair value reserves	17.4	3,619,130	2,845,746
			4,545,636	3,550,807
	Revenue Reserves			
	General reserves		936,500	936,500
			5,482,136	4,487,307

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, 2021.

		Note	2021	2020
18	**Non-controlling interest**		Rupees in thousand	
	Share capital		-	240,599
	Total comprehensive income for the year		-	3,483
	Opening retained earnings		-	100,909
	Acquisition of Non Controlling Interest by Parent Company		-	(344,991)
			-	-
19	**Insurance liabilities - Life Insurance Business**			
	Reported outstanding claims (including claims in payment)	19.1	1,584,176	1,174,790
	Incurred but not reported claims	19.2	151,489	121,153
	Investment component of unit-linked and account value policies	19.3	54,225,136	44,785,142
	Liabilities under individual conventional insurance contracts	19.4	19,682	20,242
	Liabilities under group insurance contracts (other than investment linked)	19.5	101,308	117,241
	Other insurance liabilities	19.6	751,807	753,378
	Gross insurance liabilities		56,833,598	46,971,946
	Surplus of Participant Takaful Fund		40,692	18,397
	Total Insurance Liabilities		56,874,290	46,990,343
19.1	**Reported outstanding claims**			
	Gross of reinsurance			
	Payable within one year		1,674,238	1,326,579
	Recoverable from reinsurers		(90,062)	(151,789)
	Net reported outstanding claims		1,584,176	1,174,790

	Note	2021	2020
		Rupees in thousand	
19.2 Incurred but not reported claims			
Individual Life			
Gross of reinsurance		**181,434**	129,220
Reinsurance recoveries		**(58,467)**	(47,826)
Net of reinsurance		**122,967**	81,394
Group Life			
Gross of reinsurance		**92,026**	109,567
Reinsurance recoveries		**(63,504)**	(69,808)
Net of reinsurance		**28,522**	39,759
		151,489	121,153
19.3 Investment component of unit linked and account value policies			
Investment component of unit linked policies		**52,229,977**	42,311,677
Investment component of account value policies		**1,995,159**	2,473,465
		54,225,136	44,785,142
19.4 Liabilities under individual conventional insurance contracts			
Gross of reinsurance		**21,735**	22,159
Reinsurance credit		**(2,053)**	(1,917)
Net of reinsurance		**19,682**	20,242
19.5 Liabilities under group insurance contracts (other than investment linked)			
Gross of reinsurance		**186,441**	232,665
Reinsurance credit		**(85,133)**	(115,424)
Net of reinsurance		**101,308**	117,241
19.6 Other insurance liabilities			
Gross of reinsurance		**864,668**	889,169
Reinsurance credit		**(112,861)**	(135,791)
Net of reinsurance		**751,807**	753,378
20 Retirement benefit obligations			
Parent Company			
Unfunded gratuity scheme	**20.1**	**82,145**	64,359
Funded gratuity scheme	**20.2**	**181,515**	132,873
Subsidiary Company			
Funded gratuity scheme	**20.3**	**(6,460)**	112,349
		257,200	309,581

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 64(2020: 66). The latest actuarial valuation of gratuity scheme was carried out as at December 31,2021 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:

	2021	2020
Present value of defined benefit obligation as at January 01	**64,359**	82,708
Charge for the year	**9,551**	14,605
Benefits paid	**(2,847)**	(20,984)
Remeasurement loss / (gain) on obligation	**3,511**	(14,899)
Exchange loss	**7,571**	2,929
Present value of defined benefit obligation as at December 31	**82,145**	64,359

		2021	2020
20.1.3 The following significant assumptions have been used for the valuation of this scheme:		Percentage	
- Valuation discount rate		**2.20**	2.20
- Expected rate of increase in salary level		**2.00**	2.00

	Note	2021	2020
20.1.4 The amount charged in profit and loss account is as follows:		Rupees	
Service cost		**8,139**	12,934
Interest cost		**1,412**	1,671
Expense for the year		**9,551**	14,605

	Note	2021	2020
		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		**-**	-
- Experience adjustments		**3,511**	(14,899)
		3,511	(14,899)

		2021	2020
		Percentage	
20.2.2 The following significant assumptions have been used for valuation of this scheme:			
- Discount rate		**11.50**	8.50
- Expected rate of increase in salary level		**9.50**	6.50

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 750 (2020 : 718). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2021 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:

	Note	2021	2020
		Rupees in thousand	
20.2.3 Movement in the net liabilities recognized in the statement of financial position are as follows:			
Net liabilities as at January 01		**132,873**	142,469
Expenses recognized		**33,131**	35,411
Contribution paid during the year		**-**	(50,000)
Remeasurement loss recognized - net		**15,511**	4,993
Net liabilities as at December 31		**181,515**	132,873
20.2.4 The amounts recognized in the profit and loss account are as follows:			
- Service cost		**21,836**	20,728
- Interest cost		**29,498**	40,594
- Interest income on plan assets		**(18,203)**	(25,911)
		33,131	35,411

20.2.5 The amounts recognized in statement of comprehensive income are as follows:

	2021	2020
	Rupees in thousand	
Remeasurement of plan obligation from:		
- Experience on obligation	**10,807**	(6,608)
- Change in financial assumptions	**-**	-
Remeasurement of plan assets:		
- Investment return	**4,704**	11,601
	15,511	4,993

20.2.6 The amounts recognized in the statement of financial position are as follows:

	2021	2020
Fair value of plan assets	**(211,676)**	(230,138)
Present value of the obligation	**393,190**	363,011
Net asset	**181,514**	132,873

20.2.7 Movement in fair value of plan assets

	2021	2020
Fair value as at January 01	**230,138**	198,745
Interest income on plan assets	**18,203**	25,911
Actual benefits paid during the year	**(31,961)**	(32,917)
Contributions made during the year	**-**	50,000
Remeasurement loss due to investment return	**(4,704)**	(11,601)
Fair value of plan assets as at December 31	**211,676**	230,138

20.2.8 Actual return on plan assets

	2021	2020
Expected return on plan assets	**18,203**	25,911
Remeasurement loss due to investment return	**(4,704)**	(11,601)
	13,499	14,310

20.2.9 Movement in present value of defined benefit obligation

	2021	2020
Present value of defined benefit obligation as at January 01	**363,011**	341,214
Current service cost	**21,836**	20,728
Interest cost	**29,498**	40,594
Actual benefits paid during the year	**(31,961)**	(32,917)
Remeasurement loss / (gain) on obligation	**10,806**	(6,608)
Present value of defined benefit obligation as at December 31	**393,190**	363,011

20.2.10 Comparison for five years

Funded gratuity scheme

	2021	2020	2019	2018	2017
	Rupees in thousand				
Present value of defined obligation	**393,190**	363,011	341,214	326,883	283,925
Fair value of plan assets	**211,676**	230,138	198,745	193,756	199,482
Deficit	**181,514**	132,873	142,469	133,127	84,443
Experience adjustments					
Gain / (loss) on plan assets (% age of plan assets)	(2.22)	(5.04)	(0.21)	(5.92)	(19.27)
Gain / (loss) on obligations (% age of obligation)	2.75	(1.82)	(4.78)	5.54	(1.26)
Unfunded gratuity schemes					
Present value of defined obligation	**82,145**	64,359	82,708	65,854	69,953
Experience adjustments					
Gain / (loss) on obligations (% age of obligation)	**(4.27)**	23.15	(9.71)	(2.44)	(3.10)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

20.2.11 Plan assets consist of the following:	2021	2020	2021	2020
	---- (Percentage)----		---- Rupees in thousand----	
Mutual funds - Equity	**9.43**	17.92	**19,958**	41,252
Mutual funds - Debt	**30.36**	17.06	**64,258**	39,255
Government Bonds - Debt	**50.98**	46.43	**107,903**	106,842
Shares, bank deposits & cash equivalents - Others	**9.24**	18.59	**19,557**	42,789
Benefits due	**-**	-	**-**	-
	100.00	100.00	**211,676**	230,138

20.2.12 Plan assets do not include any investment in the Parent Company's ordinary shares as at December 31, 2021 : Nil (2020: Nil).

20.2.13 Expected cost to be recorded in the profit and loss account for the year ending December 31, 2022 is Rs. 42,498 thousands.

20.2.14 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.

20.2.15 The weighted average duration of the defined benefit obligation for gratuity plan is 3.1 years (2020: 3.2 years).

These defined benefit plans expose the Parent Company to actuarial risks such as investment risk and salary risk.

20.2.16 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.

20.2.17 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.

20.2.18 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

		Impact on Gratuity plans			
		Unfunded		Funded	
	Change in assumptions	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		--------------------------(Rupees in thousands)--------------------------			
Discount rate	1%	(2,892)	3,144	(10,487)	11,156
Salary growth rate	1%	3,119	(2,925)	11,260	(10,768)

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.

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, 2021 under the Projected Unit Credit Method are as follows:

	Note	2021	2020
		Rupees in thousand	
Present value of defined benefit obligations at December 31	20.3.3	178,588	178,021
Fair value of plan assets at December 31	20.3.4	(185,048)	(65,672)
Net liability at end of the year		(6,460)	112,349

20.3.3 Movement in present value of defined benefit obligations

	Note	2021	2020
Present value of defined benefit obligations at Jan 01		178,021	107,094
Current service cost	20.3.5	49,035	35,925
Interest cost on defined benefit obligation	20.3.5	22,303	15,892
Benefits paid during the year		(27,752)	(12,217)
Remeasurement loss / (gain) on obligation:			
- due to changes in financial assumptions	20.3.5	(43,019)	31,327
Present value of defined benefit obligations at Dec 31		178,588	178,021

	2021	2020
	Rupees in thousand	
20.3.4 Movement in fair value of plan assets		
Fair value of plan assets at Jan 01	**65,672**	70,068
Contributions made	**145,211**	-
Interest income on plan assets	**8,447**	9,752
Benefits paid during the year	**(27,752)**	(12,217)
Remeasurement gain on plan assets	**(6,530)**	(1,931)
Fair value of plan assets at Dec 31	**185,048**	65,672
20.3.5 Expense recognized in profit and loss		
Current service cost	**49,035**	35,925
Net interest cost	**22,303**	15,892
Interest income on plan assets	**(8,447)**	(9,752)
Expense for the year recognized in the profit and loss account	**62,891**	42,065
20.3.6 Expense recognized in other comprehensive income		
Remeasurement losses on defined benefit obligation	**(43,019)**	31,327
Remeasurement gain on fair value of plan assets	**6,530**	1,931
Amount recognized in the statement of other comprehensive income	**(36,489)**	33,258
20.3.7 Net recognized liability		
Net liability at Jan 01	**112,349**	37,026
Expense recognized in profit and loss account	**62,891**	42,065
Expense recognized in other comprehensive income	**(36,489)**	33,258
Contributions made to the fund during the year	**(145,211)**	-
Net liability at Dec 31	**(6,460)**	112,349

20.3.8 Estimated Gratuity Cost for the year ending December 31, 2022, is as follows:

	2022
	(Rupees in thousand)
Current service cost	**40,817**
Net interest cost	**2,007**
Total expense to be recognized in profit and loss account	**42,824**

20.3.9 Plan assets comprise of following:

	2021		2020	
	(Rupees in thousands)	%age	(Rupees in thousands)	%age
Listed Equities	**61,355**	**33.16**	-	-
Government Securities	**97,691**	**52.79**	-	-
Bank balance	**26,002**	**14.05**	40,975	62.39
Mutual funds	**-**	**-**	24,697	37.61
Fair value of plan assets at end of the year	**185,048**	**100.00**	65,672	100.00

20.3.10 The assets are represented by cash in the Scheme's bank deposit account with Standard Chartered Bank, directly held T-Bills and funds invested with BMA Capital Management.

20.3.11 The principal assumptions used in the actuarial valuations carried out as of December 31, 2021, using the 'Projected Unit Credit Method', are as follows:

	2021	2020
	Gratuity fund	
	Percentage	
Discount rate per annum	**11.75**	10.25
Expected per annum rate of return on plan assets	**11.75**	10.25
Expected per annum rate of increase in salary level	**3.00 - 11.00**	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**	Age dependent

20.3.12 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.

20.3.13 Sensitivity analysis - Subsidiary Company

Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	2021	2020
	Rupees in thousand	
Discount rate (1% increase)	**(10,168)**	(18,161)
Discount rate (1% decrease)	**11,531**	21,745
Future salary increase rate (1% increase)	**12,464**	22,769
Future salary increase rate (1% decrease)	**(11,177)**	(19,290)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. 13,646 (2020: Rs.77,935)

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 7.32 years. Besides the number of employees covered in the scheme at December 31, 2021 were 891 (2020: 1,110).

20.3.14 Historical Information

	2021	2020	2019	2018	2017
	Rupees in thousand				
Present value of defined benefit obligation	**178,588**	178,021	107,094	65,465	90,586
Fair value of plan assets	**(185,048)**	(65,672)	(65,672)	(79,886)	(59,079)
(Surplus) / deficit	**(6,460)**	112,349	41,422	(14,421)	31,507

20.3.15 Experience adjustment

	2021	2020	2019	2018	2017
	Percentage				
Experience adjustments on obligation	**(24.00)**	18.00	20.00	(36.00)	8.00
Experience adjustments on asset	**(4.00)**	(3.00)	(11.00)	(10.00)	(18.00)

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.

	Note	2021	2020
		Rupees in thousand	
21 Deferred taxation			
Deferred tax debits arising in respect of:			
Provision for gratuity		**23,822**	18,664
Fixed assets and intangibles		**7,405**	27
Lease liability		**21,946**	29,461
Unused tax losses		**-**	8,348
Accelerated accounting amortization		**-**	-
		53,173	56,500
Deferred tax credits arising in respect of:			
Tax depreciation allowance		**(571,111)**	(232,501)
Right of use assets		**(26,021)**	(29,179)
Provision for leave encashment & bonus		**-**	-
Business attributable to shareholders (Ledger Account D)		**(240,865)**	(214,810)
Investments - Available for sale		**(1,477,841)**	(1,161,987)
		(2,315,838)	(1,638,477)
		(2,262,665)	(1,581,977)
21.1 Movement in deferred tax balances is as follows:			
At beginning of the year		**1,581,977**	1,425,938
Recognized in profit and loss account:			
- provision for gratuity		**(5,158)**	5,322
- lease liability against right of use asset		**7,515**	1,012
- right of use assets		**(3,158)**	13
- Provision for leave encashment & bonus		**-**	21,080
- Unused tax losses		**8,200**	9,165
- Business attributable to shareholders (Ledger Account D)		**17,558**	90,259
- Accelerated accounting amortization		**41**	(1,974)
- tax depreciation allowance		**329,253**	68,440
		354,251	193,317
Recognized in other comprehensive income:			
- investments - Available for sale		**315,854**	(27,633)
- Remeasurement of post retirement defined benefits		**10,583**	(9,645)
		326,437	(37,278)
		2,262,665	1,581,977
22 Borrowings			
MCB Bank Limited - Refinance scheme	22.1	**171,650**	330,849
MCB Bank Limited - Demand finance - General	22.2	**840,000**	-
Loan from financial institution - MCB Bank Limited		**1,011,650**	330,849

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%.

		2021	2020
		Rupees in thousand	
23	**Deferred grant income**		
	Deferred grant income	10,627	28,574

Government grant has been recorded during the year which is measured 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	2021	2020
			Rupees in thousand	
24	**Insurance/reinsurance payables**			
	Due to other insurers / reinsurers	24.1	5,215,694	3,161,519

24.1 This amount represents amount payable to other insurers and reinsurers.

		Note	2021	2020
25	**Other creditors and accruals**			
	Agents commission payable		1,148,121	1,077,695
	Payable against the purchase of investment		30,524	237,167
	Federal Excise Duty / Sales tax / VAT		346,924	94,242
	Federal Insurance Fee payable		35,707	29,854
	Payable to related parties	25.1	6,070	4,801
	Workers' welfare fund		76,485	76,485
	Tax deducted at source		99,348	107,570
	Accrued expenses		623,583	510,725
	Unpaid and unclaimed dividend		156,627	161,753
	Payable to employees' provident fund		88	143
	Sundry creditors		666,170	592,559
			3,189,647	2,892,994

25.1 This represents charges payable to MCB Arif Habib Savings & Investment Limited and MCB Financial Services Limited for providing services related to management of fund and for acting discretionary portfolio's trustees of the Subsidiary Company.

		Note	2021	2020
			Rupees in thousand	
26	**Deposits and other liabilities**			
	Cash margin against performance bonds	26.1	553,460	570,776
	Lease liability		184,493	210,582
			737,953	781,358

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:

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 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.

(b) The Taxation Officer has 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.

(c) 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 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) Learned DCIR has passed an order under section 161/205 of the 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 and the appeal has not yet been fixed.

(e) During the year, the Assistant Commissioner, Sindh Revenue Board has passed order under section 23(1) of the Sindh Sales Tax On Services Act 2011 creating a demand of Rs. 469,020 thousands for the period from July 2011 to December 2011. 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 Parent Company.

Pending resolution of the above-mentioned appeals filed by the Parent Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rs. 532,636 thousands (2020: Rs. 72,681 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Parent Company.

27.2 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 extended exemption on health insurance till June 30, 2020. 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”) had 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 Subsidiary 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.538.14 million (2020: Rs. 347.54 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.

27.3 Commitments

Life Insurance Business:

Commitments represent Ijarah rentals for vehicles payable in future period.

	2021	2020
	Rupees in thousand	
Not later than one year	**60,461**	37,844
Later than one year and not later than five years	**161,923**	102,066
	222,384	139,910

27.4 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. 1,269,671 thousands (2020: Rs. 1,209,000 thousands).

The Parent Company has issued letter of guarantees of AED 219,000 amounting to Rs.10,524 thousands (2020: AED 251,500 amounting to Rs.10,944 thousands) relating to UAE branch.

