

**Adamjee Life  
Assurance  
Company Limited**

Financial Statements  
For the year ended December 31, 2020

**Adamjee Life Assurance Company Limited**  
**Statement of Financial Position**  
**As at December 31, 2020**

	Note	2020 ----- (Rupees in '000) -----	2019 -----
<b>Assets</b>			
Property and equipment	5	126,198	149,924
Intangible assets	6	39,194	62,309
Right of use assets	7	236,382	351,742
Investment property	8	855,394	876,394
Investments			
Equity securities	9	7,072,300	7,485,912
Government securities	10	11,535,092	5,377,637
Debt securities	11	3,380,743	2,773,969
Term deposits	12	7,962,000	9,585,000
Mutual funds	13	8,596,989	5,855,626
Loan secured against life insurance policies		29,912	32,785
Insurance / reinsurance receivables	14	232,084	57,224
Other loans and receivables	15	456,831	276,164
Taxation - payments less provision		315,074	251,092
Prepayments	16	46,171	37,331
Cash and bank	17	9,955,052	7,260,559
<b>Total Assets</b>		<b>50,839,416</b>	<b>40,433,668</b>

**Equity and Liabilities**

**Capital and reserves attributable to Company's equity holders**

Ordinary share capital	18	935,494	935,494
Money ceded to Waqf fund	1.2	500	500
Surplus /(deficit) on revaluation of available for sale investments		361	(3,562)
Ledger account D		525,915	367,174
Unappropriated profit		28,345	19,685
<b>Total Equity</b>		<b>1,490,615</b>	<b>1,319,291</b>


**Liabilities**

Insurance liabilities	19	47,033,478	36,735,953
Retirement benefit obligations	20	112,349	37,026
Deferred taxation	21	206,583	96,040
Lease liabilities	22	271,436	361,378
Borrowings	23	164,482	-
Deferred government grant	24	13,807	-
Premium received in advance		325,033	261,045
Insurance / reinsurance payables	25	130,635	125,265
Other creditors and accruals	26	1,090,998	1,497,670
<b>Total Liabilities</b>		<b>49,348,801</b>	<b>39,114,377</b>
<b>Total equity and liabilities</b>		<b>50,839,416</b>	<b>40,433,668</b>

**Contingencies and commitments**

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

Chief Executive Officer



Director



Director




Chairman


**Adamjee Life Assurance Company Limited**  
**Statement of Profit or Loss**  
**For the year ended December 31, 2020**


		2020 (Rupees in '000)	2019 (Rupees in '000)
Premium / contribution revenue		17,100,887	12,969,421
Premium / contribution ceded to reinsurers		(563,967)	(583,271)
<b>Net premium / contribution revenue</b>	28	<b>16,536,920</b>	<b>12,386,150</b>
Investment income	29	2,586,859	2,539,618
Net realised fair value gains on financial assets	30	659,798	119,652
Net fair value gains on financial assets at fair value through profit or loss - unrealised	31	738,783	435,397
Net rental income		3,750	2,250
Net unrealised (loss) / gain on investment property	8	(21,000)	21,000
Other income	32	316,983	391,800
		<b>4,285,173</b>	<b>3,509,717</b>
<b>Net income</b>		<b>20,822,093</b>	<b>15,895,867</b>
Insurance benefits	34	(7,452,420)	(7,065,482)
Recoveries from reinsurers	34	620,863	349,308
Claims related expenses		(7,074)	(7,708)
<b>Net insurance benefits</b>		<b>(6,838,631)</b>	<b>(6,723,882)</b>
Net change in Insurance Liabilities (other than outstanding claims)		(9,937,066)	(5,125,588)
Acquisition expenses	35	(2,692,072)	(2,700,478)
Marketing and administration expenses	36	(1,011,201)	(1,048,405)
Other expenses	37	(7,164)	(8,456)
		<b>(13,647,503)</b>	<b>(8,882,927)</b>
<b>Total expenses</b>		<b>(20,486,134)</b>	<b>(15,606,809)</b>
Finance costs	38	(25,767)	(7,877)
<b>Results of operating activities / profit before tax</b>		<b>310,192</b>	<b>281,181</b>
Income tax expense	39	(119,178)	(64,075)
<b>Profit for the year</b>		<b>191,014</b>	<b>217,106</b>
Earning (after tax) per share - Rupees	40	<b>2.04</b>	<b>2.32</b>

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

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 Chief Executive Officer

  
 Director

  
 Director

  
 Chairman

**Adamjee Life Assurance Company Limited**  
**Statement of Other Comprehensive Income**  
**For the year ended December 31, 2020**

		2020	2019
	Note	(Rupees in '000)	
Profit for the year - as per statement of profit or loss		191,014	217,106
Other comprehensive income:			
Item that will not be reclassified subsequently to statement of profit or loss			
Actuarial losses on retirement benefit scheme	20	(33,258)	(29,676)
Related deferred tax		9,645	8,606
		(23,613)	(21,070)
Item that will be reclassified subsequently to statement of profit or loss			
Change in unrealised gain on revaluation of available for sale investments	33	5,526	516
Related deferred tax		(1,603)	(150)
		3,923	366
Total other comprehensive loss		(19,690)	(20,704)
Total comprehensive income for the year		171,324	196,402

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



  
 Chief Executive Officer

  
 Director

  
 Director

  
 Chairman



**Adamjee Life Assurance Company Limited**  
**Statement of Changes in Equity**  
**For the year ended December 31, 2020**

	Attributable to equity holders' of the Company					Total
	Share capital	Money ceded to Waqf fund	Surplus /(deficit) on revaluation of available for sale investments	Ledger account D *	Unappropriated profit	
	(Rupees in '000)					
<b>Balance as at January 01, 2019</b>	935,494	500	(3,928)	138,535	52,288	1,122,889
<b>Total comprehensive income for the year ended December 31, 2019</b>						
- Profit for the year after tax	-	-	-	-	217,106	217,106
- Other comprehensive income / (loss)	-	-	366	-	(21,070)	(20,704)
	-	-	366	-	196,036	196,402
<b>Transaction with owners recorded directly</b>						
Surplus for the year retained in statutory funds	-	-	-	228,639	(228,639)	-
<b>Balance as at December 31, 2019</b>	935,494	500	(3,562)	367,174	19,685	1,319,291
<b>Total comprehensive income for the year ended December 31, 2020</b>						
- Profit for the year after tax	-	-	-	-	191,014	191,014
- Other comprehensive income / (loss)	-	-	3,923	-	(23,613)	(19,690)
	-	-	3,923	-	167,401	171,324
<b>Transaction with owners recorded directly in the equity</b>						
Surplus for the year retained in statutory funds	-	-	-	158,741	(158,741)	-
<b>Balance as at December 31, 2020</b>	935,494	500	361	525,915	28,345	1,490,615

\* This includes balances maintained in accordance with the requirements of Section 35 of the Insurance Ordinance, 2000 read with Rule 14 of the Insurance Rules, 2017 to meet solvency margins, which are mandatorily maintained for carrying on of the life insurance business.

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

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*[Signature]*  
**Chief Executive Officer**

*[Signature]*  
**Director**

*[Signature]*  
**Director**

*[Signature]*  
**Chairman**

**Adamjee Life Assurance Company Limited**  
**Statement of Cash Flows**  
For the year ended December 31, 2020

		2020	2019
		----- (Rupees in '000) -----	
<b>Operating Cash Flows</b>	<b>Note</b>		
<b>(a) Underwriting activities</b>			
Insurance premium received		17,192,102	12,814,268
Reinsurance premium paid		(143,727)	(14,420)
Claims paid		(7,099,035)	(7,209,502)
Commission paid		(2,069,036)	(2,293,410)
Marketing and administrative expenses paid		(2,159,966)	(322,721)
<b>Net cash flow from underwriting activities</b>		<b>5,720,338</b>	<b>2,974,215</b>
<b>(b) Other operating activities</b>			
Income tax paid		(70,054)	(108,832)
<b>Total cash flow from all operating activities</b>		<b>5,650,284</b>	<b>2,865,383</b>
<b>Investment activities</b>			
Profit / return received		1,673,826	1,460,590
Dividend received		355,521	559,426
Rental received		3,750	2,250
Payment for investments		(169,631,458)	(132,821,946)
Proceeds from investments		162,880,851	130,507,455
Fixed capital expenditure		(46,266)	(65,822)
Loan to policyholders		5,998	1,710
Proceeds from sale of property and equipment		698	4,860
<b>Total cash used in investing activities</b>		<b>(4,757,080)</b>	<b>(351,477)</b>
<b>Financing activities</b>			
Borrowings		178,289	-
<b>Total cash flow from financing activities</b>		<b>178,289</b>	<b>-</b>
<b>Net cash inflows from all activities</b>		<b>1,071,493</b>	<b>2,513,906</b>
<b>Cash and cash equivalent at the beginning of the year</b>	17.2	<b>16,845,559</b>	<b>14,331,653</b>
<b>Cash and cash equivalent at the end of the year</b>	17.2	<b>17,917,052</b>	<b>16,845,559</b>
<b>Reconciliation to Statement of profit or loss</b>			
Cash flow from all operating activities		5,650,284	2,865,383
Depreciation and amortisation expense		(116,252)	(115,258)
Financial charge expense		(26,923)	(19,840)
Impact of expenses directly charged to OCI		23,613	21,070
Loss on disposal of property and equipment		(2,905)	(11,528)
Profit on disposal of investment		659,798	119,652
Rental income		3,750	2,250
Dividend income		367,271	559,902
Other investment income		2,521,381	2,827,547
Increase / (decrease) in assets other than cash		428,349	(125,342)
Increase in liabilities other than borrowings		(10,056,135)	(5,907,096)
Surplus on revaluation of investment		738,783	366
<b>Profit after taxation</b>		<b>191,014</b>	<b>217,106</b>

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




Chief Executive Officer



Director



Director



Chairman

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Adamjee Life Assurance Company Limited ("the Company") was incorporated in Pakistan on August 04, 2008 as a public unlisted company under the Companies Ordinance, 1984 (repealed Companies Act, 2017). The Company started its operations from April 24, 2009. Registered office of the Company is at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is at Adamjee House, 3rd and 4th Floor, I.I Chundrigar Road, Karachi. The Company is a wholly owned subsidiary of Adamjee Insurance Company Limited.

The Company is engaged in life insurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Company has established a shareholders' fund and the following statutory funds in respect of each class of its life insurance business:

- Conventional Business
- Accident and Health Business
- Individual Life Non-unitized Investment Linked Business
- Individual Life Unit Linked Business
- Individual Family Takaful Business (refer note 1.2)
- Group Family Takaful Business (refer note 1.2)

- 1.2** The Company was granted authorisation on May 04, 2016 under Rule 6 of Takaful Rules, 2012 to undertake Takaful Window Operations in respect of family takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations from July 14, 2016. The Company formed a Waqf Fund namely the Adamjee Life Assurance Company Limited - Window Takaful Operations Waqf Fund (here-in-after referred to as the Participant Takaful Fund (PTF) on December 22, 2015 under a Waqf deed executed by the Company with the cede amount of Rs. 500,000. The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilised only to pay benefits to participants or defray PTF expenses. Waqf deed also governs the relationship of the Company and policyholders for the management of Takaful operations, investment of policyholders' funds and shareholders' funds as approved by the Shariah Advisor appointed by the Company.

