



**Century Insurance Company Limited**  
A Lakson Group Company

# Your Trust Our Assurance



**Annual Report 2021**

## Corporate Information

### Board of Directors

Mr. Iqbal Ali Lakhani - Chairman  
Mr. Amin Mohammed Lakhani  
Ms. Anushka Lakhani  
Mr. Aftab Ahmad  
Mr. Sadrudin Ismail Mohamed  
Mr. Akber Dawood Vazir  
Mr. Mohammad Hussain Hirji - Chief Executive Officer

### Advisor

Mr. Sultan Ali Lakhani

### Chief Financial Officer

Mr. Sabza Ali Pirani

### Company Secretary

Mr. Mansoor Ahmed

### Audit Committee

Mr. Sadrudin Ismail Mohamed - Chairman  
Mr. Amin Mohammed Lakhani  
Mr. Aftab Ahmad

### Investment Committee

Mr. Iqbal Ali Lakhani - Chairman  
Mr. Aftab Ahmad  
Mr. Mohammad Hussain Hirji  
Mr. Sabza Ali Pirani

### Ethics, Human Resource & Remuneration Committee

Mr. Sadrudin Ismail Mohamed - Chairman  
Mr. Amin Mohammed Lakhani  
Mr. Akbar Dawood Vazir  
Mr. Mohammad Hussain Hirji

### External Auditors

M/s. EY Ford Rhodes  
Chartered Accountants

### Shares Registrar

M/s. FAMCO Associates (Pvt.) Ltd.  
8-F, Near to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S., Shakra-e-Faisal,  
Karachi.  
Tel: (021) 34380101-2  
Fax: (021) 34380106  
Email: info.shares@famco.com.pk  
Website: www.famco.com.pk

### Bankers

Al Baraka Bank (Pakistan) Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Islamic Bank Limited  
Meezan Bank Limited  
NRSP Microfinance Bank Limited  
Silkbank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Telenor Microfinance Bank Limited  
U Microfinance Bank Limited  
United Bank Limited

### Registered & Corporate Office

Lakson Square, Building No. 2,  
Sarwar Shaheed Road, Karachi-74200.

### Head Office

11th Floor, Lakson Square, Building No. 3,  
Sarwar Shaheed Road, Karachi-74200.

Website: www.cicl.com.pk  
UAN: 111-111-717  
NTN: 0710008-6



# Pattern of Shareholding

As at December 31, 2021

Incorporation No.K-192/8927 1985-86  
CUIN Registration No.0013587

No. of Shareholders	Shareholding		Total Shares
	From	To	Held
381	1	100	6,100
169	101	500	49,213
141	501	1,000	98,536
260	1,001	5,000	615,904
92	5,001	10,000	639,969
33	10,001	15,000	394,910
19	15,001	20,000	342,809
9	20,001	25,000	200,150
10	25,001	30,000	277,553
7	30,001	35,000	227,636
3	35,001	40,000	118,864
2	40,001	45,000	89,911
3	45,001	50,000	145,474
3	50,001	55,000	161,898
3	55,001	60,000	168,667
2	60,001	65,000	124,992
2	65,001	70,000	134,627
3	70,001	75,000	213,692
1	80,001	85,000	80,512
1	85,001	90,000	86,912
1	95,001	100,000	95,150
1	105,001	110,000	109,900
1	125,001	130,000	128,191
1	130,001	135,000	134,137
1	155,001	160,000	160,000
1	170,001	175,000	174,433
1	240,001	245,000	241,500
1	300,001	305,000	301,000
1	420,001	425,000	423,559
1	635,001	640,000	639,257
1	1,120,001	1,125,000	1,120,619
1	1,260,001	1,265,000	1,262,250
1	2,760,001	2,765,000	2,761,000
1	4,990,001	4,995,000	4,993,103
1	7,155,001	7,160,000	7,157,361
1	11,850,001	11,855,000	11,852,141
1	14,560,001	14,565,000	14,564,873
1,161	Total		50,296,803

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive, their spouse and minor children	8,011	0.02
Associated Companies, undertakings and related parties	38,573,058	76.69
NIT and ICP	-	-
Banks, Development Financial Institutions, Non-Banking Financial Institutions	1,262,250	2.51
Insurance Companies	-	-
Modaraba & Mutual Funds	423,559	0.84
Shareholders holding 10% or more	33,574,375	66.75
General Public	6,387,426	12.70
Others	3,642,499	7.24

NOTE: Some of the shareholders are reflected in more than one category.

# Details of pattern of shareholding

As per requirement of code of corporate governance as at December 31, 2021

Categories of Shareholders		No. of Shares held
i) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
1.	M/s. SIZA (Pvt.) Limited	7,157,361
2.	M/s. SIZA Services (Pvt.) Limited	11,852,141
3.	M/s. SIZA Commodities (Pvt.) Limited	4,993,103
4.	M/s. Premier Fashions (Pvt.) Limited	14,564,873
5.	Mr. Sultan Ali Lakhani	594
6.	Mrs. Shaista Sultan Ali Lakhani	396
7.	Mrs. Fatima Lakhani	198
8.	Mr. Babar Ali Lakhani	1,716
9.	Mr. Bilal Ali Lakhani	561
10.	Mr. Danish Ali Lakhani	1,453
11.	Ms. Anika Amin Lakhani	662
ii) MUTUAL FUND		
1.	Golden Arrow Selected Stocks Fund Limited	423,559
iii) DIRECTORS, CHIEF EXECUTIVE, THEIR SPOUSE AND MINOR CHILDREN		
1.	Mr. Iqbal Ali Lakhani	Chairman/Director1,837
2.	Mr. Amin Mohammed Lakhani	Director1,765
3.	Ms. Anushka Lakhani	Director1,612
4.	Mr. Aftab Ahmad	Director500
5.	Mr. Mohammad Hussain Hirji	Director/Chief Executive Officer550
6.	Mr. Sadrudin Ismail Mohamed	Director550
7.	Mr. Akber Dawood Vazir	Director500
8.	Mrs. Ronak Iqbal Lakhani	
	W/o. Mr. Iqbal Ali Lakhani	396
9.	Mrs. Saira Amin Lakhani	
	W/o. Mr. Amin Mohammed Lakhani	301
iv) EXECUTIVES		22,550
v) PUBLIC SECTOR COMPANIES AND CORPORATIONS		24,365
vi) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS		1,262,250
vii) SHAREHOLDERS HOLDING 5% OR MORE		
	Khadija & Kassamali Investments (Pvt) Limited	2,761,000
	(Other than those reported at (i) (1, 2, 3 & 4)	
viii) INDIVIDUAL AND OTHER THAN THOSE MENTIONED ABOVE		7,222,010
		50,296,803





EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

# Statement of Compliance with the Shariah Principles

The financial arrangements, contracts and transactions, entered into by Century Insurance Company Limited - Window Takaful Operations ('the Company') for the year ended December 31, 2021 are in compliance with the Takaful Rules, 2012.

Further we confirmed that:

- The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah 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 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, 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.

**Mohammad Hussain Hirji**  
(Director & Chief Executive)

Dated: February 28, 2022

# Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles

We have been engaged by Century Insurance Company Limited (the Operator) to perform a 'reasonable assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on the management's assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Operator, as set out in the annexed Statement of Compliance (the Statement) prepared by the management for the year ended 31 December 2021 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express an opinion on this information.

### Criteria applied by the management

In preparing the Subject Matter, the management applied the criteria in accordance with the Takaful Rules, 2012 (Criteria).

### The Management's responsibilities

Th management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

### EY's responsibilities

Our responsibility is to express an opinion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000'), and the terms of reference for this engagement as agreed with the Operator on 11 June 2021. Those standards require that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

### Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, 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.

#### Description of procedures performed

- We checked that all the products and policies have been approved by Shariah Advisor and observed that the Operator has developed and implemented all the policies and procedures in accordance with The Takaful Rules, 2012 and Shariah Rules and Principles as determined by Shariah Advisor.
- We checked that 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.
- We reviewed training certificates and attendance sheets to evaluate that the Operator has imparted necessary trainings and orientations to maintain the adequate level of awareness, capacity, and sensitization of the staff and management.
- We have designed and performed following verification procedures (including but not limited to) on various financial arrangements, based on judgmental and systematic samples with regard to the compliance with Takaful Rules, 2012 and Shariah Rules and Principles:
  - o We obtained details of investments made and checked that all investments made in Shariah Compliant stocks as determined by Shariah Advisor.
  - o We inquired regarding other investments like fixed deposits to confirm that all such contracts are executed with Islamic Financial Institutions.
  - o We reviewed re-takaful and co-takaful parties along with arrangements/contracts entered into by Window Takaful Operations to assess compliance with Shariah Advisor guidelines and Takaful Rules, 2012.
  - o We re-calculated Operator's profit share and Wakalah fee income to confirm that approved percentage are applied on income from investments and contribution respectively.

The procedures selected by us for the engagement depended on our judgment, including the assessment of the, risks of the Operator's material non-compliance with the Takaful Rules 2012, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Operator's compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Operator's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with the Takaful Rules, 2012 will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

In performing our audit procedures necessary guidance on Shari'ah matters was provided by the internal Shari'ah experts.

#### Opinion

In our opinion, the Statement of Compliance of the Takaful Operations of the Operator as of 31 December 2021 is presented, in all material respects, in accordance with Takaful Rules, 2012.

*Umer Farid Khattar*  
Chartered Accountants

Date: 24 March 2022

Karachi

A member firm of Ernst & Young Global Limited



# Financial Statements



# Independent Auditor's Report

## To the members of Century Insurance Company Limited Report on the Audit of the Financial Statements for the year ended 31 December 2021

### Opinion

We have audited the annexed financial statements of **Century Insurance Company Limited** (the Company), which comprise the statement of financial position as at **31 December 2021**, and the profit and loss account, the statement of comprehensive income, the cash flow statement and the statement of changes in equity 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 and loss account, the statement of comprehensive income, the cash flow statement and the statement of changes in equity together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2021 and of the 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

15/12

Following are the key audit matters:

S. No.	Key audit matter(s)	How our audit addressed the key audit matter
1.	<b>Revenue Recognition – Premium Earned</b>  Refer notes 3.12 and 24 to the financial statements relating to revenue recognition policy and net insurance premium respectively.  The Company earns revenue primarily from premium income, which amounts to Rs. 898 million (2020: 846 million). This income stream comprises of five segments: (i) Fire and property damage, (ii) Marine, aviation and transport, (iii) Motor, (iv) Health and (v) Miscellaneous.  We have identified revenue recognition from premium income as a key audit matter as it is one of the key performance indicators of the Company and hence due to risk over occurrence, revenue may not be appropriately recorded.	Our audit procedures in respect of this matter included the following: <ul style="list-style-type: none"> <li>• Obtained an understanding of, evaluated the design and tested the controls over the process of policy-writing, processing and recording of premium;</li> <li>• Assessed the appropriateness of the Company's accounting policy for recording of premium and in line with the requirements of applicable law, accounting and reporting standards;</li> <li>• Traced the premium recorded on sample basis from the underlying policies issued to insurance contract holders;</li> <li>• Tested the policies on sample basis where policies were written close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period;</li> <li>• Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities; and</li> <li>• Assessed the appropriateness of disclosures in the financial statements in relation to premium income.</li> </ul>
2.	<b>Outstanding claims including IBNR</b>  As disclosed in notes 3.16 and 25 to the annexed financial statements, the Company's liability relating to outstanding claims including Incurred but not reported (IBNR) aggregating to Rs. 295 million represents a material balance of its total liabilities at the reporting date.	Our audit procedures in respect of this matter included the following: <ul style="list-style-type: none"> <li>• Obtained an understanding and tested relevant controls over the process of capturing, processing and recording of information related to the claims, and recoveries from reinsurance arrangements;</li> </ul>

15/12



S. No.	Key audit matter(s)	How our audit addressed the key audit matter
	<p>Valuation of these claim liabilities involves management judgement regarding uncertainty in the estimation of claim payments, and assessment of frequency and severity of claims. Claims liabilities are recognized on intimation of the insured event based on management judgement and estimation based on the advice of an independent surveyor.</p> <p>Furthermore, the Company also maintains a provision for claims including IBNR based on the advice of an independent actuary. The actuarial valuation process involves significant judgement and the use of actuarial assumptions.</p> <p>Due to the high level of judgment and estimation required to determine the obligations relating to outstanding claims including IBNR, we consider it to be a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>Assessed the appropriateness of the Company's accounting policy for recording of claims in line with the requirements of applicable accounting and reporting standards;</li> <li>Obtained an understanding of the work performed by the management for determining provision for claims Incurred But Not Reported and tested underlying data used;</li> <li>Tested, on sample basis, claims transactions with the underlying documentation to evaluate whether the claims reported are recorded in accordance with the Company's policy and applicable insurance regulations, and assessed the sufficiency of reserving claim liabilities;</li> <li>Inspected significant arrangements with reinsurers to obtain an understanding of contracts terms and tested on sample basis the recoveries from reinsurers based on their respective arrangements;</li> <li>Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR; and</li> <li>Examined the adequacy of the disclosures made by the Company with regard to applicable accounting and reporting standards.</li> </ul>

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S. No.	Key audit matter(s)	How our audit addressed the key audit matter
3.	<p><b>Existence and valuation of investments</b></p> <p>As disclosed in notes 7, 8 and 9 to the accompanying financial statements, the Company has investments in associates, investments in quoted and unquoted equity securities and units of mutual funds and investments in debt securities amounting to Rs. 61 million, Rs. 1,225 million and Rs. 583 million respectively, which comprise of 49% of total assets of the Company.</p> <p>In view of the significance of the investments, we have identified the existence and valuation of Company's investments as a key audit matter.</p>	<p>Our key procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>assessed the design and operating effectiveness of the financial reporting controls over acquisition (including board approvals), disposals and periodic valuation including model approval process;</li> <li>in relation to investments in quoted and unquoted equity instruments, we performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement together with related reconciliations (where applicable) and re-performance of investment valuations based on quoted market prices at the Pakistan Stock Exchange for quoted equity securities and available net asset value for unquoted investment as at 31 December 2021;</li> <li>in relation to investment in government securities, we obtained purchase documents to trace key inputs including acquisition cost, face value, issue date and settlement date driving computation of amortized cost recognized as of the reporting date;</li> <li>in relation to investments in units of mutual funds, we assessed whether investments were valued at fair value based on the last quoted market price by Mutual Fund Association of Pakistan (MUFAP) along with obtaining direct confirmations from investment managers regarding the units and net asset value of such investments; and</li> <li>assessed the adequacy and appropriateness of disclosures for compliance with the requirements of applicable financial reporting framework.</li> </ul>

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

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

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

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

13/12

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

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

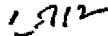
### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



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

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

### Report on Other Legal and Regulatory Requirements

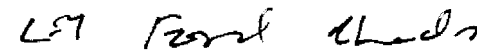
Based on our audit, we further report that in our opinion:

- 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);
- the statement of financial position, the profit and loss account, the statement of comprehensive income, the cash flow statement and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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.