28 Net insurance premium

	Note	2021	2020
		Rupees in thousand	
General Insurance Business:			
Written gross premium		**23,295,763**	18,261,397
Unearned premium reserve - opening		**8,366,434**	10,242,348
Unearned premium reserve - closing		**(11,010,289)**	(8,366,434)
Currency translation effect		**323,898**	153,311
Premium earned		**20,975,806**	20,290,622
Reinsurance premium ceded		**(9,740,756)**	(6,818,262)
Prepaid reinsurance premium - opening		**(3,307,863)**	(3,500,512)
Prepaid reinsurance premium - closing	13	**4,627,169**	3,307,863
Currency translation effect		**(25,956)**	(2,798)
Reinsurance expense		**(8,447,406)**	(7,013,709)
Net insurance premium - General Insurance Business	28.1 & 28.2	**12,528,400**	13,276,913
Life Insurance Business:			
Regular premium / contributions individual policies			
- first year		**3,754,155**	3,169,929
- second year renewal		**2,303,228**	2,743,961
- subsequent years renewal		**6,593,866**	5,271,022
Single premium / contributions individual policies		**7,539,327**	5,330,905
Group policies without cash values		**537,705**	626,616
Experience refund		**(75,375)**	(46,774)
Total gross premiums / contributions		**20,652,906**	17,095,659
Reinsurance premiums / retakaful contributions ceded			
On individual life first year business		**(58,064)**	(33,523)
On individual life second year business		**(33,052)**	(25,742)
On individual life subsequent renewal business		**(173,190)**	(131,383)
On single premium individual policies		**(10,586)**	(5,083)
On group policies		**(281,309)**	(381,266)
Profit commission on reinsurance		**26,150**	13,030
		(530,051)	(563,967)
Net premiums / contributions - Life Insurance Business		**20,122,855**	16,531,692
		32,651,255	29,808,605

	2021	2020
	Rupees in thousand	
28.1 Net insurance premium - Business underwritten inside Pakistan		
Written gross premium	**17,012,668**	13,451,519
Unearned premium reserve - opening	**6,021,464**	6,197,501
Unearned premium reserve - closing	**(7,393,851)**	(6,021,464)
Premium earned	**15,640,281**	13,627,556
Reinsurance premium ceded	**(9,108,055)**	(6,583,537)
Prepaid reinsurance premium - opening	**(3,260,277)**	(3,425,355)
Prepaid reinsurance premium - closing	**4,302,258**	3,260,277
Reinsurance expense	**(8,066,074)**	(6,748,615)
	7,574,207	6,878,941
28.2 Net insurance premium - Business underwritten outside Pakistan		
Written gross premium	**6,283,095**	4,809,878
Unearned premium reserve - opening	**2,344,970**	4,044,847
Unearned premium reserve - closing	**(3,616,438)**	(2,344,970)
Currency translation effect	**323,898**	153,311
Premium earned	**5,335,525**	6,663,066
Reinsurance premium ceded	**(632,701)**	(234,725)
Prepaid reinsurance premium - opening	**(47,586)**	(75,157)
Prepaid reinsurance premium - closing	**324,911**	47,586
Currency translation effect	**(25,956)**	(2,798)
Reinsurance expense	**(381,332)**	(265,094)
	4,954,193	6,397,972

		Note	2021	2020
			Rupees in thousand	
29	**Net insurance claims expense**			
	General Insurance Business:			
	Claim paid		11,343,930	11,973,346
	Outstanding claims including IBNR - closing	29.3	12,686,045	10,768,040
	Outstanding claims including IBNR - opening		(10,768,040)	(10,367,347)
	Currency translation effect		(540,775)	(196,160)
	Claim expense		12,721,160	12,177,879
	Reinsurance and other recoveries received / receivable		(4,007,386)	(4,346,714)
	Reinsurance and other recoveries in respect of outstanding claims - closing		(7,943,513)	(6,192,571)
	Reinsurance and other recoveries in respect of outstanding claims - opening		6,192,571	6,233,348
	Currency translation effect		241,051	114,914
	Reinsurance and other recoveries revenue		(5,517,277)	(4,191,023)
	Net insurance claims expense - General Insurance Business	29.1 & 29.2	7,203,883	7,986,856
	Life Insurance Business:			
	Gross claims			
	Claims under individual policies			
	- by death		708,320	435,106
	- by insured event other than death		2,081	(606)
	- by maturity		2,126,722	1,679,897
	- by surrender		6,240,319	4,676,523
	Total gross individual policy claims		9,077,442	6,790,920
	Claims under group policies			
	- by death		451,141	651,184
	- by insured event other than death		11,544	10,316
	Total gross group policy claims		462,685	661,500
	Claim related expenses		10,933	7,074
	Total gross claims		9,551,060	7,459,494
	Reinsurance recoveries			
	- on individual claims		(147,520)	(143,365)
	- on group claims		(297,782)	(477,498)
			(445,302)	(620,863)
	Net insurance claims expense - Life Insurance Business		9,105,758	6,838,631
			16,309,641	14,825,487

29.1 Net insurance claims expense - Business underwritten inside Pakistan

	2021	2020
Claim paid	5,792,876	5,799,654
Outstanding claims including IBNR - closing	7,131,251	4,920,475
Outstanding claims including IBNR - opening	(4,920,475)	(4,398,967)
Claims expense	8,003,652	6,321,162
Reinsurance and other recoveries received / receivable	(1,707,578)	(1,684,522)
Reinsurance and other recoveries in respect of outstanding claims - closing	(5,482,393)	(3,526,278)
Reinsurance and other recoveries in respect of outstanding claims - opening	3,526,278	2,948,471
Reinsurance and other recoveries revenue	(3,663,693)	(2,262,329)
	4,339,959	4,058,833

29.2 Net insurance claims expense - Business underwritten outside Pakistan

	2021	2020
	Rupees in thousand	
Claim paid	**5,551,054**	6,173,692
Outstanding claims including IBNR - closing	**5,554,794**	5,847,565
Outstanding claims including IBNR - opening	**(5,847,565)**	(5,968,380)
Currency translation effect	**(540,775)**	(196,160)
Claims expense	**4,717,508**	5,856,717
Reinsurance and other recoveries received / receivable	**(2,299,808)**	(2,662,192)
Reinsurance and other recoveries in respect of outstanding claims - closing	**(2,461,120)**	(2,666,293)
Reinsurance and other recoveries in respect of outstanding claims - opening	**2,666,293**	3,284,877
Currency translation effect	**241,051**	114,914
Reinsurance and other recoveries revenue	**(1,853,584)**	(1,928,694)
	2,863,924	3,928,023

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						
	2016 & prior	2017	2018	2019	2020	2021	Total
	Rupees in thousand						
Estimate of the ultimate claim cost:							
At the end of accident year	11,752,724	11,307,403	13,278,246	14,544,497	12,607,367	14,166,057	**77,656,294**
One year later	7,075,979	6,362,632	6,250,676	6,218,787	5,366,245	-	**31,274,319**
Two years later	2,369,539	1,978,478	1,880,335	2,149,028	-	-	**8,377,380**
Three years later	1,662,339	956,949	863,553	-	-	-	**3,482,841**
Four years later	646,905	725,072	-	-	-	-	**1,371,977**
Five years later	760,020	-	-	-	-	-	**760,020**
Current estimate of cumulative claims	760,020	725,072	863,553	2,149,028	5,366,245	14,166,057	**24,029,975**
Less: Cumulative payments to date	29,141	82,526	348,519	1,062,884	3,369,367	6,451,493	**11,343,930**
Liability recognized in statement of financial position	730,879	642,546	515,034	1,086,144	1,996,878	7,714,564	**12,686,045**

29.3.2 Life Insurance Business:

29.3.2.1 Individual life claims

	Accident year					
	2017	2018	2019	2020	2021	Total
	Rupees in thousand					
Estimate of the ultimate claim cost:						
At the end of accident year	181,455	178,516	237,921	292,496	466,544	**1,356,932**
One year later	283,617	255,404	345,129	530,932	-	**1,415,082**
Two years later	294,168	262,037	362,799	-	-	**919,004**
Three years later	294,168	266,902	-	-	-	**561,070**
Four years later	300,075	-	-	-	-	**300,075**
Current estimate of cumulative claims	300,075	266,902	362,799	530,932	466,544	**1,927,252**
Less: Cumulative payments to date	266,101	237,026	316,088	452,754	234,885	**1,506,854**
Liability recognized in statement of financial position	33,974	29,876	46,711	78,178	231,659	**420,398**

29.3.2.2 Group life claims

	Accident year					
	2017	2018	2019	2020	2021	Total
	Rupees in thousand					
Estimate of the ultimate claim cost:						
At the end of accident year	413,991	419,348	342,820	559,852	349,345	**2,085,356**
One year later	549,012	531,056	452,433	663,992	-	**2,196,493**
Two years later	556,060	532,356	454,575	-	-	**1,542,991**
Three years later	557,251	532,356	-	-	-	**1,089,607**
Four years later	557,251	-	-	-	-	**557,251**
Current estimate of cumulative claims	557,251	532,356	454,575	663,992	349,345	**2,557,519**
Less: Cumulative payments to date	557,251	532,356	454,575	662,142	326,799	**2,533,123**
Liability recognized in statement of financial position	-	-	-	1,850	22,546	**24,396**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30	Net commission and other acquisition costs	Note	2021	2020
			Rupees in thousand	
	General Insurance Business:			
	Commission paid or payable		2,346,874	1,867,093
	Deferred commission expense - opening		731,319	1,190,146
	Deferred commission expense - closing		(1,055,480)	(731,319)
	Currency translation effect		59,606	32,239
	Net commission		2,082,319	2,358,159
	Commission received or recoverable		(554,992)	(532,528)
	Unearned reinsurance commission - opening		(245,318)	(237,751)
	Unearned reinsurance commission - closing		241,094	245,318
	Currency translation effect		(195)	(8)
	Commission from reinsurance		(559,411)	(524,969)
	Net commission and other acquisition costs - General Insurance Business	30.1 & 30.2	1,522,908	1,833,190
	Life Insurance Business:			
	Remuneration to insurance / takaful intermediaries on individual policies:			
	Commission on first year contribution / premium		1,540,707	1,379,956
	Commission on second year contribution / premium		134,820	147,256
	Commission on subsequent years renewal contribution / premium		157,477	122,821
	Commission on single contribution premium		160,249	114,036
	Other benefits to insurance intermediaries		392,674	357,106
			2,385,927	2,121,175
	Remuneration to insurance intermediaries on group policies:			
	Commission		22,061	21,908
	Other benefits to insurance intermediaries		2,142	3,344
			24,203	25,252
	Other acquisition costs:			
	Employee benefit cost		434,049	315,913
	Traveling expenses		2,869	1,691
	Information technology expense		2,121	3,620
	Printing & stationary		3,600	3,257
	Depreciation		38,626	23,378
	Amortization		49	193
	Rent, rates and taxes		33,951	40,442
	Insurance cost		489	336
	Car fuel & maintenance		30,952	25,874
	Postage		6,603	4,717
	Electricity, gas and water		16,494	9,018
	Office maintenance		34,245	23,331
	Entertainment		10,559	6,509
	Training & development		2,220	1,466
	Marketing cost		39,223	38,129
	Financial charges		8,254	1,156
	Brokerage charges		-	-
	Legal & professional charges		401	608
	Stamp duty		60,310	44,260
	Medical examination fee		3,151	1,747
			728,166	545,645
	Net commission and other acquisition costs - Life Insurance Business		3,138,296	2,692,072
			4,661,204	4,525,262

30.1 Net commission and other acquisition costs - Business underwritten inside Pakistan

	Note	2021	2020
		Rupees in thousand	
Commission paid or payable		1,139,371	857,203
Deferred commission expense - opening		285,324	352,673
Deferred commission expense - closing		(393,554)	(285,324)
Net commission		1,031,141	924,552
Commission received or recoverable		(549,408)	(523,673)
Unearned reinsurance commission - opening		(240,971)	(236,381)
Unearned reinsurance commission - closing		239,650	240,971
Commission from reinsurance		(550,729)	(519,083)
		480,412	405,469

30.2 Net commission and other acquisition costs - Business underwritten outside Pakistan

	Note	2021	2020
Commission paid or payable		1,207,503	1,009,890
Deferred commission expense - opening		445,995	837,473
Deferred commission expense - closing		(661,926)	(445,995)
Currency translation effect		59,606	32,239
Net commission		1,051,178	1,433,607
Commission received or recoverable		(5,584)	(8,855)
Unearned reinsurance commission - opening		(4,347)	(1,370)
Unearned reinsurance commission - closing		1,444	4,347
Currency translation effect		(195)	(8)
Commission from reinsurance		(8,682)	(5,886)
		1,042,496	1,427,721

31 Management expenses

	Note	2021	2020
Employees benefit cost	31.1	2,349,331	2,263,570
Travelling expenses		46,760	48,209
Advertisement & sales promotion		243,973	166,148
Printing & stationary		54,717	48,662
Depreciation		245,370	295,958
Amortization		45,878	47,628
Rent, rates & taxes		20,347	10,301
Legal & professional charges - business related		198,861	157,677
Electricity, gas & water		87,364	74,643
Entertainment		26,046	18,314
Vehicle running expenses		142,423	121,272
Office repairs & maintenance		105,492	73,353
Bank charges		60,068	41,840
Postages, telegrams & telephone		45,067	42,165
Supervision fee		72,921	79,416
IT related costs		174,336	161,652
Tracking and monitoring charges		142,976	179,587
Provision for doubtful balances against due from insurance contract holders		72,104	47,968
Regulatory fee		131,560	117,028
Miscellaneous		79,103	55,836
		4,344,697	4,051,227

31.1 Employee benefit cost

	Note	2021	2020
Salaries, allowances and other benefits		2,217,286	2,140,506
Charges for post employment benefit		132,045	123,064
		2,349,331	2,263,570

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	Note	2021	2020
		Rupees in thousand	
32 Investment income			
Business underwritten Inside Pakistan			
Income from equity securities			
Dividend Income			
- Available for sale		2,261,245	998,602
- Fair value through profit or loss		624,416	366,669
		2,885,661	1,365,271
Income from debt securities			
Return on debt securities			
- Fair value through profit or loss		297,512	380,360
		297,512	380,360
Return on government securities			
- Available for Sale		28,426	45,106
- Fair value through profit or loss		1,735,147	1,461,526
- Held to maturity		37,414	38,502
		1,800,987	1,545,134
Income from term deposit receipts			
- Held to maturity		461,233	353,177
		461,233	353,177
Tax on dividend under final tax regime		-	(5,480)
		-	(5,480)
Net realized fair value gains on investments			
Available for sale			
- Equity securities		5,421	40,413
- Government securities		(30)	-
		5,391	40,413
Fair value through profit or loss			
- Equity securities		466,723	381,804
- Debt securities		5,454	(1,240)
- Government securities		(81,459)	279,234
		390,718	659,798
Provision for impairment in value of 'available-for-sale' investments		49,899	(158,641)
		5,891,401	4,180,032
Business underwritten Outside Pakistan			
Income from equity securities			
Dividend income			
- Available for Sale		334	2,315
		334	2,315
Net realized gains on investments			
- Available for Sale		-	699
		-	699
Return on term deposits			
- Held to maturity		104,224	156,117
		104,224	156,117
		104,558	159,131
Total investment income		5,995,959	4,339,163

	Note	2021	2020
		Rupees in thousand	
33 Net fair value gain / (loss) on financial assets at fair value through profit or loss			
Held for trading			
Net unrealized gains / (losses) on:			
- Mutual Funds		2,049	711,944
- Listed equities		(823,246)	105,610
- Fixed income securities		62,970	32,079
- Government securities		(10,759)	(8,540)
Investment related expenses		(100,477)	(102,310)
		(869,463)	738,783
34 Rental income			
Rental income		85,693	71,671
Expenses of investment property		(2,073)	(1,859)
		83,620	69,812
35 Other income			
Return on bank balances		447,183	425,146
Mark-up on policy loans		3,662	3,125
Gain on sale of operating assets		23,799	72,039
Return on loans to employees		190	210
Income against deferred grant		8,439	4,243
Exchange gain		2,758	12,330
Shared expenses received		14,030	12,980
Miscellaneous		23,069	28,968
		523,130	559,041
36 Other expenses			
Legal & professional charges other than business		29,092	23,776
Auditors' remuneration	36.1	20,066	18,459
Subscription fee		9,909	8,462
Donations	36.2	5,851	12,211
Directors' fee		320	236
Central depository expense		1,298	1,905
Others		1,911	3,640
		68,447	68,689
36.1 Auditors' remuneration			
Inside Pakistan:			
Audit fee		4,585	4,427
Interim review fee		1,795	1,041
Special certifications and sundry advisory services		2,125	2,416
Out-of-pocket expenses		1,611	626
		10,116	8,510
Outside Pakistan:			
Audit fee		8,276	8,275
Interim review fee		1,102	1,101
Out-of-pocket expenses		572	573
		9,950	9,949
		20,066	18,459

36.2 The Company has paid the donation amounting to Rs. 1.5 million (2020: Nil) to Pakistan Agricultural Coalition, Rs. 3.1 million (2020: Nil) to Dr. Jameel Jalibi Foundation and Rs. 1.2 million (2020: Nil) to Indus Hospital during the current year.