The company issued supplemental policies to the Window Takaful Operations Waqf Fund on October 29, 2019 to include Group Family Participant's Takaful Fund business in existing Window Takaful Operations Waqf Fund and the same was authorised by the Securities and Exchange Commission of Pakistan (SECP) on December 11, 2019 and the Company commenced its Group Family Takaful Business in the second Quarter of 2020.

## **2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012.

In case the requirements differ, provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, have been followed.

### **2.2 Impact of COVID - 19 on the financial statements**

A novel strain of Coronavirus (COVID-19) that was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses Worldwide and in Pakistan, resulting in an economic slowdown. During the lockdown that lasted from March to May 2020, the Company continued their activities, although on a slower level. The management of the Company is of the view that while COVID-19 and its resulting containment measures have affected the economy, adequate steps from the government and regulators have spearheaded recovery and subsequent events reflect that in due course, things would be normalised.



In response to the COVID-19 pandemic the Company has introduced rider policy 'CoronaCover' to facilitate the policyholders for hospitalisation expenses and sum assured upon the occurrence of death of the policyholder. Since the mortality shock due to COVID-19 to date has been very low in Pakistan there is no impact on insurance companies.

Further, to combat the impact of COVID-19 and to help the business to improve their cash flows and reduce workers' lay-off, SBP has introduced temporary refinance scheme for payment of salaries and wages at subsidised rate which the Company has also subscribed.

### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in accounting policies relating to financial instruments, investments, investment property, borrowings, retirement benefits obligation and insurance liabilities.

### 2.4 Functional and presentation currency

These financial statements have been presented in Pakistan Rupee, which is the Company's functional and presentation currency amounts presented have been rounded off to the nearest thousand unless otherwise stated.

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

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

	Effective from accounting period beginning on or after:
- IFRS 14 – Regulatory Deferral Accounts	July 01, 2020
- Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards	January 01, 2020
- Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' -Amendments regarding the definition of material	January 01, 2020
- Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020

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

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

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

	Effective from accounting period beginning on or after:
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021

**Effective from accounting period  
beginning on or after:**

- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework January 01, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use January 01, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract January 01, 2022
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current January 01, 2023
- Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:
  - IFRS 1 – First Time Adoption of International Financial Reporting Standards
  - IFRS 17 – Insurance Contracts

**2.5.1** IFRS 9 'Financial Instruments' is effective for reporting year ended December 31, 2019. It replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduces two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from the statement of profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 95 percent and the company does not engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defers the application of IFRS 9 until the application IFRS 17.

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.



2.6 The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

b) all other financial assets

	December 31, 2020		
	Fail the SPPI test	Change in unrealised gain / (loss) during the year	Pass the SPPI test
	Fair value		Fair value
Financial assets			
Bank	9,949,114	-	-
Equity securities	7,072,300	103,981	-
Government securities	10,744,824	(8,540)	7,155
Debt securities	3,380,743	32,079	-
Term deposits	-	-	7,962,000
Mutual funds	8,598,989	711,944	-
Loan secured against life insurance policies	-	-	29,912
Loan to employees	8,999	-	-
	39,760,969	839,464	8,762,180
			7,155

(Rupees in '000)

Financial assets  
Bank  
Equity securities  
Government securities  
Debt securities  
Term deposits  
Mutual funds  
Loan secured against life insurance policies  
Loan to employees

December 31, 2020

Gross carrying amount of financial Assets that pass the SPPI test (Rupees in '000)

	AAA	AA+	AA	AA-	A+	A	A-	A-1	A-1+	B3	Unrated	Total
Government securities	-	-	-	-	-	-	-	-	-	-	790,268	790,268
Term deposits	5,675,000	365,000	815,000	-	175,000	942,000	-	-	-	-	-	7,962,000

December 31, 2019

	December 31, 2019		
	Fail the SPPI test	Change in unrealised gain / (loss) during the year	Pass the SPPI test
	Fair value		Fair value
Financial assets			
Bank	7,245,160	-	-
Equity securities	7,485,912	152,985	-
Government securities	4,725,800	(147)	651,837
Debt securities	2,773,969	(50,242)	-
Term deposits	-	-	9,585,000
Mutual funds	5,855,826	405,471	-
Loan secured against life insurance policies	-	-	32,785
Loan to employees	8,834	-	-
	28,093,301	508,047	10,269,822
			475

(Rupees in '000)

Financial assets  
Bank  
Equity securities  
Government securities  
Debt securities  
Term deposits  
Mutual funds  
Loan secured against life insurance policies  
Loan to employees

December 31, 2019

Gross carrying amount of financial Assets that pass the SPPI test (Rupees in '000)

	AAA	AA+	AA	AA-	A+	A	A-	A-1	A-1+	B3	Unrated	Total
Government securities	-	-	-	-	-	-	-	-	-	-	651,837	651,837
Term deposits	4,100,000	3,350,000	870,000	-	295,000	370,000	600,000	-	-	-	-	9,585,000

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for the policies and standards disclosed in note 3.12 and 3.13 of these financial statements which have been adopted by the Company during the current year.

#### 3.1 Types of Insurance / Window Takaful Operations

##### a) Conventional Business

The Conventional Business includes individual life, group life and group credit life assurance.

##### i) Individual life

The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Company. Additional riders are included on the discretion of the policyholder. The business is written through Bancassurance, tele-sales and through website.

##### Revenue recognition

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium.

##### Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

##### Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the insured event giving rise to the claim is received. Surrender of conventional business policies is made after these have been approved in accordance with the Company's policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

##### ii) Group life and group credit life

Group Life contracts are mainly issued to employers to insure their commitments to their employees as required under the The Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force.

##### Revenue recognition

Premiums are recognised as and when due. In respect of certain group policies the Company continues to provide insurance cover even if the premium is received after the grace period. Provision for unearned premiums is included in the policyholders' liabilities.

##### Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

### **Claim expenses**

Claim expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

### **Experience refund of premium**

Experience refund of premium payable to policyholders' is included in policyholders' liability in accordance with the policy of the Company and the advice of the appointed actuary.

## **b) Accident and Health Business**

Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalisation and death by accidental means. This business is written through direct sales force.

### **Revenue recognition**

Premiums are recognised once the related policies have been issued and the premiums have been received.

### **Recognition of policyholders' liabilities**

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

### **Claim expenses**

Claims expenses are recognised after the date the insured event is intimated and a reliable estimate of the claim amount can be made.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

## **c) Non-unitized Investment Linked Business**

Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel.

### **Revenue recognition**

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium. Single premiums are recognised once the related policies are issued against the receipts of premium.

### **Recognition of policyholders' liabilities**

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.





### **Claim expense**

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of Non-unitized Investment Linked Business policies is made after these have been approved in accordance with the Company's policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

### **d) Unit Linked Business**

Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and Company's own agency distribution channel.

### **Revenue recognition**

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium. Single premiums are recognised once the related policies are issued against the receipts of premium.

### **Recognition of policyholders' liabilities**

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

### **Claim expenses**

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of Unit Linked Business policies is made after these have been approved in accordance with the Company's policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

### **e) Individual Family Takaful Unit Linked Business**

The Company offers Family Takaful contracts. Family Takaful contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well being of a community, and is based on the principles of Wakalah Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to make good the deficit. The loan shall be repayable from the future surplus generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to participants from the Waqf Fund. The detailed disclosures of Window Takaful Operations are presented in note 48.



The Company offers Unit Linked Takaful Plans which provide Shariah compliant financial protection and investment vehicle to individual participants. These plans carry cash value, and offer investment choices to the participants to direct their investment related contributions based on their risk / return objectives. The investment risk is borne by the participants.

#### **Revenue recognition**

First year individual life contribution are recognised once the related policies have been issued and the contribution is received. Renewal contribution are recognised upon receipt of contribution. Single contribution are recognised once the related policies are issued against the receipts of contribution.

#### **Recognition of policyholders' liabilities**

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

#### **Claim expenses**

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of Unit Linked Takaful Business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

### **f) Group Family Takaful Business**

Group Life contracts are mainly issued to employers to insure their commitments to their employees as required under the The Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force.

#### **Revenue recognition**

Contribution are recognised as and when due. In respect of certain group policies the Company continues to provide insurance cover even if the contribution is received after the grace period. Provision for unearned contribution is included in the policyholders' liabilities.

#### **Recognition of policyholders' liabilities**

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

#### **Claim expenses**

Claim expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.



### **Experience refund of contribution**

Experience refund of contribution payable to policyholders' is included in policyholders' liability in accordance with the policy of the Company and the advice of the appointed actuary.

## **3.2 Reinsurance / retakaful contracts held**

Individual policies (including joint life policies underwritten as such) are reinsured under an individual life reinsurance / retakaful agreement whereas group life and group credit life policies are reinsured under group life and group credit life reinsurance agreements respectively.

### **3.2.1 Conventional**

#### **Reinsurance premium**

Reinsurance premium ceded is recognised at the same time when the related premium revenue is recognised. It is measured in line with the terms and conditions of the reinsurance treaties.

#### **Reinsurance recoveries**

Reinsurance recoveries from reinsurers are recognised at the same time when the claim is intimated and giving rise to the right of recovery is recognised in the books of accounts of the Company.

#### **Experience refund**

Experience refund receivable from reinsurers is included in the reinsurance recoveries of claims.

#### **Amount due from / to reinsurer**

All receivables (reinsurer's share in claims, commission from reinsurer and experience refund) and payables (reinsurance premium) under reinsurance agreements are recognised on net basis in the Company's financial statements, only under the circumstances that there is a clear legal right of off-set of the amounts.

Amounts due from / to reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

### **3.2.2 Takaful**

#### **Retakaful contribution**

These contracts are entered into by the Company with the retakaful operator under which the retakaful operator cedes the takaful risk assumed during normal course of its business, and according to which the Waqf is compensated for losses on contracts issued by it.

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognised in the Revenue Account.

Retakaful liabilities represent balances due to retakaful operators. Amount payable are calculated in a manner consistent with the associated retakaful treaties.

#### **Retakaful ceded**

Retakaful expenses are recognised as a liability.

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

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

## **3.3 Receivables and payables relating to insurance contracts**

These include amounts due to and due from agents and policyholders' which are recognised when due.



### **3.4 Loan against life insurance policies**

The Company has a policy to provide loans to the policyholders against cash values of their life insurance policies depending upon their types i.e. unit linked and non-unit linked at the prevailing market interest rate (KIBOR) plus spread. The loan amount is secured against the cash value of the policyholders and repayable within 3 months.

### **3.5 Statutory funds**

The Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the Company are referable to the respective statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Company. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Company on the reporting date as required under Section 50 of the Insurance Ordinance, 2000.

### **3.6 Policyholders' liabilities**

#### **a) Conventional Business**

##### **i) Individual life**

Policyholders' liabilities constitute the reserves for basic plans and riders attached to the basic plans and reserves for IBNR Claims.