### Other Matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another firm of Chartered Accountants, whose audit report dated 18 March 2021, expressed an unmodified opinion, on the aforementioned financial statements.

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



**Chartered Accountants**

**Place:** Karachi

**Date:** 22 March 2022

**UDIN Number:** AR202110076AMejqtnBN



# Statement of Financial Position

As at December 31, 2021

	Note	December 31, 2021 ----- (Rupees) -----	December 31, 2020 -----
<b>Assets</b>			
Property and equipment	6	125,567,780	121,150,269
Investment in associates	7	60,681,713	49,959,574
Investments			
Equity securities	8	1,224,868,654	958,721,992
Debt securities	9	582,932,797	524,693,346
Term deposit	10	-	195,400,000
Loan and other receivable	11	42,277,283	42,262,996
Insurance / reinsurance receivable	12	541,142,145	554,679,355
Reinsurance recoveries against outstanding claims	25	123,311,654	125,342,540
Salvage recoveries accrued		7,985,000	2,775,000
Deferred commission expense	26	28,909,708	25,643,610
Deferred taxation	17	20,282,884	34,941,495
Prepayments	14	236,618,982	209,416,425
Cash and bank	15	725,474,690	454,365,700
Total assets of Window Takaful Operations - Operator's fund	16	130,422,076	103,495,918
<b>Total Assets</b>		<b>3,850,475,366</b>	<b>3,402,848,220</b>
<b>Equity and Liabilities</b>			
Authorized share capital (70,000,000 Ordinary shares of Rs.10 each)		700,000,000	700,000,000
<b>Capital and reserves attributable to Company's equity holders</b>			
Ordinary share capital	18	502,968,030	502,968,030
Share premium		254,024,260	254,024,260
Reserves	19	225,233,575	181,840,187
Unappropriated profit		1,282,749,800	1,110,233,075
<b>Total Equity</b>		<b>2,264,975,665</b>	<b>2,049,065,552</b>
<b>Liabilities</b>			
<b>Underwriting Provisions</b>			
Outstanding claims including IBNR	25	294,800,833	260,105,733
Unearned premium reserve	24	641,585,269	521,370,886
Unearned reinsurance commission	26	54,234,596	46,716,196
Retirement benefit obligations	13	9,672,912	4,519,519
Premiums received in advance		2,982,677	1,891,673
Insurance / reinsurance payables	20	305,654,671	234,715,482
Other creditors and accruals	21	156,238,398	152,676,442
Taxation - provision less payments	22	71,686,314	96,880,283
<b>Total Liabilities</b>		<b>1,536,855,670</b>	<b>1,318,876,214</b>
Total liabilities of Window Takaful Operations - Operator's fund	16	48,644,031	34,906,454
<b>Total Equity and Liabilities</b>		<b>3,850,475,366</b>	<b>3,402,848,220</b>

## Contingencies and commitments

The annexed notes from 1 to 45 form an integral part of these financial statements.

 Iqbal Ali Lakhani  
Chairman
  Amin Mohammed Lakhani  
Director
  Aftab Ahmad  
Director
  Mohammad Hussain Hirji  
Director & Chief Executive
  Sabza Ali Pirani  
Chief Financial Officer

# Profit and Loss Account

For the year ended December 31, 2021

	Note	December 31, 2021 ----- (Rupees) -----	December 31, 2020 -----
Net insurance premium	24	897,582,289	846,099,290
Net insurance claims	25	(449,747,549)	(360,165,103)
Net commission and other acquisition costs	26	81,025,464	40,466,589
Insurance claims and acquisition expenses		(368,722,085)	(319,698,514)
Management expenses	27	(321,553,976)	(332,547,935)
<b>Underwriting results</b>		<b>207,306,228</b>	<b>193,852,841</b>
Investment income	28	116,008,967	79,513,925
Other income	29	52,809,245	63,515,340
Other expenses	30	(12,463,122)	(11,102,156)
<b>Results of operating activities</b>		<b>363,661,318</b>	<b>325,779,950</b>
Finance costs - lease liabilities		(5,634,194)	(6,240,748)
Share of profit of associates	7	12,986,965	12,408,460
Profit from Window Takaful Operations - Operator's fund	16	18,614,324	10,469,119
<b>Profit before tax</b>		<b>389,628,413</b>	<b>342,416,781</b>
Income tax expense	31	(112,102,655)	(99,814,471)
<b>Profit after tax</b>		<b>277,525,758</b>	<b>242,602,310</b>
<b>Earnings (after tax) per share of Rs. 10 each - basic</b>	32	<b>5.52</b>	<b>4.82</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

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Director
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Director
  Mohammad Hussain Hirji  
Director & Chief Executive
  Sabza Ali Pirani  
Chief Financial Officer

For the year ended December 31, 2021

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
Sabza Ali Pirani  
Chief Financial Officer

For the year ended December 31, 2021

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
Sabza Ali Pirani  
Chief Financial Officer

# Cash Flow Statement

For the year ended December 31, 2021

	December 31, 2021	December 31, 2020
Note	----- (Rupees) -----	
<b>Operating cash flows</b>		
<b>(a) Underwriting activities</b>		
Insurance premium received	1,564,900,531	1,334,984,485
Reinsurance premium paid	(512,899,411)	(530,285,565)
Claims paid	(606,769,253)	(612,771,683)
Reinsurance and other recoveries received	273,781,311	212,714,236
Commission paid	(71,263,108)	(83,789,188)
Commission received	109,183,482	164,140,647
Management expenses paid	(320,948,590)	(298,583,077)
Net cash inflow from underwriting activities	435,984,962	186,409,855
<b>(b) Other operating activities</b>		
Income tax paid	(134,975,188)	(57,817,641)
Other operating receipt / (payments)	(215,825)	11,340,073
Net cash outflow from other operating activities	(135,191,013)	(46,477,568)
<b>Total cash inflow from operating activities</b>	<b>300,793,949</b>	<b>139,932,287</b>
<b>Investment activities</b>		
Profit / return received	118,107,451	82,112,773
Dividends received	33,726,773	13,876,468
Payments for investments	(1,259,940,457)	(1,574,992,616)
Proceeds from disposal of investments	1,221,059,839	1,646,092,969
Fixed capital expenditure	(27,741,038)	(18,496,852)
Proceeds from sale of property and equipment	3,790,651	2,427,122
<b>Total cash inflow from investing activities</b>	<b>89,003,219</b>	<b>151,019,864</b>
<b>Financing activities</b>		
Dividends paid	(100,177,007)	(87,578,131)
Lease rentals paid	(18,511,171)	(16,232,864)
<b>Total cash outflow from financing activities</b>	<b>(118,688,178)</b>	<b>(103,810,995)</b>
<b>Net cash inflow from all activities</b>	<b>271,108,990</b>	<b>187,141,156</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>453,365,700</b>	<b>266,224,544</b>
<b>Cash and cash equivalents at end of the year</b>	<b>724,474,690</b>	<b>453,365,700</b>
15.3		
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	300,793,949	139,932,287
Depreciation / amortization expense	(27,741,249)	(28,503,649)
Profit on disposal of property and equipment	647,876	628,074
Profit on disposal of investments	32,011,001	901,426
Dividend income	32,637,288	13,465,915
Other investment income	111,805,206	95,716,166
Share of profit of associates	12,986,965	12,408,460
Increase in assets other than cash	38,099,010	118,078,710
Increase in liabilities other than running finance	(236,930,458)	(117,458,153)
Profit from Window Takaful Operations	13,216,170	7,433,074
Profit after tax	277,525,758	242,602,310

The annexed notes from 1 to 46 form an integral part of these financial statements.

  
Iqbal Ali Lakhani  
Chairman

  
Amin Mohammed Lakhani  
Director

  
Aftab Ahmad  
Director

  
Mohammad Hussain Hirji  
Director & Chief Executive

  
Sabza Ali Pirani  
Chief Financial Officer

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Century Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on October 10, 1985 under the Companies Act 2017. The Company is listed on the Pakistan Stock Exchange Limited and is engaged in general insurance business. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi.

The Company was granted authorization on August 07, 2017 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations by Securities and Exchange Commission of Pakistan (SECP) and under Takaful Rules, 2012 to carry on general takaful operations in Pakistan. The Company has formed a Waqf for Participants' Fund ("PTF") by executing the Waqf deed dated August 17, 2017. The Company commenced its activities of Window Takaful Operations on August 18, 2017.

## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

### 2.1 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 Standard Board (IASB) as are notified under Companies Act, 2017; and
- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, General Takaful Accounting Regulations, 2019 and Takaful Rules, 2012.

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

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 89(1)/2017 dated February 09, 2017 has prescribed format of the presentation of annual financial statements for general insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP.

Total assets, total liabilities and profit of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statements in accordance with the requirements of SRO 1416(1)/2019 dated November 20, 2019.

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

### 2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for certain investments which are stated at their fair values and staff gratuity which is stated at present value.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional and presentation currency.



# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

**2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective**

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 Revised Conceptual Framework (Amendments)	January 01, 2022
IAS 16 – Property, Plant and Equipments: proceeds before intended use	January 01, 2022
IAS 37 - Onerous Contracts: cost of fulfilling a contract	January 01, 2022
IAS 1 - Classification of Liabilities as Current or Noncurrent (Amendments)	January 01, 2023
IAS 1 - Disclosure of Accounting Policies (Amendments)	January 01, 2023
IAS 8 - Definition of Accounting Estimates (Amendments)	January 01, 2023
IAS 12 - Deferred Tax Related to Assets & Liabilities Arising from Single Transaction (Amendments)	January 01, 2023

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

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

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

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

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

**Standards**

- IFRS 1 – First time adoption of IFRSs
- IFRS 17 – Insurance Contracts
- IFRS 14 – Regulatory Deferral Accounts

**2.5 New / Revised Standards, Interpretations and Amendments**

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

- IFRS 14 – Regulatory Deferral Accounts
- IFRS 16 - COVID 19 Related Rent Concessions (Amendments)
- Amendment to IFRS 3 ‘Business Combinations’ – Definition of a Business

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented .

**3.1 Property and Equipment**

**3.1.1 Tangibles**

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 6.1 to the financial statements, after taking into account residual value.

Depreciation on additions is charged from the month in which the asset is put to use whereas no depreciation is charged from the month the asset is disposed off.

Subsequent costs are included in the assets’ carrying amount or recognised as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

Depreciation methods, useful lives and residual values that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

**3.1.2 Capital work-in-progress**

Capital work-in-progress including advances made for capital expenditure is stated at cost less impairment, if any.

**3.2 Intangibles**

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset.

## Indefinite Intangible

These are stated at cost less impairment, if any.

## Definite Intangible

- These are stated at cost less accumulated amortisation and impairment, if any.
- Intangible assets are amortised on straight line basis over its estimated useful life(s).
- Amortisation on additions is charged from month in which the asset is put to use, whereas no amortisation is charged from the month the assets is disposed off.

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

## 3.3 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases properties for its operations. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expenses on a straight line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

## 3.4 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

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 if a specified uncertain future event (the insured event) adversely affects the policy holders are insurance policy contracts. The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, money, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters in to reinsurance contracts with both foreign and local reinsurers.

These reinsurance contracts includes both treaty and facultative arrangements and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its period, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

## 3.5 Deferred Commission expense / Acquisition cost

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the twenty-fourths method.

## 3.6 Unearned premium

The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the Company. The unearned premium is calculated by applying the twenty-fourths method as specified in the Insurance Accounting Regulations, 2017.

## 3.7 Premium deficiency

The Company is required as per Insurance Rules, 2017 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the reporting date in respect of policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognised as a liability.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgement is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is estimated.

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date. The liability of premium deficiency in relation to all classes of business is calculated in accordance with the advice of the actuary. Hence, no provision for the same has been made in these financial statements.

## 3.8 Reinsurance contracts held

Reinsurance liabilities represent balances due to reinsurance companies. Balances 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.

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets as required by Insurance Ordinance, 2000. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired.

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 recognises it as impairment loss.

## 3.9 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognised when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Premium received in advance is recognised as liability till the time of issuance of insurance contract thereagainst.

If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

## 3.10 Segment reporting

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

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rule, 2017. The reported operating segments are also consistent with the internal reporting provided to Board of Directors which 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.

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

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

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

Motor insurance provides comprehensive car coverage and indemnity against third party loss.

Accident and health insurance provides cover to compensate personal accident, hospitalisation and outpatient medical coverage to the insured.

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

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Management expenses are allocated to a particular segment on the basis of premium written.

## 3.11 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, policy stamps, bank balances and the term deposit receipts having a maturity of not more than twelve months and are subject to insignificant risk of change in value.

## 3.12 Revenue Recognition

### a) Premiums

Premiums under a policy are recognised as revenue at the time of issuance of insurance policy / cover note. Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk. Administrative surcharge is recognised as revenue at the time of issuance of insurance policy.

### b) Commission Income

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements, is recognised when the Company's right to receive the same is established.

### c) Investment income

- Income from held to maturity investments is recognised 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 amortised and taken to the profit and loss account over the term of the investment.
- Dividend income from investments, other than those which are accounted for under the equity method is recognised when the Company's right to receive the payment is established.
- Gain or loss on sale of investment is included in income currently.
- Return on bank deposits is recognised on a time proportionate basis taking into account the effective yield.
- Return on fixed income securities is recognised on a time proportion basis taking into account the effective yield on the investments.

## 3.13 Investments

### 3.13.1 Classification and Recognition

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



# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

## 3.13.2 Measurement

### 3.13.2.1 Investment at fair value through profit or loss

Investments which are acquired principally for the purposes of generating profit from short-term fluctuation in market price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Investments which are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are remeasured at fair market value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

### 3.13.2.2 Held to maturity

Investments with 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 amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

### 3.13.2.3 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 are classified as available-for-sale.

#### Quoted

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in statement of comprehensive income.

#### Unquoted

Unquoted investments are recorded at cost less accumulated impairment losses except for Investment in Private Equity fund which is valued at Net assets value of the Fund.

### 3.13.2.4 Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from MUFAP page (PKRV) where applicable. 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 by the Mutual Funds Association of Pakistan (MUFAP).

### 3.13.2.5 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the end of each reporting period less impairment loss, if any. Share of profit and loss of associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognised in the associates profit and loss account, are recognised directly in equity of the Company. The goodwill relating to an associate arising on the acquisition of the investment is included in the carrying value of the investments.

After the application of equity method including recognising the associates losses, the Company determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in associate by comparing the entire carrying amount including goodwill with its recoverable amount i.e. the higher of value in use or fair market price less cost to sell. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

### 3.13.2.6 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

## 3.14 Offsetting of financial assets and liabilities

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

## 3.15 Creditors, accruals and provisions

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

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

## 3.16 Claims expense and Provision for outstanding claims including Incurred But Not Reported (IBNR)

Insurance claims include all claims occurred, whether reported or not. Internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

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

### Outstanding claims

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

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

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

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

## Incurred But Not Reported (IBNR) Claims

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

The Company is required, as per SECP circular no. 9 of 2016 dated March 09, 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The actuarial valuation as at December 31, 2021 has been carried out by independent firm of actuaries for determination of IBNR for each class of business.