37 Taxation - net

		2021	2020
		Rupees in thousand	
Current tax			
For the year	- Group	931,628	492,446
	- Window Takaful Operations	40,490	47,605
Prior year	- Group	-	(579,273)
		972,118	(39,222)
Deferred tax			
For the year	- Group	354,252	193,316
	- Window Takaful Operations	(102)	(236)
		354,150	193,080
		1,326,268	153,858

37.1 Tax charge reconciliation

	(Effective tax rate) 2021	2020
	Percentage	
Tax at the applicable rate of 29 (2019: 29)	29.00	29.00
Prior year	-	(30.33)
Tax effect of provision for impairment of investments	(0.32)	2.41
Others	2.12	5.82
	30.80	6.90

38 Earnings per share

There is no dilutive effect on the basic earnings per share which is based on:

	2021	2020
	Rupees in thousand	
Net profit after tax for the year attributable to owners of the parent	2,943,593	2,073,922
	2021	**2020**
	Number of shares	
Weighted average number of ordinary shares	350,000,000	350,000,000
	2021	**2020**
	Rupees	
Earning per share - basic and diluted	8.41	5.93

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	
	2021	2020	2021	2020	2021	2020
	Rupees in thousand					
Fees	-	-	740	516	-	-
Managerial remuneration	31,013	27,691	-	-	1,042,566	1,030,353
Leave encashment	4,135	-	-	-	47,989	41,956
Bonus	4,723	4,360	-	-	111,445	92,950
Charge of defined benefit plan	1,085	2,400	-	-	33,266	36,094
Contribution to defined contribution plan	1,551	1,384	-	-	27,362	24,251
House rent allowance	-	-	-	-	203,024	189,970
Utilities	448	556	-	-	18,877	16,423
Medical	-	-	-	-	43,662	71,597
Conveyance	-	-	-	-	162,561	156,633
Special allowance	1,800	1,800	-	-	-	-
Other allowance	447	473	-	-	-	-
	45,202	38,664	740	516	1,690,752	1,660,227
Number	2	2	13	13	521	493

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 and bank deposits 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:

	Basis of relationship	2021	2020
		Rupees in thousand	
Parent Company			
i) Transactions			
Premiums underwritten	Common directorship	**1,734,106**	1,699,869
Premiums received	Common directorship	**1,264,474**	1,573,675
Claims paid	Common directorship	**647,164**	665,463
Security deposit received	Common directorship	**5,173**	-
Security deposit paid	Common directorship	**-**	115
Commission Paid	Common directorship	**27,939**	33,537
Guarantee commission received	Common directorship	**11,542**	8,460
Rent paid	Common directorship	**6,689**	8,067
Rent received	Common directorship	**63,767**	39,247
Dividends received	Common directorship	**1,320,294**	459,884
Dividends paid	Common directorship	**197,921**	197,582
Income on bank deposits	Common directorship	**42,794**	88,763
Investments made	Common directorship	**1,250,493**	226,107
Fixed assets sold	Common directorship	**33,055**	3,538
Fee / service charges paid	Common directorship	**15,941**	10,931
Fee / service charges received / accrued	Common directorship	**17,298**	10,485
Payments made to provident fund	Employees' fund	**36,543**	35,124
ii) Period end balances			
Balances receivable	Common directorship	**243,103**	206,040
Balances payable	Common directorship	**299,939**	313,285
Payable to provident fund	Employees' fund	**88**	143
Subsidiary Company			
i) Transactions			
Premium written	Common directorship	**277,742**	238,335
Claims expense	Common directorship	**208,492**	186,146
Commission and other incentives in respect of Bancassurance	Common directorship	**1,675,938**	1,536,137
Profit on bank deposits	Common directorship	**145,486**	105,228
Bank charges	Common directorship	**3,391**	1,832
Investments purchased	Common directorship	**12,220,338**	5,608,773
Investments sold	Common directorship	**11,431,722**	4,936,058
Investment advisor fee	Common directorship	**35,991**	25,317
Dividend income	Common directorship	**163,733**	91,535
Reinsurance claim recoveries	Common directorship	**-**	-
Reinsurance premium ceded	Common directorship	**-**	-
Trustee fee	Common directorship	**9,199**	9,450
Purchase of right shares	Directors	**29**	-
Expense in relation to gratuity fund	Employees' fund	**26,402**	75,323

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ii) Period end balances	Basis of relationship	2021	2020
		Rupees in thousand	
Premium due but unpaid	Common directorship	**11,626**	8,130
Premium received in advance	Common directorship	**-**	-
Bank deposits	Common directorship	**1,668,509**	3,306,935
Investments held	Common directorship	**8,499,041**	7,868,307
Dividend receivables	Common directorship	**6,221**	-
Accrued Income	Common directorship	**250**	593
Commission payable	Common directorship	**289,696**	453,358
Claims payable	Common directorship	**5,700**	33,107
Reinsurance receivable	Common directorship	**-**	-
Remuneration payable for the management of discretionary investment portfolio	Common directorship	**3,284**	1,849
Remuneration payable to Trustee	Common directorship	**903**	968
Other payable/(receivables)	Common directorship	**-**	16,694
Retirement Benefit Obligation Plan (Gratuity Fund)			
Receivable from / (payable to) Gratuity fund	Employees' fund	**6,460**	(112,349)

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
Agro Hub International (Private) Limited	Common directorship	Nil
Cotton Web Limited	Company director Chairman	Nil
Dupak Developers Pakistan (Private) Limited	Common directorship	Nil
Dupak Properties (Private) Limited	Common directorship	Nil
Dupak Tameer Limited	Common directorship	Nil
D.G. Khan Cement Company Limited	Associated Company	0.462%
Export Development Funds	Common directorship	Nil
Fortress Financials Services (Private) Limited	Common directorship	Nil
Fortress Square Services (Private) Limited	Common directorship	Nil
Fortress Supplies (Private) Limited	Common directorship	Nil
Golf View Land (Private) Limited	Common directorship	Nil
Hyundai Nishat Motor (Private) Limited	Common directorship	10.000%
Joyland (Private) Limited	Common directorship	Nil
Mahmood Textile Mills Limited	Common directorship	Nil
Masood Spinning Mills Limited	Common directorship	Nil
MCB Bank Limited	Common directorship	5.195%
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
Nishat Chunian Limited	Associated Company	0.537%
Nishat Power Limited	Associated Company	0.272%
Pakgen Power Limited	Common directorship	6.889%
Pakistan Single Window	Common directorship	Nil
Punjab Industrial Estate Development & Management Company	Common directorship	Nil
Punjab Social Security Health Management Company	Common directorship	Nil
Roomi Foods (Private) Limited	Common directorship	Nil
Roomi Poultry (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.

	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			
	Rupees in thousands														
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	10,633,813	21,460	1,452,007	36,981	3,695,085	5,668,747	2,225,261	864,518	1,230,772	6,069	19,236,938	6,597,775	**25,834,713**	**20,652,906**	**46,487,619**
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)**	**-**	**(2,369,488)**
Federal insurance fee	(90,550)	(46)	(12,982)	(17)	(32,676)	-	(22,078)	-	(11,112)	(1)	(169,398)	(64)	**(169,462)**	**-**	**(169,462)**
	9,220,699	20,042	1,275,694	35,121	3,220,797	5,398,807	2,186,274	823,350	1,109,204	5,775	17,012,668	6,283,095	**23,295,763**	**20,652,906**	**43,948,669**
Gross written premium (inclusive of administrative surcharge)	9,220,699	20,042	1,275,694	35,121	3,220,797	5,398,807	2,186,274	823,350	1,109,204	5,775	17,012,668	6,283,095	**23,295,763**	**20,652,906**	**43,948,669**
Gross direct premium	9,183,336	19,987	1,243,502	35,121	3,101,539	5,387,399	2,184,019	823,350	1,097,963	5,744	16,810,359	6,271,601	**23,081,960**	**20,652,906**	**43,734,866**
Facultative inward premium	17,946	-	1,476	-	-	-	-	-	-	-	19,422	-	**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**	**-**	**194,381**
	9,220,699	20,042	1,275,694	35,121	3,220,797	5,398,807	2,186,274	823,350	1,109,204	5,775	17,012,668	6,283,095	**23,295,763**	**20,652,906**	**43,948,669**
Insurance premium earned	8,117,196	20,630	1,240,378	29,420	2,989,107	4,879,669	2,055,542	397,172	1,238,058	8,634	15,640,281	5,335,525	**20,975,806**	**20,652,906**	**41,628,712**
Insurance premium ceded to reinsurers	(7,219,382)	(14,157)	(263,765)	(149)	(58,042)	(148,410)	-	(211,443)	(524,885)	(7,173)	(8,066,074)	(381,332)	**(8,447,406)**	**(530,051)**	**(8,977,457)**
Net insurance premium	897,814	6,473	976,613	29,271	2,931,065	4,731,259	2,055,542	185,729	713,173	1,461	7,574,207	4,954,193	**12,528,400**	**20,122,855**	**32,651,255**
Commission income	465,714	4,013	1,949	-	3,832	-	-	1,497	79,234	3,172	550,729	8,682	**559,411**	**-**	**559,411**
Net underwriting income	1,363,528	10,486	978,562	29,271	2,934,897	4,731,259	2,055,542	187,226	792,407	4,633	8,124,936	4,962,875	**13,087,811**	**20,122,855**	**33,210,666**
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)**	**(9,551,060)**	**(22,272,220)**
Insurance claim recoveries from reinsurer	3,180,033	(60,265)	170,463	76	71,545	1,649,193	-	264,885	241,652	(305)	3,663,693	1,853,584	**5,517,277**	**445,302**	**5,962,579**
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)**	**(9,105,758)**	**(16,309,641)**
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)**	**(3,138,296)**	**(5,220,615)**
Management expense	(420,779)	(800)	(351,048)	(9,808)	(1,049,841)	(914,421)	(133,706)	(47,005)	(218,510)	(294)	(2,173,884)	(972,328)	**(3,146,212)**	**(1,198,485)**	**(4,344,697)**
Net insurance claims and expenses	(1,213,181)	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)	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**(9,490,171)**	**(9,490,171)**
Underwriting result	150,347	20,011	24,097	10,148	260,386	77,771	72,273	(37,564)	72,849	5,079	579,952	75,445	**655,397**	**(2,809,855)**	**(2,154,458)**
Net investment income											2,364,886	104,558	**2,469,444**	**3,526,515**	**5,995,959**
Net fair value unrealized gain on financial assets at fair value through profit or loss											-	-	**-**	**(869,463)**	**(869,463)**
Change in fair value of investment property											757,607	-	**757,607**	**(83,467)**	**674,140**
Rental income											81,846	1,774	**83,620**	**-**	**83,620**
Other income											95,350	43,812	**139,162**	**383,968**	**523,130**
Other expenses											(45,092)	(13,748)	**(58,840)**	**(9,607)**	**(68,447)**
Finance cost											(47,978)	(1,968)	**(49,946)**	**(3,941)**	**(53,887)**
Profit from Window Takaful Operations - Operators Fund (Parent Company)											139,267	-	**139,267**	**-**	**139,267**
Profit before taxation											3,925,838	209,873	**4,135,711**	**134,150**	**4,269,861**
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**	**59,116,387**	**79,918,418**
Unallocated assets											29,632,221	8,267,501	**37,899,722**	**2,525,070**	**40,424,792**
											45,640,542	13,061,211	**58,701,753**	**61,641,457**	**120,343,210**
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**	**58,021,231**	**87,690,112**
Unallocated Liabilities											5,768,468	805,415	**6,573,883**	**458,646**	**7,032,529**
											25,646,219	10,596,545	**36,242,764**	**58,479,877**	**94,722,641**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

41.1 Segment Information

The Group conducts general insurance business both inside and outside Pakistan while life assurance is conducted only in Pakistan.

	2020														
	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			
	Rupees in thousands														
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	7,806,082	22,809	1,093,491	21,577	3,163,942	4,874,936	1,827,861	120,239	1,318,756	10,319	15,210,132	5,049,880	20,260,012	17,095,659	37,355,671
Federal excise duty / VAT	(987,504)	(1,448)	(123,365)	(363)	(377,194)	(231,787)	(16,327)	(5,726)	(118,270)	(601)	(1,622,660)	(239,925)	(1,862,585)	-	(1,862,585)
Federal insurance fee	(67,970)	(48)	(9,626)	(23)	(27,904)	-	(18,057)	-	(12,396)	(6)	(135,953)	(77)	(136,030)	-	(136,030)
	6,750,608	21,313	960,500	21,191	2,758,844	4,643,149	1,793,477	114,513	1,188,090	9,712	13,451,519	4,809,878	18,261,397	17,095,659	35,357,056
Gross written premium (inclusive of administrative surcharge)	6,750,608	21,313	960,500	21,191	2,758,844	4,643,149	1,793,477	114,513	1,188,090	9,712	13,451,519	4,809,878	18,261,397	17,095,659	35,357,056
Gross direct premium	6,699,190	21,242	937,043	21,191	2,653,801	4,635,746	1,790,654	114,513	1,151,351	9,692	13,232,039	4,802,384	18,034,423	17,095,659	35,130,082
Facultative inward premium	33,239	-	415	-	215	-	-	-	27,876	-	61,745	-	61,745	-	61,745
Administrative surcharge	18,179	71	23,042	-	104,828	7,403	2,823	-	8,863	20	157,735	7,494	165,229	-	165,229
	6,750,608	21,313	960,500	21,191	2,758,844	4,643,149	1,793,477	114,513	1,188,090	9,712	13,451,519	4,809,878	18,261,397	17,095,659	35,357,056
Insurance premium earned	6,636,961	29,222	935,695	19,427	2,737,392	6,569,394	1,858,133	33,667	1,459,375	11,356	13,627,556	6,663,066	20,290,622	17,095,659	37,386,281
Insurance premium ceded to reinsurers	(5,816,310)	(20,701)	(263,140)	-	(47,389)	(195,141)	-	(41,406)	(621,776)	(7,846)	(6,748,615)	(265,094)	(7,013,709)	(563,967)	(7,577,676)
Net insurance premium	820,651	8,521	672,555	19,427	2,690,003	6,374,253	1,858,133	(7,739)	837,599	3,510	6,878,941	6,397,972	13,276,913	16,531,692	29,808,605
Commission income	413,856	2,603	1,727	-	4,147	-	-	1,905	99,353	1,378	519,083	5,886	524,969	-	524,969
Net underwriting income	1,234,507	11,124	674,282	19,427	2,694,150	6,374,253	1,858,133	(5,834)	936,952	4,888	7,398,024	6,403,858	13,801,882	16,531,692	30,333,574
Insurance claims	(2,219,655)	(107,757)	(348,185)	3,443	(1,283,439)	(5,691,685)	(1,567,530)	(62,161)	(902,353)	1,443	(6,321,162)	(5,856,717)	(12,177,879)	(7,459,494)	(19,637,373)
Insurance claim recoveries from reinsurer	1,577,406	35,947	42,523	-	162,184	1,849,868	-	42,390	480,216	489	2,262,329	1,928,694	4,191,023	620,863	4,811,886
Net claims	(642,249)	(71,810)	(305,662)	3,443	(1,121,255)	(3,841,817)	(1,567,530)	(19,771)	(422,137)	1,932	(4,058,833)	(3,928,023)	(7,986,856)	(6,838,631)	(14,825,487)
Commission expense	(415,970)	(2,645)	(118,735)	(2,465)	(184,654)	(1,424,474)	(72,073)	(3,431)	(133,120)	(592)	(924,552)	(1,433,607)	(2,358,159)	(2,692,072)	(5,050,231)
Management expense	(368,958)	(1,082)	(351,320)	(8,989)	(995,497)	(965,423)	(131,697)	(19,884)	(249,523)	(595)	(2,096,995)	(995,973)	(3,092,968)	(958,259)	(4,051,227)
Net insurance claims and expenses	(1,427,177)	(75,537)	(775,717)	(8,011)	(2,301,406)	(6,231,714)	(1,771,300)	(43,086)	(804,780)	745	(7,080,380)	(6,357,603)	(13,437,983)	(10,488,962)	(23,926,945)
Net change in insurance liabilities (other than outstanding claims)	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,937,066)	(9,937,066)
Underwriting result	(192,670)	(64,413)	(101,435)	11,416	392,744	142,539	86,833	(48,920)	132,172	5,633	317,644	46,255	363,899	(3,894,336)	(3,530,437)
Net investment income											933,375	159,131	1,092,506	3,246,657	4,339,163
Net fair value unrealized gain on financial assets at fair value through profit or loss											-	-	-	738,783	738,783
Net unrealized gains on investment property											-	-	-	(21,000)	(21,000)
Rental income											67,829	1,983	69,812	-	69,812
Other income											185,333	56,725	242,058	316,983	559,041
Other expenses											(48,745)	(13,588)	(62,333)	(6,356)	(68,689)
Finance cost											(10,120)	(4,259)	(14,379)	(5,502)	(19,881)
Profit from Window Takaful Operations - Operators Fund (Parent Company)											163,774	-	163,774	-	163,774
Profit before tax											1,609,090	246,247	1,855,337	375,229	2,230,566
Segment Assets	6,767,220	84,504	498,520	7,214	1,111,411	4,087,762	503,065	99,727	1,812,432	19,049	10,692,648	4,298,256	14,990,904	49,580,853	64,571,757
Unallocated assets											26,777,697	6,594,548	33,372,245	1,117,992	34,490,237
											37,470,345	10,892,804	48,363,149	50,698,845	99,061,994
Segment Liabilities	7,633,997	99,635	736,427	22,678	2,397,597	8,116,777	1,433,789	141,733	2,206,070	21,468	14,407,880	8,402,291	22,810,171	48,555,896	71,366,067
Unallocated Liabilities											3,823,993	641,246	4,465,239	592,926	5,058,165
											18,231,873	9,043,537	27,275,410	49,148,822	76,424,232

42 Movement in investments

	Available for sale	Held to Maturity	Fair value through profit or loss	Total
	Rupees in thousand			
As at January 01, 2020	**19,518,010**	**15,934,760**	**20,818,151**	**56,270,921**
Additions	4,021,717	63,571,640	167,134,793	234,728,150
Disposals (sales and redemptions)	(3,281,660)	(65,430,998)	(159,018,594)	(227,731,252)
Fair value net gains (excluding net realized gain)	(95,285)	-	841,093	745,808
Currency translation effect	-	184,091	-	184,091
Unwinding of discount on debt securities	-	5,900	-	5,900
Impairment losses	(158,641)	-	-	(158,641)
As at December 31, 2020	**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**

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.

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	
	2021	2020	**2021**	2020	**2021**	2020
	Rupees in thousand					
Fire & property damage	**6,924,274,110**	5,362,654,044	**6,170,569,904**	4,603,407,292	**753,704,206**	759,246,752
Marine aviation & transport	**3,430,150,972**	2,745,235,895	**339,471,868**	327,249,038	**3,090,679,104**	2,417,986,857
Motor	**302,050,319**	226,188,600	**7,328,767**	5,677,579	**294,721,552**	220,511,021
Accident & health	**213,755,098**	115,702,675	**44,005,051**	1,188,805	**169,750,047**	114,513,870
Miscellaneous	**463,322,671**	432,883,227	**363,891,891**	340,447,752	**99,430,780**	92,435,475
	11,333,553,170	8,882,664,441	**6,925,267,481**	5,277,970,466	**4,408,285,689**	3,604,693,975

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.