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using SLIC (2001-05) Individual Life Ultimate Mortality Table and a discounting factor interest rate of 3.75% per annum. This table reflects the recent mortality experience in Pakistan and in line with the requirements of Circular No: 17 of 2013 issued by the SECP Insurance Division on September 13, 2013. The interest rate is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Company for meeting administrative expense and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

##### **ii) Group life and group credit life**

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 14% and 25% of earned premium for the year of group life and group credit life respectively. Once sufficient experience of claim reporting patterns have built up in the Company's books, the appointed actuary of the Company will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

#### **b) Accident and Health Business**

Policy reserves for these plans are based on the unearned premium method.

#### **c) Non-unitised Investment Linked Business**

Policyholders' liabilities constitute the account value of investment linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

**d) Unit Linked Business**

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

**e) Individual Family Takaful Unit Linked Business**

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of contribution, etc.). Reserves for risk only contracts where contribution are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned contribution.

- Incurred But Not Reported (IBNR) claims

IBNR reserves for riders are held as a percentage of rider contribution earned in the valuation year in view of grossly insufficient claims experience.

**f) Group Family Takaful Business**

Policy reserves for these plans are based on the unearned contribution method net of allowances made for acquisition expenses, unexpired retakaful contribution and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 14% and 25% of earned contribution for the year of group life and group credit life respectively. Once sufficient experience of claim reporting patterns have built up in the Company's books, the appointed actuary of the Company will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

**3.7 Retirement benefit obligations**

**Defined benefit plan**

The Company operates an approved funded gratuity scheme for all permanent, confirmed and full time employees who have completed minimum qualifying eligible service period of six months. Contribution to the fund is made and expense is recognised on the basis of actuarial valuation carried out as at each year end using the Projected Unit Credit Method.

The relevant details relating to the fund are disclosed in note 20. Gratuity is based on employees' last drawn gross salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial assumptions.

The Company's obligation under the gratuity schemes are determined through actuarial valuations. Actuarial valuations are conducted annually and the latest valuation was conducted as at December 31, 2020. Service costs are recognised in the statement of profit or loss in the year in which they occur. Net interest on net defined benefit liability is also recognised in statement of profit or loss. Net of tax remeasurement comprising actuarial gain / loss, the return on plan assets excluding interest are recognised in other comprehensive income.

**3.8 Employees accumulated compensated absences**

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

### 3.9 Acquisition costs

These are costs incurred in acquiring insurance policies / takaful contracts, maintaining such policies / takaful contracts, and include without limitation all forms of remuneration paid to insurance agents / takaful agents.

Commission and other expenses are recognised as expense in the earlier of the financial year in which they are paid and the financial year in which they become payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognised not later than the period in which the premium to which they refer is recognised as revenue.

### 3.10 Takaful operator fee

The shareholders of the company manage the Window Takaful Operations for the participants. Accordingly, the Company is entitled to Takaful Operator's Fee for the management of Window Takaful Operations under the Waqf Fund, to meet its general and administrative expenses. The Takaful Operator's Fee, termed Wakalah fee, is recognised upfront.

### 3.11 Taxation

Income tax expense for the year comprises current and deferred taxation. Income tax expense is recognised in the statement of profit or loss, except to the extent that it relates to the items recognised directly in equity and other comprehensive income, in which case it is recognised in equity and other comprehensive income.

#### Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned or minimum turnover tax payable under the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for current tax also includes adjustments, where considered necessary, relating to prior years which arise from assessments framed / finalised during the year.

#### Deferred

Deferred taxation is recognised using liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting.

### 3.12 Borrowings

Loan obtained under the State Bank of Pakistan (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees was initially recognised at its fair value, which is the present value of future cash outflows discounted using the prevailing market interest rate of a similar instrument. The differential between the loan proceeds and fair value is recorded as government grant under IAS 20 "Government Grant" as disclosed in note 3.13.

In subsequent periods, the loan amount would be accreted using the effective interest method. The accreditation would increase the carrying value of the loan with a corresponding effect on the interest expense for the period.

### 3.13 Deferred government grant

The benefit of interest rate lower than market rate on borrowings obtained under State Bank of Pakistan (SBP) under Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of the entity, is accounted for as a government grant which is the difference between loan received and the fair value of the loan. The differential amount is recognised and presented in the statement of financial position as deferred government grant.

In subsequent periods, the grant shall be amortised over the period of loan and amortisation shall be recognised and presented as reduction of related interest expense.

### **3.14 Provisions**

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

### **3.15 Other creditors and accruals**

Liabilities for creditors and other amounts payable are recognised initially at fair value plus directly attributable transactions costs, if any, and subsequently measured at amortised cost.

### **3.16 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents include balances with banks, term deposits with original maturity of three months or less and cash and stamps in hand and highly liquid short term investments that are subject to an insignificant risk of changes in their fair value and which are readily convertible into cash.

### **3.17 Investment property**

Investment property is the property which is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property acquired for Investment-linked (unit linked business) statutory fund and it was initially measured at cost and subsequently at fair value with any change therein recognised in statement of profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

The fair value of investment property is determined by external, independent property valuer (K.G. Traders Private Limited) having appropriate recognised professional qualifications.

### **3.18 Financial instruments**

#### **3.18.1 Financial assets**

The Company has classified its financial assets on initial recognition into the following categories: at fair value through profit or loss (held for trading), held to maturity, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired.

The Company has classified its income earned on financial assets categorised at fair value through profit or loss as 'income from trading investments' while income earned on financial assets categorised as held to maturity, loans and receivables and available for sale as 'income from non-trading investments'.

#### **a) Financial assets at fair value through profit or loss (held for trading)**

Financial assets designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis.

#### **b) Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has both the intent and the ability to hold till maturity.

#### **c) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### **d) Available for sale**

These are non derivative financial assets that are either designated as in this category or not classified in any of the other categories.



### **Initial recognition and measurement**

All financial assets are recognised when the Company becomes a party to the contractual provision of the instrument. Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair value plus transaction costs which are directly attributable to the acquisition of the securities. Financial assets classified 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss / revenue account. All 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 when the Company commits to purchase or sell the investment.

### **Subsequent measurement**

Financial assets classified as 'at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the statement of profit or loss / revenue account. Available for sale investments are subsequently measured at their fair values and gains and losses arising from changes in fair values are included in other comprehensive income. Any change in the provision for impairment in value of investment is recognised in the statement of profit or loss / revenue account. Amortisation of premium / discounts on acquisition of investments is carried out using effective yield method and charged to the statement of profit or loss / revenue account, as appropriate. Investments classified as held to maturity and loans and receivables are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

### **Fair / market value measurements**

For investments in quoted equity securities, the market value is determined by using Pakistan Stock Exchange quotations at the reporting date. For investments in Government securities, the market value is determined using PKRV/PKISRV/PKFRV rates. The fair market value of term finance certificates / corporate sukuks is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP) and the fair value of open ended mutual funds is declared by the relevant fund.

### **Impairment against financial assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss - measured as the difference between the carrying value and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss / revenue account, as the case may be, is taken to the statement of profit or loss / revenue account. For financial assets classified as 'loans and receivables' and 'held to maturity', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash inflows, discounted at the original effective interest rate.

### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

### **Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

## **3.18.2 Financial liabilities**

All financial liabilities are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attribute transaction cost.

Subsequent to initial recognition, these are measured at fair / market value or amortised cost using the effective interest rate method, as the case may be.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.





### **3.19 Operating assets**

#### **3.19.1 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work in progress which is stated at cost less impairment losses, if any. All assets having cost exceeding minimum threshold as determined by the management are capitalised. All other assets are charged in the year of acquisition. Cost includes expenditure that is directly attributable to the acquisition of the items.

In accordance with the requirements of Islamic Financial Accounting Standard (IFAS) No. 2 for the accounting and financial reporting of "Ijarah", Ijarah arrangements are accounted for as 'Assets held under Ijarah' whereby the Bank transfers its usufruct to the Company for an agreed period for an agreed consideration. Assets held by the Company under Ijarah are not recognised in the statement of financial position of the Company. Rental payments made under these Ijarah are recognised as an expense in the Company's statement of profit or loss on a straight line basis over the Ijarah term.

##### **Subsequent costs**

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow towards the Company and the cost of the item can be measured reliably. All other expenses are charged to the statement of profit or loss / revenue account during the financial year in which they are incurred.

##### **Depreciation**

Depreciation is charged using the straight line method at the rates specified in note 5 to these financial statements. Depreciation on additions is charged from the month of addition when the asset is available for use while no depreciation is charged in the month of disposal. When parts of an item of asset have different useful lives, they are accounted for as separate items in the operating assets.

The assets' useful lives and depreciation method are reviewed at each reporting date and adjusted, if appropriate.

##### **Gains and losses on disposal**

An item of property and equipment is derecognised upon disposal or where no future economic benefits are expected to be realised from its use or disposal. Gains or losses of an item of property and equipment is recognised in the statement of profit or loss.

#### **3.19.2 Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Software development cost are capitalized only to the extent where future economic benefits that are to be derived from such capitalization are expected to flow to the Company.

##### **Subsequent Costs**

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to the statement of profit or loss / revenue account during the financial period in which these are incurred.

##### **Amortisation**

Intangible assets are amortised using the straight line method over their estimated useful lives (refer note 6). The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date .

Intangible assets having an indefinite useful life are stated at acquisition cost less impairment losses, if any.



### 3.19.3 Capital work in progress

Capital work in progress is stated at cost less impairment losses. Cost consists of expenditure incurred and advances made in respect of assets in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

### 3.19.4 Right of use assets

The Company recognised all rental agreements as 'right of use asset' where the non cancellable period is more than one year or where the intention of the Company is to continue with the agreement for foreseeable future. At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, right-of-use asset are measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities and prepayments. Right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term.

### 3.20 Impairment of non financial assets (excluding deferred tax)

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Company estimates the recoverable amount of the assets and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risk specific to the assets. If the recoverable amount of an intangible asset or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the statement of profit or loss / revenue account and the carrying value of the asset is reduced by the amount of the loss. A reversal of an impairment loss on intangible / tangible assets is recognised as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognised.

### 3.21 Foreign currency translation

Transactions in foreign currencies are translated into the reporting currency at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using the rates of exchange prevailing at each reporting date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are taken to the statement of profit or loss / revenue account.

### 3.22 Other revenue recognition

- Return on fixed income and government securities are recognised on time proportion basis using the effective interest rate method.
- Return on deposits and loans to policyholders are recognised on a time proportion basis.
- Dividend income from investments is recognised when the Company's right to receive the dividend is established.
- Gain or loss on sale of investments is included in the statement of profit or loss in the year in which disposal has been made.
- Gains and losses on disposal of fixed assets are taken to the statement of profit or loss / revenue account in the year in which they arise.
- All income on investments other than unrealised gain on available for sale investments are included in statement of profit or loss / revenue account. Unrealised income from available for sale investments are included in other comprehensive income.