## 3.17 Taxation

Income tax expense comprises current and deferred tax including window takaful operations. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

### Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provisions for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime and / or minimum tax liability, as applicable, after taking into account tax credits and tax rebates available, if any.

### Deferred

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Company recognises a deferred tax asset to the extent of taxable timing differences or it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 3.18 Staff Retirement benefits

### 3.18.1 Defined benefit plan

The Company operates an approved and funded gratuity scheme for all permanent employees who attain the minimum qualification period for entitlement to gratuity. The liability / asset recognized in the balance sheet is the present value of defined benefit obligation at the reporting date less fair value of plan assets. The defined benefit obligation is calculated annually using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (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 contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account and actuarial gains / loss are recognised in other comprehensive income as they occur and are not reclassified to profit or loss in subsequent periods.

The last actuarial valuation of the Company's defined benefit plan was carried on as of December 31, 2021.

### 3.18.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10 percent of basic salary plus cost of living allowance.

### 3.18.3 Employees' compensated absences

The Company accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

## 3.19 Impairment of assets

The carrying amount of assets other than deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised. Impairment is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. However, in case of equity securities classified as available for sale the decrease in impairment loss is not reversed.

## 3.20 Dividend distribution and reserve appropriation

Dividend distribution and reserve appropriations are recognized when approved.

## 3.21 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written during the year. Expenses not allocable to the underwriting business are charged as other expenses.

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

### 3.22 Foreign currency translation

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

### 3.23 Financial instruments

Financial instruments carried on the reporting date include cash and bank, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits and other payables and unclaimed dividends.

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

### 3.24 Transaction with related parties

All the transaction involving related parties arising in the normal course of business are conducted at agreed / commercial terms and condition.

### 3.25 Window Takaful Operations

The accounting policies followed by Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended December 31, 2021.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### 4.1 Use of estimates and judgements

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes:

- a) residual values and useful lives of fixed assets (note 3.1);
- b) provision for unearned premium (note 3.6);
- c) premium deficiency reserve (note 3.7);
- d) provision for premium due but unpaid and amount due from other insurers / reinsurers (note 3.9);
- e) segment reporting (note 3.10);
- f) classification of investments (note 3.13.1);
- g) provision for outstanding claims (including IBNR) and reinsurance recoveries there against (note 3.16);
- h) taxation (note 3.17);
- i) staff retirement benefits (note 3.18);
- j) impairment (note 3.19); and
- k) allocation of management expenses (note 3.21).

## 5. DISCLOSURES RELATED TO TEMPORARY EXEMPTION FROM IFRS 9

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement consideration for the time value of money and credit risk are typically the most significant elements of interest. IFRS 9 defines the terms principal as being the fair value of the financial asset at initial recognition and the interest as being compensation for (i) the time value of money and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The debt instruments accounted for fair value through other comprehensive income under IAS 39 are potentially eligible to SPPI test whereas it is not applicable for the debt instruments accounted for fair value through profit or loss.

The tables below set out the fair values on gross basis 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.

		December 31, 2021			
		Fail the SPPI Test		Pass the SPPI Test	
	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less impairment	Change in unrealized gain or (loss) during the year
----- (Rupees) -----					
<b>Financial assets</b>					
Investment in associate	129,679,073	-	-	-	-
Investments					
- Equity securities - Available for Sale	1,126,661,275	154,616,226	-	-	-
- Equity securities - Held for trading	98,207,379	(6,225,961)	-	-	-
- Debt securities - Held for trading	-	-	88,077,711	-	(2,093,235)
- Debt securities - available for sale	-	-	440,221,952	-	(5,000,564)
- Debt securities - held to maturity	-	-	54,633,134	-	-
Loan and other receivables*	42,277,283	-	-	-	-
Cash and Bank	725,474,690	-	-	-	-
<b>TOTAL</b>	<b>2,122,299,700</b>	<b>148,390,265</b>	<b>582,932,797</b>	<b>-</b>	<b>(7,093,799)</b>



# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

	Gross Carrying amount of debt instruments that pass the SPPI test						
	AA+	AA-	A+	A	A-	Unrated	Total
	(Rupees)						
Investment in debt securities							
Held for trading	-	-	-	-	-	88,077,711	88,077,711
Available for sale	56,980,292	25,000,000	153,000,000	20,000,000	15,000,000	170,241,660	440,221,952
Held to Maturity	-	-	-	-	-	54,633,134	54,633,134
	<b>56,980,292</b>	<b>25,000,000</b>	<b>153,000,000</b>	<b>20,000,000</b>	<b>15,000,000</b>	<b>312,952,505</b>	<b>582,932,797</b>

\* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of the fair values.

6.	PROPERTY AND EQUIPMENT		December 31, 2021	December 31, 2020
		Note	(Rupees)	
Operating assets		6.1	<b>83,355,554</b>	70,599,800
Right to use assets		6.2	<b>35,303,605</b>	38,925,248
Capital work in progress		6.3	<b>6,908,621</b>	11,625,221
			<b>125,567,780</b>	121,150,269

6.1	Operating assets	December 31, 2021									
		Cost			Depreciation			Written down value as at December 31, 2021		Depreciation rate %	
		As at January 01, 2021	Additions	Disposals	As at December 31, 2021	As at January 01, 2021	For the year	Disposals	As at December 31, 2021		
		(Rupees)									
Office improvement		19,763,414	1,385,019	2,031,327	19,117,106	16,026,412	967,507	2,031,300	14,962,619	4,154,487	10
Furniture and fixtures		16,775,543	2,030,600	603,882	18,202,261	11,403,005	1,260,738	603,826	12,059,917	6,142,344	10
Office equipment		15,118,602	3,930,224	737,577	18,311,249	11,904,008	1,769,093	684,059	12,989,042	5,322,207	10 - 33
Computer and related accessories		9,556,021	1,548,240	29,436	11,074,825	7,833,922	948,178	28,724	8,753,376	2,321,449	33
Motor vehicles		98,697,765	23,563,555	9,411,355	112,849,965	42,144,198	11,612,358	6,321,658	47,434,898	65,415,067	20
		<b>159,911,345</b>	<b>32,457,638</b>	<b>12,813,577</b>	<b>179,555,406</b>	<b>89,311,545</b>	<b>16,557,874</b>	<b>9,669,567</b>	<b>96,199,852</b>	<b>83,355,554</b>	
		December 31, 2020									
		As at January 01, 2020	Additions	Disposals	As at December 31, 2020	As at January 01, 2020	For the year	Disposals	As at December 31, 2020	Written down value as at December 31, 2020	Depreciation rate %
		(Rupees)									
Office improvement		19,763,414	-	-	19,763,414	15,138,303	888,109	-	16,026,412	3,737,002	10
Furniture and fixtures		16,723,543	52,000	-	16,775,543	10,245,636	1,157,369	-	11,403,005	5,372,538	10
Office equipment		14,950,159	870,152	701,709	15,118,602	10,812,894	1,732,314	641,200	11,904,008	3,214,594	10 - 33
Computer and related accessories		8,325,826	1,799,800	569,605	9,556,021	7,627,274	731,419	524,771	7,833,922	1,722,099	33
Motor vehicles		95,157,458	8,082,900	4,542,593	98,697,765	33,923,912	11,067,040	2,846,754	42,144,198	56,553,567	20
		<b>154,920,400</b>	<b>10,804,852</b>	<b>5,813,907</b>	<b>159,911,345</b>	<b>77,748,019</b>	<b>15,576,251</b>	<b>4,012,725</b>	<b>89,311,545</b>	<b>70,599,800</b>	

6.1.1 During the year ended December 31, 2021, an aggregate amount of Rs. 0.993 million out of depreciation for the year Rs. 16.558 million has been allocated to window takaful operations.

6.1.2	Disposal of tangible	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss) (note 29)	Mode of disposal	Sold to
		(Rupees)						
Office improvement		2,031,327	2,031,300	27	49,500	49,473	Negotiation	Liaquat Bhatti
Furniture and fixtures		97,524	97,510	14	25,000	24,986	Negotiation	Liaquat Bhatti
Furniture and fixtures		506,358	506,316	42	37,900	37,858	Negotiation	Liaquat Bhatti
Office equipment		188,699	188,693	6	18,900	18,894	Negotiation	Various
Office equipment		54,500	51,998	7,502	18,900	11,398	Insurance Claim	EFU General Insurance
Office equipment		294,137	243,132	49,005	36,000	(9,005)	Negotiation	Al-Rehman Traders
Office equipment		200,241	200,235	6	12,000	11,994	Negotiation	Liaquat Bhatti
Computer and related accessories		17,000	16,526	474	500	26	Negotiation	Star Com
Computer and related accessories		12,436	12,434	2	2,000	1,998	Negotiation	A.A. Enterprises
Motor vehicles		683,000	409,800	273,200	683,000	409,800	As per company policy	Mr. Haider Ali (Executive)
Motor vehicles		688,000	431,719	256,281	256,281	-	As per company policy	Mr. Hassan Siddiqui (Executive)
Motor vehicles		1,952,500	1,312,705	639,795	639,795	-	As per company policy	Mr. Mir Mehmood Ali (Ex.executive)
Motor vehicles		1,678,000	1,139,786	538,214	538,214	-	As per company policy	Mr. Abid Raza Isfahani (Executive)
Motor vehicles		1,099,000	738,880	360,120	360,120	-	As per company policy	Mr. Asif Mehmood (Executive)
Motor vehicles		1,997,500	1,342,959	654,541	654,541	-	As per company policy	Mr. Abdul Rehman (Executive)
Motor vehicles		101,400	86,400	15,000	18,000	3,000	Negotiation	Mr. Masood Ahsan (Ex. Employee)
Motor vehicles		109,900	94,900	15,000	25,000	10,000	As per company policy	Mr. Omer Abdullah
Motor vehicles		114,000	99,000	15,000	30,000	15,000	As per company policy	Mr. Salman Baqar
Motor vehicles		114,000	99,000	15,000	30,000	15,000	As per company policy	Mr. Kashif Ozair Khan
Motor vehicles		114,000	99,000	15,000	30,000	15,000	As per company policy	Mr. Arsalan Iqbal
Motor vehicles		119,000	104,000	15,000	30,000	15,000	As per company policy	Mr. Asif Aziz
Motor vehicles		45,000	35,000	10,000	10,000	-	Negotiation	Mr. Karamdad Jakhro
Motor vehicles		47,448	37,448	10,000	10,000	-	Negotiation	Mr. Shahid
Motor vehicles		108,500	15,583	92,917	100,000	7,083	Insurance Claim	EFU General Insurance
Motor vehicles		108,500	12,986	95,514	100,000	4,486	Insurance Claim	EFU General Insurance
Motor vehicles		114,000	99,000	15,000	30,000	15,000	As per company policy	Mr. Cassian Johnson Peter
Motor vehicles		124,607	94,993	29,614	30,000	386	As per company policy	Mr. Chandr Sen
Motor vehicles		41,000	26,499	14,501	5,000	(9,501)	Negotiation	Mr. Muhammad Nadeem
Motor vehicles		52,000	42,000	10,000	10,000	-	Negotiation	Mr. Abdul Hameed
		<b>12,813,577</b>	<b>9,669,802</b>	<b>3,146,775</b>	<b>3,790,651</b>	<b>647,876</b>		

6.2	Right to use assets	Cost			Depreciation			Written down value as at December 31, 2021	Depreciation rate %
		As at January 01, 2021	Additions	(Disposals / written off)	As at December 31, 2021	As at January 01, 2021	For the year	(Disposals / written off)	As at December 31, 2021
		(Rupees)							
Property lease		<b>64,064,763</b>	<b>8,555,204</b>	<b>-</b>	<b>72,619,967</b>	<b>25,139,515</b>	<b>12,176,847</b>	<b>-</b>	<b>37,316,362</b>
									<b>35,303,605</b>
									<b>20</b>

6.3	Capital work in progress	December 31, 2021	December 31, 2020
		(Rupees)	
Advance against purchase of vehicles		<b>6,428,621</b>	11,625,221
Advance against revevation of branch		<b>480,000</b>	-
		<b>6,908,621</b>	11,625,221

## 7. INVESTMENT IN ASSOCIATES

The Company has 0.037% and 0.428% interest in Colgate Palmolive (Pakistan) Limited (CPPL) and Century Paper & Board Mills Limited (CPBML). The Company's interest in CPPL and CPBML is accounted for using the equity method in these financial statements on the basis of significant influence which is demonstrated by common representation of directors of the Company on Board of Director's of CPPL and CPBML.

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

## INVESTMENT IN ASSOCIATES

2021	2020	Face value per share (Rupees)	Quoted	Note	December 31, 2021	December 31, 2020
---(Number of shares)---					----- (Rupees) -----	-----
26,774	23,282	10	Colgate Palmolive (Pakistan) Limited (CPPL) (Incorporated in Pakistan)	7.1	12,981,554	11,967,904
868,703	755,394	10	Century Paper & Board Mills Limited (CPBML) (Incorporated in Pakistan)	7.1	47,700,159	37,991,670
					<u>60,681,713</u>	<u>49,959,574</u>

### 7.1 Movement of investment in equity accounted investees is as follows:

	December 31, 2021		
	Colgate Palmolive (Pakistan) Limited	Century Paper & Board Mills Limited	Total
	----- (Rupees) -----		
Opening balance as at January 01, 2021	11,967,904	37,991,670	49,959,574
Share of profit	2,147,276	10,839,689	12,986,965
Share of equity	7,192	1,891	9,083
Dividend received	(1,140,818)	(1,133,091)	(2,273,909)
Closing balance as at December 31, 2021	12,981,554	47,700,159	60,681,713
	----- (Rupees) -----		
	December 31, 2020		
	Colgate Palmolive (Pakistan) Limited	Century Paper & Board Mills Limited	Total
	----- (Rupees) -----		
Opening balance as at January 01, 2020	10,992,804	28,411,443	39,404,247
Share of profit	1,963,571	10,444,889	12,408,460
Share of equity	(14,835)	79,581	64,746
Dividend received	(973,636)	(944,243)	(1,917,879)
Closing balance as at December 31, 2020	11,967,904	37,991,670	49,959,574

### 7.2 Market value of investments in associates is as follows:

	December 31, 2021	December 31, 2020
	----- (Rupees) -----	-----
<b>Quoted</b>		
Colgate Palmolive (Pakistan) Limited	60,964,666	67,517,800
Century Paper & Board Mills Limited	68,714,407	94,537,559
	<u>129,679,073</u>	<u>162,055,359</u>

### 7.3 Percentage of holding of equity in associates is as follows:

	December 31, 2021	December 31, 2020
	-----(Percentage of holding)----	----
Colgate Palmolive (Pakistan) Limited	0.037%	0.037%
Century Paper & Board Mills Limited	0.428%	0.428%

### 7.4 The following is summarized financial information of CPPL and CPBML as at and for the twelve month period ended December 31, 2021. Based on their respective unaudited condensed interim financial information and quarterly financial information prepared in modified for fair value and other adjustments and differences in the Company's accounting policies:

	Colgate Palmolive (Pakistan) Limited		Century Paper & Board Mills Limited	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- (Rupees) -----			
<b>For the period ended</b>				
Revenues	54,756,595,000	47,502,223,000	33,112,949,000	25,377,515,000
Profit after tax	5,838,208,000	5,338,674,000	1,953,113,000	2,439,400,000
Other comprehensive income / ( loss)	19,553,000	(40,333,000)	508,000	18,586,000
Total comprehensive income	5,857,761,000	5,298,341,000	1,953,621,000	2,457,986,000
<b>At period end</b>				
Non current assets	7,533,938,000	5,960,436,000	10,913,112,000	9,123,979,000
Current assets	22,959,348,000	19,367,532,000	14,521,030,000	10,171,320,000
Non current liabilities	(1,804,590,000)	(1,367,787,000)	(3,832,278,000)	(3,734,671,000)
Current liabilities	(7,259,736,000)	(5,287,257,000)	(10,461,442,000)	(6,687,687,000)
Net assets	21,428,960,000	18,672,924,000	11,140,422,000	8,872,941,000
Group's interest in net assets of investee at end of the year	7,881,766	6,868,071	47,700,159	37,991,670
Fair value and other adjustments at acquisition	5,099,833	5,099,833	-	-
<b>Carrying amount of interest in equity accounted investees at end of the year</b>	<u>12,981,599</u>	<u>11,967,904</u>	<u>47,700,159</u>	<u>37,991,670</u>

## 8. INVESTMENTS IN EQUITY SECURITIES

	December 31, 2021				December 31, 2020			
	Cost	Impairment on AFS	Unrealised gain / (loss) on revaluation	Carrying value	Cost	Impairment on AFS	Unrealised gain on revaluation	Carrying value
Note	----- (Rupees) -----							
Available for sale	972,045,049	-	154,616,226	1,126,661,275	805,836,834	(23,594,686)	74,899,257	857,141,405
Held for trading	104,433,344	-	(6,225,965)	98,207,379	95,181,884	-	6,398,703	101,580,587
	<u>1,076,478,393</u>	<u>-</u>	<u>148,390,261</u>	<u>1,224,868,654</u>	<u>901,018,718</u>	<u>(23,594,686)</u>	<u>81,297,960</u>	<u>958,721,992</u>
<b>Available for sale</b>								
<b>Related parties</b>								
Mutual funds	459,015,352	-	125,975,547	584,990,899	413,678,396	-	32,820,801	446,499,197
<b>Others</b>								
Listed shares	64,819,749	-	4,184,720	69,004,469	40,991,667	(4,860,437)	10,886,773	47,018,003
Unlisted shares	75,283	-	-	75,283	75,283	-	-	75,283
Mutual funds	448,134,665	-	24,455,959	472,590,624	351,091,488	(18,734,249)	31,191,683	363,548,922
	<u>513,029,697</u>	<u>-</u>	<u>28,640,679</u>	<u>541,670,376</u>	<u>392,158,438</u>	<u>(23,594,686)</u>	<u>42,078,456</u>	<u>410,642,208</u>
	<u>972,045,049</u>	<u>-</u>	<u>154,616,226</u>	<u>1,126,661,275</u>	<u>805,836,834</u>	<u>(23,594,686)</u>	<u>74,899,257</u>	<u>857,141,405</u>
<b>Investment at fair value through profit and Loss</b>								
Listed shares	104,433,344	-	(6,225,965)	98,207,379	95,181,884	-	6,398,703	101,580,587
	<u>1,076,478,393</u>	<u>-</u>	<u>148,390,261</u>	<u>1,224,868,654</u>	<u>901,018,718</u>	<u>(23,594,686)</u>	<u>81,297,960</u>	<u>958,721,992</u>

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

8.1 Related parties

2021 ----- (Number of units) -----	2020	Face value per unit (Rupees)	Name of entity	December 31, 2021				December 31, 2020			
				Cost	Impairment on AFS	Unrealised gain / (loss) on revaluation	Carrying value	Cost	Impairment on AFS	Unrealised gain on revaluation	Carrying value
(Rupees)											
Open-end mutual funds											
1,374,642	1,416,940	100	Lakson Equity Fund	145,406,224	-	(996,949)	144,409,275	150,000,000	-	3,489,216	153,489,216
444,538	614,359	100	Lakson Tactical Fund	45,246,085	-	(1,436,587)	43,809,498	62,467,854	-	384,408	62,852,262
423,135	12,029	100	Lakson Money Market Fund	42,627,519	-	166,933	42,794,452	1,210,542	-	-	1,212,543
247,537	-	100	Lakson Income Fund	25,735,524	-	404,353	26,139,877	-	-	-	-
Closed-end fund											
200	200	1,000,000	Lakson Private Equity Fund	200,000,000	-	127,837,797	327,837,797	200,000,000	-	28,945,176	228,945,176
				459,015,352	-	125,975,547	584,990,899	413,678,396	-	32,818,800	446,499,197

9. INVESTMENTS IN DEBT SECURITIES

		Cost	Unrealised gain / (loss) on revaluation	Carrying value	Cost	Unrealised gain on revaluation	Carrying value
	Note	(Rupees)					
<b>Held for trading</b>							
Government securities	9.1.1	90,170,946	(2,093,235)	88,077,711	86,596,010	393,967	86,989,977
<b>Held to maturity</b>							
Government securities	9.1.2 & 9.1.3	54,633,134	-	54,633,134	127,627,411	-	127,627,411
<b>Available for sale</b>							
Sukuk	9.1.4	25,000,000	-	25,000,000	35,000,000	(53,023)	34,946,977
Term finance certificate	9.1.5	242,934,000	2,046,292	244,980,292	44,980,000	(713,169)	44,266,831
Government securities	9.1.6	177,288,516	(7,046,856)	170,241,660	223,777,326	7,084,824	230,862,150
		445,222,516	(5,000,564)	440,221,952	303,757,326	6,318,632	310,075,958
		590,026,596	(7,093,799)	582,932,797	517,980,747	6,712,599	524,693,346

9.1 Particulars of debt securities are as follow

9.1.1 Pakistan Investment Bonds / Treasury Bill

Face value	Type of security	Profit payment	Profit rate %	Maturity date	Carring Value	
					2021	2020
(Rupees) --						
29,500,000	Pakistan Investment Bond - 3 years	Semi Annually	9.00	September 19, 2022	29,031,569	30,012,946
25,000,000	Pakistan Investment Bond - 5 years	Semi Annually	9.50	September 19, 2024	23,908,475	25,495,975
35,000,000	Pakistan Investment Bond - 10 years	Semi Annually	8.27	August 22, 2029	35,137,667	-
32,000,000	Treasury Bills - 1 Year	On Maturity	7.10	March 25, 2021	-	31,481,056
					88,077,711	86,989,977

9.1.2 Pakistan Investment Bonds / Treasury Bill

Face value	Type of security	Profit payment	Profit rate %	Maturity date	Carring Value	
					2021	2020
(Rupees) --						
25,000,000	Pakistan Investment Bond - 10 years	Semi Annually	12.00	September 19, 2022	24,883,950	24,689,167
30,000,000	Pakistan Investment Bond - 10 years	Semi Annually	10.68	May 31, 2028	29,749,184	29,710,093
75,000,000	Treasury Bills - 1 Year	On Maturity	7.115	April 08, 2021	-	73,228,151
					54,633,134	127,627,411

The market value of held to maturity debt securities is Rs. 54.882 million (2020: Rs. 129.772 million).

9.1.3 These securities are placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

9.1.4 Sukkuk

No. of certificates		Face value	Company's name	Effective Rate rate	Maturity date	Carring Value	
2021	2020					2021	2020
(Rupees)							
5,000	5,000	5,000,000	Dubai Islamic Bak Pkistan Ltd	Kibor plus 1.75 %	Perpetual	25,000,000	24,827,575
-	100	100,000	Dawood Hercules Company Limited	3 months Kibor plus 1%	February 28, 2021	-	10,119,402
						25,000,000	34,946,977

9.1.5 Term finance certificate

No. of certificates		Face value	Company's name	Effective Rate rate	Maturity date	Carring Value	
2021	2020					2021	2020
(Rupees)							
11,000	5,000	4,994	Banl Al Habib Limited	6 months Kibor plus 1%	December 06, 2028	56,980,292	24,266,831
20	20	1,000,000	Soneri Bank Limited	6 months Kibor plus 2%	December 06, 2028	20,000,000	20,000,000
1,530	-	100,000	JS Bank Limited	6 months Kibor plus 2.25%	December 31, 2048	153,000,000	-
150	-	100,000	NSRP Microfinance Bank Limited	3 months Kibor plus 3%	July 09, 2028	15,000,000	-
						244,980,292	44,266,831

9.1.6 Pakistan Investment Bonds

Face value	Type of security	Profit payment	Profit rate %	Maturity date	Carring Value	
					2021	2020
(Rupees)						
30,000,000	Pakistan Investment Bond - 5 years	Semi Annually	8.00	July 12, 2023	28,614,060	29,864,250
50,000,000	Pakistan Investment Bond - 5 years	Semi Annually	8.00	July 12, 2023	47,690,100	49,773,750
50,000,000	Pakistan Investment Bond - 5 years	Semi Annually	9.50	September 19, 2024	47,816,950	50,991,950
50,000,000	Pakistan Investment Bond - 10 years	Semi Annually	10.00	September 19, 2029	46,120,550	50,218,050
50,000,000	Pakistan Investment Bond - 3 years	Semi Annually	7.25	July 12, 2021	-	50,014,150
					170,241,660	230,862,150

10. INVESTMENT IN TERM DEPOSIT

Deposit maturing within 12 months

December 31, 2021	December 31, 2020
(Rupees)	
-	195,400,000
-	195,400,000

11. LOAN AND OTHER RECEIVABLE

Accrued investment income	17,683,925	26,231,956
Security deposits	6,889,003	6,529,043
Advance to employees	3,769,693	3,856,474
Advance against expenses	1,199,409	1,104,909
Recaivable against sales of shares	418,208	-
Advance against purchase of shares	-	686
Window Takaful Operations	10,314,183	3,392,738
Others	2,002,862	1,147,190
	42,277,283	42,262,996



# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

## 12. INSURANCE / RE-INSURANCE RECEIVABLE

	Note	December 31, 2021 ----- (Rupees) -----	December 31, 2020
Due from insurance contract holders	12.1	433,862,590	395,106,061
Amounts due from other insurers / reinsurers	12.4	54,983,991	45,758,485
Reinsurance recoveries due but unpaid		52,295,564	113,814,809
		<u>541,142,145</u>	<u>554,679,355</u>

### 12.1 Due from insurance contract holders

<b>Unsecured</b>			
Considered good	12.2	433,862,590	395,106,061
Considered doubtful		24,044,806	26,920,482
		<u>457,907,396</u>	<u>422,026,543</u>
Provision for doubtful balances	12.3	(24,044,806)	(26,920,482)
		<u>433,862,590</u>	<u>395,106,061</u>

12.2 This includes a sum of Rs. 297.285 million (December 31, 2020: Rs. 289.716 million) due from related parties.

### 12.3 Provision for doubtful balances

	December 31, 2021 ----- (Rupees) -----	December 31, 2020
Balance as at January 01	26,920,482	11,511,332
Provision made during the year	1,255,549	15,772,035
Recoveries during the year	(4,131,225)	(362,885)
	<u>(2,875,676)</u>	<u>15,409,150</u>
Balance as at December 31	<u>24,044,806</u>	<u>26,920,482</u>

### 12.4 Amounts due from other insurers / reinsurers

<b>Unsecured</b>			
<b>Considered good</b>			
Foreign reinsurers	-	168,437	
Local reinsurers	50,316,097	51,924,539	
Co-insurers	50,680,376	39,677,991	
	<u>100,996,473</u>	<u>91,770,967</u>	
Provision for doubtful balances	(46,012,482)	(46,012,482)	
	<u>54,983,991</u>	<u>45,758,485</u>	

## 13. STAFF RETIREMENT BENEFITS

Defined benefit plan - gratuity scheme

The actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation of the scheme:

- Discount rate 12.25% (December 31, 2020: 10.25%) per annum.
- Expected rate of increase in the salaries of the employees 12.25% (December 31, 2020: 10.25%) per annum.

- Expected interest rate on plan assets of the scheme 12.25% (December 31, 2020: 10.25%) per annum.
- Average length of service of the employees 9.37 years (December 31, 2020: 8.68 years).

### 13.1 Liability in statement of financial position

	December 31, 2021 ----- (Rupees) -----	December 31, 2020
Present value of defined benefit obligations	64,845,800	55,264,597
Fair value of plan assets	(55,172,888)	(50,745,078)
	<u>9,672,912</u>	<u>4,519,519</u>

### 13.2 Movement in liability during the year

Balance as at January 01	4,519,519	5,141,096
Charge to profit and loss account	5,248,463	4,945,443
Charged to other comprehensive income	4,424,450	(425,924)
Contributions to the fund during the year	(4,519,520)	(5,141,096)
Balance as at December 31	<u>9,672,912</u>	<u>4,519,519</u>

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

Present value of obligations as at January 01	55,264,597	44,767,110
Current service cost	5,016,837	4,643,404
Interest cost	5,643,258	5,257,374
Benefits paid	(416,849)	(46,995)
Actuarial loss / (gain)	(662,043)	643,704
Present value of obligations as at December 31	<u>64,845,800</u>	<u>55,264,597</u>

### 13.4 Reconciliation of the fair value of plan assets

Fair value of plan assets as at January 01	50,745,078	39,626,014
Expected return on plan assets	5,411,632	4,955,335
Contribution to the fund	4,519,520	5,141,096
Benefits paid	(416,849)	(46,995)
Actuarial gain / (loss)	(5,086,493)	1,069,628
Fair value of plan assets as at December 31	<u>55,172,888</u>	<u>50,745,078</u>

### 13.5 Charge to profit and loss account

Current service cost	5,016,837	4,643,404
Interest cost	5,643,258	5,257,374
Expected return on plan assets	(5,411,632)	(4,955,335)
	<u>5,248,463</u>	<u>4,945,443</u>

### 13.6 Remeasurements recognized in other comprehensive income, (expense) / income during the year

Actuarial gains / (loss) on obligations	662,043	(643,704)
Actuarial gains / (loss) on assets	(5,086,492)	1,069,628
	<u>(4,424,450)</u>	<u>425,924</u>

### 13.7 Expected return on plan assets

Expected return on assets	<u>5,411,632</u>	<u>4,955,335</u>
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# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

## 13.8 Composition of fair value of plan assets

	2021		2020	
	Fair value -- (Rupees) --	Percentage ---- (%) ----	Fair value -- (Rupees) --	Percentage ---- (%) ----
Funds - related party	29,843,456	54	23,753,837	47
Government securities	23,461,648	43	2,002,818	4
Term deposit certificate	-	-	21,725,000	43
Cash and bank balances	1,867,784	3	3,263,423	6
Fair value of plan assets	55,172,888	100	50,745,078	100

## 13.9 Historical data of the fund

	2021	2020	2019	2018	2017
	----- (Rupees) -----				
Present value of defined benefit obligations	64,845,800	55,264,597	44,767,110	39,361,601	34,104,296
Fair value of plan assets	(55,172,888)	(50,745,078)	(39,626,014)	(34,199,542)	(28,932,839)
Deficit	9,672,912	4,519,519	5,141,096	5,162,059	5,171,457
Experience adjustments					
Actuarial (gain) / loss on obligation	(662,043)	643,704	(497,129)	(396,736)	321,331
Actuarial (loss) / gain on assets	(5,086,493)	1,069,628	(1,430,484)	(1,450,731)	(1,220,868)

13.10 The estimated contribution to the fund for the year ended December 31, 2022 is Rs. 6.05 million.

## 13.11 Sensitivity analysis

	Change in assumption	Impact on Defined Benefit Obligation	
		2021	2020
		----- (Rupees) -----	
Discount rate	+1	59,550,975	48,532,391
Discount rate	-1	70,944,253	63,323,615
Long term salary increase	+1	70,886,471	63,774,232
Long term salary increase	-1	59,506,630	48,070,113

## 14. PREPAYMENTS

	December 31, 2021	December 31, 2020
	----- (Rupees) -----	
Prepaid reinsurance premium ceded	232,526,948	203,828,710
Others	4,092,034	5,587,715
	236,618,982	209,416,425

## 15. CASH AND BANK

### Cash and cash equivalents

Cash in hand	341,287	276,760
Policy stamps and bond papers in hand	2,689,689	1,614,728
Deposit with SBP	5,153,258	5,153,258
	8,184,234	7,044,746

### Current and other accounts

Current accounts	15.2	13,160,935	25,555,017
Saving accounts		704,129,521	421,765,937
		717,290,456	447,320,954
		725,474,690	454,365,700

15.1 The securities matured and cash is deposit with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

15.2 This includes lien on a local currency account, amounting to Rs.1 million (December 31, 2020: Rs.1 million) in respect of letters of credit arranged through a bank claims arising outside Pakistan.