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 that 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)	
	2021	2020
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire & property	**(31,116)**	(71,406)
Marine, aviation and transport	**(44,004)**	(30,222)
Motor	**(413,961)**	(496,307)
Accident & health	**(193,016)**	(158,730)
Miscellaneous	**(38,291)**	(42,021)
	(720,388)	(798,686)
10% decrease in claims liability		
Net:		
Fire & property	**31,116**	71,406
Marine, aviation and transport	**44,004**	30,222
Motor	**413,961**	496,307
Accident & health	**193,016**	158,730
Miscellaneous	**38,291**	42,021
	720,388	798,686

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	491,571	347,675	13,993	49,902	41,627	38,374

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 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 amount invested in the fund. The Subsidiary 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 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. 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 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 riders attached to the main policies.

Benefits assured per life	**Sum assured at the end of 2021**			
	Total benefits assured			
Rupees	**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%**

Benefits assured per life	Sum assured at the end of 2020			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	3,862	10.30%	3,244	17.52%
200,000 - 400,000	4,918	13.12%	2,920	15.77%
400,001 - 800,000	5,980	15.95%	2,771	14.97%
800,001 - 1,000,000	6,158	16.42%	4,472	24.16%
More than 1,000,000	16,576	44.21%	5,106	27.58%
Total	37,494	100.00%	18,513	100.00%

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 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. The 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.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per client	**Sum assured at the end of 2021**			
	Total benefits assured			
Rupees	**Before reinsurance**		**After reinsurance**	
	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%**

Benefits assured per client	Sum assured at the end of 2020			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-500,000	50,628,936	10.44%	31,519,652	24.57%
500,001-1,000,000	39,602,826	8.17%	22,742,636	17.73%
1,000,001-1,500,000	26,208,190	5.40%	11,812,300	9.21%
1,500,001-2,000,000	31,649,728	6.53%	10,347,750	8.07%
More than 2,000,000	336,844,640	69.46%	51,844,196	40.42%
Total	484,934,320	100.00%	128,266,534	100.00%

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**

The table below shows the level of respective variation in liabilities for change in each assumption while holding all other assumptions constant:

Variables	**Change in Variable**	**Increase in liability 2021 (Rupees in '000')**
Worsening of mortality rates for risk policies	+10% pa	2,149
Increase in reporting lag	+10% pa	2,149

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 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.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2021			
	Total benefits assured			
Rupees	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%

Benefits assured per life	Sum assured at the end of 2020			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	72,699	4.29%	22,174	4.66%
200,000 - 400,000	246,330	14.52%	76,304	16.03%
400,001 - 800,000	549,367	32.38%	168,241	35.35%
800,001 - 1,000,000	505,842	29.82%	153,503	32.25%
More than 1,000,000	322,245	18.99%	55,766	11.72%
Total	1,696,483	100.00%	475,988	100.00%

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' behaviour.

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

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.

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 riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2021			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	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	34.01%	10,992,286	16.89%
Total	112,188,708	100.00%	65,122,101	100.00%

Benefits assured per life	Sum assured at the end of 2020			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	2,897,364	2.62%	2,248,696	3.69%
200,000 - 400,000	14,087,312	12.75%	11,201,286	18.39%
400,001 - 800,000	29,372,875	26.58%	22,386,891	36.75%
800,001 - 1,000,000	27,231,334	24.65%	15,180,826	24.92%
More than 1,000,000	36,900,887	33.39%	9,893,933	16.25%
Total	110,489,772	100.00%	60,911,632	100.00%

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 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 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.

The amounts presented are showing total exposure of the PTF including exposure in respect of riders attached to the main policies.

Benefits covered per life	**Sum cover at the end of 2021**			
	Total benefits covered			
Rupees	**Before retakaful**		**After retakaful**	
	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**	**39.02%**	**5,407,906**	**18.16%**
Total	**46,608,875**	**100.00%**	**29,782,172**	**100.00%**

Benefits covered per life	Sum assured at the end of 2020			
	Total benefits covered			
Rupees	Before retakaful		After retakaful	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	681,908	2.20%	674,493	3.34%
200,000 - 400,000	3,311,104	10.67%	3,276,141	16.21%
400,001 - 800,000	7,733,473	24.91%	7,439,941	36.81%
800,001 - 1,000,000	7,905,473	25.47%	5,366,875	26.55%
More than 1,000,000	11,409,907	36.76%	3,454,945	17.09%
Total	31,041,865	100.00%	20,212,395	100.00%

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 behaviour.

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 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.

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.

The amounts presented are showing total exposure of the PTF including exposure in respect of riders attached to the main policies.

Benefits covered per life	Sum cover at the end of 2021			
	Total benefits covered			
Rupees	Before retakaful		After retakaful	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0 - 500,000	11,528,919	24.19%	11,475,157	99.93%
500,001-1,000,000	8,823,451	18.51%	8,178,673	71.22%
1,000,001-1,500,000	2,260,910	4.74%	1,214,104	10.57%
1,500,001-2,000,000	4,875,495	10.23%	2,299,894	20.03%
More than 2,000,000	25,880,570	54.30%	10,437,280	90.88%
Total	53,369,345	100.00%	33,605,108	300.00%

Benefits covered per life	Sum cover at the end of 2020			
	Total benefits covered			
Rupees	Before retakaful		After retakaful	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0 - 500,000	5,252,290	11.02%	3,389,030	29.51%
500,001-1,000,000	7,540,050	15.82%	4,477,095	38.99%
1,000,001-1,500,000	2,173,100	4.56%	489,900	4.27%
1,500,001-2,000,000	4,760,845	9.99%	814,800	7.10%
More than 2,000,000	27,934,683	58.61%	2,312,400	20.13%
Total	47,660,968	100.00%	11,483,225	100.00%

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

The table below shows the level of respective variation in liabilities for change in each assumption while holding all other assumptions constant.

Variables	**Change in Variable**	**Increase in liability 2021 (Rupees in '000')**
Worsening of mortality rates for risk policies	+10% pa	703
Increase in reporting lag	+10% pa	703

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 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 11.5% to determine adequacy.

The table below compares total policyholder liabilities in Unit Linked Business, Non unitised Investment Linked Business, Individual Life Conventional business and Individual Family Takaful Unit Linked Business under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

Assumptions	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
	Rupees in thousand	
Mortality	**55,178,079**	**55,167,904**
Investment Returns	**55,178,079**	**55,172,323**

The liabilities evaluated under the assumptions suggest the recognised liabilities are adequate and no further provision is required.

43.4 Financial Risk

Maturity profile of financial assets and liabilities:

	2021						
	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	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**
	42,493,270	8,041,145	**50,534,415**	55,988,746	66,844	**56,055,590**	**106,590,005**
Financial liabilities							
Outstanding claims (including IBNR)	-	-	**-**	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**
	1,011,650	-	**1,011,650**	21,364,913	-	**21,364,913**	**22,376,563**
	41,481,620	**8,041,145**	**49,522,765**	**34,623,833**	**66,844**	**34,690,677**	**84,213,442**

	2020						
	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	Total
	Rupees in thousand						
Financial assets							
Investment							
Equity securities- quoted	-	-	-	31,379,540	-	31,379,540	31,379,540
Equity securities- unquoted	-	-	-	3,484,209	-	3,484,209	3,484,209
Debt securities	7,335,826	7,954,340	15,290,166	-	-	-	15,290,166
Term deposits	13,813,874	77,188	13,891,062	-	-	-	13,891,062
Investments of Window Takaful Operations - Operator's Fund	-	-	-	35,873	-	35,873	35,873
Loans and other receivables	521	2,964	3,485	921,459	60,800	982,259	985,744
Loan secured against life insurance policies	29,912	-	29,912	-	-	-	29,912
Insurance / reinsurance receivables - unsecured and considered good	-	-	-	4,991,328	-	4,991,328	4,991,328
Reinsurance recoveries against outstanding claims	-	-	-	5,922,296	-	5,922,296	5,922,296
Cash and bank	10,788,024	-	10,788,024	479,072	-	479,072	11,267,096
Other Assets of Window Takaful Operations - Operator's Fund	-	-	-	520,061	-	520,061	520,061
	31,968,157	8,034,492	40,002,649	47,733,838	60,800	47,794,638	87,797,287
Financial liabilities							
Outstanding claims	-	-	-	10,768,040	-	10,768,040	10,768,040
Insurance / reinsurance payables	-	-	-	3,161,519	-	3,161,519	3,161,519
Borrowings	179,452	151,397	330,849	-	-	-	330,849
Other creditors and accruals	-	-	-	3,155,619	-	3,155,619	3,155,619
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	242,797	-	242,797	242,797
	179,452	151,397	330,849	17,327,975	-	17,327,975	17,658,824
	31,788,705	7,883,095	39,671,800	30,405,863	60,800	30,466,663	70,138,463

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 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:

	Effective interest rate (%)		Carrying amounts	
	2021	2020	**2021**	2020
	Percentage		Rupees in thousand	
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	**7.10 - 11.71**	6.47 - 13.83	**20,282,895**	11,445,069
Loans	**5.00**	5.00	**3,517**	3,485
Floating rate of financial instruments				
Financial assets:				
Bank and term deposits	**3.50 - 10.90**	4.50 - 11.35	**24,872,382**	24,679,086
Investments - TFCs & Sukuks	**6.30 - 12.97**	6.27 - 24.53	**5,336,122**	3,845,097

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. 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, 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)**
As at December 31, 2020 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	246,791	(246,791)	175,222	(175,222)

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. 13,061,212 thousands (2020: Rs. 10,892,805 thousands) and Rs. 10,596,545 thousands (2020: Rs. 9,043,537 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2021	2020
	Rupees in thousand	
Rupees per US Dollar		
Average rate	**162.8972**	161.8459
Reporting date rate	**176.5135**	159.8344
Rupees per AED		
Average rate	**44.3528**	44.0622
Reporting date rate	**48.0564**	43.5143

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 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. 31,678,241 thousands (2020: Rs. 31,379,540 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 tax	Impact on equity
	-----Rupees in thousand----	
2021		
Effect of increase in share price	**721,953**	**512,587**
Effect of decrease in share price	**(2,201,232)**	**(1,562,875)**
2020		
Effect of increase in share price	1,001,285	710,912
Effect of decrease in share price	(491,721)	(349,122)

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 assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

	2021	2020
The carrying amount of financial assets represents the maximum credit exposure, as specified below:	Rupees in thousand	
Investments	**78,084,844**	64,044,977
Loan secured against life insurance policies	**39,499**	29,912
Loans and other receivable	**965,110**	985,744
Due from insurance contract holders	**6,283,750**	3,817,014
Due from other insurers / other reinsurers	**1,027,562**	1,174,314
Reinsurance recoveries against outstanding claims	**7,598,556**	5,922,296
Salvage recoveries accrued	**344,957**	270,275
Bank deposits	**11,900,126**	11,267,096
	106,244,404	87,511,628

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 is shown in note 12.2 and 12.3 to these consolidated financial statements.

	2021	2020
Age analysis of due from insurance contact holders (net of provision) is as follows:	Rupees in thousand	
Upto one year	**5,917,910**	3,291,385
Above one year	**1,452,283**	1,461,919
	7,370,193	4,753,304
Less: provision for doubtful balances	**(1,086,443)**	(936,290)
	6,283,750	3,817,014

The credit quality of Group's bank balance can be assessed with reference to external credit rating as follows:

	Rating		Rating	2021	2020
	Short Term	Long Term	Agency	Rupees in thousand	
Abu Dhabi Commercial Bank	A1	A	S&P	**362,605**	141,791
Al Baraka Limited	A1	A	PACRA	**27,709**	16,799
Allied Bank Limited	A1+	AAA	PACRA	**6,070**	5,020
Askari Bank Limited	A1+	AA+	PACRA	**834**	18,993
Bank Al Habib Limited	A1+	AAA	PACRA	**15,764**	24,757
Bank Al Habib Limited - Islamic	Not available	Not available	Not available		-
Bank Alfalah Limited	A1+	AA+	PACRA	**851,382**	727,222
Bank Islami Pakistan Limited	A1	A+	PACRA	**507,952**	413,196
Dubai Islamic Bank Pakistan Limited	A1+	AA	JCR-VIS	**117,124**	12,256
Faysal Bank Limited	A1+	AA	PACRA	**28,687**	60,687
FINCA Micro Finance Bank Limited	A1	A	PACRA	**3,909**	2,759
First Abu Dhabi Bank	A-1+	AA-	S&P	**144,169**	-
Habib Bank Limited	A1+	AAA	JCR-VIS	**6,912,689**	5,733,316
Habib Metropolitan Bank	A1+	AA+	PACRA	**3,274**	(149)
Khushhali Microfinance Bank Limited	A1	A+	JCR-VIS	**7,925**	19,518
MCB Bank Limited	A1+	AAA	PACRA	**1,505,069**	3,465,069
MCB Islamic Bank Limited	A1	A	PACRA	**314,517**	209,876
Mobilink Microfinance Bank	A1	A	PACRA	**49,797**	16,565
National Bank of Pakistan	A1+	AAA	PACRA	**16,906**	7,818
NRSP Microfinance Bank Limited	A1	A	PACRA	**3,067**	2,059
Samba Bank Limited	A1	AA	JCR-VIS	**9,658**	34,263
Silk Bank Limited	A2	A-	JCR-VIS	**6,667**	21,486
Soneri Bank Limited	A1+	AA-	PACRA	**1**	1
Standard Chartered Bank	A1+	AAA	PACRA	**84,937**	52,669
Telenor Microfinance Bank Limited	A1	A+	PACRA	**20,239**	7,176
The Punjab Provincial Cooperative Bank Limited	Not available	Not available	Not available	**3,425**	3,425
United Bank Limited	A1+	AAA	JCR-VIS	**230,184**	(42,845)
U Microfinance Bank Limited	A1	A+	JCR-VIS	**467,876**	293,395
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	**177,136**	8,895
				11,879,572	11,256,017

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 claims	2021	2020
	Rupees in thousand			
A or Above (including PRCL)	**1,117,759**	**5,815,338**	**6,933,097**	5,659,640
BBB	**29**	**915,443**	**915,472**	1,053,293
Others	**111,076**	**867,775**	**978,851**	584,979
Total	**1,228,864**	**7,598,556**	**8,827,420**	7,297,912

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 2021 is Rs. 500,000 thousands whereas for life insurers as at 31 December 2021 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.

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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

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 have occurred.

		2021										
	Note	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
		Rupees in thousand										
Financial assets - measured at fair value												
Investment												
Equity securities- quoted	8	14,841,107	-	16,837,134	-	-	-	**31,678,241**	31,678,241	-	-	**31,678,241**
Equity securities- unquoted	8	6,336,120	-	-	-	-	-	**6,336,120**	-	-	6,336,120	**6,336,120**
Debt securities	9	98,412	377,652	25,142,953	-	-	-	**25,619,017**	-	25,619,017	-	**25,619,017**
Investments of Window Takaful Operations - Operator's Fund	15	113,326	-	-	-	-	-	**113,326**	113,326	-	-	**113,326**
Financial assets - not measured at fair value												
Loans and other receivables *	11	-	-	-	965,110	-	-	**965,110**	-	-	-	**-**
Loan secured against life insurance policies*		-	-	-	39,499	-	-	**39,499**	-	-	-	**-**
Investment - Term deposits*	10	-	14,451,466	-	-	-	-	**14,451,466**	-	-	-	**-**
Insurance / reinsurance receivables - unsecured and considered good *	12	-	-	-	7,311,312			**7,311,312**	-	-	-	**-**
Reinsurance recoveries against outstanding claims *		-	-	-	7,598,556	-	-	**7,598,556**	-	-	-	**-**
Cash and bank *	14	-	-	-	-	11,900,126	-	**11,900,126**	-	-	-	**-**
Other Assets of Window Takaful Operations - Operator's Fund*	15	-	-	-	312,997	264,235	-	**577,232**	-	-	-	**-**
		21,388,965	14,829,118	41,980,087	16,227,474	12,164,361	-	**106,590,005**	31,791,567	25,619,017	6,336,120	**63,746,704**
Financial liabilities - not measured at fair value												
Underwriting provisions:												
Outstanding claims (including IBNR)*	29	-	-	-	-	-	12,686,045	**12,686,045**	-	-	-	**-**
Insurance / reinsurance payables *		-	-	-	-	-	5,215,694	**5,215,694**	-	-	-	**-**
Borrowing*	22	-	-	-	-	-	1,011,650	**1,011,650**	-	-	-	**-**
Other creditors and accruals*	25	-	-	-	-	-	3,184,643	**3,184,643**	-	-	-	**-**
Total liabilities of Window Takaful Operations- Operator's Fund*	15	-	-	-	-	-	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.

44.1 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 have occurred.

		2020										
	Note	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
		Rupees in thousand										
Financial assets - measured at fair value												
Investment												
Equity securities- quoted	8	15,729,664	-	15,649,876	-	-	-	31,379,540	31,379,540	-	-	31,379,540
Equity securities- unquoted	8	3,484,209	-	-	-	-	-	3,484,209	-	-	3,484,209	3,484,209
Debt securities	9	790,268	374,331	14,125,567	-	-	-	15,290,166	-	15,290,166	-	15,290,166
Investments of Window Takaful Operations - Operator's Fund	15	35,873	-	-	-	-	-	35,873	35,873	-	-	35,873
Financial assets - not measured at fair value												
Loans and other receivables *	11	-	-	-	985,744	-	-	985,744	-	-	-	-
Loan secured against life insurance policies*		-	-	-	29,912	-	-	29,912	-	-	-	-
Investment - Term deposits*	10	-	13,891,062	-	-	-	-	13,891,062	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good *	12	-	-	-	4,991,328	-	-	4,991,328	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	-	5,922,296	-	-	5,922,296	-	-	-	-
Cash and bank *	14	-	-	-	-	11,267,096	-	11,267,096	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund	15	-	-	-	310,615	209,446	-	520,061	-	-	-	-
		20,040,014	14,265,393	29,775,443	12,239,895	11,476,542	-	87,797,287	31,415,413	15,290,166	3,484,209	50,189,788
Financial liabilities - not measured at fair value												
Underwriting provisions:												
Outstanding claims (including IBNR)*	29	-	-	-	-	-	10,768,040	10,768,040	-	-	-	-
Insurance / reinsurance payables *		-	-	-	-	-	3,161,519	3,161,519	-	-	-	-
Borrowing*	22	-	-	-	-	-	330,849	330,849	-	-	-	-
Other creditors and accruals*	25	-	-	-	-	-	3,155,619	3,155,619	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	15	-	-	-	-	242,797	-	242,797	-	-	-	-
		-	-	-	-	242,797	17,416,027	17,658,824	-	-	-	-

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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

45 Non - Adjusting events after the statement of financial position date

The Board of Directors of the Parent Company in their meeting held on February 08, 2022 proposed a final cash dividend for the year ended December 31, 2021 @ 15% i.e. Rupees 1.50/- share (2020: 12.5% i.e. Rupees 1.25/- share). This is in addition to the interim cash dividend @ 15% i.e. Rupee 1.50/- per share (2020: 12.5% i.e. Rupee 1.25/- per share) resulting in a total cash dividend for the year ended December 31, 2021 of Rupees 3/- per share (2020: Rupees 2.5/- 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, 2021 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending December 31, 2022.