### 3.23 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.



Operating segments are reported in a manner consistent with that provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Company operates in Pakistan only. The Company has six primary business segments for reporting purposes namely; Conventional Business, Accident and Health Business, Non-Unitised Investment Linked Business, Unit Linked Business, Individual Family Takaful Business and Group Family Takaful Business. The details of all operating segments are described in note 3.1 and 3.2 to these financial statements. The Company accounts for segment reporting using the classes or sub-classes of business (statutory funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules, 2017 as the primary reporting format.

### 3.24 Dividend and other appropriations

Dividend and appropriations to reserves except appropriations required by law or determined by the appointed actuary or allowed by the Insurance Ordinance, 2000 are recognised in the year in which these are approved.

### 3.25 Lease liabilities

The Company recognised all rental agreements as 'finance lease liabilities' created against right of use of an asset where the non cancellable period is more than one year or where the intention of the Company is to continue with the agreement for foreseeable future. At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the consideration (lease payments) to be made over the lease term. The lease payments are discounted using the effective rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of financing. After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made.

### 3.26 Earning Per Share (EPS)

The Company presents basic and diluted earnings per share (EPS) for the shareholders. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There are no dilution effect on the EPS and as such these are not presented.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
- Policyholders' liabilities and underlying actuarial assumptions	3.1, 3.6 & 19
- Determining the residual value and useful lives of fixed assets	3.19, 5, 6 & 7
- Retirement benefit obligations	3.7 & 20
- Investment property	3.17 & 8
- Taxation and deferred taxation	3.11, 21 & 39
- Lease Liabilities	3.25 & 22
- Classification and impairment of investments	3.18, 9, 10, 11, 12 & 13

## 5. PROPERTY AND EQUIPMENT

Operating assets  
Capital work in progress

### 5.1 Operating assets

	2020						2019					
	Rate %						Rate %					
	Cost						Cost					
	As at January 01, 2020	Additions	Transferred from CWIP	(Disposals / write offs)	As at December 31, 2020	Depreciation For the year write offs	As at January 01, 2020	For the year write offs	As at December 31, 2020	Written down values as at December 31, 2020	Note	2019
	(Rupees in '000)						(Rupees in '000)					(Rupees in '000)
Leasehold improvements	60,712	529	5,121	(17,865) (2,955)	45,542	8,204	11,935	(7,653) (1,267)	11,219	34,323		109,252 18,946 148,522
Furniture and fixtures	55,628	5,164	4,138	(6,984) (2,103)	55,843	8,075	15,998	(2,993) (902)	20,178	35,665	5.1 5.2	148,522 1,402 149,924
Office equipment	37,699	6,831	861	(6,104) (50)	39,237	5,942	21,026	(3,714) (34)	23,220	16,017		
Computer and related equipment	132,596	5,266	1,402	- (4,646)	134,618	22,425	101,379	- (4,646)	119,158	15,460		
Motor vehicles	20,618	-	-	(1,074)	19,544	3,740	8,393	(376)	11,757	7,787		
	307,253	17,790	11,522	(32,027) (9,754)	294,784	48,386	158,731	(14,736) (6,949)	185,532	109,262		
	As at January 01, 2019	Additions	Transferred from CWIP	(Disposals / write offs)	As at December 31, 2019	Depreciation For the year write offs	As at January 01, 2019	For the year write offs	As at December 31, 2019	Written down values as at December 31, 2019	Note	2019
	(Rupees in '000)						(Rupees in '000)					(Rupees in '000)
Leasehold improvements	43,779	-	27,173	(10,240)	60,712	7,309	8,560	(3,934)	11,935	48,777		
Furniture and fixtures	75,684	-	20,204	(40,260)	55,628	8,852	39,854	(32,708)	15,998	39,630		
Office equipment	36,802	-	7,240	(6,343)	37,699	6,692	19,088	(4,754)	21,026	16,673		
Computer and related equipment	125,745	-	6,851	-	132,596	24,320	77,059	-	101,379	31,217		
Motor vehicles	18,518	5,732	1,598	(5,230)	20,618	4,218	6,920	(2,745)	8,393	12,225		
	300,528	5,732	63,066	(62,073)	307,253	51,391	151,481	(44,141)	158,731	148,522		

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### 5.1.1 Disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Net book value	Sales Value	(Loss) / gain on disposal	Mode of disposal	Particulars of buyers along with
(Rupees in '000)							
Computer and related equipment	4,646	(4,646)	-	-	-	Write off	Write off
Furnitures and fixtures	6,984	(2,993)	3,991	3,991	-	Negotiated Write off	Nishat Properties - Related party Write off
	2,103	(902)	1,201	-	(1,201)		
Leasehold improvement	17,865	(7,653)	10,212	10,212	-	Negotiated Write off	Nishat Properties - Related party Write off
	2,955	(1,267)	1,688	-	(1,688)		
Motor vehicles	1,074	(376)	698	698	-	Final Settlement	Imran Ali - Employee
Office equipment	6,104	(3,714)	2,390	2,390	-	Negotiated Write off	MCB Islamic Bank - Related party Write off
	50	(34)	16	-	(16)		
	<b>41,781</b>	<b>(21,585)</b>	<b>20,196</b>	<b>17,291</b>	<b>(2,905)</b>		

5.1.2 Fully depreciated assets having cost of Rs.81.70 million (2019:Rs 72.08 million) are still in use.

### 5.2 Capital work in progress

Opening balance  
Additions  
Transfer to operating assets  
Closing balance

	2020	2019
	(Rupees in '000)	
	1,402	10,443
	27,066	54,025
	(11,522)	(63,066)
	16,946	1,402

### 6. INTANGIBLE ASSETS

Computer software

	2020			2019		
	Cost	Rate %	Written down values as at	Amortisation	As at	down values as at
	As at January 01, 2020		As at January 01, 2020	For the year For the year (Disposals)	December 31, 2020	December 31, 2020
(Rupees in '000)						
Computer software	167,080	20%	104,771	24,525	129,296	39,194
	1,410			-		
	168,490					

Computer software

	2019			2019		
	Cost	Rate %	Written down values as at	Amortisation	As at	down values as at
	As at January 01, 2019		As at January 01, 2019	For the year For the year (Disposals)	December 31, 2019	December 31, 2019
(Rupees in '000)						
Computer software	161,015	20%	79,598	25,173	104,771	62,309
	6,065			-		
	167,080					

6.1 Fully amortised intangible assets having cost of Rs.49.9 million (2019:Rs 36.7 million) are still in use.

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>7. RIGHT OF USE ASSETS</b>			
Bancassurance and agency branches	7.2	<u>236,382</u>	<u>351,742</u>
<b>7.1 Bancassurance and agency branches - Right of use assets</b>			
<b>As at January 01,</b>			
Cost		390,438	-
Accumulated depreciation		<u>(38,696)</u>	-
Net book value		<u>351,742</u>	-
<b>Year ended December 31,</b>			
Opening net book value		351,742	-
Adjustment due to adoption of IFRS 16		-	390,438
Adjustments in Agency branches	7.3	<u>(109,178)</u>	-
Additions		37,159	-
Depreciation charged		<u>(43,341)</u>	<u>(38,696)</u>
<b>Closing net book value</b>		<u>236,382</u>	<u>351,742</u>
<b>As at December 31,</b>			
Cost		318,419	390,438
Accumulated depreciation		<u>(82,037)</u>	<u>(38,696)</u>
Net book value		<u>236,382</u>	<u>351,742</u>

7.2 Lease assets comprises of Bancassurance and Agency branches with a lease term of 5 to 7 years.

7.3 During the current year the Company reassessed the lease agreements recognised under IFRS 16 of its agency branches. The Company is of the view that since the agency operations are in the phase of expansion, the branches are frequently relocated or closed according to business opportunities available and hence, due to this reason, the Company is unsure if these agency branches will remain operative in the foreseeable future.

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>8. INVESTMENT PROPERTY</b>			
Opening net book value		876,394	855,394
Unrealised fair value (loss) / gain		<u>(21,000)</u>	<u>21,000</u>
Closing net book value	8.1	<u>855,394</u>	<u>876,394</u>

8.1 This represents piece and parcel of plot no. 1-A, Main Gulberg, Jail Road, Lahore, measuring 8 Kanal 8 Marla 203 Sq. ft. of a land bought by the Company for the Unit Linked Investment Business.

Market value of this investment property amounts to Rs. 855.394 million with the forced sale value (FSV) of Rs. 571.2 million based on a valuation carried out by K.G. Traders (Private) Limited as at December 31, 2020.

#### Valuation technique

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

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>9. INVESTMENTS IN EQUITY SECURITIES</b>			
Available for sale	9.1	19,413	23,156
Fair value through profit or loss (held for trading)	9.2	<u>7,052,887</u>	<u>7,462,756</u>
		<u>7,072,300</u>	<u>7,485,912</u>

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## 9.1 Available for sale

		2020			2019		
	Note	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
(Rupees in '000)							
Related parties	9.1.1	1,360	-	944	1,360	-	1,090
Others	9.1.1	19,233	-	18,469	19,182	-	22,066
		20,593	-	19,413	20,542	-	23,156

### 9.1.1 Details of equity securities - available for sale

	2020		2019	
	No. of shares	Carrying value in Rupees (000)	No. of shares	Carrying value in Rupees (000)
<b>Related party</b>				
Nishat Power Limited	40,000	944	40,000	1,090
<b>Others</b>				
Aisha Steel Mills Limited	3,960	114	3,960	43
Attock Cement (Pakistan) Limited	24,000	3,601	24,000	2,481
Fatima Fertilizer Company Limited	9,000	262	-	-
Habib Bank Limited	58,807	5,955	58,807	9,299
K-Electric Limited	130,000	508	130,000	568
Kot Addu Power Company Limited	12,000	326	12,000	378
National Bank of Pakistan	79,062	3,397	79,062	3,423
Pakistan Oilfields Limited	600	239	600	268
Pakistan Petroleum Limited	49	4	49	7
Saif Power Limited	25,000	363	25,000	524
Fauji Foods Limited	-	-	9,000	239
United Bank Limited	29,400	3,700	29,400	4,836
		18,469		22,066

## 9.2 Fair value through profit or loss (held for trading)

	Note	2020			2019		
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
		(Rupees in '000)					
Related parties	9.2.1	1,243,287	-	1,251,223	1,913,657	-	1,633,771
Others	9.2.1	7,827,417	-	5,801,664	7,672,526	-	5,828,985
		9,070,704	-	7,052,887	9,586,183	-	7,462,756

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9.2.1 Details of equity securities - fair value through profit or loss