## 15.3 Cash includes the following for the purposes of the Statement of Cash Flows:

	December 31, 2021	December 31, 2020
	----- (Rupees) -----	
Cash and Balance	725,474,690	454,365,700
Less: local currency account with a lien	1,000,000	1,000,000
	724,474,690	453,365,700

## 16. WINDOW TAKAFUL OPERATIONS

### Assets

Investments	105,036,455	6,968,219
Cash and bank deposits	5,539,413	82,593,412
Current assets - others	19,846,208	13,934,287
Total assets	130,422,076	103,495,918

### Total liabilities - current

	48,644,031	34,906,454
Profit before tax for the year	18,614,324	10,469,119

Details of assets and liabilities and segment disclosures of Window Takaful Operations are stated in annexed financial statements for the year ended December 31, 2021.

## 17. DEFERRED TAXATION - NET

	December 31, 2021	December 31, 2020
	----- (Rupees) -----	
Deferred debit arising in respect of		
Accelerated depreciation on operating fixed assets	278,103	900,864
Net liability of IFRS 16	950,471	1,406,576
Provision for claims incurred but not reported (IBNR)	9,795,581	3,926,025
Provision for compensated absences	2,763,344	2,503,827
Provision against receivables	20,316,614	21,150,560
Provision for impairment on available for sale investments	36,157,241	36,157,239
Share in associates' reserves	105,312	105,312
	70,366,666	66,150,403
Deferred credit arising in respect of		
Unrealised gain on remeasurement of securities at fair value through profit or loss - net	-	(1,969,875)
Share of profit from associates	(6,695,240)	(3,585,820)
Unrealised appreciation 'available for sale' investments	(43,388,542)	(25,653,213)
	(50,083,782)	(31,208,908)
	20,282,884	34,941,495

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

## 18. SHARE CAPITAL

### 18.1 Authorized capital

December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
----- (Number of shares) -----			----- (Rupees) -----	
<b>70,000,000</b>	70,000,000	Ordinary shares of Rs. 10 each	<b>700,000,000</b>	700,000,000

### 18.2 Issued, subscribed and paid-up

<b>13,981,213</b>	13,981,213	Ordinary shares of Rs. 10 each issued as fully paid in cash	<b>139,812,130</b>	139,812,130
<b>36,315,590</b>	36,315,590	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<b>363,155,900</b>	363,155,900
<b>50,296,803</b>	50,296,803		<b>502,968,030</b>	502,968,030

### 18.3 Ordinary shares of the Company held by associated companies / persons are as follows:

	December 31, 2021	December 31, 2020
----- (Number of Shares) -----		
Siza (Private) Limited	<b>7,157,361</b>	7,157,361
Siza Services (Private) Limited	<b>11,852,141</b>	11,852,141
Siza Commodities (Private) Limited	<b>4,993,103</b>	4,993,103
Premier Fashions (Private) Limited	<b>14,564,873</b>	14,564,873
Directors and their spouses	<b>8,011</b>	8,011
Related parties - individuals	<b>5,580</b>	5,580
	<b>38,581,069</b>	38,581,069

## 19. RESERVES

### Revenue reserves

General reserve	<b>119,000,000</b>	119,000,000
Unrealised appreciation on 'available for sale' investments - net of tax	<b>106,233,575</b>	62,840,187
	<b>225,233,575</b>	181,840,187

## 20. INSURANCE / REINSURANCE PAYABLES

Due to other insurers / reinsurers	<b>305,654,671</b>	234,715,482
	<b>305,654,671</b>	234,715,482

## 21. OTHER CREDITORS AND ACCRUALS

	Note	December 31, 2021	December 31, 2020
		----- (Rupees) -----	
Agent commission payable	21.1	<b>48,643,721</b>	46,717,880
Federal excise duty		<b>17,408,943</b>	13,482,688
Federal insurance fees		<b>1,950,270</b>	1,423,681
Creditors	21.2	<b>4,373,767</b>	3,961,772
Retention money		<b>141,073</b>	141,073
Margin deposits	21.3	<b>4,979,812</b>	5,029,833
Payable against purchase of shares		<b>1,247</b>	-
Withholding tax payable		<b>-</b>	206,656
Accrued expenses	21.4	<b>14,791,628</b>	15,833,604
Deposits from employees against car scheme	21.5	<b>16,742,200</b>	13,908,530
Unclaimed dividend		<b>5,443,770</b>	5,027,111
Lease liability	21.6	<b>38,581,093</b>	43,775,508
Others		<b>3,180,874</b>	3,168,106
		<b>156,238,398</b>	152,676,442

**21.1** This includes a sum of Rs. 25.232 million (December 31, 2020: Rs. 25.124 million) due to related parties.

**21.2** This includes outstanding claims in respect of which cheques aggregating to Rs. 3.00 million (2020: Rs. 2.71 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the aging as required by SECP's circular 11 of 2014 dated May 19, 2014:

	December 31, 2021	December 31, 2020
----- (Rupees) -----		
1 to 6 months	<b>53,610</b>	18,819
More than 6 months	<b>2,946,538</b>	2,689,903
	<b>3,000,148</b>	2,708,722

Claims not encashed	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
	----- Rupees -----					
<b>2021</b>	<b>53,610</b>	<b>293,669</b>	<b>628,503</b>	<b>637,056</b>	<b>1,387,310</b>	<b>3,000,148</b>
2020	18,819	616,900	686,748	228,378	1,157,877	2,708,722

**21.3** This represents margin deposit on account of performance bond policies issued by the Company.

	December 31, 2021	December 31, 2020
----- (Rupees) -----		
Auditors' remuneration	<b>945,000</b>	649,996
Professional services fee	<b>742,442</b>	200,000
Provision for compensated absences	<b>9,528,773</b>	8,633,885
Utilities and others	<b>3,575,413</b>	6,349,723
	<b>14,791,628</b>	15,833,604

**21.5** This represents amount withheld from employees' salary against motor vehicle installments.



# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

	December 31, 2021 ----- (Rupees) -----	December 31, 2020 -----
<b>21.6 Lease liability</b>		
Opening balance	43,775,508	49,457,416
Add : Addition	8,555,204	2,955,472
Less : Payment made	19,383,813	14,878,128
Add : Finance cost	5,634,194	6,240,748
Closing balance	<u>38,581,093</u>	<u>43,775,508</u>
<b>22. TAXATION - PROVISION LESS PAYMENTS</b>		
Provision for taxation	394,002,705	345,156,197
Advance tax including tax deducted at source	<u>(322,316,391)</u>	<u>(248,275,914)</u>
	<u>71,686,314</u>	<u>96,880,283</u>

## 23. CONTINGENCIES AND COMMITMENTS

### 23.1 Contingencies

During the preceding years, the Company received orders under section 122(5A) passed by the Additional Commissioner Inland Revenue for the Tax Years 2016 on issue of treating dividend income as single basket income and to be taxed @ 35% instead of fixed rate of 10% and issue of super tax resulting aggregate demand of Rs. 20.889 million. We have filed appeal against the said orders to CIT (Appeals) where the issue of treating dividend income have been decided in company's favor and issue of super tax against the company. Further, the demand after taking appeal effect has been paid by the company amounting to Rs. 17.265 million. The company has filed appeal with Appellate Tribunal Inland Revenue on the issue of charging super tax.

During the year 2016, the Company received orders under section 122(5A) passed by the Additional Commissioner Inland Revenue for the Tax Years 2015 on issue of treating dividend income as single basket income and to be taxed @ 35% instead of fixed rate of 10% resulting aggregate demand of Rs. 0.936 million which has been paid by the company under protest. We have filed appeal against the said orders to CIT (Appeals) which is pending adjudication. It is further submitted that Appeal on similar issue in respect of Tax Year 2014 have been decided in company's favor by the CIT (Appeals).

The Company, based on the opinion of its tax advisor, is confident that the ultimate outcome of the appeals will be in its favor. Hence, no provision for the said demands has been made in these financial statements.

	December 31, 2021 ----- (Rupees) -----	December 31, 2020 -----
<b>24. NET INSURANCE PREMIUM</b>		
Written Gross premium	1,601,304,374	1,371,195,947
Add : Unearned premium reserve opening	521,370,886	494,320,532
Less: Unearned premium reserve closing	641,585,269	521,370,886
Premium earned	<u>1,481,089,991</u>	<u>1,344,145,593</u>
Less: Reinsurance premium ceded	612,205,940	521,968,752
Add: Prepaid reinsurance premium opening	203,828,710	179,906,261
Less: Prepaid reinsurance premium closing	232,526,948	203,828,710
Reinsurance expense	<u>583,507,702</u>	<u>498,046,303</u>
	<u>897,582,289</u>	<u>846,099,290</u>

		December 31, 2021 ----- (Rupees) -----	December 31, 2020 -----
<b>25. NET INSURANCE CLAIMS EXPENSE</b>			
Claim paid		606,769,253	612,771,683
Add : Outstanding claims including IBNR closing	25.1	294,800,833	260,105,733
Less: Outstanding claims including IBNR opening		260,105,733	206,337,532
Claims expense		<u>641,464,353</u>	<u>666,539,884</u>
Less: Reinsurance and others recoveries received		193,747,690	278,614,080
Add: Reinsurance and others recoveries in respect of outstanding claims closing		123,311,654	125,342,540
Less: Reinsurance and others recoveries in respect of outstanding claims opening		125,342,540	97,581,839
Reinsurance and other recoveries revenue		<u>191,716,804</u>	<u>306,374,781</u>
		<u>449,747,549</u>	<u>360,165,103</u>

### 25.1 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 uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

Accident year	2016 and prior	2017	2018	2019	2020	2021 (including IBNR)	Total
	----- (Rupees) -----						
Gross estimate of ultimate claims cost:							
- At end of accident	486,675,130	361,911,977	463,812,210	515,439,091	629,502,400	600,060,540	
- One year later	483,264,735	377,155,134	457,137,965	546,114,902	678,949,779	-	
- Two year later	482,602,976	377,930,518	456,131,630	550,168,142	-	-	
- Three year later	488,037,411	377,970,005	454,463,422	-	-	-	
- Four year later	488,654,699	378,310,594	-	-	-	-	
- Five year later	491,423,528	-	-	-	-	-	
Current estimate of cumulative claims	491,423,528	378,310,594	454,463,422	550,168,142	678,949,779	600,060,540	3,153,376,005
Cumulative payment to date	(456,290,791)	(373,230,555)	(450,039,854)	(536,609,624)	(639,563,609)	(402,840,739)	(2,858,575,172)
Liability recognised in statement of financial position	35,132,737	5,080,039	4,423,568	13,558,518	39,386,170	197,219,801	294,800,833

The net provision for IBNR on the basis of the actuarial valuation carried out as at December 31, 2021 amounted to Rs. 33.778million (December 2020: Rs. 13.538 million)

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

## 26. NET COMMISSION EXPENSE AND ACQUISITION COST

	December 31, 2021	December 31, 2020
Note	----- (Rupees) -----	----- (Rupees) -----
Commission paid or payable	76,117,940	78,278,040
Add : Deferred commission expense opening	25,643,610	35,271,269
Less: Deferred commission expense closing	28,909,708	25,643,610
Net commission	72,851,842	87,905,699
Less: Commission received or recoverable	161,395,706	134,949,387
Add: Unearned Reinsurance commission opening	46,716,196	40,139,097
Less: Unearned Reinsurance commission closing	54,234,596	46,716,196
Commission from reinsurers	153,877,306	128,372,288
	<u>(81,025,464)</u>	<u>(40,466,589)</u>

## 27. MANAGEMENT EXPENSES

Employee benefit cost	27.1	222,942,549	212,877,483
Rent, rates and taxes		1,220,897	1,453,478
Communications		10,656,932	8,855,566
Printing and stationery		5,415,999	9,968,135
Travelling and entertainment		5,477,362	4,335,940
Repairs and maintenance		6,337,409	5,718,337
Advertisement and sales promotion		1,639,532	997,023
Rental for tracking devices		18,364,804	22,528,442
Depreciation		27,741,249	27,870,858
Amortisation		-	9,352
Legal and professional charges		1,201,705	1,693,519
Electricity, gas and water		7,851,456	5,634,326
Insurance		4,080,716	2,993,579
Bank charges		876,580	842,101
Annual Supervision fee SECP		2,103,338	2,099,477
Vehicle running expense		3,246,572	3,044,664
(Reversal) / Provision against premium due but unpaid - net		(2,875,676)	15,409,150
Provision for amount due from insurance & reinsurance		-	1,521,865
Service charges		2,732,334	2,744,521
Other expenses		2,540,218	1,950,119
		<u>321,553,976</u>	<u>332,547,935</u>

### 27.1 Employee benefit cost

Salaries, wages and benefits		209,899,648	200,517,495
Post employment benefits	27.1.1	13,042,901	12,359,988
		<u>222,942,549</u>	<u>212,877,483</u>

**27.1.1** These include Rs. 8.109 million (2020: Rs. 6.85 million) being contribution for employees' provident fund and Rs. 4.934 million (2020: Rs. 4.039 million) in respect of defined benefit plan.