The Group follows the development of the Covid-19 corona virus and evaluates the extent to which this may affect the Group's operations in the short and long term. With the high levels of uncertainty surrounding the situation and potential additional initiatives by authorities and customers, it is very difficult to predict the full financial impact that the situation may have on the Group.

46 Number of employees

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

	2021	2020
	Number	
As at 31 December		
Parent Company	**921**	900
Subsidiary Company	**1,991**	1,810
Average during the year		
Parent Company	**910**	930
Subsidiary Company	**1,900**	1,477

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 consolidated financial statements were authorized for issue on February 08, 2022 by the Board of Directors of the Group.

49 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	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 scholor 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

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 2021 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 polices 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: February 14, 2022

Imran Maqbool

Imran Maqbool
Director

Muhammad Ali Zeb
Managing Director and 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, 2021, 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, 2021 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, 2021, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan

Lahore: 14 February 2022

Shariah Advisor's Report to the Board of Directors

الحمد للہ رب العالمین والصلوۃ والسلام علی سید الانبیاء والمرسلین 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

Mufti Muhammad Hassaan Kaleem
Shariah Advisor

Date: 14 February 2022

INDEPENDENT AUDITOR'S REPORT
To the Members of Adamjee Insurance Company Limited
Draft 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 as at December 31, 2021, and the profit and loss account, the statement of comprehensive income, the statement of changes in funds, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information 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 Operation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Accounting Regulations, 2019 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000, the Takaful Rules, 2012, the General 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 Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Yousuf Adil

Chartered Accountants
Lahore: 14 February 2022

Window Takaful Operations

Statement of Financial Position

As at 31 December 2021

	Note	Operator's Takaful Fund		Participants' Takaful Fund	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		Rupees in thousand		Rupees in thousand	
ASSETS					
Qard-e-Hasna to Participants' Takaful Fund	10	146,460	146,460	-	-
Property and equipment	5	22,883	20,793	-	-
Intangible assets	6	10,409	12,421	-	-
Investments					
Equity securities	7	38,326	35,873	53,900	50,614
Debt securities	8	75,000	-	125,000	125,000
Term Deposits	9	-	-	50,000	-
Loans and other receivables	11	13,009	7,411	72,157	27,650
Takaful / re - takaful receivables	12	-	-	423,514	384,445
Re - takaful recoveries against outstanding claims		-	-	144,551	279,132
Salvage recoveries accrued		-	-	46,385	35,986
Wakala and mudarib fee receivable		108,181	116,783	-	-
Deferred commission expense	22	45,347	39,961	-	-
Prepayments	13	-	-	125,530	104,047
Cash and bank	14	264,235	209,446	522,515	552,900
		577,390	442,688	1,563,552	1,559,774
TOTAL ASSETS		723,850	589,148	1,563,552	1,559,774
FUNDS AND LIABILITIES					
Funds attributable to Operator's and Participants'					
Operator's Takaful Fund					
Statutory fund		50,000	50,000	-	-
Reserves		968	883	-	-
Unappropriated profit		394,351	295,468	-	-
		445,319	346,351	-	-
Waqf / Participants' Takaful Fund					
Ceded money		-	-	500	500
Reserves				11	436
Accumulated surplus		-	-	239,134	172,580
		-	-	239,645	173,516
Qard-e-Hasna from Operator's Takaful Fund		-	-	146,460	146,460
Liabilities					
Underwriting provisions					
Outstanding claims including IBNR	20	-	-	354,540	558,082
Unearned contribution reserve	18	-	-	441,519	421,449
Unearned retakaful rebate	19	-	-	22,466	17,183
Contribution deficiency reserve		-	-	12,582	-
Retirement benefit obligations		3,878	3,878	-	-
Deferred taxation		456	527	4	178
Contribution received in advance		-	-	67,232	11,037
Takaful / re - takaful payables	15	-	-	96,834	79,436
Wakala and mudarib fee payable		-	-	108,181	116,783
Unearned wakala fee	23	191,460	178,766	-	-
Other creditors and accruals	16	64,872	54,168	69,834	35,650
Taxation - provision less payments		17,865	5,458	4,255	-
Total Liabilities		278,531	242,797	1,177,447	1,239,798
TOTAL FUNDS AND LIABILITIES		723,850	589,148	1,563,552	1,559,774
Contingencies and commitments	17				

The annexed notes from 1 to 39 form an integral part of these financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Profit and Loss Account

For the Year Ended 31 December 2021

	Note	2021	2020
		Rupees in thousand	
PARTICIPANTS' TAKAFUL FUND - REVENUE ACCOUNT			
Contributions earned		1,001,560	1,034,305
Contributions ceded to retakaful		(347,518)	(288,826)
Net contribution revenue	18	654,042	745,479
Re - takaful rebate earned	19	63,928	53,995
Net underwriting income		717,970	799,474
Net takaful claims - reported / settled	20	(597,232)	(721,657)
(Charge) / reversal of contribution deficiency reserve		(12,582)	30,071
		(609,814)	(691,586)
Other direct expenses	21	(69,043)	(62,132)
Surplus before investment income		39,113	45,756
Investment income	25	15,720	17,156
Other income	26	26,073	32,403
Mudarib's share of investment income		(3,144)	(3,521)
Surplus before taxation		77,762	91,794
Provision for taxation	28	(11,208)	-
Surplus transferred to accumulated surplus		66,554	91,794
OPERATOR'S TAKAFUL FUND - REVENUE ACCOUNT			
Wakala fee	23	430,587	408,608
Commission expense	22	(137,910)	(119,082)
General, administrative and management expenses	24	(172,925)	(143,206)
		119,752	146,320
Other income	26	17,852	14,170
Mudarib's share of PTF investment income		3,144	3,521
Investment income	25	2,340	3,584
Direct expenses	27	(3,821)	(3,821)
Profit before taxation		139,267	163,774
Provision for taxation	28	(40,388)	(47,369)
Profit after taxation		98,879	116,405

The annexed notes from 1 to 39 form an integral part of these financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Statement of Comprehensive Income

For the Year Ended 31 December 2021

	Note	2021	2020
		Rupees in thousand	
PARTICIPANTS' TAKAFUL FUND			
Surplus for the year		66,554	91,794
Other comprehensive (loss) / income for the year		(425)	436
Total comprehensive income for the year		66,129	92,230
OPERATOR`S TAKAFUL FUND			
Profit after taxation		98,879	116,405
Other comprehensive income:			
Unrealized gain / (loss) on available-for-sale investment- Net of tax		85	(473)
Total comprehensive income for the year		98,964	115,932

The annexed notes from 1 to 39 form an integral part of these financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Statement of Changes in OPF and PTF

For the Year Ended 31 December 2021

	Operator's Takaful Fund			
	Statutory fund	Unappropriated profit	Fair value reserve	Total
	Rupees in thousand			
Balance as at December 31, 2019	50,000	179,067	1,356	**230,423**
Profit after taxation	-	116,405	-	**116,405**
Other comprehensive loss for the year	-	-	(473)	**(473)**
Total comprehensive income for the year	-	116,405	(473)	**115,932**
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**

	Participants' Takaful Fund			
	Ceded money	Accumulated surplus	Fair value reserve	Total
	Rupees in thousand			
Balance as at December 31, 2019	500	80,786	-	**81,286**
Surplus for the year	-	91,794	-	**91,794**
Other comprehensive surplus for the year	-	-	436	**436**
Total comprehensive surplus for the year	-	91,794	436	**92,230**
Balance as at December 31, 2020	500	172,580	436	**173,516**
Surplus for the year	-	66,554	-	**66,554**
Other comprehensive loss for the year	-	-	(425)	**(425)**
Total comprehensive surplus for the period	-	66,554	(425)	**66,129**
Balance as at December 31, 2021	500	239,134	11	**239,645**

The annexed notes from 1 to 39 form an integral part of these financial statements.

Umer Mansha	**Imran Maqbool**	**Muhammad Arif Hameed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Cash Flow Statement

For the Year Ended 31 December 2021

	Operator's Takaful Fund		Participants' Takaful Fund	
	2021	2020	2021	2020
	Rupees in thousand		Rupees in thousand	
Operating cash flows				
(a) Takaful activities				
Contributions received	-	-	1,544,047	1,449,511
Wakala fee received / (paid)	455,027	405,067	(455,027)	(405,067)
Retakaful / co-takaful received / (paid)	-	-	(189,486)	46,751
Claims paid	-	-	(905,105)	(1,036,469)
Retakaful and other recoveries received	-	-	-	56,617
Commissions paid	(135,146)	(104,624)	-	-
Commissions received	-	-	69,211	55,199
Management expenses paid	(170,383)	(151,367)	-	-
Other underwriting payments	-	-	(41,927)	(53,172)
Net cash inflows / (outflows) from takaful activities	149,498	149,076	21,713	113,370
(b) Other operating activities				
Income tax paid	(28,083)	(39,745)	(6,953)	-
Other payments / (receipts)	-	-	(32,213)	6,013
Net cash (outflows) / inflows from other operating activities	(28,083)	(39,745)	(39,166)	6,013
Total cash inflows / (outflows) from operating activities	121,415	109,331	(17,453)	119,383
(c) Investment activities				
Profit received on bank deposits and investments	16,883	13,962	40,953	48,859
Payment for investments	(111,963)	(34,627)	(53,885)	(50,000)
Proceeds from disposal of investments	36,968	34,627	-	-
Fixed capital expenditures	(8,514)	(5,742)	-	-
Total cash (outflows) / inflows from investing activities	(66,626)	8,220	(12,932)	(1,141)
(d) Financing activities				
Contribution to Operator's fund	-	-	-	-
Ceded money	-	-	-	-
Total cash inflows from financing activities	-	-	-	-
Net Cash inflows / (outflows) from all activities	54,789	117,551	(30,385)	118,242
Cash and cash equivalent at the beginning of the year	209,446	91,895	552,900	434,658
Cash and cash equivalent at the end of the year	264,235	209,446	522,515	552,900
Reconciliation to profit and loss account				
Operating cash flows	121,415	109,331	(17,453)	119,383
Depreciation expense	(3,484)	(2,934)	-	-
Amortization expense	(4,952)	(4,977)	-	-
(Decrease) / Increase in assets other than cash	1,411	44,351	(76,158)	341,681
(Increase) / Decrease in liabilities other than cash	(35,703)	(47,120)	118,372	(418,829)
Investment income	2,340	3,584	15,720	17,156
Other Income	17,852	14,170	26,073	32,403
Net profit / surplus for the period	98,879	116,405	66,554	91,794

	Operator's Fund		Participants' Takaful Fund	
	2021	2020	2021	2020
Attributed to	Rupees in thousand		Rupees in thousand	
Operator's Takaful Fund	98,879	116,405		-
Participants' Takaful Fund			66,554	91,794
	98,879	116,405	66,554	91,794

The annexed notes from 1 to 39 form an integral part of these financial statements.

Umer Mansha	Imran Maqbool	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

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 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 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 or after January 01, 2021:

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

Standards or Interpretations	Effective from annual period beginning on or after:
IBOR 2 'Interest Rate Benchmark Reform — Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	January 01, 2021

2.4 New accounting standards / amendments and IFRS interpretations that are not yet effective

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

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IFRS 16 ' Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting the Company from deducting from the cost of property plant and equipment, amount received from selling items produce while the Company is preparing the asset for its intended use.	January 01, 2022
Amendments to IFRS 3 'Business Combinations' that updated an outdated in IFRS 3 without significantly changing its requirements.	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs of fulfilling the contract to include when assessing whether a contract is Onerous.	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.	January 01, 2023
Amendments regarding deferred tax on leases and decommissioning obligations	January 01, 2023
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

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

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

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

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2021 but are considered either not to be relevant or do not have any significant impact on these financial statements.

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'. 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.

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, 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 2021

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.

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, 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.

3.16 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.

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 encase 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 2021

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	2021	2020
	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 2021

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	2021	2020
		Rupees in thousand	
Operating assets	5.1	18,903	18,793
Capital work in progress	5.2	3,980	2,000
		22,883	**20,793**

Notes To and Forming Part of Financial Statements
For the Year Ended 31 December 2021

5.1 Operating assets

	December 31,2021											
	Cost					Depreciation					Book value	
	As at 01 Jan 2021	Transfers	Additions	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	Rate
	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**	

	December 31,2020											
	Cost					Depreciation					Book value	
	As at 01 Jan 2020	Transfers	Additions / Transfers	Disposals	As at 31 Dec 2020	As at 01 Jan 2020	Acc. Dep on Transfers	Charge for the year	On disposal	As at 31 Dec 2020	As at 31 Dec 2020	Rate
	Rupees in thousand											
Motor vehicles	19,318	1,277	3,705	-	24,300	4,456	434	2,493	-	7,383	16,917	15%
Office equipment	393	-	298	-	691	72	-	74	-	146	545	15%
Computer and related accessories	1,492	-	448	-	1,940	772	-	287	-	1,059	881	30%
Furniture and Fixture	632	-	-	-	632	102	-	80	-	182	450	15%
Total	21,835	1,277	4,451	-	27,563	5,402	434	2,934	-	8,770	18,793	

	Note	Operator's Takaful Fund 2021	Operator's Takaful Fund 2020
		Rupees in thousand	
5.2 Capital work in progress			
Opening balance		**2,000**	1,300
Additions during the year		**2,680**	700
Transfer to property and equipment		**-**	-
Transfer to intangibles		**(700)**	-
Closing balance		**3,980**	2,000

This represent amount advanced to Ozoned Digital (Private) Limited for digital platform of motor Takaful.

	Note	2021	2020
6 Intangible assets			
Intangible assets	6.1	**10,409**	12,421
		10,409	12,421
6.1 Operating Assets-Intangible			
Opening balance - net book value		**12,421**	17,650
Transfer from Capital work-in-progress		**700**	-
Addition during the year		**2,240**	1,060
Book value of disposal during the year		**-**	(1,312)
Amortization charged during the year		**(4,952)**	(4,977)
		(4,952)	(6,289)
Closing balance		**10,409**	12,421

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

	December 31, 2021			December 31, 2020		
	Cost	Impairment/ provision	Carrying value	Cost	Impairment/ provision	Carrying value
	Rupees in thousand			Rupees in thousand		
7 Investments in equity securities						
Operator's Takaful Fund						
Available for sale						
Mutual fund						
Meezan Islamic Income Fund [718,218 units (2020: 673,205 units)]	36,963	-	**36,963**	34,628	-	34,628
Unrealized gain on revaluation			**1,363**			1,245
			38,326			35,873
Participants' Takaful Fund						
Available for sale						
Mutual fund						
Al Hamra Islamic Income Fund [508,738 units (2020: 481,118 units)]	53,885	-	**53,885**	50,000	-	50,000
Unrealized gain on revaluation			**15**			614
			53,900			50,614

	No. of Certificates		Face Value	Value of Certificates	
	December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
8 Investments in debt securities				Rupees in thousand	
Participants' Takaful Fund					
Held - to - maturity					
Sukuk certificates					
Engro Polymer & Chemicals Limited	500	500	100,000	**50,000**	50,000
The Hub Power Company Limited (HUBCO)	750	750	100,000	**75,000**	75,000
				125,000	125,000
Operator's Takaful Fund					
Held - to - maturity					
Sukuk certificates					
Pak Electron Limited (PEL)	75	-	1,000,000	**75,000**	-
				75,000	-

	Participants' Takaful Fund	
	2021	2020
9 Investments in Term Deposits	Rupees in thousand	
Held - to - maturity		
Deposit maturing within one month	**50,000**	-
	50,000	-

Notes To and Forming Part of Financial Statements
For the Year Ended 31 December 2021

	Participants' Takaful Fund	
	2021	**2020**
	Rupees in thousand	
10 Qard-e-Hasna		
Opening balance	**146,460**	146,460
Qard-e-Hasna transferred from OPF during the year	**-**	-
Qard-e-Hasna returned by PTF during the year	**-**	-
Impairment Adjustment	**-**	-
Closing balance	**146,460**	146,460

	Operator's Takaful Fund		Participants' Takaful Fund	
	2021	**2020**	**2021**	**2020**
	Rupees in thousand			
11 Loans and other receivables - Considered good				
Sales tax recoverable	**-**	14	**-**	-
Federal excise duty	**-**	-	**50,967**	14,770
Accrued income	**2,309**	1,339	**4,387**	3,548
Loan to employees	**3,928**	1,160	**-**	-
Security deposits	**310**	366	**-**	-
Bid money for tenders	**-**	-	**16,803**	9,332
Advances	**6,462**	4,532	**-**	-
	13,009	7,411	**72,157**	27,650

	Participants' Takaful Fund	
	2021	**2020**
	Rupees in thousand	
12 Takaful / Re - takaful receivables - Unsecured and considered good		
Due from takaful participants' holders	**281,280**	304,220
Less: provision for impairment of takaful participants' holder	**-**	-
	281,280	304,220
Due from other takaful / re - takaful operator's	**142,234**	80,225
Less: provision for impairment of due from other takaful / re - takaful operator's	**-**	-
	142,234	80,225
	423,514	384,445

	Participants' Takaful Fund	
	2021	**2020**
	Rupees in thousand	
13 Prepayments		
Prepaid re - takaful contribution ceded	**109,704**	83,834
Prepaid monitoring charges (Tracking device)	**15,826**	20,213
	125,530	104,047

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

14 Cash and bank

	Note	Operator's Takaful Fund 2021	Operator's Takaful Fund 2020	Participants' Takaful Fund 2021	Participants' Takaful Fund 2020
		Rupees in thousand			
Cash and cash equivalents:					
Policy stamps in hand		**-**	-	**-**	-
Cash In Hand		**226**	150		
Current and other accounts:					
Profit or loss accounts	**14.1**	**264,009**	209,296	**522,515**	552,900
		264,235	209,446	**522,515**	552,900

14.1 Saving accounts carry expected profit rates ranging from 5% to 10% (2020: 3% to 8%)

15 Takaful / re - takaful payables

	Participants' Takaful Fund 2021	Participants' Takaful Fund 2020
	Rupees in thousand	
Due to takaful participants' holders	**15,641**	11,059
Due to other takaful / re - takaful operator's	**81,193**	68,377
	96,834	79,436

16 Other creditors and accruals

	Operator's Takaful Fund 2021	Operator's Takaful Fund 2020	Participants' Takaful Fund 2021	Participants' Takaful Fund 2020
	Rupees in thousand			
Agents commission payable	**47,448**	39,299	**-**	-
Federal insurance fee	**-**	-	**3,617**	3,522
Sales tax payable	**1,450**	-	**-**	-
Income tax deducted at source	**625**	2,066	**33,071**	21,711
Accrued expenses	**8,921**	7,423	**-**	-
Others	**6,428**	5,380	**33,146**	10,417
	64,872	54,168	**69,834**	35,650

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

17 Contingencies and commitments

There has been no contingencies and commitments as at December 31, 2021.