	2020		2019	
	No. of shares	Carrying value in Rupees (000)	No. of shares	Carrying value in Rupees (000)
<b>Related party</b>				
D.G. Khan Cement Company Limited	738,300	84,594	363,900	27,027
MCB Bank Limited	6,048,331	1,120,635	5,721,100	1,172,482
Nishat Mills Limited	451,900	45,990	800	85
Sui Northern Gas Pipelines Limited	100	4	5,700,100	434,177
		<u>1,251,223</u>		<u>1,633,771</u>
<b>Others</b>				
Abbot Laboratories (Pakistan) Limited	190,350	143,785	151,800	67,821
Agha Steel Industries Limited	603,500	23,784	-	-
AGP Limited	605,000	68,897	6	1
Agriaautos Industries Limited	220,400	51,627	341,900	68,380
Aisha Steel Mills Limited	2,500	58	-	-
Allied Bank Limited	900	77	2,046,900	195,684
Amreli Steels Limited	-	-	200	7
Archroma Pakistan Limited	52,650	29,394	-	-
Arif Habib Corporation Limited	36,300	1,454	37,386	1,277
Askari Bank Limited	2,464	58	5,329,964	98,818
At-Tahur Limited	5,050	102	150,000	3,143
Attock Petroleum Limited	380,950	127,477	100	37
Attock Refinery Limited	250	46	375	42
Avanceon Limited	2,000	186	-	-
Bank Alfalah Limited	4,569,404	161,437	2,697,900	123,294
Bank Al Habib Limited	2,250,394	156,627	4,818,000	366,939
Bank of Puniab Limited	7,611,000	70,554	3,476,500	39,389
Bestway Cement Limited	537,200	86,672	-	-
Byco Petroleum Pakistan Limited	-	-	500	3
Cherat Cement Company Limited	8,591	1,256	88,101	4,674
Cherat Packaging Limited	23	5	262	32
Crescent Steel & Allied Products Limited	-	-	900	50
Descon Oxychem Limited	-	-	300,000	7,056
Dewan Cement Limited	13,500	140	13,500	104
Engro Corporation Limited	626,951	192,700	268,730	92,779
Engro Fertilizers Limited	2,000,301	126,479	2,000,000	146,860
Engro Polymer and Chemicals Limited	3,458,669	164,321	7,585,169	251,903
Fatima Fertilizer Company Limited	62,500	1,819	-	-
Fauji Cement Company Limited	7,971,500	172,742	-	-
Fauji Fertilizer Company Limited	224,532	24,362	4,004,000	406,132
Fauji Foods Limited	-	-	6,974,250	132,650
Faysal Bank Limited	1,275	22	-	-
GlaxoSmithKline Consumer Healthcare (Pakistan) Limited	369,400	70,862	-	-
Gul Ahmed Textile Mills Limited	18,000	662	7,982,300	344,117
Habib Bank Limited	3,258,432	432,849	377,100	59,363
Habib Metropolitan Bank Limited	1,050,000	40,940	1,487,000	54,052
Hascol Petroleum Limited	4,200,000	61,698	-	-
Highnoon Laboratories Limited	50,000	29,991	-	-
Hi-Tech Lubricants Limited	179,500	7,859	1,704,300	53,072
Honda Atlas Cars (Pakistan) Limited	500	164	900	197
Hub Power Company Limited	3,871,473	307,124	2,565,061	239,448



	2020		2019	
	No. of shares	Carrying value in Rupees (000)	No. of shares	Carrying value in Rupees (000)
Hum Network Limited	-	-	8,119,500	26,064
ICI Pakistan Limited	59,600	45,301	-	-
Indus Motors Company Limited	295,430	353,913	-	-
Interloop Limited	2,295,735	156,271	8,774	509
International Industries Limited	241	43	74,811	8,292
Ittefaq Iron Industries Limited	-	-	200	2
Ittehad Chemicals Limited	-	-	1,000	23
K-Electric Limited	16,338,000	63,882	10,169,500	44,441
Kohinoor Textile Mills Limited	824	56	337,824	13,199
Kot Addu Power Company Limited	1,809,500	49,218	1,821,000	57,416
Lucky Cement Limited	273,556	190,420	910,100	389,887
Maple Leaf Cement Factory Limited	1,000,422	45,029	1,454,125	33,648
Mari Petroleum Company Limited	239,217	320,508	239,197	313,372
Meezan Bank Limited	305,992	31,958	25	2
Millat Tractors Limited	941	1,030	100,626	70,883
Mughal Iron and Steel Industries Limited	377,000	28,550	-	-
Murree Brewery Company Limited	280,200	175,803	-	-
National Bank of Pakistan	1,000,000	42,960	1,250,000	54,125
National Foods Limited	945,600	206,510	1,272,980	282,614
Nestle Pakistan Limited	12,641	84,252	1,300	10,465
Netsol Technologies Limited	-	-	1,000	66
Oil and Gas Development Company Limited	2,555,530	265,187	3,780,200	537,998
Orix Leasing Pakistan Limited	-	-	600	16
Packages Limited	70,900	42,322	750	299
Pak Elektron Limited	4,120,000	165,336	3,000	81
Pak Suzuki Motor Company Limited	-	-	150	35
Pakistan Oilfields Limited	586,157	231,772	575,870	257,253
Pakistan Oxygen Limited	200	31	-	-
Pakistan Petroleum Limited	2,999,013	270,901	3,687,796	505,744
Pakistan Reinsurance Company Limited	7,500	206	7,500	221
Pakistan State Oil Company Limited	986,858	212,471	7,980	1,529
Pakistan Telecommunication Company Limited	-	-	11,500	108
Pioneer Cement Limited	500	52	600	18
Service Industries Limited	4,471	3,729	81,738	63,495
Shezan International Limited	-	-	1,210	606
Siddiqsons Tin Plate Limited	1,847,000	37,993	-	-
Sitara Peroxide Limited	-	-	277,200	9,674
Synthetic Products Enterprises Limited	205,220	8,925	1,564,540	54,602
Systems Limited	90	38	64,790	8,053
Tariq Glass Industries Limited	-	-	102,500	10,968
Thal Limited	416,100	196,682	507,600	171,684
The Searle Company Limited	697	174	970	183
Tri-Pack Films Limited	4,000	651	-	-
United Bank Limited	89,466	11,260	875,900	144,086
		<u>5,801,664</u>		<u>5,828,985</u>

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Note	2020 (Rupees in '000)	2019 (Rupees in '000)
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# 10. INVESTMENTS IN GOVERNMENT SECURITIES

Available for sale

Fair value through profit or loss (held for trading)

10.1	790,268	651,837
10.2	10,744,824	4,725,800
	<u>11,535,092</u>	<u>5,377,637</u>

## 10.1 Available for sale

	Term	Maturity year	Effective yield (%)	Amortised cost	Principal repayment	Carrying value
(Rupees in '000)						
Pakistan Investment Bond	3 Years	2022	9.00	96,125	100,000	101,736
Treasury Bill	1 Year	2021	7.12	216,760	220,870	216,740
Treasury Bill	6 Months	2021	6.77 - 7.13	351,154	355,000	351,097
Treasury Bill	3 Months	2021	7.08	120,696	122,000	120,695
As at December 31, 2020				<u>784,735</u>	<u>797,870</u>	<u>790,268</u>
As at December 31, 2019				<u>653,269</u>	<u>670,000</u>	<u>651,837</u>

10.1.1 This includes PIB of Rs. 100 million placed with State Bank of Pakistan as per the requirement of section 29 of Insurance Ordinance, 2000 carrying coupon rate of 9% having maturity period of 3 years and will mature on September 19, 2022.

## 10.2 Fair value through profit or loss (held for trading)

	Term	Maturity year	Effective yield (%)	Amortised cost	Principal repayment	Carrying value
(Rupees in '000)						
GOP Ijara Sukuk 5 Years	5 Years	2025	6.27 - 8.37	469,790	470,430	464,354
Pakistan Investment Bond (FRB)	10 Years	2028	6.85	50,133	50,000	49,420
Pakistan Investment Bond (FRB)	10 Years	2030	8.11 - 8.27	503,883	500,000	499,400
Pakistan Investment Bond (FRB)	2 Years	2022	7.16	498,276	500,000	498,250
Pakistan Investment Bond (FRB)	3 Years	2023	7.12 - 8.27	2,867,271	2,865,000	2,861,737
Treasury Bill	1 Year	2021	6.74 - 10.67	1,303,538	1,332,500	1,310,144
Treasury Bill	3 Months	2021	7.07 - 7.15	4,945,847	5,011,000	4,946,806
Treasury Bill	6 Months	2021	6.47	114,719	115,000	114,713
As at December 31, 2020				<u>10,753,457</u>	<u>10,843,930</u>	<u>10,744,824</u>
As at December 31, 2019				<u>4,727,450</u>	<u>5,223,302</u>	<u>4,725,800</u>

# 11. INVESTMENTS IN DEBT SECURITIES

At fair value through profit or loss (held for trading)

Note	2020			2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
	(Rupees in '000)					
11.1	100,000	-	100,000	50,000	-	50,000
11.2	3,592,583	-	3,280,743	2,830,850	-	2,723,969
	3,692,583	-	3,380,743	2,880,850	-	2,773,969

11.1 This represents Rs.100 million paid to Bank Alfalah Limited for issue of term finance certificates.

## 11.2 Term finance certificates / corporate sukuk

Details of the term finance certificates and corporate sukuk are as follows:

	Coupon rate (%)	Maturity date	2020		2019		Face value per certificate		Carrying value	
			2020	2020	2019	2019	2020	2020	2020	2019
			(Number of certificates)				(Rupees in '000)			
Askari Bank Limited-TFC	8.49	1-Jun-24	100	100	100	100	1,000	100,000	100,000	100,000
Askari Bank Limited VII-TFC	8.49	17-Mar-30	100	100	-	-	1,000	99,040	-	-
Askari Bank Limited V-TFC	-	-	-	-	41,000	41,000	5	-	199,979	199,979
Aspin Pharma Private Limited-Sukuk	8.80	30-Nov-23	820	820	820	820	100	49,593	65,600	65,600
Bank Al Habib Limited-TFC	8.03	17-Mar-26	39,680	39,680	39,680	39,680	5	178,788	194,655	194,655
Bank Alfalah Limited-TFC	-	-	-	-	33,510	33,510	5	-	167,114	167,114
Bank Of Punjab I-TFC	8.35	23-Dec-26	3,400	3,400	3,400	3,400	96	336,202	334,113	334,113
Bank Of Punjab II-TFC	8.60	23-Apr-28	2,580	2,580	2,580	2,580	100	252,802	246,317	246,317
Dawood Hercules Corporation Limited I-Sukuk	8.30	16-Nov-22	2,380	2,380	2,380	2,380	60	144,365	189,905	189,905
Dawood Hercules Corporation Limited II-Sukuk	8.30	1-Mar-23	4,400	4,400	4,400	4,400	70	311,807	394,711	394,711
Dubai Islamic Bank Pakistan Limited-Sukuk	7.31	14-Jul-27	58	58	58	58	1,000	59,622	58,058	58,058
Engro Polymer & Chemicals Limited-Sukuk	8.20	11-Jul-26	900	900	900	900	100	91,935	91,238	91,238
Ghani Chemical Industries Limited-Sukuk	8.30	2-Feb-23	600	600	600	600	50	25,123	29,250	29,250
Habib Bank Limited-TFC	7.71	19-Feb-26	590	590	590	590	100	58,894	56,810	56,810
Habib Bank Limited-ADT I TFC	8.90	30-Apr-25	500	500	-	-	100	50,000	-	-
International Brands Limited-Sukuk	7.79	15-Nov-21	1,000	1,000	1,000	1,000	100	64,659	84,459	84,459
Jahangir Siddiqui and Company Limited-Sukuk	8.67	6-Mar-23	30,000	30,000	30,000	30,000	5	123,656	148,802	148,802
Meezan Bank Limited-Sukuk	7.68	22-Sep-26	40	40	40	40	1,000	40,877	39,786	39,786