## 28. INVESTMENT INCOME

	December 31, 2021	December 31, 2020
Note	----- (Rupees) -----	----- (Rupees) -----
<b>Income from equity securities Available-for-sale</b>		
- Dividend income	25,694,568	10,061,186
<b>Fair value through profit or loss</b>		
- Dividend income	6,942,720	3,404,729
<b>Income from debt securities Held to maturity</b>		
- Return on government securities	7,428,796	14,249,255
- Return on other fixed income securities and deposits	-	2,802,730
	<u>7,428,796</u>	<u>17,051,985</u>
<b>Available-for-sale</b>		
- Return on government securities	21,537,975	21,159,446
- Return on other fixed income securities and deposits	11,779,414	9,557,846
	<u>33,317,389</u>	<u>30,717,292</u>
<b>Fair value through profit or loss</b>		
- Return on government securities	7,352,673	22,370,006
<b>Income from term deposits</b>		
- Return on term deposits	17,486,991	21,899,154
	<u>98,223,137</u>	<u>105,504,352</u>
<b>Net realised gains on investments Available for sale</b>		
- Gain on sale of equity securities	32,713,123	5,306,132
<b>Fair value through profit or loss</b>		
- Loss on sale of equity securities	(496,433)	(5,585,675)
- (Loss) / gain on sale of debt securities	(205,689)	1,180,969
	<u>(702,122)</u>	<u>(4,404,706)</u>
<b>Net unrealised (loss) / gain on investments at fair value through profit and loss</b>		
- Equity securities	(6,225,961)	6,398,704
- Debt securities	(2,093,235)	393,967
	<u>(8,319,196)</u>	<u>6,792,671</u>
<b>Total investment income</b>	<u>121,914,942</u>	<u>113,198,449</u>
Less: Impairment in value of available for sale securities	-	(30,836,151)
Less: Investment related expenses	(5,905,975)	(2,848,373)
<b>Investment income</b>	<u>116,008,967</u>	<u>79,513,925</u>

## 29. OTHER INCOME

Return on bank balances	52,445,318	28,115,176
Gain on sale of fixed assets	647,876	628,074
Exchange (loss) / gain	(283,949)	88,819
Liabilities not longer to pay	-	34,683,271
	<u>52,809,245</u>	<u>63,515,340</u>

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

## 30. OTHER EXPENSES

		December 31, 2021	December 31, 2020
	Note	----- (Rupees) -----	-----
Rate and taxes		807,845	542,786
Fees and subscription		2,802,600	3,930,900
Legal and professional charges		3,681,787	941,154
Auditors' remuneration	30.1	1,861,488	1,281,624
Donation	30.2	1,250,000	1,500,000
Security charges		1,569,262	1,943,535
Other expenses		440,140	862,157
Penalty		50,000	100,000
		<u>12,463,122</u>	<u>11,102,156</u>

### 30.1 Auditors' remuneration

Statutory audit fee	475,000	340,000
Half year review	290,000	218,300
Review of code of corporate governance	130,000	120,000
Special reports and other certifications	690,000	311,900
	<u>1,585,000</u>	<u>990,200</u>
Sindh sales tax	116,036	109,624
Out of pocket expenses	160,452	181,800
	<u>1,861,488</u>	<u>1,281,624</u>

30.2 Donations include the following in which certain directors are interested:

		December 31, 2021	December 31, 2020
		----- (Rupees) -----	-----
Name of Director	Interest in donee	Name of donee	
Mr. Iqbal Ali Lakhani	Trustee	Layton Rematullah Benevolent Trust	500,000
Mr. Iqbal Ali Lakhani and Mr. Amin Mohammad Lakhani	Trustee	Hassanali and Gulbanoo Lakhani Foundation	-

## 31. TAXATION - NET

	December 31, 2021	December 31, 2020
	----- (Rupees) -----	-----
Current	115,179,373	115,677,361
Deferred	(3,076,718)	(15,862,890)
	<u>112,102,655</u>	<u>99,814,471</u>

31.1 The Company has filed returns upto tax year 2021. The returns filed for tax years upto 2020 has been finalized.

## 31.2 Relationship between tax expense and accounting profit

	December 31, 2021	December 31, 2020
	----- (Rupees) -----	-----
Profit for the year before taxation	389,628,413	342,416,781
Tax at the applicable rate of 29% (December 31, 2020: 29%)	112,992,240	99,300,867
Others	(889,585)	513,604
	<u>112,102,655</u>	<u>99,814,471</u>

## 32. EARNINGS PER SHARE - BASIC AND DILUTED

	(Rupees)	
Profit after tax for the year	277,525,758	242,602,310
	(Numbers)	
Weighted average number of ordinary shares	50,296,803	50,296,803
	(Rupees)	
Earnings per share - basic and diluted	5.52	4.82

32.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

## 33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Executives		Total	
	2021	2020	2021	2020	2021	2020
	-----	-----	----- (Rupees) -----	-----	-----	-----
Managerial remuneration	11,606,904	10,561,740	38,511,734	33,021,309	50,118,638	43,583,049
Bonus	2,902,201	2,560,265	9,110,499	7,725,262	12,012,700	10,285,527
Retirement benefits	1,161,264	1,056,749	3,016,025	2,432,411	4,177,289	3,489,160
House rent	5,223,108	4,752,792	17,330,212	14,859,622	22,553,320	19,612,414
Vehicle fuel, repair and maintenance	356,842	343,984	6,219,265	4,554,743	6,576,107	4,898,727
Others	1,169,988	1,065,468	7,812,691	5,499,089	8,982,679	6,564,557
	<u>22,420,307</u>	<u>20,340,998</u>	<u>82,000,426</u>	<u>68,092,436</u>	<u>104,420,733</u>	<u>88,433,434</u>
Number of persons	1	1	20	16	21	17

33.1 Aggregate amount charged in these financial statements in respect of Director's fee for attending Board, Audit Committee and Eithic, Human Resource and Remuneration Committee meetings amounted to Rs. 320,000 (December 31, 2020: Rs. 290,000), Rs. 200,000 (December 31,2020: Rs. 230,000) and Rs. 50,000 (December 31,2020: Rs. 50,000) respectively.

33.2 The Chief Executive and certain executives are also provided with cars for business and personal use in accordance with the Company car scheme.

## 34. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, window takaful operations, directors and their close family members, staff retirement funds, key management personnel and major shareholders of the Company. The associated companies are associated either based on equity or due to the same management and / or common directors. All transactions involving related parties arising in the normal course of business are conducted at agreed terms and conditions. Transactions with the key management personnel are made under their terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes.



# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

Balances and transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of related party	Basis of Relationship	Insurance Premium receivable	Premiums written	Commission paid and due	Claims paid	Investment in mutual funds	Sale of shares / units of mutual funds	Dividend received	Bonus share received	Dividend paid	Donation paid	Expenses	Retirement Fund
<b>Associated companies / undertaking</b>													
Accuray Surgical Limited	Common Director	1,079,580	1,876,815	-	1,861,027	-	-	-	-	-	-	-	-
Alan (Private) Limited	Common Director	-	145,375	-	-	-	-	-	-	-	-	-	-
Anchor Commodities (Private) Limited	Common Director	291,000	3,877,859	-	887,427	-	-	-	-	-	-	-	-
Baluchistan Polyproducts (Private) Limited	Common Director	-	405,840	-	-	-	-	-	-	-	-	-	-
Caraway (Private) Limited	Common Director	41,521	143,261	-	-	-	-	-	-	-	-	-	-
Century Paper & Board Mills Limited	Common Director	53,338,368	168,380,058	-	18,472,354	-	-	1,133,091	113,309	-	-	697,286	-
Colgate Palmolive (Pakistan) Limited	Common Director	76,136,654	276,861,880	-	36,956,736	-	-	1,140,818	3,492	-	-	-	-
Concave Ventures (Private) Limited	Common Director	571,749	663,049	-	104,591	-	-	-	-	-	-	-	-
Cyber Internet Services (Private) Limited	Common Director	30,122,325	88,626,681	-	31,807,853	-	-	-	-	-	-	787,423	-
GAM Corporation (Private) Limited	Common Director	31,002,840	42,450,052	-	8,119,568	-	-	-	-	-	500,000	-	-
Hasanali and Gulbanoo Lakhani Foundation	Trustee	923,616	1,788,526	-	786,090	-	-	-	-	-	-	891,899	-
ICE Animations (Private) Limited	Common Director	880,628	1,088,520	-	1,161,709	-	-	-	-	-	-	2,824,452	-
Lakson Business Solution Limited	Common Director	648,184	1,337,612	-	2,327,753	-	-	-	-	-	-	4,885,368	-
Lakson Investments Limited	Common Director	-	4,624,049	-	4,478,502	-	-	-	-	-	-	-	-
Lakson Income Fund	Common Director	-	-	-	-	132,483,859	107,679,624	10,304	-	-	-	-	-
Lakson Tactical Fund	Common Director	-	-	-	-	1,815,314	19,500,000	2,135,664	-	-	-	-	-
Lakson Equity Fund	Common Director	-	-	-	-	97,151,967	106,130,935	2,531,726	-	-	-	-	-
Lakson Money Market Fund	Common Director	-	-	-	-	73,558,436	32,217,181	3,598,160	-	-	500,000	-	-
Layton Rehmatullah Benevolent Trust (LREBT)	Trustee	-	-	-	-	-	-	-	-	-	-	-	-
Ment Packaging Limited	Common Director	7,184,428	17,919,760	-	31,814,906	-	-	-	-	-	-	-	-
Naya Pay (Pvt) Ltd.	Common Director	65,403	1,569,645	-	822,480	-	-	-	-	-	-	-	-
Orthopaedic And Medical Institute (Pvt) Ltd.	Common Director	9,137	4,431,561	-	679,281	-	-	-	-	-	-	-	-
Premier Fashions (Private) Limited	Common Director and 28.96% shares held	-	25,027	-	-	-	-	-	-	29,129,746	-	-	-
Princeton Travels (Private) Limited	Common Director	135,602	191,130	-	114,365	-	-	-	-	-	-	215,885	-
Sza (Private) Limited	Common Director and 14.23% shares held	85,152	1,377,366	-	151,947	-	-	-	-	14,314,722	-	3,250,375	-
Sza Commodities (Private) Limited	Common Director and 9.93% shares held	-	-	-	-	-	-	-	-	-	-	-	-
Sza Foods (Private) Limited	Common Director	32,401,423	39,183,886	-	63,370	-	-	-	9,986,206	-	-	-	-
Sza Services (Private) Limited	Common Director and 23.56% shares held	1,527	4,350,421	-	2,462,618	-	-	-	-	23,704,282	-	9,804,635	-
Sybird (Private) Limited	Common Director	8,195,287	17,213,328	-	10,288,323	-	-	-	-	-	-	251,060	-
<b>Others</b>													
Ajinomoto Lakson Pakistan (Private) Ltd	Common Management	-	1,965,073	-	1,039,624	-	-	-	-	-	-	263,220	-
Express Publication (Private) Limited	Common Management	23,544,014	31,318,045	-	13,989,828	-	-	-	-	-	-	-	-
Express Digital (Private) Limited	Common Management	1,979,331	2,567,999	-	3,605,355	-	-	-	-	-	-	-	-
Matrix Press (Private) Limited	Common Management	6,738,933	6,819,858	-	3,052,473	-	-	-	-	-	-	-	-
Misha Fashion (Private) Limited	Common Management	-	192,449	-	-	-	-	-	-	-	-	-	-
Prinlek (Private) Limited	Common Management	-	467,024	-	-	-	-	-	-	-	-	-	-
Quantum Chemical Limited	Common Management	-	160,400	-	-	-	-	-	-	-	-	-	-
Reliance Chemicals (Pvt) Limited	Common Management	-	85,446	-	-	-	-	-	-	-	-	-	-
Television Media Network (Private) Limited	Common Management	21,905,040	39,262,393	-	20,510,355	-	-	-	-	-	-	5,339,210	-
Century Insurance Window Takaful Operations	Common Management	-	-	-	-	-	-	-	-	-	-	-	-
<b>Director, Chief Executive, their spouses and related</b>													
<b>Key management personnel</b>													
<b>Retirement benefit plans</b>													
Contribution to staff provident fund	-	-	-	-	-	-	-	-	-	-	-	-	8,626,965
Contribution to staff gratuity fund	-	-	-	-	-	-	-	-	-	-	-	-	5,248,462
<b>December 31, 2021</b>		<b>297,281,742</b>	<b>762,756,393</b>	<b>-</b>	<b>205,284,678</b>	<b>305,009,576</b>	<b>285,527,740</b>	<b>10,549,763</b>	<b>116,801</b>	<b>77,204,246</b>	<b>1,000,000</b>	<b>29,210,803</b>	<b>13,875,427</b>
December 31, 2020		289,716,315	674,373,673	9,192,721	251,191,890	66,530,445	1,600,000	1,917,879	-	67,514,923	500,000	24,243,874	12,874,988

## 35. SEGMENT INFORMATION

Segment information is prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the Insurance Rules, 2017 for class wise revenues, results, assets and liabilities.