	Note	Participants' Takaful Fund	
		2021	2020
		Rupees in thousand	
18 Net contribution revenue			
Gross contribution written		1,464,911	1,525,564
Wakala fee		(443,281)	(447,396)
Contribution net of wakala fee		1,021,630	1,078,168
Unearned contribution revenue - opening		421,449	377,586
Unearned contribution revenue - closing		(441,519)	(421,449)
Contribution earned		1,001,560	1,034,305
Less:			
Re - takaful contribution ceded		373,388	290,974
Prepaid re - takaful contribution ceded - opening		83,834	81,686
Prepaid re - takaful contribution ceded - closing		(109,704)	(83,834)
Re - takaful expense		347,518	288,826
Net contribution revenue		654,042	745,479
19 Re - takaful rebate			
Re - takaful rebate received		69,211	55,199
Unearned re - takaful rebate - opening		17,183	15,979
Unearned re - takaful rebate - closing		(22,466)	(17,183)
Net re-takaful rebate		63,928	53,995
20 Net Takaful Claims			
Claims Paid		905,105	1,036,469
Outstanding claims including IBNR - closing	20.1	354,540	558,082
Outstanding claims including IBNR - opening		(558,082)	(257,810)
Claim expense		701,563	1,336,741
Less:			
Re - takaful and other recoveries received		228,513	402,302
Re - takaful and other recoveries in respect of outstanding claims - closing		190,936	315,118
Re - takaful and other recoveries in respect of outstanding claims - opening		(315,118)	(102,336)
Re-takaful and other recoveries revenue		104,331	615,084
Net claim expense		597,232	721,657

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

20.1 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 31 December 2021.

	Accident year					
	2017 & prior	2018	2019	2020	2021	Total
	Rupees in thousand					
Estimate of ultimate claims cost						
At end of accident year with IBNR	392,814	510,467	760,440	1,369,784	863,158	**3,896,663**
One year later	141,981	141,659	209,695	364,770		**858,105**
Two years later	9,112	9,750	24,701			**43,562**
Three years later	2,817	5,218				**8,035**
Four years later	5,116					**5,116**
Current estimate of cumulative claims	1,798	5,218	24,701	364,770	863,158	**1,259,645**
Less: Cumulative payments to date	(103)	(3,251)	(17,955)	(295,823)	(587,973)	**(905,105)**
Liability recognized in the statement of financial position	1,695	1,967	6,746	68,947	275,185	**354,540**

21 Other direct expenses

	Participants' Takaful Fund	
	2021	2020
	Rupees in thousand	
Monitoring charges	**43,475**	49,872
Non refundable taxes	**-**	8,124
Inspection charges	**4,898**	2,749
Bank charges	**187**	146
Others	**20,483**	1,241
	69,043	62,132

22 Commission Expense

	Operator's Fund	
	2021	2020
	Rupees in thousand	
Commission paid or payable	**143,296**	117,112
Deferred commission - opening	**39,961**	41,931
Deferred commission - closing	**(45,347)**	(39,961)
Net commission	**137,910**	119,082

23 Wakala Fee

	Operator's Fund	
	2021	2020
	Rupees in thousand	
Gross Wakala fee	**443,281**	447,396
Unearned Wakala fee - opening	**178,766**	139,978
Unearned Wakala fee - closing	**(191,460)**	(178,766)
Net wakala fee	**430,587**	408,608

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

The Operator manages the general takaful operations for the participants' and charges 28 % (2020: 28 %) for Fire & Property, 35 % (2020: 35 %) for Marine, Aviation & Transport, 32.5 % (2020: 32.5 %) for Motor, 25 % (2020: 25%) for Health and 25 % (2020: 25 %) for Miscellaneous classes of gross contribution written including administrative surcharge as wakala fee against the services.

24 General, administrative and management expenses

	Operator's Fund	
	2021	2020
	Rupees in thousand	
Employee benefit cost	105,031	92,658
Depreciation	3,484	2,934
Amortization	4,952	4,977
Advertisement and sales promotion	15,225	651
Rent, rates and taxes	4,000	4,061
Communication	1,643	1,595
Legal and professional charges - business related	1,124	900
Travelling and conveyance expenses	826	2,359
Shared expenses	21,632	17,731
Entertainment	1,619	1,397
Printing, stationery and postage	725	562
Annual supervision fee SECP	1,935	2,202
Bank charges	83	34
Repairs and maintenance	1,551	2,740
Others	9,095	8,405
	172,925	143,206

25 Investment income

	Operator's Takaful Fund		Participants' Takaful Fund	
	2021	2020	2021	2020
	Rupees in thousand			
Profit on				
Mutual funds - dividend income	31	24	2,134	-
Mutual funds - capital gain	2,309	3,560	2,071	-
Term deposit-profit	-	-	342	-
Sukuks	-	-	11,173	17,156
	2,340	3,584	15,720	17,156

26 Other income

	Operator's Takaful Fund		Participants' Takaful Fund	
	2021	2020	2021	2020
Profit on bank deposits	17,852	14,091	26,073	32,403
Other Income	-	79	-	-
	17,852	14,170	26,073	32,403

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

	Note	Operator's Fund 2021	Operator's Fund 2020
		Rupees in thousand	
27 Direct Expenses			
Auditors' remuneration	27.1	**740**	740
Shariah audit fee		**3,081**	3,081
		3,821	3,821
27.1 Auditors' remuneration			
Annual audit fee		**385**	385
Half year review fee		**152**	152
Sariah's compliance report		**165**	165
Out of pocket expense		**38**	38
		740	**740**

	Operator's Takaful Fund 2021	Operator's Takaful Fund 2020	Participants' Takaful Fund 2021	Participants' Takaful Fund 2020
	Rupees in thousand			
28 Taxation				
Current Tax				
- for the year	**40,490**	47,605	**11,208**	-
Deferred tax:				
- for the year	**(102)**	(236)	**-**	-
	40,388	**47,369**	**11,208**	-

	Operator's Fund 2021	Operator's Fund 2020
	Rupees in thousand	
29 Executives remuneration		
Managerial remuneration	**24,154**	34,961
Leave encashment	**1,210**	818
Bonus	**4,788**	3,326
Rent and house maintenance	**10,714**	9,049
Medical	**2,381**	2,011
Conveyance	**4,422**	4,170
Contribution to defined contribution plan	**1,736**	1,431
Other perquisites and allowances	**8,218**	6,607
	57,623	62,373
Number of persons	**20**	18

There has been no payments made to the directors / chief executive officer during the year 2021 (2020 : nil) from OPF .

30 Number of employees

Total number of employees at the end and average number of employees during the year ended 2021 and 2020 are as follows:

	Operator's Fund 2021	Operator's Fund 2020
	Rupees in thousand	
As at December, 31	**80**	68
Average during the year	**71**	68

31 Transactions with related parties

The Operator has related party relationships with its associates, subsidiary company, entities with common directorship, 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. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

	2021	2020
	Rupees in thousand	
i) Transactions		
Subsidiary Company		
Contribution underwritten	**3,116**	1,631
Contribution received	**2,789**	1,553
Claims paid	**1,297**	1,561
Other related parties		
Contribution underwritten	**202,838**	183,688
Contribution received	**224,671**	180,868
Claims paid	**85,162**	63,718
Income on bank deposits	**12,455**	13,329

	2021	2020
	Rupees in thousand	
ii) Period end balances		
Subsidiary Company		
Balances payable	**471**	579
Balances receivable	**499**	80
Other related parties		
Balances receivable	**20,624**	17,679
Balances payable	**26,381**	31,773
Cash and bank balances	**275,423**	243,357
Contribution received in advance	**557**	350

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

32 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					
	December 31, 2021					
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	Total
	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)**
Other 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**
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	-	-	-	-	-	**216,298**
Total liabilities	**233,409**	**43,224**	**568,284**	**182,390**	**76,047**	**1,319,652**

	Participants' Takaful Fund					
	December 31, 2020					
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	Total
	Rupees in thousand					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	224,964	58,311	843,293	465,540	92,259	1,684,367
Less : Federal Excise Duty	(28,774)	(7,397)	(101,829)	(1,801)	(11,627)	(151,428)
Federal Insurance Fee	(1,949)	(505)	(6,942)	(4,591)	(798)	(14,785)
Gross Direct Written Contribution (inclusive of Administrative Surcharge)	194,241	50,409	734,522	459,148	79,834	1,518,154
Facultative inward contribution	1,446	42	-	-	5,922	7,410
Gross Contribution Written	195,687	50,451	734,522	459,148	85,756	1,525,564
Wakala fee	(54,792)	(17,658)	(238,720)	(114,787)	(21,439)	(447,396)
Contribution net of wakala fee	140,895	32,793	495,802	344,361	64,317	1,078,168
Contribution earned	131,434	32,805	471,707	326,210	72,149	1,034,305
Retakaful expense	(149,403)	(39,147)	(24,615)	-	(75,661)	(288,826)
Net contribution revenue	(17,969)	(6,342)	447,092	326,210	(3,512)	745,479
Net rebate on re - takaful	30,013	8,358	-	-	15,624	53,995
Net underwriting income	12,044	2,016	447,092	326,210	12,112	799,474
Takaful claims	(522,059)	(9,729)	(340,708)	(460,751)	(3,494)	(1,336,741)
Re - takaful and other recoveries	515,467	16,556	80,007	-	3,054	615,084
Net claims	(6,592)	6,827	(260,701)	(460,751)	(440)	(721,657)
Contribution deficiency reserve	-	-	-	30,071	-	30,071
Direct expense	(1,250)	(300)	(57,163)	(2,755)	(664)	(62,132)
Net takaful claims and expenses	(7,842)	6,527	(317,864)	(433,435)	(1,104)	(753,718)
Surplus / (deficit) before investment income	4,202	8,543	129,228	(107,225)	11,008	45,756
Other income						17,156
Investment income						32,403
Mudarib fee						(3,521)
Surplus transferred to Balance of PTF						91,794

	December 31,2020					
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	Total
	Rupees in thousand					
Corporate segment assets	363,536	23,880	229,113	115,706	51,162	783,397
Corporate unallocated assets	-	-	-	-	-	776,377
Total assets	363,536	23,880	229,113	115,706	51,162	1,559,774
Corporate segment liabilities	388,928	20,481	501,097	253,059	40,405	1,203,970
Corporate unallocated liabilities	-	-	-	-	-	182,288
Total liabilities	388,928	20,481	501,097	253,059	40,405	1,386,258

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	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	Total
	Operator's Takaful Fund					
	December 31, 2021					
	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**
Corporate segment assets	33,973	6,715	85,030	19,039	8,770	**153,528**
Corporate unallocated assets	-	-	-	-	-	**570,322**
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**

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	Operator's Takaful Fund					
	December 31,2020					
	Rupees in thousand					
Wakala fee income	51,112	17,664	207,046	108,737	24,049	408,608
Less : Commission expense	(27,127)	(7,702)	(51,201)	(22,505)	(10,547)	(119,082)
Management expenses	(32,623)	(9,262)	(61,573)	(27,064)	(12,684)	(143,206)
	(8,638)	700	94,272	59,168	818	146,320
Mudarib's share of PTF investment income						3,521
Investment income						3,584
Other expenses						(3,821)
Other income						14,170
Profit before tax						163,774

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	December 31, 2020					
	Rupees in thousand					
Corporate segment assets	27,126	4,132	77,960	39,368	8,158	156,744
Corporate unallocated assets	-	-	-	-	-	432,404
Total assets	27,126	4,132	77,960	39,368	8,158	589,148
Corporate segment liabilities	23,564	614	122,753	28,235	3,600	178,766
Corporate unallocated liabilities	-	-	-	-	-	64,031
Total liabilities	23,564	614	122,753	28,235	3,600	242,797

33 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 program 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 :

33.1 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.

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.

	Participants' Takaful Fund					
	Gross sum covered		Re-takaful		Net	
	2021	2020	2021	2020	2021	2020
Class	Rupees in thousand					
Fire and property	**259,167,731**	212,596,719	**210,046,743**	166,376,199	**49,120,988**	46,220,520
Marine, aviation and transport	**237,455,490**	114,158,337	**201,615,582**	57,217,616	**35,839,908**	56,940,721
Motor	**47,515,931**	36,598,225	**2,378,186**	1,257,831	**45,137,745**	35,340,394
Accident and health	**14,449,822**	33,902,621	**-**	-	**14,449,822**	33,902,621
Miscellaneous	**20,153,012**	2,962,076	**5,130,798**	2,370,001	**15,022,215**	592,075
	578,741,986	400,217,978	**419,171,309**	227,221,647	**159,570,678**	172,996,331

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 information about the claim event is available. IBNR provision is initially estimated at gross level and a separate calculation is carried out to estimate the size of retakaful recoveries. The Operator has taken actuarial advice for the determination of IBNR claims, which has been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

The 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)	
	2021	2020
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire	**(978)**	(1,013)
Marine	**(737)**	(335)
Motor	**(35,811)**	(31,616)
Accident & Health	**(21,896)**	(19,244)
Miscellaneous	**(301)**	(311)
	(59,723)	(52,519)
10% decrease in claims liability		
Net:		
Fire	**978**	1,013
Marine	**737**	335
Motor	**35,811**	31,616
Accident & Health	**21,896**	19,244
Miscellaneous	**301**	311
	59,723	52,519

33.2 **Financial Risk**

Maturity profile of financial assets and liabilities:

	Participants' Takaful fund						
	December 31, 2021						
	Markup bearing			Non-markup bearing			
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
	Rupees in thousand						
Financial assets							
Investments - Debt Securities	-	125,000	125,000	-	-	-	125,000
Investments - Equity Securities	-	-	-	53,885	-	53,885	53,885
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	-	-	-	522,515
	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
	-	-	-	592,701	-	592,701	592,701
	572,515	125,000	697,515	147,791	-	147,791	845,306

	Participants'' Takaful fund						
	December 31, 2020						
	Markup bearing			Non-markup bearing			
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
	Rupees in thousand						
Financial assets							
Investments - Debt Securities	-	125,000	125,000	-	-	-	125,000
Investments - Equity Securities	-	-	-	50,614	-	50,614	50,614
Loans and other receivables *	-	-	-	27,650	-	27,650	27,650
Takaful / retakaful receivables- unsecured and considered good	-	-	-	384,445	-	384,445	384,445
Retakaful recoveries against outstanding claims *	-	-	-	279,132	-	279,132	279,132
Salvage recoveries accrued	-	-	-	35,986	-	35,986	35,986
Cash and bank	552,900	-	552,900	-	-	-	552,900
	552,900	125,000	677,900	777,827	-	777,827	1,455,727
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	558,082	-	558,082	558,082
Takaful / retakaful payables	-	-	-	79,436	-	79,436	79,436
Wakala and mudarib fee payable	-	-	-	116,783	-	116,783	116,783
Other creditors and accruals	-	-	-	10,417	-	10,417	10,417
	-	-	-	764,718	-	764,718	764,718
	552,900	125,000	677,900	13,109	-	13,109	691,009

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	Operator's Takaful fund						
	December 31, 2021						
	Markup bearing			Non-markup bearing			
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
	Rupees in thousand						
Financial assets							
Investment - Equity securities	-	-	-	38,326	-	38,326	38,326
Investment - Debt securities	-	75,000	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
	264,235	75,000	339,235	150,676	2,378	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	2,378	90,257	429,492

	Operator's Takaful fund						
	December 31, 2020						
	Markup bearing			Non-markup bearing			
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
	Rupees in thousand						
Financial assets							
Investment - Equity securities	-	-	-	35,873	-	35,873	35,873
Loans and other receivables *	-	-	-	2,215	650	2,865	2,865
Wakala and mudarib fee receivable				116,783	-	116,783	116,783
Cash and bank	209,446	-	209,446	-	-	-	209,446
	209,446	-	209,446	154,871	650	155,521	364,967
Financial liabilities							
Other creditors and accruals	-	-	-	52,102	-	52,102	52,102
	-	-	-	52,102	-	52,102	52,102
	209,446	-	209,446	102,769	650	103,419	312,865

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:

	Effective interest rate (%)		Carrying amounts	
	2021	2020	**2021**	2020
	Rupees in thousand			
Floating rate financial instruments				
Financial assets:				
Cash at bank - saving account	**5.00% - 10.00%**	3.00% - 8.00%	**786,750**	762,346

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
As at December 31, 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)**
As at December 31, 2020 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities				
Cash flow sensitivity - variable rate financial assets	76,235	(76,235)	53,365	(53,365)

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. 38,326 thousands (2020: Rs. 35,873 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 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.