13.1.1 Details of mutual funds - fair value through profit or loss

Related parties

Alhamra Daily Dividend Fund  
Alhamra Islamic Asset Allocation Fund  
Alhamra Islamic Income Fund  
Alhamra Islamic Stock Fund  
MCB Cash Management Optimizer Fund  
MCB Pakistan Asset Allocation Fund  
MCB Pakistan Stock Market Fund

2020		2019	
No. of units	Carrying value (Rupees in 000)	No. of units	Carrying value (Rupees in 000)
55,847	5,585	51,565	5,156
2,520,442	188,673	1,609,181	119,071
49,244	5,180	373,227	40,059
159,350,568	1,725,767	141,740,527	1,451,376
504,207	50,862	-	-
6,004,684	495,370	5,839,914	466,301
37,778,525	3,702,703	31,957,244	2,932,263
	<u>6,174,140</u>		<u>5,014,226</u>

Others

ABL Islamic Stock Fund  
ABL Stock Fund  
Alfalsh GHP Islamic Income Fund  
Alfalsh GHP Money Market Fund  
Al Ameen Islamic Asset Allocation Fund  
Al Ameen Shariah Stock Fund  
Faysal Financial Value Fund  
Faysal Income and Growth Fund  
Faysal Money Market Fund  
Faysal Savings and Growth Fund  
Faysal Financial Sector Opportunity Fund  
Meezan Balanced Fund  
NAFA Islamic Stock Fund  
NBP Islamic Mahana Amdani Fund  
NBP Islamic Savings Fund  
UBL Financial Sector Fund  
UBL Stock Advantage Fund

2,059,100	32,189	-	-
14,742,274	221,762	-	-
985,010	100,545	475,513	50,020
2,301,661	226,013	1,134	111
146,456	18,601	-	-
1,476,006	224,796	-	-
-	-	261,883	26,222
864	96	779	87
3,263,683	332,746	2,029,159	219,622
3,819,347	404,698	3,423,470	369,695
-	-	119,617	13,005
535,400	8,349	508,765	7,885
6,331,208	77,030	10,439,355	114,753
4,172,762	43,256	3,789,458	40,000
22,333,717	218,870	-	-
3,404,310	275,426	-	-
3,167,048	238,472	-	-
	<u>2,422,849</u>		<u>841,400</u>

	Note	2020 (Rupees in '000)	2019
<b>14. INSURANCE / REINSURANCE RECEIVABLES</b>			
Due from insurance contract holders - Group		29,997	57,224
Less: provision for impairment of receivables from Insurance contract holders		(3,906)	-
		<u>26,091</u>	<u>57,224</u>
Due from reinsurers		205,993	-
Net insurance / reinsurance receivable		<u>232,084</u>	<u>57,224</u>

**15. OTHER LOANS AND RECEIVABLES**

Receivable from related parties		20,444	5
Accrued income on investments		122,388	225,473
Security deposits		56,225	34,127
Advance to suppliers		-	3,682
Loan to employees - secured	15.1	6,999	6,834
Dividend receivable		15,905	4,155
Receivable against the sale of investment		233,958	-
Other receivables		912	1,888
		<u>456,831</u>	<u>276,164</u>

15.1 This represents interest free loans secured against the gratuity entitlement and are repayable within one year of the disbursement.

	Note	2020 (Rupees in '000)	2019
<b>16. PREPAYMENTS</b>			
Prepaid rent		27,450	10,293
Prepaid miscellaneous expenses	16.1	<u>18,721</u>	<u>27,038</u>
		<u>46,171</u>	<u>37,331</u>

16.1 These include prepayments related to SECP annual supervision fee, insurance and software subscriptions.

	Note	2020 (Rupees in '000)	2019
<b>17. CASH AND BANK</b>			
- Cash in hand		142	343
- Policy stamps		5,796	15,056
		<u>5,938</u>	<u>15,399</u>
<b>Cash at bank</b>			
- Current accounts		93,859	155,534
- Saving accounts	17.1	9,855,255	7,089,626
		<u>9,949,114</u>	<u>7,245,160</u>
		<u>9,955,052</u>	<u>7,260,559</u>

17.1 This carries interest rate ranging from 6% to 13% ( 2019: 8% to 14%) per annum.

*[Handwritten signature]*

2020                      2019  
----- (Rupees in '000) -----

## 17.2 Cash and cash equivalents

Cash and cash equivalents includes the following for the purpose of cash flow statement:

- Cash in hand and policy stamps	5,938	15,399
- Cash at bank	9,949,114	7,245,160
- Term deposits maturing within three months	7,962,000	9,585,000
	<u>17,917,052</u>	<u>16,845,559</u>

## 18. ORDINARY SHARE CAPITAL

### 18.1 Authorized capital

2020 (Number of shares in '000)	2019		Note	2020 (Rupees in '000)	2019
<u>150,000</u>	<u>150,000</u>	Ordinary shares of Rs. 10 each		<u>1,500,000</u>	<u>1,500,000</u>

### 18.2 Issued, subscribed and paid up share capital

2020 (Number of shares in '000)	2019			2020	2019
<u>93,549</u>	<u>93,549</u>	Ordinary shares of Rs. 10 each fully paid in cash	18.3 & 18.4	<u>935,494</u>	<u>935,494</u>

18.3 Adamjee Insurance Company Limited holds all shares of the Adamjee Life Assurance Company Limited except for the qualifying shares of the directors.

18.4 Share capital includes Rs. 498.53 million (2019: Rs. 472.03 million) transferred to the statutory funds.

2020                      2019  
----- (Rupees in '000) -----

## 19. INSURANCE LIABILITIES

Reported outstanding claims (including claims in payment)	19.1	1,174,790	814,331
Incurred but not reported claims	19.2	121,153	54,874
Investment component of unit-linked and account value policies	19.3	44,828,277	35,315,137
Liabilities under individual conventional insurance contracts	19.4	20,242	29,217
Liabilities under group insurance contracts (other than investment linked)	19.5	117,241	128,872
Other insurance liabilities	19.6	753,378	406,242
Gross insurance liabilities		<u>47,015,081</u>	<u>36,748,673</u>
Surplus / (deficit) of Participant Takaful Fund		<u>18,397</u>	<u>(12,720)</u>
Total Insurance liabilities		<u>47,033,478</u>	<u>36,735,953</u>



2020                      2019  
 ----- (Rupees in '000) -----

**19.1 Reported outstanding claims**

**Gross of reinsurance**

Payable within one year	1,326,579	883,486
Recoverable from reinsurers	<u>(151,789)</u>	<u>(69,155)</u>
Net reported outstanding claims	<u>1,174,790</u>	<u>814,331</u>

**19.2 Incurred but not reported claims**

**Individual life**

Gross of reinsurance	129,220	42,243
Reinsurance recoveries	<u>(47,826)</u>	<u>(19,624)</u>
Net of reinsurance	81,394	22,619

**Group life**

Gross of reinsurance	109,567	94,645
Reinsurance recoveries	<u>(69,808)</u>	<u>(62,390)</u>
Net of reinsurance	39,759	32,255
Net incurred but not reported claims	<u>121,153</u>	<u>54,874</u>

**19.3 Investment component of unit linked and account value policies**

Investment component of unit linked policies	42,354,812	32,579,678
Investment component of account value policies	<u>2,473,465</u>	<u>2,735,459</u>
	<u>44,828,277</u>	<u>35,315,137</u>

**19.4 Liabilities under individual conventional insurance contracts**

Gross of reinsurance	22,159	31,759
Reinsurance credit	<u>(1,917)</u>	<u>(2,542)</u>
Net of reinsurance	<u>20,242</u>	<u>29,217</u>

**19.5 Liabilities under group insurance contracts (other than investment linked)**

Gross of reinsurance	232,665	312,417
Reinsurance credit	<u>(115,424)</u>	<u>(183,545)</u>
Net of reinsurance	<u>117,241</u>	<u>128,872</u>

**19.6 Other insurance liabilities**

Gross of reinsurance	889,169	535,217
Reinsurance credit	<u>(135,791)</u>	<u>(128,975)</u>
Net of reinsurance	<u>753,378</u>	<u>406,242</u>





## 20. RETIREMENT BENEFIT OBLIGATIONS

**20.1** As stated in note 3.7, the Company operates a funded gratuity scheme covering eligible employees who have completed the minimum qualifying eligible service period of six months. The employees are entitled to gratuity on the basis of last drawn monthly gross salary on normal retirement or on death in service on the number of years of services with the Company. Contribution to the fund is made and expense is recognized on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

**20.1.1** Responsibility for the governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the Trustees and all trustees are employees of the Company. Details of the Company's obligation under the staff gratuity scheme determined on the basis of an actuarial valuation carried out by an independent actuary as at December 31, 2020 under the Projected Unit Credit Method are as follows:

	Note	2020 ----- (Rupees in '000) -----	2019
<b>20.2 Statement of financial position reconciliation</b>			
Present value of defined benefit obligations	20.2.1	178,021	107,094
Fair value of plan assets at December 31	20.2.2	(65,672)	(70,068)
Net liability at end of the year	20.2.4	112,349	37,026
<b>20.2.1 Movement in present value of defined benefit obligations</b>			
Present value of defined benefit obligations at beginning of the year		107,094	65,465
Current service cost	20.2.3	35,925	23,330
Interest cost	20.2.3	15,892	10,579
Benefits paid during the year		(12,217)	(14,106)
Remeasurement loss on obligation:			
- due to changes in financial assumptions	20.2.3	31,327	21,826
Present value of defined benefit obligations at end of the year		178,021	107,094
<b>20.2.2 Movement in fair value of plan assets</b>			
Fair value of plan assets at beginning of the year		70,068	79,886
Contributions made by the Company to the Fund		-	-
Interest income on plan assets	20.2.3	9,752	12,138
Benefits paid during the year		(12,217)	(14,106)
Remeasurement loss on plan assets	20.2.3	(1,931)	(7,850)
Fair value of plan assets at end of the year		65,672	70,068
<b>20.2.3 Expense recognised in statement of profit or loss and other comprehensive income</b>			
Current service cost	20.2.1	35,925	23,330
Interest cost	20.2.1	15,892	10,579
Interest income on plan assets	20.2.2	(9,752)	(12,138)
Expense for the year recognised in the statement of profit or loss		42,065	21,771
Remeasurement losses on defined benefit obligation	20.2.1	31,327	21,826
Remeasurement loss on fair value of plan assets	20.2.2	1,931	7,850
Amount recognised in the other comprehensive income		33,258	29,676

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>20.2.4 Net recognised liability</b>			
Net liability at beginning of the year		37,026	(14,421)
Net expense recognised in statement of profit or loss	20.2.3	42,065	21,771
Expense recognised in other comprehensive income	20.2.3	33,258	29,676
Contributions made to the Fund during the year		-	-
Net liability at end of the year	20.2	<u>112,349</u>	<u>37,026</u>

**2021**  
**(Rupees in '000)**

**20.2.5 Estimated gratuity cost for the year ending December 31, 2021, is as follows:**

Current service cost	49,035
Net interest cost	<u>13,856</u>
Total expense to be recognised in statement of profit or loss	<u>62,891</u>

**20.3 Plan assets comprise of following:**

	2020		2019	
	(Rupees in '000)	% age	(Rupees in '000)	% age
Bank balance	40,975	62.39	46,605	66.51
Mutual funds	24,697	37.61	23,463	33.49
Fair value of plan assets at end of the year	<u>65,672</u>	<u>100.00</u>	<u>70,068</u>	<u>100.00</u>

**20.3.1** The assets are represented by cash in the scheme's bank deposit account with Standard Chartered Bank and mutual funds with MCB Arif Habib Savings and Investments Limited, Al Meezan Investment Management Limited and ABL Asset Management Limited.