	December 31, 2021					
	Fire and property damage	Marine, aviation and transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees)					
Premium received / receivable (inclusive of Sales tax / Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	494,918,670	422,034,000	440,193,623	361,705,778	77,126,889	1,795,978,960
Less: - Federal Excise Duty / Sales Tax	59,446,148	45,839,626	52,334,993	5,021,052	9,346,548	171,988,367
- Federal Insurance Fee	4,323,678	3,512,683	3,850,030	3,886,350	670,664	16,243,405
- Others	72,850	21,437,044	361,359	11,400	40,850	21,923,503
Facultative inward premium	11,095,242	57,505	3,849,104	-	478,838	15,480,689
Gross written premium (inclusive of Administrative Surcharge)	442,171,236	351,302,152	387,496,345	352,786,976	67,547,665	1,601,304,374
- Gross direct premium	429,438,478	342,700,321	374,242,769	352,475,735	66,405,657	1,565,262,960
- Facultative inward premium	11,095,242	57,505	3,849,104	-	478,838	15,480,689
- Administrative surcharge	1,637,516	8,544,326	9,404,472	311,241	663,170	20,560,725
	442,171,236	351,302,152	387,496,345	352,786,976	67,547,665	1,601,304,374
Insurance premium earned	421,584,937	342,386,340	355,330,587	301,999,715	59,788,412	1,481,089,991
Insurance premium ceded to reinsurers	(384,088,942)	(145,925,300)	(8,796,336)	(689,943)	(44,007,181)	(583,507,702)
Net Insurance premium	37,495,995	196,461,040	346,534,251	301,309,772	15,781,231	897,582,289
Commission income	81,219,224	58,909,307	297,778	200,084	13,250,913	153,877,306
<b>Net underwriting income</b>	118,715,219	255,370,347	346,832,029	301,509,856	29,032,144	1,051,459,595
Insurance claims	(89,975,542)	(56,826,237)	(214,999,513)	(257,396,512)	(22,266,549)	(641,464,353)
Insurance claims recovered from reinsurers	83,187,260	34,564,637	56,384,547	200,000	17,380,360	191,716,804
Net claims	(6,788,282)	(22,261,600)	(158,614,966)	(257,196,512)	(4,886,189)	(449,747,549)
Commission expense	(23,676,664)	(22,895,362)	(19,851,701)	(3,294,222)	(3,133,893)	(72,851,842)
Management expense	(88,791,314)	(70,544,117)	(77,812,184)	(70,842,281)	(13,564,080)	(321,553,976)
<b>Net insurance claims and expenses</b>	(119,256,260)	(115,701,079)	(256,278,851)	(331,333,015)	(21,584,162)	(844,153,367)
<b>Underwriting results</b>	<b>(541,041)</b>	<b>139,669,268</b>	<b>90,553,178</b>	<b>(29,823,159)</b>	<b>7,447,982</b>	<b>207,306,228</b>
Investment income						116,008,967
Other income						52,809,245
Other expense						(12,463,122)
Finance costs - Lease liabilities						(5,634,194)
Share of profit of associates						12,986,965
Profit from Window Takaful Operations						18,614,324
<b>Profit before tax for the year</b>						<b>389,628,413</b>
<b>Segment assets</b>	<b>421,524,928</b>	<b>155,382,764</b>	<b>151,189,087</b>	<b>121,460,473</b>	<b>84,318,203</b>	<b>933,875,455</b>
Unallocated corporate assets						2,786,177,835
Unallocated assets of Window Takaful Operation - Operator's Fund						130,422,076
<b>Total assets</b>						<b>3,850,475,366</b>
<b>Segment liabilities</b>	<b>409,071,450</b>	<b>145,580,886</b>	<b>339,138,927</b>	<b>303,502,201</b>	<b>101,964,583</b>	<b>1,299,258,047</b>
Unallocated corporate liabilities						237,597,623
Unallocated liabilities of Window Takaful Operation - Operator's Fund						48,644,031
<b>Total liabilities</b>						<b>1,585,499,701</b>

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For the year ended December 31, 2021

	December 31, 2020					
	Fire and property damage	Marine, aviation and transport	Motor	Accident & Health	Miscellaneous	Aggregate
	----- (Rupees) -----					
Premium received / receivable (inclusive of Sales tax / Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	476,989,818	327,920,981	388,426,969	282,683,133	70,732,152	1,546,753,053
Less: - Federal Excise Duty / Sales Tax	57,689,924	35,806,196	46,002,266	339,591	8,665,873	148,503,850
- Federal Insurance Fee	4,166,764	2,752,557	3,401,315	2,911,647	613,807	13,846,090
- Others	68,500	14,329,624	413,240	11,570	72,400	14,895,334
Facultative inward premium	856,125	-	324,131	-	507,912	1,688,168
Gross written premium (inclusive of Administrative Surcharge)	415,920,755	275,032,604	338,934,279	279,420,325	61,887,984	1,371,195,947
- Gross direct premium	413,337,920	268,446,875	321,227,592	279,114,235	60,699,065	1,342,825,687
- Facultative inward premium	856,125	-	324,131	-	507,912	1,688,168
- Administrative surcharge	1,726,710	6,585,729	17,382,556	306,090	681,007	26,682,092
	415,920,755	275,032,604	338,934,279	279,420,325	61,887,984	1,371,195,947
Insurance premium earned	402,644,426	271,200,003	311,773,332	294,287,738	64,240,094	1,344,145,593
Insurance premium ceded to reinsurers	(347,239,231)	(98,263,739)	(6,322,034)	(626,917)	(45,594,382)	(498,046,303)
Net Insurance premium	55,405,195	172,936,264	305,451,298	293,660,821	18,645,712	846,099,290
Commission income	75,630,441	39,589,039	134,762	182,057	12,835,989	128,372,288
Net underwriting income	131,035,636	212,525,303	305,586,060	293,842,878	31,481,701	974,471,578
Insurance claims	(212,727,905)	(34,544,340)	(120,157,730)	(218,076,270)	(81,033,639)	(666,539,884)
Insurance claims recovered from reinsurers	201,465,704	16,313,125	22,149,649	-	66,446,303	306,374,781
Net claims	(11,262,201)	(18,231,215)	(98,008,081)	(218,076,270)	(14,587,336)	(360,165,103)
Commission expense	(40,093,068)	(19,138,999)	(21,467,461)	(4,911,973)	(2,294,198)	(87,905,699)
Management expense	(100,870,768)	(66,702,009)	(82,199,699)	(67,766,137)	(15,009,322)	(332,547,935)
Net insurance claims and expenses	(152,226,037)	(104,072,223)	(201,675,241)	(290,754,380)	(31,890,856)	(780,618,737)
Underwriting results	(21,190,401)	108,453,080	103,910,819	3,088,498	(409,155)	193,852,841
Investment income						79,513,925
Other income						63,515,340
Other expense						(11,102,156)
Finance costs - Lease liabilities						(6,240,748)
Share of profit of associates						12,408,460
Profit from Window Takaful Operations						10,469,119
Profit before tax for the year						342,416,781
Segment assets	435,184,308	133,595,354	152,439,484	116,574,215	83,592,416	921,385,777
Unallocated corporate assets						2,377,966,525
Unallocated assets of Window Takaful Operation - Operator's Fund						103,495,918
Total assets						3,402,848,220
Segment liabilities	385,382,699	93,571,378	265,445,583	228,048,628	92,351,682	1,064,799,970
Unallocated corporate liabilities						254,076,244
Unallocated liabilities of Window Takaful Operation - Operator's Fund						34,906,454
Total liabilities						1,353,782,668

## 36. MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through profit and loss	Total
	----- (Rupees) -----			
At beginning of previous year	654,317,365	912,132,116	90,990,067	1,657,439,548
Additions	291,342,659	353,388,619	932,433,436	1,577,164,714
Disposals (sales and redemptions)	(633,505,000)	(174,166,096)	(838,421,873)	(1,646,092,969)
Fair value net / gains (Excluding net realised gains)	-	92,186,184	3,568,934	95,775,118
Amortisation of premium	10,872,387	7,271,226	-	18,143,613
Impairment losses	-	(23,594,686)	-	(23,594,686)
At beginning of current year	323,027,411	1,167,217,363	188,570,564	1,678,815,338
Additions	-	1,066,190,297	193,605,630	1,259,795,927
Disposals (sales and redemptions)	(270,400,000)	(752,973,186)	(187,160,924)	(1,210,534,110)
Fair value net gains / (losses) (Excluding net realised gains)	-	82,937,562	(9,021,322)	73,916,240
Amortisation of premium	2,005,723	3,511,191	291,142	5,808,056
	54,633,134	1,566,883,227	186,285,090	1,807,801,451

## 37. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

### 37.1 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

The Company generally deals in short tail insurance contracts (maximum for one year). Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected 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 accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health insurance contracts, significant risks arise from epidemics.

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

(a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which is divided into direct and facultative arrangements are further subdivided into five segments: fire, marine, motor, accident and health and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contract in Pakistan. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.
- The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, to reduce its exposure to risks end resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much In line with the risk management philosophy of the Company.

In compliance of the regulatory requirement, the reinsurance agreements are duly approved by Securities and Exchange Commission of Pakistan (SECP) on an annual basis.

- The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claims payments

Claims reported and otherwise are analysed separately. The development of large losses / catastrophes is analysed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated costs of unpaid claims (both reported and non reported), the Company estimation technique is based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the costs of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-by-case basis separately.

(c) Process used to decide on assumptions

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

During the year actuarial valuation is carried out for the determination of IBNR which is based on a range of standard actuarial claim projection techniques, based on empirical data end current assumptions that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. IBNR is determined by using Chain Ladder Method for all class of business. The claims outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. IBNR triangles are made on a yearly basis for each class of business. The methods used, and the estimates made, are reviewed regularly.

The actuary determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last three years inclusive of claim settlement cost are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

The assumed net of reinsurance loss for each class of business estimation of premium deficiency reserve is as follows:

	2021	2020
	----- % -----	
Class		
Fire and property damage	18	20
Marine, aviation and transport	11	11
Motor	46	32
Accident and health	84	74
Miscellaneous	30	78

(d) Changes in assumptions

The Company did not change its assumptions as disclosed in (b) and (c) above .



# Notes to and Forming part of the Financial Statements

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## (e) Sensitivity Analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

The risks associated with the insurance contracts are complex and subject to a number of variables 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 recognised in the balance sheet is adequate as the Company generally deals in short tail insurance contracts. However, actual experience will 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, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and shareholders' equity is set out below.

	Underwriting results		Shareholders' equity	
	2021	2020	2021	2020
	----- (Rupees) -----			
<b>Impact of change in claim liability by +10%</b>				
Fire and property damage	(678,828)	(1,126,220)	(481,968)	(799,616)
Marine, aviation and transport	(2,226,160)	(1,823,122)	(1,580,574)	(1,294,416)
Motor	(15,861,497)	(9,800,808)	(11,261,663)	(6,958,574)
Accident and health	(25,719,651)	(21,807,627)	(18,260,952)	(15,483,415)
Miscellaneous	(488,619)	(1,458,734)	(346,919)	(1,035,701)
	<u>(44,974,755)</u>	<u>(36,016,511)</u>	<u>(31,932,076)</u>	<u>(25,571,722)</u>
<b>Impact of change in claim liability by -10%</b>				
Fire and property damage	678,828	1,126,220	481,968	799,616
Marine, aviation and transport	2,226,160	1,823,122	1,580,574	1,294,416
Motor	15,861,497	9,800,808	11,261,663	6,958,574
Accident and health	25,719,651	21,807,627	18,260,952	15,483,415
Miscellaneous	488,619	1,458,734	346,919	1,035,701
	<u>44,974,755</u>	<u>36,016,511</u>	<u>31,932,076</u>	<u>25,571,722</u>

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		----- (Rupees) -----			
<b>Average claim costs</b>					
2021	± 10%	64,146,435	44,974,755	44,974,755	31,932,076
2020	± 10%	66,653,988	36,016,510	36,016,510	25,571,722

## (f) Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers who are dispersed over several geographical regions.

To optimise benefits from the principle of average and the 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.

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

	Maximum Gross Risk Exposure	
	2021	2020
	----- (Rupees in 000) -----	
<b>Class</b>		
Fire and property damage	17,545,754	15,495,642
Marine, aviation and transport	853,451	770,522
Motor	50,000	28,000
Accident and health	1,000	140,000
Miscellaneous	4,088,845	3,922,679

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, stop loss and catastrophic coverage.

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

## (g) Reinsurance Risk

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

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

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2021	2020
			----- (Rupees) -----	
<b>Rating</b>				
A or above including Pakistan	-	93,953,355	93,953,355	99,449,722
Reinsurance Company Limited	-	30,000	30,000	30,000
BBB	-	93,983,355	93,983,355	99,479,722

## 37.2 Financial risk management objectives and policies

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by in-house Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 37.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial Instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and units prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and equity / units price risk. The Company manages the market risk exposure by following internal risk management policies.

#### 37.2.1.1 Interest rate risk exposure

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

The information about Company's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

		2021					
Effective rate % per annum	Interest / mark-up bearing financial instruments			Sub total	Non-interest / mark-up bearing financial instruments	Total	
	Maturity upto one year	Maturity over one year to five years	Maturity more than five years				
----- (Rupees) -----							
<b>Financial assets</b>							
		-	-	-	-	60,681,713	<b>60,681,713</b>
<b>Investments</b>							
		-	-	-	-	1,224,868,654	<b>1,224,868,654</b>
	8.00 - 13.51	53,915,520	148,029,585	380,987,692	582,932,797	-	<b>582,932,797</b>
		-	-	-	-	37,308,181	<b>37,308,181</b>
		-	-	-	-	541,142,145	<b>541,142,145</b>
		-	-	-	-	123,311,654	<b>123,311,654</b>
	5.50 - 12.00	704,129,521	-	-	704,129,521	21,345,169	<b>725,474,690</b>
		5,529,413	-	-	5,529,413	120,020,676	<b>125,550,089</b>
		763,574,454	148,029,585	380,987,692	1,292,591,731	2,128,678,192	<b>3,421,269,923</b>
<b>Financial liabilities</b>							
		-	-	-	-	294,800,833	<b>294,800,833</b>
		-	-	-	-	305,654,671	<b>305,654,671</b>
		-	-	-	-	120,136,985	<b>120,136,985</b>
		-	-	-	-	21,924,911	<b>21,924,911</b>
		-	-	-	-	742,517,400	<b>742,517,400</b>
<b>Interest risk sensitivity gap</b>		<b>763,574,454</b>	<b>148,029,585</b>	<b>380,987,692</b>	<b>1,292,591,731</b>	<b>1,386,160,792</b>	<b>2,678,752,523</b>
<b>Cumulative interest risk sensitivity gap</b>		<b>763,574,454</b>	<b>911,604,039</b>	<b>1,292,591,731</b>			

	Effective rate % per annum	2020				Non-interest / mark-up bearing financial instruments	Total
		Interest / mark-up bearing financial instruments			Sub total		
		Maturity upto one year	Maturity over one year to five years	Maturity more than five years			
----- (Rupees) -----							
<b>Financial assets</b>							
Investments in associates		-	-	-	-	49,959,574	49,959,574
<b>Investments</b>							
Equity securities		-	-	-	-	958,721,992	958,721,992
Debt securities	8.25 - 12.00	184,433,450	265,214,271	75,045,625	524,693,346	-	524,693,346
Term deposits	11.90 - 14.25	195,400,000	-	-	195,400,000	-	195,400,000
Loans and other receivables		-	-	-	-	37,301,613	37,301,613
Insurance / reinsurance receivables		-	-	-	-	554,679,355	554,679,355
Reinsurance recoveries against outstanding claims		-	-	-	-	125,342,540	125,342,540
Cash and bank	5.50 - 12.00	421,765,937	-	-	421,765,937	32,599,763	454,365,700
Total assets of Window Takaful Operations - Operator's Fund		6,968,219	-	-	6,968,219	92,735,167	99,703,386
		808,567,606	265,214,271	75,045,625	1,148,827,502	1,851,340,004	3,000,167,506
<b>Financial liabilities</b>							
Outstanding claims including IBNR		-	-	-	-	260,105,733	260,105,733
Insurance / reinsurance payables		-	-	-	-	234,715,482	234,715,482
Other creditors and accruals		-	-	-	-	123,654,887	123,654,887
Total liabilities of Window Takaful Operations - Operator's Fund		-	-	-	-	15,374,105	15,374,105
		-	-	-	-	633,850,207	633,850,207
<b>Interest risk sensitivity gap</b>		808,567,606	265,214,271	75,045,625	1,148,827,502	1,217,489,797	2,366,317,299
<b>Cumulative interest risk sensitivity gap</b>		808,567,606	1,073,781,877	1,148,827,502			

#### Cash flow sensitivity analysis of variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in basis points	Effect on profit before tax ----- (Rupees) -----	Effect on equity
<b>December 31, 2021</b>	<b>100</b>	<b>12,958,775</b>	<b>9,200,730</b>
	<b>-100</b>	<b>(12,958,775)</b>	<b>(9,200,730)</b>
December 31, 2020	100	11,208,938	7,958,346
	-100	(11,208,938)	(7,958,346)

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

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

#### Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The price risk exposure arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities and investment in different categories of mutual funds within specified limits set by internal risk management guidelines. A summary analysis of investments is disclosed in note 8 to these financial statements.