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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, 2021		December 31, 2020	
	Impact on profit before tax	Impact on operator's fund	Impact on profit before tax	Impact on operator's fund
	Rupees in thousand		Rupees in thousand	
Effect of increase in unit price	**-**	**7,933**	-	2,424
Effect of decrease in unit price	**-**	**(7,933)**	-	(2,424)

33.3 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, 2021			December 31, 2020		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
	Rupees in thousand			Rupees in thousand		
Investment in equity securities	38,326	53,885	**92,211**	35,873	50,614	86,487
Investment in debt securities	75,000	125,000	**200,000**	-	125,000	125,000
Investment in term deposits	-	50,000	**50,000**	-	-	-
Loans and other receivable	6,547	72,157	**78,704**	2,865	27,650	30,515
Due from takaful contract holders	-	281,280	**281,280**	-	304,220	304,220
Due from other takaful / other retakaful	-	142,234	**142,234**	-	80,225	80,225
Retakaful recoveries against outstanding claims	-	144,551	**144,551**	-	279,132	279,132
Salvage recoveries accrued	-	46,385	**46,385**	-	35,986	35,986
Wakala and mudarib fee receivable	108,181	-	**108,181**	116,783	-	116,783
Bank deposits	264,009	522,515	**786,524**	209,296	552,900	762,196
	492,063	**1,438,007**	**1,930,070**	364,817	1,455,727	1,820,544

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.

Age analysis of due from takaful contact holders (net of provision) other than related parties is as follows:

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	2021	2020
	Rupees in thousand	
Up to one year	**216,075**	241,618
Above one year	**44,082**	44,870
	260,157	286,488
Less: provision for doubtful balances	**-**	-
	260,157	286,488

Age analysis of due from related parties against takaful contracts is as follows:

	2021	2020
Up to one year	**20,625**	16,927
Above one year	**497**	805
	21,122	17,732
Less: provision for doubtful balances	**-**	-
	21,122	17,732

The credit quality of Operator's bank balance can be assessed with reference to external credit rating as follows:

	Rating		Rating	2021	2020
	Short Term	Long Term	Agency	Rupees in thousand	
Dubai Islamic Bank Limited	A1+	AA	JCR-VIS	**297,846**	355,244
MCB Islamic Bank Limited	A1	A	PACRA	**275,423**	243,357
Meezan Bank Limited	A1+	AAA	JCR-VIS	**97,824**	60,275
Bank Islami Pakistan Limited	A1	A+	PACRA	**109,479**	103,319
Faysal Islamic Bank Limited	A1+	AA	PACRA	**5,849**	-
UBL Ameen	A1+	AAA	JCR-VIS	**104**	-
				786,525	762,195

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	2021	Amounts due from other co-takaful / retakaful operators	Retakaful and other recoveries against outstanding claims	2020
			Rupees in thousand			
A or Above (including PRCL)	142,234	117,975	**260,209**	80,225	176,439	256,664
BBB	-	24,259	**24,259**	-	15,342	15,342
Others	-	2,317	**2,317**	-	87,351	87,351
Total	**142,234**	**144,551**	**286,785**	80,225	279,132	359,357

33.4 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.

34 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, 2021									
		Carrying amount						Fair value			
		Available-for-sale	Held to maturity	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in thousand									
Financial assets not measured at fair value											
Investments - Debt securities	7	125,000	-	-	-	-	**125,000**	-	-	-	**-**
Investments - Equity securities	8	53,885	-	-	-	-	**53,885**	53,900			**53,900**
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**	-	-	-	**-**
Re - takaful recoveries against outstanding claims		-	-	144,551	-	-	**144,551**	-	-	-	**-**
Salvage recoveries accrued		-	-	46,385	-	-	**46,385**	-	-	-	**-**
Cash and bank deposits	14	-	-	-	522,515	-	**522,515**	-	-	-	**-**
		178,885	50,000	686,607	522,515	-	**1,438,007**	53,900	-	-	**53,900**
Financial liabilities not measured at fair value											**-**
Outstanding claims including IBNR	20	-	-	-	-	354,540	**354,540**	-	-	-	**-**
Takaful / re - takaful payables		-	-	-	-	96,834	**96,834**	-	-	-	**-**
Wakala and mudarib fee payable		-	-	-	-	108,181	**108,181**	-	-	-	**-**
Other creditors and accruals	16	-	-	-	-	33,146	**33,146**	-	-	-	**-**
		-	-	-	-	592,701	**592,701**	-	-	-	**-**

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

		Participants' Takaful Fund									
		December 31, 2020									
		Carrying amount						Fair value			
		Available-for-sale	Held to maturity	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in thousand									
Financial assets not measured at fair value											
Investments - Debt securities	7	125,000	-	-	-	-	125,000	-	-	-	-
Investments - Equity securities	8	50,614	-	-	-	-	50,614	-	-	-	-
Loan and other receivables	11	-	-	27,650	-	-	27,650	-	-	-	-
Takaful / re - takaful receivables	12	-	-	384,445	-	-	384,445	-	-	-	-
Retakaful recoveries against outstanding claims		-	-	279,132	-	-	279,132	-	-	-	-
Salvage recoveries accrued		-	-	35,986	-	-	35,986	-	-	-	
Cash and bank deposits	14	-	-	-	552,900	-	552,900	-	-	-	-
		175,614	-	727,213	552,900	-	1,455,727	-	-	-	-
Financial liabilities not measured at fair value											
Outstanding claims including IBNR	20	-	-	-	-	558,082	558,082	-	-	-	-
Takaful / retakaful payables		-	-	-	-	79,436	79,436	-	-	-	-
Wakala and mudarib fee payable		-	-	-	-	116,783	116,783	-	-	-	-
Other creditors and accruals	16	-	-	-	-	10,417	10,417	-	-	-	-
		-	-	-	-	764,718	764,718	-	-	-	-

		Operator's Takaful Fund									
		December 31, 2021									
		Carrying amount						Fair value			
		Available-for-sale	Held to maturity	Loans and receivables	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											
Investments - Equity securities	7	38,326	-	-	-	-	**38,326**	38,326	-	-	**38,326**
Investments - Debt securities	8	75,000	-	-	-	-	**75,000**	-	-	-	**-**
Financial assets not measured at fair value											
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	16	-		-	-	62,797	**62,797**	-	-	-	-
		-	-	-	-	62,797	**62,797**	-	-	-	-

		Operator's Takaful Fund									
		December 31, 2020									
		Carrying amount						Fair value			
		Available-for-sale	Held to maturity	Loans and receivables	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											
Investments - Equity securities	7	35,873	-	-	-	-	35,873	35,873	-	-	35,873
Financial assets not measured at fair value											
Loan and other receivables	11	-	-	2,865	-	-	2,865	-	-	-	-
Wakala and mudarib fee receivable		-	-	116,783	-	-	116,783	-	-	-	-
Cash and bank deposits	14	-	-	-	209,446	-	209,446	-	-	-	-
		-			-	-					-
		35,873	-	119,648	209,446	-	364,967	35,873	-	-	35,873
Financial liabilities not measured at fair value											-
Other creditors and accruals	16	-	-	-	-	52,102	52,102	-	-	-	-
		-	-	-	-	52,102	52,102	-	-	-	-

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

35 Statement of Solvency - Participants' Takaful Fund

	2021
	Rupees
Assets	
Investments	228,900
Loans and other receivables	72,157
Takaful / Retakaful receivables	423,514
Retakaful Recoveries against O/S benefits	144,551
Salvage recoveries accrued	46,385
Prepayments	125,530
Cash and Bank	522,515
Total Assets (A)	**1,563,552**
In-admissible assets as per following clauses 32(2) of the Insurance Ordinance, 2000	
Contribution due but unpaid more than 3 months Direct	148,576
Co-Takaful balances more than 3 months	81,674
Prepaid Monitoring charges	15,826
Loans and other receivables	67,770
	313,846
Total of In-admissible assets (B)	
Total Admissible Assets (C=A-B)	**1,249,706**
Total Liabilities	
Outstanding benefits including IBNR	354,540
Unearned contribution reserves	441,519
Unearned commission income	22,466
Contribution deficiency reserves	12,582
Deferred taxation	4
Contributions received in advance	67,232
Takaful / Retakaful Payables	96,834
Wakala and mudarib fee payable	108,181
Other Creditors and Accruals	69,834
Total Liabilities (D)	**1,173,192**
Total Net Admissible Assets (E=C-D)	**76,514**

36 Movement in Investment - Available for sale

	Operator's Takaful Fund	Participants' Takaful Fund	
	Available for sale	Available for sale	Held to Maturity
	Rupees in thousand		
At the beginning of previous year	32,958	50,614	125,000
Additions	34,627	-	-
Disposals	(31,048)	-	-
Fair value on gains (excluding net realized gain)	(665)	-	-
At the beginning of current year	**35,872**	**50,614**	**125,000**
Additions	111,963	-	50,000
Disposals	(35,873)	-	-
Fair value on gains (excluding net realized gain)	1,363	3,286	-
At the end of current year	**113,325**	**53,900**	**175,000**

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2021

37 Subsequent events - non adjusting event

There are no significant events that need to be disclosed for the year ended December 31, 2021.

38 Date of authorization for issue

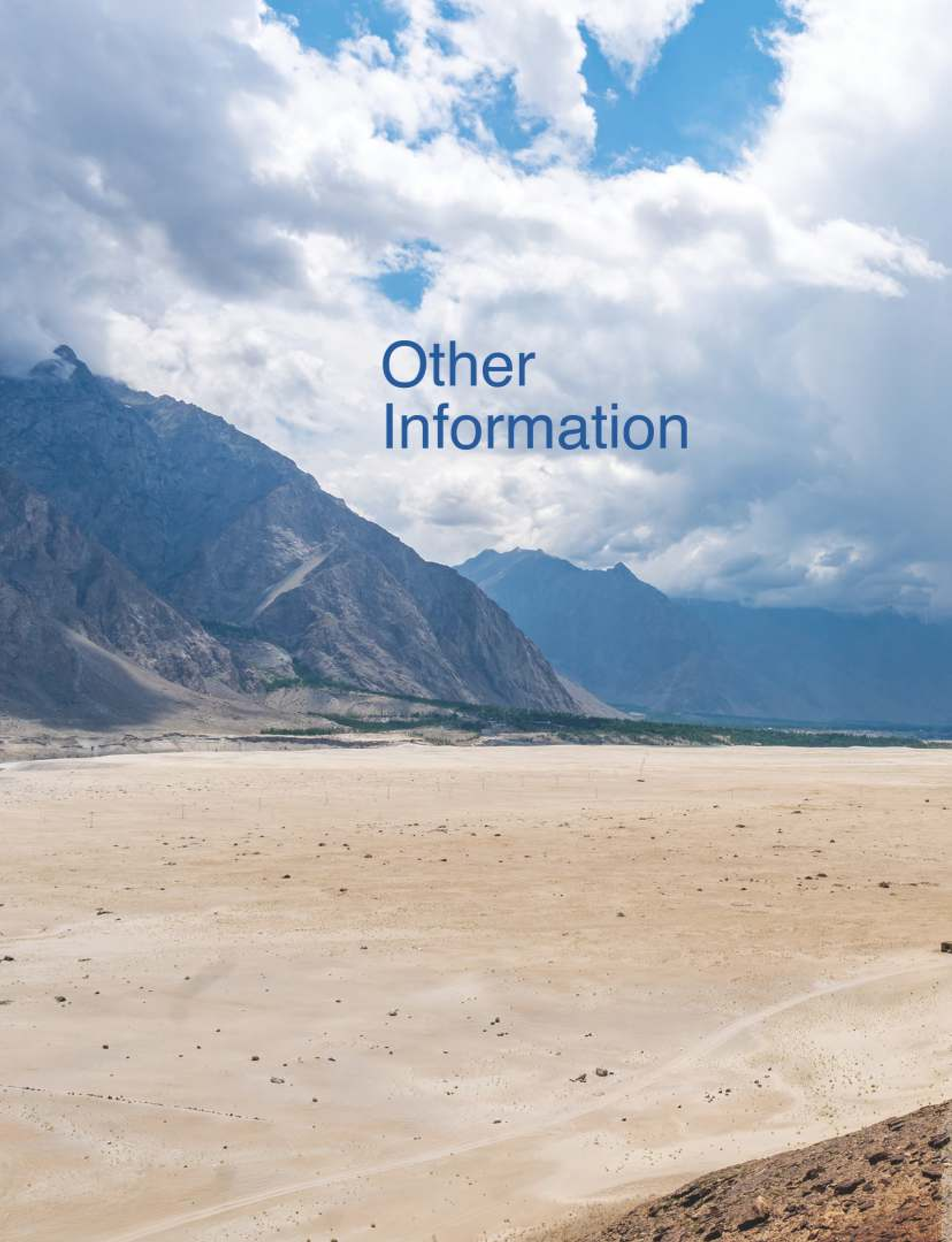
These financial statements were authorized for issue on February 08, 2022 by the Board of Directors of the Operator.

39 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.

Umer Mansha Chairman	**Imran Maqbool** Director	**Muhammad Arif Hameed** Director	**Muhammad Asim Nagi** Chief Financial Officer	**Muhammad Ali Zeb** Managing Director & Chief Executive Officer

Other Information



BCR Criteria

BCR Criteria	Page No.
ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT	
What does the organization do and circumstances under which it operates	
Principal business activities and markets local and international including key brands, products and services.	36 & 37
Geographical location and address of all business units including sales units and plants.	40 & 41
Mission, vision, code of conduct, culture, ethics and values.	12, 14 & 20
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.	94 & 95
Organization chart indicating functional and administrative reporting, presented with legends.	43
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).	50 & 51
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).	40 & 41
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).	48
Significant factors effecting the external environment and the associated organization's response (external environment includes commercial, political, economic, social, technological, environmental and legal environment). Also describe the effect of seasonality on business in terms of production and sales.	46 & 52
Significant changes from prior years (regarding the information disclosed in this section).	52
Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	134
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).	45
STRATEGY AND RESOURCE ALLOCATION	
Where does the organization want to go and how does it intend to get there	
Short, medium and long term strategic objectives.	54
Strategies in place or intended to be implemented to achieve those strategic objectives.	54 & 55

BCR Criteria	Page No.
"Resource allocation plans to implement the strategy and financial capital structure. (Resource mean CAPITALS including financial capital (e.g. liquidity, cash flows, financing arrangements); human capital, manufactured capital (e.g. building, equipment, infrastructure); intellectual capital (e.g. patents, copyrights, software, licenses, knowledge, system, procedures); social and relationship capital and natural capital)."	56
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.	58
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.	58
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.	55
Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	59
Significant plans and decisions such as corporate restructuring, business expansion and discontinuance of operations etc.	59
Significant changes in objectives and strategies from prior years.	59
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	
Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	64 & 65
Description of the Risk Management Framework including risk management methodology.	62
Sources of risks and opportunities (internal and external).	67
The initiatives taken by the company in promoting and enabling innovation.	
Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	64, 65 & 66
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.	64, 65 & 66
Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	63
A statement from the board of directors 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.	63
Inadequacy in the capital structure and plans to address such inadequacy.	68

BCR Criteria	Page No.
GOVERNANCE	
How does the organization's governance structure support its ability to create value in the short, medium and long term	
Board composition:	
a) Leadership structure of those charged with governance.	26 & 73
b) Name of independent directors indicating justification for their independence.	88
c) Profile of each director including education, experience and involvement / engagement of in other entities as CEO, Director, CFO or Trustee etc.	26
Review Report by the Chairman of the company on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	22 & 23
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.	95
Shariah Advisor Report and Profile of the Shariah Advisor / Members' of the Shariah Board.	338
Annual evaluation of performance, along with description of criteria used for the members of the board and its committees, CEO and the Chairman.	96
Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	96
Details of formal orientation courses for directors.	96
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.	96
Description of external oversight of various functions like systems audit / internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	97
a) Policy for remuneration to non-executive directors including independent directors.	97
b) Policy of retention of board fee by the executive director earned by him against his services as non-executive director in other companies."	97
Policy for security clearance of foreign directors.	97
How the organization's implemented governance practices exceeding legal requirements.	98
Board's policy on diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	98
No. of companies in which the executive director of the reporting organization is serving as non-executive director.	26
a) Names of related parties in Pakistan and outside Pakistan, with whom the company had entered into transactions or had agreements and / or arrangements in place during the financial year, along with the basis of relationship describing common directorship and percentage of shareholding.	212 & 213
b) 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.	N / A
c) Approved policy for related party transactions including policy for disclosure of interest by directors in this regard.	98

BCR Criteria	Page No.
Details of board meetings held outside Pakistan during the year.	99
Disclosure of policy for actual and perceived conflicts of interest relating to members of the board of directors and a disclosure that how such a conflict is managed and monitored.	99
Investors' grievance policy.	99
Policy for safety records of the company.	99
Disclosure of IT Governance Policy.	99
Disclosure of Whistle blowing policy established to receive, handle complains in a fair and transparent manner and providing protection to the complainant against victimization, and disclosure of the number of such incidences reported to the Audit Committee during the year.	100
Human resource management policies including preparation of a succession plan.	100
Social and environmental responsibility policy.	100
Review by the board of the organization's business continuity plan or disaster recovery plan.	101
Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	94
Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	88 - 92
A brief description about role of the Chairman and the CEO.	29 & 33
Shares held by Sponsors / Directors / Executives.	94
Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	101 - 107
"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)."	229
"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.	103 -105

BCR Criteria	Page No.
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. 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. i) Results of the self-evaluation of the Audit Committee carried out of its own performance."	
Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.	107
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.	107
Chairman's significant commitments and any changes thereto.	107
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.	70
Pandemic Recovery Plan by the management and policy statement.	107
PERFORMANCE AND POSITION	
To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals	
"Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: (a) Past and current performance; and (b) Performance against targets /budget (c) Objectives to assess stewardship of management. The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits. Note: Analysis of non-financial performance shall be presented for material non-financial KPIs relevant for the business and stakeholders around other forms of capitals as mentioned under International Integrated Reporting Framework <IR>, i.e. human capital, manufactured capital, intellectual capital, social and relationship capital and natural capital. Inspiration can also be taken from the Specific Standard Disclosures of G4 Guidelines of the Global Reporting Initiative (GRI) for measurement and reporting on non-financial KPIs."	114 & 115
Analysis of financial statements:	
a) Financial Ratios (Refer Annexure 'I')	118
b) DuPont Analysis	126
c) Free Cash Flow	127
d) Economic Value Added (EVA)	150