**20.4** The principal assumptions used in the actuarial valuations carried out as of December 31, 2020, using the 'Projected Unit Credit Method', are as follows:

	Gratuity fund	
	2020	2019
	( % )	
Discount rate per annum	10.25	11.75
Expected per annum rate of return on plan assets	10.25	11.75
Expected per annum rate of increase in salary level	11.00	11.00
Expected mortality rate	LIC 94-96 Mortality table for males (rated down by 3 years for females)	LIC 94-96 Mortality table for males (rated down by 3 years for females)
Expected withdrawal rate	Age dependent	Age dependent

**20.4.1** The plans expose the Company to actuarial risks such as:

**Salary risks**

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

**Discount risks**

The risk of volatile discount rates over the funding life of the scheme. The final effect could go either way depending on the relative of salary increases, timing of contributions, performance of investments and outgo of benefits.

**Mortality / withdrawal risks**

The risks that the actual mortality / withdrawal experience is different from expected. The effect depends upon the beneficiaries' service / age distribution and the benefit.

## Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations. The Company has not changed the process used to manage its risks from previous periods. Investments are well diversified.

The expected return on plan assets is assumed to be the same as the discount rate (as required by International Accounting Standard IAS 19). The actual return depends on the assets underlying the current investment policy and their performance. Expected yields on fixed interest investments are based on gross redemption yields as at the date of financial statement. Expected return on equity investments reflect long-term real rates of return experienced in the market.

## 20.5 Sensitivity analysis for actuarial assumptions

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

	2020	2019
	(Rupees in '000)	(Rupees in '000)
Discount rate (1% increase)	(18,161)	(9,817)
Discount rate (1% decrease)	21,745	11,674
Future salary increase rate (1% increase)	22,769	12,445
Future salary increase rate (1% decrease)	(19,290)	(10,597)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. 77,935 (2019: Rs.335,000)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

20.6 The weighted average duration of the defined benefit obligation is 13.04 years. Besides the number of employees covered in the scheme at December 31, 2020 were 1,110 (2019: 1,083).

20.7 The expected maturity analysis of undiscounted retirement benefit plan is between 3-4 & 4-5 years and the amount involved is Nil and Rs. 27.276 million respectively.

## 20.8 Historical Information

	2020	2019	2018	2017	2016
	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)
Present value of defined benefit obligation	178,021	107,094	65,465	90,586	61,604
Fair value of plan assets	(65,672)	(70,068)	(79,886)	(59,079)	(47,057)
Deficit / (surplus)	112,349	37,026	(14,421)	31,507	14,547

## 20.9 Experience adjustment

	2020	2019	2018	2017	2016
Experience adjustments on obligation	18%	20%	-36%	8%	18%
Experience adjustments on asset	-3%	-11%	-10%	-18%	4%

20.10 Gratuity cost to be recognised in the statement of profit or loss in the next financial year is not necessarily the amount of the contribution for that year. Decision about the contribution is made by the Company based on the allowability under the Insurance Tax Rules, 2002 and the availability of surplus funds, etc.

		2020	2019
	Note	(Rupees in '000)	(Rupees in '000)
<b>21. DEFERRED TAXATION</b>			
<b>Deferred debits arising due to:</b>			
- Fixed assets and intangibles		(27)	-
- Business losses carried forward		(8,348)	(17,933)
- Deficit on revaluation of available for sale investments		-	(1,376)
- Others		-	(29,686)
		(8,375)	(48,995)
<b>Deferred credits arising due to:</b>			
- Retained earning Ledger Account D	21.1	214,810	143,144
- Fixed assets and intangibles		-	1,891
- Surplus on revaluation of available for sale assets		148	-
		214,958	145,035
<b>Deferred tax liability</b>		<b>206,583</b>	<b>96,040</b>

21.1 Deferred tax is recorded at the rate 29%, as the management expects to transfer profits to shareholder fund in 2024.

		2020	2019
	Note	(Rupees in '000)	(Rupees in '000)
<b>22. LEASE LIABILITIES</b>			
<b>22.1 Lease liabilities - Movement</b>	22.1	<b>271,436</b>	<b>361,378</b>
Opening balances		361,378	-
Addition during the year		37,159	357,355
		398,537	357,355
Borrowing cost		25,266	19,418
		423,803	376,773
Adjustment in agency branches	22.3	(92,354)	-
Repaid during the year		(60,013)	(15,395)
Closing balances		271,436	361,378
Current portion		57,871	90,734
Non-current portion		213,565	270,644
		271,436	361,378
<b>22.2 Lease liabilities - Maturity Analysis</b>			
The contractual maturity analysis of these is presented below:			
<b>Current</b>			
- Not later than one year		57,871	90,734
		57,871	90,734
<b>Non-current</b>			
- Later than one year but not later than three years		107,807	113,023
- Later than three years but not later than five years		59,626	95,362
- Later than five years		46,132	62,259
		213,565	270,644
		271,436	361,378

*Ja*

- 22.3 During the current year the Company reassessed the lease agreements recognised under IFRS 16 of its agency branches. The Company is of the view that since the agency operations are in the phase of expansion, the branches are frequently relocated or closed according to business opportunities available and hence, due to this reason, the Company is unsure if these agency branches will remain operative in the foreseeable future.

	Note	2020 (Rupees in '000)	2019
<b>23. BORROWINGS</b>			
SBP Refinance Scheme	23.1	<u>164,482</u>	<u>-</u>
<b>23.1 Movement in borrowings</b>			
Opening balances		-	-
Recognised during the year		<u>158,959</u>	<u>-</u>
		158,959	-
Impact of deferred grant		<u>5,523</u>	<u>-</u>
		164,482	-
Repaid during the year		-	-
Total borrowings		<u>164,482</u>	<u>-</u>
Current portion		89,142	-
Non-current portion		<u>75,340</u>	<u>-</u>
		164,482	-

- 23.2 This loan was obtained under the facility of "Refinance Scheme for Payment of Salaries and Wages to Workers and Employees" on the basis of SBP circular No. 10 of 2020 for the period of 3 years. The payment of principal will start from January 2021 on quarterly basis and profit rate is 1% per annum as defined by State Bank of Pakistan (SBP).

	Note	2020 (Rupees in '000)	2019
<b>24. DEFERRED GOVERNMENT GRANT</b>			
Deferred government grant	24.1	<u>13,807</u>	<u>-</u>
<b>24.1 Movement in deferred government grant</b>			
Opening balances		-	-
Deferred grant arises during the year		<u>19,330</u>	<u>-</u>
Amortised during the year		<u>(5,523)</u>	<u>-</u>
Total deferred government grant		<u>13,807</u>	<u>-</u>
Current portion		8,571	-
Non-current portion		<u>5,236</u>	<u>-</u>
		13,807	-
<b>25. INSURANCE / REINSURANCE PAYABLES</b>			
Due to insurance contract holders		-	-
Due to reinsurers		<u>130,635</u>	<u>125,265</u>
Net insurance / reinsurance payable		<u>130,635</u>	<u>125,265</u>

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	2020	2019
	(Rupees in '000)	
<b>26. OTHER CREDITORS AND ACCRUALS</b>		
Agents commission payable	523,323	408,264
Payable to related parties	10,030	15,570
Payable against the purchase of investments	237,167	847,474
Accrued expenses	305,853	215,179
Other tax payable	14,625	11,183
	<b>1,090,998</b>	<b>1,497,670</b>

## 27. CONTINGENCIES AND COMMITMENTS

### 27.1 Contingencies

#### Sales tax on life insurance premium

Last year, Sindh Revenue Board (SRB) vide notification no. SRB 3-4/5/2019 dated May 8, 2019 extended the exemption on life insurance till June 30, 2019. Subsequent to it, life insurance was made taxable from July 1, 2019 at the rate of 3% and group life insurance at the rate of 13%. Further, SRB extended exemption on health insurance till June 30, 2020. With effect from November 1, 2018, the Punjab Revenue Authority (PRA) withdrew its exemption on life and health insurance and made the same subject to Punjab Sales Tax (PST). The Company collectively through the forum of Insurance Association of Pakistan ("IAP") had filed a constitutive petition in the Lahore High Court (LHC) and in the High Court of Sindh at Karachi on September 28, 2019 and November 28, 2019 against PRA and SRB respectively.

According to the grounds of the petition and legal opinion obtained by the Company the Insurance premium does not fall under the definition of service rather an insurance policy is a financial arrangement, which is in the nature of a contingent contract, and not a service upon which sales tax can be levied (and that an insurance company is not rendering a service). The opinion also mentions that vast majority of premium received from a policy holder, during the life of the policy, is in fact channeled it to the policy holder's investment account and as such this is critically important in exposing the legal fallacies embodied in the Rules.

In view of the above the Company has not started billing sales tax to its customers. The amount of sales tax involved is around Rs. 347.54 million computed on the basis of risk based premium, as per the advice of legal advisor, which nonetheless the Company maintains, based on the legal view, cannot be levied as the insurance is not a service.

Further subsequent to filing petition, all the provincial tax authorities i.e. SRB, PRA and BRA have called a meeting of the industry representatives on January 11, 2020 in Karachi to discuss the matters relating to sales tax on premium. The matter was discussed in details and it was agreed to form a joint committee of the industry representatives as well as from all the provincial tax authorities and agreed in the meeting that the sales tax on Life and Health be kept exempt till June 30, 2020 however a formal notification in this regard has not yet been issued. Further, the committee formed met on February 5, 2020 in Lahore at PRA office to work out the way forward.

Based on the legal opinion obtained the Company considers that it has a reasonably strong case on the merits in the constitution petition and the writ petition filed in the High Courts. The petition is still pending for hearing.