# Notes to and Forming part of the Financial Statements

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The management monitors the fluctuations of prices on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market and also monitor fluctuation in unit prices through a related party as disclosed in note 34. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security / units may be affected by the relative quantity of the security / units being sold.

The following table summarizes the Company's other price risk as at December 31,2021 and as at December 31,2020. It shows the effects of an estimated increase of 10% in the market prices as on those dates. A decrease of 10% in the fair values of the quoted securities would affect it in a similar and opposite manner:

	Fair value ---- (Rupees) ----	Price change	Effect on fair value --- (Rupees) ---
<b>December 31,2021</b>	<b>1,224,793,371</b>	<b>+10%</b>	<b>122,479,337</b>
	<b>(1,224,793,371)</b>	<b>-10%</b>	<b>(122,479,337)</b>
December 31,2020	958,646,709	+10%	95,864,671
	(958,646,709)	-10%	( 95,864,671)

## 38.2.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. At present, the Company, is not exposed to foreign currency risk..

## 38.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. The Company also manages this risk by investing in deposit accounts that can be readily encashed.

The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2021			
	Within one year	Over one year to five years	Over five years	Total
	----- (Rupees) -----			
<b>Financial liabilities</b>				
Outstanding claims including IBNR	294,800,833	-	-	294,800,833
Insurance / reinsurance payables	305,654,671	-	-	305,654,671
Other creditors and accruals	120,136,985	-	-	120,136,985
Total liabilities of Window Takaful				
Operations - Operator's Fund	21,924,911	-	-	21,924,911
	<u>742,517,400</u>	<u>-</u>	<u>-</u>	<u>742,517,400</u>

	2020			
	Within one year	Over one year to five years	Over five years	Total
	----- (Rupees) -----			
<b>Financial liabilities</b>				
Outstanding claims including IBNR	260,105,733	-	-	260,105,733
Insurance / reinsurance payables	234,715,482	-	-	234,715,482
Other creditors and accruals	123,654,887	-	-	123,654,887
Total liabilities of Window Takaful				
Operations - Operator's Fund	15,374,105	-	-	15,374,105
	<u>633,850,207</u>	<u>-</u>	<u>-</u>	<u>633,850,207</u>

## 38.2.3 Credit Risk

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

### 38.2.3.1 Concentration of credit risk and credit exposure of the financial instruments

Credit risk of the Company arises principally from the bank balances, investments (except for investment in associates and government securities), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance recoveries. To reduce the credit risk the Company has developed a formal approval process whereby credit limits are applied to its policyholders and other insurers / reinsurers. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery. The balance is written off when the Company expects it cannot recover the balance due. The movement in the provision for doubtful debt is shown in note 12.3 and 12.4 to these financial statements.

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

	December 31, 2021	December 31, 2020
	----- (Rupees) -----	
Cash and bank	722,443,714	452,474,212
Investments	1,327,637,098	1,084,737,210
Insurance / reinsurance receivable	541,142,145	554,679,355
Reinsurance recoveries against outstanding claims	123,311,654	125,342,540
Loans and receivables	37,308,181	37,301,613
Total assets of Window Takaful Operations - Operator's Fund	125,560,089	31,479,507
	<u>2,877,402,881</u>	<u>2,286,014,437</u>

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



# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

Bank	Long term rating	Rating agency	December 31, 2021 ----- (Rupees) -----	December 31, 2020 -----
State Bank of Pakistan	Not available	Not available	5,153,258	5,153,258
Standard Chartered Bank (Pakistan) Limited	AAA	PACRA	5,334,737	11,777,794
Habib Bank Limited	AAA	VIS	10,458,445	19,605,853
United Bank Limited	AAA	VIS	6,844,178	5,720,713
Askari Bank Limited	AA+	PACRA	1,736,428	1,596,975
Bank Alfalah Limited	AA+	PACRA	169,797	1,320,543
Habib Metropolitan Bank Limited	AA+	PACRA	98,584,536	61,750,847
Soneri Bank Limited	AA-	PACRA	103,476,273	69,177,934
Telenor Microfinance Bank	A+	PACRA	109,204	106,706
MCB Islamic Bank Limited	A	PACRA	1,394	1,345
NRSP Microfinance Bank Limited	A	PACRA	314,733,173	108,092,429
U Microfinance Bank Limited	A	VIS	156,650,844	155,201,645
Silk Bank Limited	A-	VIS	19,191,447	12,968,169
			<b>722,443,714</b>	<b>452,474,211</b>

The credit quality of Company's investment in term finance certificate can be assessed with reference to external credit ratings as follows:

Bank	Long term rating	Rating agency	December 31, 2021 ----- (Rupees) -----	December 31, 2020 -----
Dubai Islamic Bank Pakistan Limited	AA-	VIS	25,000,000	24,827,575
Dawood Hercules Company Limited	AA	PACRA	-	10,119,402
Bank Al Habib Limited	AA+	PACRA	56,980,292	24,266,831
Soneri Bank Limited	A	PACRA	20,000,000	20,000,000
JS Bank Limited	A+	PACRA	153,000,000	-
NSRP Microfinance Bank Limited	A-	VIS	15,000,000	-
			<b>269,980,292</b>	<b>79,213,808</b>

## 38. CAPITAL MANAGEMENT

The Company's objective when managing capital is 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 other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

In accordance with SECP Circular no. 225 of 2015 of Securities and Exchange Commission of Pakistan (SECP), minimum paid-up capital requirement to be complied with by Insurance /Takaful companies as at December 31, 2017 and subsequent year is Rs. 500 million. As at December 31, 2021 the Company's paid-up capital is in excess of the prescribed limit.

## 39. STATEMENT OF SOLVENCY

### Assets

Property and equipment	125,567,780	121,150,269
Investment in associates	60,681,713	49,959,574
<b>Investments</b>		
Equity securities	1,224,868,654	958,721,992
Debt securities	582,932,797	524,693,346
Term deposits	-	195,400,000
Loan and other receivable	42,277,283	42,262,996
Insurance / reinsurance receivable	541,142,145	554,679,355
Reinsurance recoveries against outstanding claims	123,311,654	125,342,540
Salvage recoveries accrued	7,985,000	2,775,000
Deferred commission expense	28,909,708	25,643,610
Deferred taxation	20,282,884	34,941,495
Prepayments	236,618,982	209,416,425
Cash and bank	725,474,690	454,365,700
Total assets of Window Takaful Operations - Operator's fund	130,422,076	103,495,918
<b>Total assets (A)</b>	<b>3,850,475,366</b>	<b>3,402,848,220</b>

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

Property and equipment	125,567,780	121,150,269
Investments	663,445,926	496,458,770
Loan and other receivable	4,969,102	3,856,474
Insurance / reinsurance receivable	339,656,784	343,978,774
Security deposits against bond insurance	5,979,812	6,029,833
Deferred taxation	20,282,884	34,941,495
<b>Total of In-admissible assets</b>	<b>1,159,902,288</b>	<b>1,006,415,615</b>

### Liabilities

Underwriting Provisions		
Outstanding claims including IBNR	294,800,833	260,105,733
Unearned premium reserve	641,585,269	521,370,886
Unearned reinsurance commission	54,234,596	46,716,196
Retirement benefit obligations	9,672,912	4,519,519
Premiums received in advance	2,982,677	1,891,673
Insurance / reinsurance payables	305,654,671	234,715,482
Other creditors and accruals	156,238,398	152,676,442
Taxation - provision less payments	71,686,314	96,880,283
Total liabilities of Window Takaful Operations - Operator's Fund	48,644,031	34,906,454
<b>Total liabilities</b>	<b>1,585,499,701</b>	<b>1,353,782,668</b>

### Total Net Admissible Assets

<b>1,105,073,377</b>	<b>1,042,649,937</b>
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### Minimum solvency requirement (higher of following)

<b>196,678,847</b>	<b>181,232,599</b>
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- Method A - U/s 36(3)(a)	150,000,000
- Method B - U/s 36(3)(b)	196,678,847
- Method C - U/s 36(3)(c)	127,869,891

### Excess in Net Admissible Assets over minimum requirement

<b>908,394,530</b>	<b>861,417,338</b>
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# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

**39.1** The law is silent with regard to the inadmissibility of the “Prepaid reinsurance premium ceded” and “Deferred commission expense” in Section 32(2) of the Insurance Ordinance, 2000 and, hence, these have been treated as admissible assets for the purpose of this statement.

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

December 31, 2021											
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Investment in Associate	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)											
<b>Financial assets measured at fair value</b>											
Investments											
- Equity securities	98,207,379	1,126,585,992	-	-	-	-	1,224,793,371	167,211,848	729,743,726	327,837,797	1,224,793,371
- Debt securities	88,077,711	440,221,952	-	-	-	-	528,299,663	-	397,065,935	-	397,065,935
Assets of Window Takaful											
Operations - Operator's fund	-	105,036,455	-	-	-	-	105,036,455	-	105,036,455	-	105,036,455
<b>Financial assets not measured at fair value</b>											
Cash and bank*	-	-	-	725,474,690	-	-	725,474,690	-	-	-	-
Investments											
- In associates	-	-	-	-	60,681,713	-	60,681,713	129,679,073	-	-	129,679,073
- Debt securities	-	-	54,633,134	-	-	-	54,633,134	-	54,882,400	-	54,882,400
- Unquoted equity shares*	-	75,283	-	-	-	-	75,283	-	-	75,283	75,283
Insurance / reinsurance receivable*	-	-	-	541,142,145	-	-	541,142,145	-	-	-	-
Loan and other receivable*	-	-	-	37,308,181	-	-	37,308,181	-	-	-	-
Reinsurance recoveries against outstanding claims*	-	-	-	92,735,167	-	-	92,735,167	-	-	-	-
Assets of Window Takaful											
Operations - Operator's fund*	-	-	-	20,523,634	-	-	20,523,634	-	-	-	-
<b>Financial liabilities not measured at fair value</b>											
Outstanding claims including IBNR*	-	-	-	-	-	(294,800,833)	(294,800,833)	-	-	-	-
Insurance / reinsurance payables*	-	-	-	-	-	(305,654,671)	(305,654,671)	-	-	-	-
Other creditors and accruals*	-	-	-	-	-	(120,136,985)	(120,136,985)	-	-	-	-
Total liabilities of Window Takaful											
Operations - Operator's fund*	-	-	-	-	-	(21,924,911)	(21,924,911)	-	-	-	-
	186,285,090	1,671,919,682	54,633,134	1,417,183,817	60,681,713	(742,517,400)	2,648,186,036	296,890,921	1,286,728,516	327,913,080	1,911,532,517

December 31, 2020											
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Investment in Associate	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)											
<b>Financial assets measured at fair value</b>											
Investments											
- Equity securities	101,580,587	628,120,946	-	-	-	-	729,701,533	101,580,587	628,120,946	-	729,701,533
- Debt securities	86,989,977	310,075,958	-	-	-	-	397,065,935	-	397,065,935	-	397,065,935
Assets of Window Takaful											
Operations - Operator's fund	-	6,968,219	-	-	-	-	6,968,219	-	6,968,219	-	6,968,219
<b>Financial assets not measured at fair value</b>											
Cash and bank*	-	-	-	454,365,700	-	-	454,365,700	-	-	-	-
Investments											
- In associates	-	-	-	-	49,959,574	-	49,959,574	162,055,359	-	-	162,055,359
- Debt securities	-	-	127,627,411	-	-	-	127,627,411	-	229,020,459	-	229,020,459
- Unquoted equity shares*	-	229,020,459	-	-	-	-	229,020,459	-	-	229,020,459	229,020,459
- Term Deposits	-	-	195,400,000	-	-	-	195,400,000	-	-	-	-
Insurance / reinsurance receivable*	-	-	-	554,679,355	-	-	554,679,355	-	-	-	-
Loan and other receivables	-	-	-	37,301,613	-	-	37,301,613	-	-	-	-
Reinsurance recoveries against outstanding claims*	-	-	-	125,342,540	-	-	125,342,540	-	-	-	-
Total assets of Window Takaful											
Takaful Operations	-	-	-	92,735,167	-	-	92,735,167	-	-	-	-
<b>Financial liabilities not measured at fair value</b>											
Outstanding claims including IBNR	-	-	-	-	-	(260,105,733)	(260,105,733)	-	-	-	-
Insurance / reinsurance payables*	-	-	-	-	-	(234,715,482)	(234,715,482)	-	-	-	-
Other creditors and accruals*	-	-	-	-	-	(162,605,998)	(162,605,998)	-	-	-	-
Total liabilities of Window Takaful											
Operations - Operator's fund	-	-	-	-	-	(15,938,074)	(15,938,074)	-	-	-	-
	188,570,564	1,174,185,582	323,027,411	1,264,424,375	49,959,574	(673,365,287)	2,326,802,219	263,635,946	1,261,175,559	229,020,459	1,753,831,964

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

**40.1** Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or Indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (I.e. unobservable Inputs).

During the year ended December 31, 2021, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

# Notes to and Forming part of the Financial Statements

For the year ended December 31, 2021

**Valuation techniques used in determination of fair values within level 2 and level 3:**

- Level 2: Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV and PKFRV rates as announced by Mutual Funds Association of Pakistan (MUFAP).
- Level 3: Fair value of Private equity fund is based on the net assets value of the fund.

**41. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, wherever necessary, to facilitate comparisons.

**42. SUBSEQUENT EVENT - NON ADJUSTING**

The Board of Directors in its meeting held on February 28, 2022 has recommended cash dividend of 22.5% i.e. Rs. 2.25 per share in respect of the year ended December 31, 2021 (December 31, 2020: 20% (Rs. 2 per share) and propose bonus share of 10% i.e 1 share for every 10 share issued. These financial statements for the year ended December 31, 2021 do not include the effect of this appropriation which will be accounted for when approved.

**43. NUMBER OF EMPLOYEES**

As at December 31,  
Average Number of employees during the year

December 31, 2021	December 31, 2020
----- (Number) -----	
<u>158</u>	<u>149</u>
<u>153</u>	<u>157</u>

**44. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on February 28, 2022.

**45. GENERAL**

Figures in these financial statements have been rounded off to the nearest rupees, unless otherwise stated.

  
Iqbal Ali Lakhani  
Chairman

  
Amin Mohammed Lakhani  
Director

  
Aftab Ahmad  
Director

  
Mohammad Hussain Hirji  
Director & Chief Executive

  
Sabza Ali Pirani  
Chief Financial Officer



# Window Takaful Operation Financial Statements