BCR Criteria	Page No.
"Combined analysis both vertical and horizontal of the Balance Sheet and Profit and Loss Account for last 6 years.”	116 & 117
Summary of Cash Flow Statement for last 6 years.	128
Graphical presentation of the Balance Sheet, Profit & Loss Account and analysis in 5.02, 5.03 and 5.04 above.	119 - 123, 129 & 130
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 as per 5.02, 5.03 and 5.04 above.	114, 124 & 125
Information about defaults in payment of any debts and reasons thereof period.	N/A
Methods and assumptions used in compiling the indicators.	132
Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	N/A
Segmental review of business performance.	71
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.	134 & 135
History of major events during the year.	35 &138
Business rationale of major capital expenditure /projects during the year and for those planned for next year.	135
"Brief description and reasons;	N/A
a) For not declaring dividend despite earning profits and future prospects of dividend.	
b) Where any payment on account of taxes, duties, levies etc. is overdue or outstanding."	77
CEO presentation video on the organization’s website explaining the business overview, performance, strategy and outlook. (Please provide reference / web link on company's annual report).	109
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	
"Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the entity’s resources, revenues and operations in the short, medium and long term.	140 - 143
Also explaining 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."	140 - 143
Explanation as to how the performance of the entity meets the forward looking disclosures made in the previous year.	140 - 143
Status of the projects in progress and were disclosed in the forward looking statement in the previous year.	140 - 143
Sources of information and assumptions used for projections / forecasts in the forward looking statement and assistance taken by any external consultant.	140 - 143

BCR Criteria	Page No.
How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise.	140 - 143
STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT	
State of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	146
How the company has identified its stakeholders. "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 entity, 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."	146 - 148
"Steps taken by the management to encourage the minority shareholders to attend the general meetings."	148
Investors' Relations section on the corporate website.	148
Issues raised in the last AGM, decisions taken and their implementation status.	149
"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"	150
Stakeholders engagement policy and 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.	149
Highlights about redressal of investors' complaints.	149
SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY	
Highlights of the entity's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility (including environment related obligation applicable on the company and initiatives taken to fulfil during the year and company's responsibility towards the staff, their health & safety).	152 - 157
Certifications acquired and international standards adopted for best sustainability and CSR practices.	152 - 157

BCR Criteria	Page No.
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	
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>.	50 & 51
STRIVING FOR EXCELLENCE IN CORPORATE REPORTING	
Statement by management of unreserved compliance of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).	110
Adoption of International Integrated Reporting Framework <IR> by fully applying the ‘Fundamental Concepts’ and ‘Guiding Principles’ of <IR> into their corporate reporting in addition to the ‘Content Elements’ (disclosures) of <IR>, as covered in this criteria.	4 & 5
Disclosures beyond BCR criteria (Note: The participating organization to send the list of additional disclosures to BCR Committee).	396
OTHERS	
BCR criteria cross referred with page numbers of the annual report.	386
Brief about contents, scope and boundaries of the annual report.	4 & 5
SWOT analysis.	47
FINANCIAL RATIOS - Financial Sector	
Profitability Ratios	118
Profit before tax ratio	
Gross Yield on Earning Assets	
Gross Spread ratio	
Cost/Income ratio	
Return on Equity	
Return on Capital employed	
Shareholders' Funds	
Return on Shareholders' Funds	
Liquidity Ratios	118
Advances to deposits ratio	
Current ratio	
Quick / Acid test ratio	
Cash to Current Liabilities	
Net interest income as a percentage of working funds /Operating cost - Efficiency ratio	
Cash Reserve Ratio / Liquid Asset ratio	

BCR Criteria	Page No.
Gross Non-Performing assets to gross advances	
Non-Performing loans to Total Loans	
Investment /Market Ratios	118
Earnings per share (EPS) and diluted EPS	
Price Earnings ratio	
Price to Book ratio	
Dividend Yield ratio	
Dividend Payout ratio / Dividend Cover Ratio	
Cash Dividend per share / Stock Dividend per share	
Market value per share at the end of the year and high/low during the year	
Breakup value per share	
i. Without Surplus on Revaluation of property, plant and equipment	
ii. With Surplus on Revaluation of property plant and equipment including the effect of all Investments	
iii. Including Investment in Related Party at fair /market value and also with Surplus on Revaluation of property plant and equipment.	
Capital Structure	118
Capital Adequacy ratio	
Earning assets to total assets ratio	
Weighted Average cost of deposit	
Net assets per share	
Debt to Equity ratio (as per book and as per market value)	
Non-Financial Ratios	
Staff turnover ratio	136
Customer Satisfaction Index	Not provided
Employee Productivity Rate	136
SPECIFIC DISCLOSURES OF THE FINANCIAL STATEMENTS	
Fair value of Property, Plant and Equipment.	135
Segment analysis of segment revenue, segment results and profit before tax.	212-213
Reconciliation of weighted average number of shares for calculating EPS and diluted EPS.	N/A
Particulars of significant/ material assets and immovable property including location and area of land.	135
Disclosure of product wise data mentioning, product revenue, profit etc.	212-213
Disclosure of discounts on revenue.	N/A
Sector wise analysis of deposits and advances.	N/A
Complete set of financial statements (Balance sheet, Income statement & Cash flow) for Islamic banking operations.	345 - 384

BCR Criteria	Page No.
Status for adoption of Islamic Financial Accounting Standards (IFAS) issued by the ICAP.	N/A
Summary of significant transactions and events that have affected the company‘s financial position and performance during the year.	135
Forced sale value in case of revaluation of Property, Plant and Equipment or investment property.	135
Distribution of shareholders (Number of shares as well as category wise, e.g. Promoter, Directors/Executives or close family member of Directors/Executives etc.).	94 & 402
Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital in the company in Pattern of Shareholding.	402
Particulars where company has given loans or advances or has made investments in foreign companies or undertakings.	136
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.	N/A
Treasury shares in respect of issued share capital of a company.	N/A
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.	203
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.	136
Income tax reconciliation as required by IFRS and applicable tax regime for the year.	
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.	N/A
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).	136
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.	N/A
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.	N/A
Standards, amendments and interpretations adopted during the current year along with their impact on the company's financial statements.	171 & 172
Standards, amendments and interpretations, not yet effective and not adopted along with their impact on the company's financial statements.	171 & 172

BCR Criteria	Page No.
SPECIFIC DISCLOSURES FOR INSURANCE COMPANY	
Claims management and details of outstanding claims (IBNR & IBNER) with ageing thereof.	205
Disclosures pertaining to Solvency Margin.	137
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"Following accounting ratios pertaining to insurance sector:	
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• Solvency Ratio"	
Review of assets quality.	138

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.
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Awards and Achievements of the Company	38
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Notice of 61st Annual General Meeting

NOTICE is hereby given that the 61st Annual General Meeting (AGM) of Adamjee Insurance Company Limited (the "Company") will be held on April 28, 2022 (Thursday) at 10:00 A.M. at Lahore 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 2021, 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 2021.

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
Secretary

Lahore: April 07, 2022

NOTES:

1. Book Closure

The share transfer books of the Company will remain closed from April 22, 2022 to April 28, 2022 (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 21, 2022 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 21 April, 2022:

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 a video link by the Company on the said email address. The login facility will remain open from start of the meeting till its proceedings are concluded. Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address zafar.iqbal@adamjeeinsurance.com and/or info@adamjeeinsurance.com or at WhatsApp No_03400004421.

4. **Video-Link Facility for the AGM:**

To ensure the safety and well-being of the shareholders and general public from Covid 19, the Company is holding this meeting through video link as allowed by the Securities and Exchange Commission of Pakistan.

5. **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

6. 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.

7. Members are requested to timely notify any change in their addresses.

8. **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 at Note No.

9. **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 21, 2022 along with a copy of their valid CNICs. The aforesaid form is also available at the end of 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.

10. Unclaimed Dividend:

Shareholders, who by 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.

11. 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.

12. 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 the 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 retur0ns 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 on the basis of 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, as the case may be, must quote company name and their respective folio numbers.

13. Zakat Declarations:

The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980 to the Company.

14. 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 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 Act.

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 31-12-2021

2.2

No. of Shareholders	Shareholdings				Total Shares Held
977	Shareholding From	1	To	100	25,931
910	Shareholding From	101	To	500	277,452
489	Shareholding From	501	To	1000	400,545
1,842	Shareholding From	1001	To	100000	22,714,667
96	Shareholding From	100001	To	475000	22,158,504
29	Shareholding From	480001	To	1085000	19,924,387
23	Shareholding From	1130001	To	10590000	69,027,284
1	Shareholding From	14665001	To	14670000	14,669,000
1	Shareholding From	17105001	To	17110000	17,107,420
1	Shareholding From	19210001	To	19215000	19,213,878
2	Shareholding From	27770001	To	27775000	27,771,587
1	Shareholding From	27875001	To	27880000	27,877,735
1	Shareholding From	37970001	To	37975000	37,970,369
2	Shareholding From	70860001	To	70865000	70,861,241
4,375					**350,000,000**

FORM 34
THE COMPANIES ACT 2017
THE COMPANIES(GENERAL PROVISIONS & FORMS) REGULATION, 2019 [Section 227(2)(f)]
PATTERN OF SHAREHOLDING

2.3 Categories of Shareholders	Shareholders	Shares held	Percentage
2.3.1 Directors, Chief Executive Officer their spouses & minor children			
Ibrahim Shamsi	1	16,797	0.005
Imran Maqbool Malik	1	7,073	0.002
Mian Umer Mansha	1	60,335	0.017
Mohammad Ali Zeb	1	7,073	0.002
Mohammad Arif Hameed	1	2,500	0.001
Muhammad Anees	1	40,000	0.011
Sadia Younas Mansha	1	2,500	0.001
Shaikh Muhammad Jawed	1	2,500	0.001
2.3.1(a) Executives	1	104	0.000
2.3.2 Associated Companies, undertakings & related parties			
a) MCB Bank Limited - Treasury	2	70,861,241	20.246
b) Nishat Mills Limited	1	102,809	0.029
c) Nishat (Aziz Avenue) Hotels and Properties Limited	1	1,203,000	0.344
2.3.3 NIT and ICP		-	-
2.3.4 Banks, Development Finance Institutions, Non-Banking Finance Companies	14	6,615,442	1.890
2.3.5 Insurance Companies	10	29,888,462	8.540
2.3.6 Modarabas and Mutual Funds	20	9,824,844	2.807

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	20.246
ii) Trustee-MCB Employees Pension Fund(2.3.9)	37,970,369	10.849
iii) Security General Insurance Co Ltd (2.3.5)	27,771,587	7.935
iv) D.G. Khan Cement Company Limited (2.3.9)	27,877,735	7.965
v) Anjum Nisar (2.3.8a)	19,213,878	5.490

	Shareholders	Shares held	Percentage
2.3.8 General Public			
a) Local-Individuals	4,135	87,761,205	25.075
b) Foreign Individuals	13	3,302,900	0.944
c) Foreign Companies/organizations(on repatriable basis)	13	11,777,372	3.365
2.3.9 Others: (Joint Stock Cos., Pension/Provident Funds etc.)	157	128,523,843	36.721
	4,375	**350,000,000**	**100.000**

IMRAN MAQBOOL
Director

MUHAMMAD ALI ZEB
Managing Director & Chief Executive Officer

FOR YOUR IMMEDIATE ACTION

E-dividend mandate form for shareholders of Adamjee Insuracne Company Limited in Compliance of Section 242 of the Companies Act 2017

آپ کی فوری کارروائی کے لیے

آدمجی انشورنس کمپنی کے شیئر ہولڈرز کے لیے برقی ذریعہ سے منافع کی ادائیگی کا فارم - کمپنیز ایکٹ ۲۰۱۷ء کے سیکشن ۲۴۲ کے مطابق

Please fill the following details & forward by e-mail/letter to any of the following three **(not to AICL)**:

فارم مکمل کرنے کے بعد ۳ میں سے کسی ایک کو ارسال کریں **(آدمجی انشورنس کو نہیں)**

1. Investor Account Services - Central Depository Company of Pakistan Limited. If you have an investor account in CDC, the email is mentioned below.

(نمبر ۱) اگر آپ کا انویسٹر اکاؤنٹ سی ڈی سی میں ہے تو سی ڈی سی کے شعبۂ انویسٹر اکاؤنٹ کو (ای-میل نیچے درج ہے)

2. In case of a sub account with any of the broker participants, kindly convey information to your broker participant.

(نمبر ۲) اگر آپ کا سب اکاؤنٹ کسی بروکر کے پاس ہے تو ان کے ڈاک/ای-میل کے پتے پر (یہ آپ کے پاس موجود ہوگا)

3. In case of Physical Shares, by post at the following address:

(نمبر ۳) اگر آپ کے پاس فزیکل شیئر سرٹیفکیٹس موجود ہیں تو آدمجی انشورنس کے شیئر رجسٹرار کو دیے ہوئے پتے پر بذریعہ ڈاک ارسال کریں

CDC Share Registrar Services Ltd
Share Registrar
Adamjee Insurance Company Limited
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi - 74400

سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ
شیئر رجسٹرار
آدمجی انشورنس کمپنی لمیٹڈ
سی ڈی سی ہاؤس، B-99، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی - 74400

Participant ID	
Investor / Sub Account No.	
Folio In case of Physical Shareholder	
Title of Account	
IBAN Number	
Bank Name	
Branch	
Branch Address	
Mobile Number	
Email address	

Authorized Signatories
(to be signed as per operating instruction)

آپ کے دستخط ہمارے ریکارڈ کے مطابق ہونے چاہئیں
(آپ کی درج شدہ ہدایات کے تحت)

1) ____________________ 2) ____________________

3) ____________________ 4) ____________________

For information:

A) IBAN Number (24 Digit) : PK37 HABB 0000 0700 3333 9999
B) E-mail Investor Account Services CDC : ias-khi@cdcpak.com
C) CDC Participant : in case of a sub account with any of the broker participants, kindly convey information to your broker participants.

معلومات برائے سہولت:

ا) IBAN نمبر (24 ہندسے)
ب) ای میل انویسٹر اکاؤنٹ سروسز CDC
ج) CDC پارٹیسپینٹ: کسی بروکر پارٹیسپینٹ کے ساتھ سب اکاؤنٹ کی صورت میں براہِ کرم اپنے بروکر پارٹیسپینٹ کو معلومات پہنچائیں۔

For receipt of future dividend, the submission of this form is mandatory.

Form also available on website: **www.adamjeeinsaurance.com**

آئندہ منافع کی ادائیگی کے لیے اس فارم کا بھرنا اور فراہم کرنا لازمی ہے۔

فارم ویب سائٹ پر بھی دستیاب ہے: **www.adamjeeinsaurance.com**

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 61th Annual General Meeting of the Company to be held on April 28, 2022 (Thursday) at 10:00 AM at Registered Office of the Company through video link facility and any adjournment thereof.

Signed this .______________ day of ______________ 2022

Witness 1:

Signature ______________________________
Name ______________________________
CNIC No. or Passport No. ______________________________
Address ______________________________

Rupees Five
Revenue
Stamp

Witness 2:

Signature ______________________________
Name ______________________________
CNIC No. or Passport No. ______________________________
Address ______________________________

____
Signature of Member

Notes

1. 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.

2. Members, who have deposited their shares into Central Depositary 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.

3. 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

i. 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.

ii. 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

i. 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 .

ii. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

v. 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.

آدمجی انشورنس کمپنی لمیٹڈ
رجسٹرڈ آفس: آدمجی ہاؤس، 80/A، E-1، مین بلیوارڈ، گلبرگ-III، لاہور

نمائندگی نامہ

میں/ہم .... مقیم .... آدمجی انشورنس کمپنی لمیٹڈ کے ایک ممبر اور .... شیئرز کی ملکیت/فولیو نمبر ....
سی ڈی سی پارٹسپنٹ آئی ڈی نمبر.......................... اور سب اکاؤنٹ نمبر ..../سی ڈی سی انویسٹرز اکاؤنٹ نمبر .... کے مطابق محترم/محترمہ ....
مقیم ....(فولیو نمبر........... سی ڈی سی پارٹسپنٹ 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 پارٹسپنٹ آئی ڈی نمبر .... اور سب اکاؤنٹ نمبر............... /سی ڈی سی انویسٹرز اکاؤنٹ نمبر ....) کو بذریعہ ہذا کمپنی رجسٹرڈ آفس، لاہور
میں بروز جمعرات مورخہ 28اپریل2022بوقت صبح 10بجے بذریعہ ویڈیو لنک منعقد ہونے والے 61ویں 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 .... بتاریخ .... 2022ء دستخط کیے گئے۔

گواہ 1

دستخط ....
نام ....
پتہ ....
قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر ....

-/5روپے کی
ریوینیو اسٹیمپ

گواہ 2

دستخط ....
نام ....
پتہ ....
قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر ....

ممبر کے دستخط ....

ملاحظات (نوٹس):

1- سالانہ اجلاسِ عام میں شرکت اور رائے دہی کا حق رکھنے والا ممبر کسی دوسرے ممبر کو اپنی بجائے شرکت اور حقِ رائے دہی کے استعمال کیلئے اپنا نمائندہ (پروکسی) مقرّر کرسکتا ہے۔کوئی کارپوریشن یا کمپنی، بحیثیت کمپنی، بحیثیت کمپنی کی ممبر، اپنے افسران میں سے کسی کی تقرری بورڈ ریزولوشن کے ذریعے کرسکتی ہے۔نمائندگی نامہ (Proxy(s اِس اجلاس کے انعقاد کے مقررہ وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں وصول ہوجانا چاہیے۔

2- ایسے ممبران جو سینٹرل ڈپازٹری کمپنی آف پاکستان میں شیئرز جمع کرواچکے ہیں وہ اصل کمپیوٹرائزڈ قومی شناختی کارڈ اور سی ڈی سی پارٹسپنٹ آئی ڈی نمبر ساتھ لائیں۔

3- CDC اکاؤنٹ ہولڈرز کو سکیورٹیز اینڈ ایکسچینج 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 جاچکا ہو)۔

(B) نمائندوں کی تقرّری 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 تقرّری نامے میں درج ہوں۔

iii) نمائندگی نامے کے ہمراہ اصل مالکان (beneficial owner) اور نمائندے کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول مہیّا 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/ اٹارنی کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جاچکا ہو)۔

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