	2020	2019
	(Rupees in '000)	
<b>27.2 Commitments</b>		
<b>27.2.1 Ijarah rentals</b>		
Not later than one year	37,844	22,543
Later than one year and not later than five years	102,066	58,045
	<u>139,910</u>	<u>80,588</u>
Commitments represent Ijarah rentals for vehicles payable in future period.		
<b>28. NET PREMIUM / CONTRIBUTION REVENUE</b>		
<b>Gross premiums</b>		
Regular premium / contributions individual policies*		
- first year	3,169,929	3,638,303
- second year renewal	2,743,961	2,195,775
- subsequent years renewal	5,271,022	4,898,480
Single premium / contributions individual policies*	5,330,905	1,599,794
Group policies without cash values	631,844	670,501
Less: Experience refund	(46,774)	(33,432)
<b>Total gross premiums / contributions</b>	<u>17,100,887</u>	<u>12,969,421</u>
<b>Less: reinsurance premiums / retakaful contributions ceded</b>		
On individual life first year business	(33,523)	(45,530)
On individual life second year business	(25,742)	(46,577)
On individual life subsequent renewal business	(131,383)	(114,825)
On individual life single premium business	(5,083)	-
On group policies	(381,266)	(412,104)
Profit commission on reinsurance	13,030	35,765
	<u>(563,967)</u>	<u>(583,271)</u>
<b>Net premiums / contributions</b>	<u>16,536,920</u>	<u>12,386,150</u>
* Individual policies are those underwritten on an individual basis.		
<b>29. INVESTMENT INCOME</b>		
<b>Income from equity securities</b>		
<b>Dividend income</b>		
Available for sale	602	735
Fair value through profit or loss	366,669	559,167
	<u>367,271</u>	<u>559,902</u>
<b>Income from government securities</b>		
Available for sale	45,106	35,462
Fair value through profit or loss	1,461,526	824,669
	<u>1,506,632</u>	<u>860,131</u>
<b>Income from debt securities - fair value through profit or loss</b>		
Return on TFCs and Corporate Sukuks	380,360	385,510
<b>Income from term deposit receipts - loans and receivables</b>	<u>338,076</u>	<u>772,662</u>
	<u>2,592,339</u>	<u>2,578,205</u>
Tax on dividend under final tax regime (FTR)	(5,480)	(38,587)
	<u>2,586,859</u>	<u>2,539,618</u>

### 30. NET REALISED FAIR VALUE GAINS ON FINANCIAL ASSETS

#### Available for sale

##### Realised gains on:

- Government securities

-	81
-	81

#### Fair value through profit or loss

##### Realised gains / (losses) on:

- Equity securities
- Government securities
- Debt securities
- Mutual funds

437,946	13,639
279,234	112,738
(1,240)	-
(56,142)	(6,806)
659,798	119,571
659,798	119,652

### 31. NET FAIR VALUE GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - UNREALISED

#### Net unrealised (losses) / gains on:

- Equity securities
- Government securities
- Debt securities
- Mutual Funds

105,610	152,924
(8,540)	(147)
32,079	(50,242)
711,944	405,471
841,093	508,006
(102,310)	(72,609)
738,783	435,397

#### Total gain

#### Less: Investment related expenses

### 32. OTHER INCOME

#### Return on bank balances

#### Mark-up on policy loans

#### Loss on disposal of fixed assets

#### Others

315,656	395,929
3,125	3,028
(2,905)	(13,073)
1,107	5,916
316,983	391,800

### 33. CHANGE IN UNREALISED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

- Equity securities
- Government securities

(1,629)	41
7,155	475
5,526	516

### 34. INSURANCE BENEFITS

#### Gross claims

##### Claims under individual policies

- by death
- by insured event other than death
- by maturity
- by surrender

##### Total gross individual policy claims

(435,106)	(296,294)
606	(2,924)
(1,679,897)	(1,347,025)
(4,676,523)	(4,986,784)
(6,790,920)	(6,633,027)

##### Claims under group policies

- by death
- by insured event other than death

##### Total gross group policy claims

(651,184)	(451,369)
(10,316)	18,914
(661,500)	(432,455)

#### Total gross claims

(7,452,420)	(7,065,482)
-------------	-------------

#### Less: Reinsurance / retakaful recoveries

- on individual life claims
- on group life claims

143,365	71,781
477,498	277,527
620,863	349,308

#### Net insurance benefit expense

(6,831,557)	(6,716,174)
-------------	-------------



### 34.1 Claim development table

#### 34.1.1 Individual life claims

Incident year	Incident reported				
	2016	2017	2018	2019	2020
	(Rupees in '000)				
Estimate of ultimate claim costs:					
At the end of accident year	132,526	181,455	173,067	241,150	315,805
One year later	202,373	283,617	249,642	353,594	-
Two years later	208,599	294,168	256,334	-	-
Three years later	210,263	294,668	-	-	-
Four years later	211,577	-	-	-	-
Current estimate of cumulative claims	211,577	294,668	256,334	353,594	315,805
Cumulative payments to date	205,329	282,693	250,155	307,576	217,651
Liability recognised in the statement of financial position	6,248	11,975	6,179	46,018	98,154

#### 34.1.2 Group life claims

Incident year	Incident reported				
	2016	2017	2018	2019	2020
	(Rupees in '000)				
Estimate of ultimate claim costs:					
At the end of accident year	283,306	413,991	419,307	342,820	563,981
One year later	325,000	549,012	531,015	453,118	-
Two years later	325,487	556,060	532,315	-	-
Three years later	325,487	557,251	-	-	-
Four years later	325,487	-	-	-	-
Current estimate of cumulative claims	325,487	557,251	532,315	453,118	563,981
Cumulative payments to date	325,487	557,251	532,315	443,533	498,705
Liability recognised in the statement of financial position	-	-	-	9,585	65,276

#### 34.1.3 Insurance benefits unclaimed at year end

	Total	1-6 months	7-12 months	13-24 months	25-36 months	Beyond 36 months
	(Rupees in '000)					
Unclaimed maturity benefits	851,096	520,977	149,904	180,215	-	-
Unclaimed death benefits	106,558	84,503	20,131	1,119	805	-
Unclaimed disability benefits	106	106	-	-	-	-
Claims not encashed	60,135	47,311	2,986	5,062	3,813	963
	1,017,895	652,897	173,021	186,396	4,618	963

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### 35. ACQUISITION EXPENSES

Note 2020  
2019  
----- (Rupees in '000) -----

Remuneration to insurance / takaful intermediaries on individual policies:

- Commission on first year contributions / premiums	(1,379,956)	(1,627,575)
- Commission on second year contributions / premiums	(147,256)	(123,105)
- Commission on subsequent years renewal contributions / premiums	(122,821)	(118,629)
- Commission on single contributions / premiums	(114,036)	(33,735)
- Other benefits to insurance intermediaries	(357,106)	(373,272)
	<u>(2,121,175)</u>	<u>(2,276,316)</u>

Remuneration to insurance intermediaries on group policies:

- Commission	(21,908)	(36,345)
- Other benefits to insurance intermediaries	(3,344)	(4,423)
	<u>(25,252)</u>	<u>(40,768)</u>

Other acquisition costs

- Employee benefit cost	35.1	(315,913)	(179,504)
- Traveling expenses		(1,691)	(1,366)
- Information technology expense		(3,620)	(4,449)
- Printing and stationery		(3,257)	(1,400)
- Depreciation		(19,687)	(17,260)
- Depreciation - Right of use asset		(3,691)	(22,034)
- Amortisation		(193)	(193)
- Rent, rates and taxes		(40,442)	(8,560)
- Insurance cost		(336)	(292)
- Car fuel and maintenance		(25,874)	(23,632)
- Postage		(4,717)	(3,978)
- Electricity, gas and water		(9,018)	(7,594)
- Office repairs and maintenance		(23,331)	(19,800)
- Entertainment		(6,509)	(4,907)
- Training and development		(1,466)	(4,988)
- Marketing cost		(38,129)	(24,382)
- Financial charges		(1,156)	(11,963)
- Legal and professional charges		(608)	(176)
- Brokerage charges		-	(403)
- Stamp duty		(44,260)	(44,759)
- Medical examination fee		(1,747)	(1,754)
		<u>(545,645)</u>	<u>(383,394)</u>
		<u>(2,692,072)</u>	<u>(2,700,478)</u>

35.1 Employee benefit cost includes charges for post employment benefit of Rs. 9.36 million.

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	Note	2020 —— (Rupees in '000) ——	2019 —— (Rupees in '000) ——
<b>36. MARKETING AND ADMINISTRATION EXPENSES</b>			
- Employee benefit cost	36.2	(531,308)	(472,456)
- Travelling expenses		(9,194)	(12,588)
- Advertisements and sales promotion		(117,925)	(170,845)
- Printing and stationery		(20,507)	(21,032)
- Depreciation		(28,699)	(34,131)
- Depreciation - Right of use asset		(39,650)	(16,660)
- Amortisation		(24,332)	(24,980)
- Rent, rates and taxes		(5,636)	(63,050)
- Legal and professional charges		(31,633)	(23,884)
- Electricity, gas and water		(12,452)	(13,757)
- Entertainment		(5,186)	(5,843)
- Vehicle running expenses		(34,137)	(36,028)
- Office repairs and maintenance		(21,741)	(21,159)
- Appointed actuary fees		(9,222)	(9,927)
- Postages, telegrams and telephone		(18,591)	(24,448)
- Bank charges		(3,101)	(2,951)
- Insurance expenses		(2,186)	(5,262)
- Annual supervision fee		(26,648)	(27,564)
- Provision for doubtful debts		(3,906)	-
- Information technology expenses		(63,279)	(51,136)
- Training and development		(1,868)	(9,357)
- Miscellaneous		-	(1,347)
		<u>(1,011,201)</u>	<u>(1,048,405)</u>

**36.1** Total number of employees as at December 31, 2020 are 1,810 (2019: 1,144) which includes permanent and contractual employees. Average number of employees during year ended December 31, 2020 were 1,477 (2019: 909).

	Note	2020 —— (Rupees in '000) ——	2019 —— (Rupees in '000) ——
<b>36.2 Employee benefit cost</b>			
Salaries, allowance and other benefits		(498,603)	(450,685)
Charges for post employment benefit		(32,705)	(21,771)
		<u>(531,308)</u>	<u>(472,456)</u>

**37. OTHER EXPENSES**

Auditor's remuneration	37.1	(4,141)	(4,190)
Fee and subscription		(1,212)	(3,657)
Donations		(1,811)	(609)
		<u>(7,164)</u>	<u>(8,456)</u>

**37.1 Auditors' remuneration**

Annual audit fee	(1,577)	(1,502)
Half yearly review	(541)	(515)
Other certifications	(1,536)	(1,624)
Tax services	(324)	(324)
Out of pocket	(163)	(225)
	<u>(4,141)</u>	<u>(4,190)</u>

2020                      2019  
----- (Rupees in '000) -----

**38. FINANCE COSTS**

Markup on borrowings	(1,657)	-
Interest expense on lease liabilities	(24,110)	(7,877)
	<u>(25,767)</u>	<u>(7,877)</u>

**39. INCOME TAX EXPENSE**

For the year		
- Current	(592)	(290)
- Deferred	(118,586)	(63,785)
	<u>(119,178)</u>	<u>(64,075)</u>

**40. EARNING PER SHARE**

Profit after tax for the year	<u>191,014</u>	<u>217,106</u>
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(Number of shares in '000)

Weighted average number of ordinary share outstanding as at year end	93,549	93,549
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----- (Rupees) -----

Basic earning per share	<u>2.04</u>	<u>2.32</u>
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There are no dilutive affect on the basic earnings per share of the Company.

**41. REMUNERATION OF DIRECTORS AND EXECUTIVES**

	Chief executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	----- (Rupees in '000) -----					
Managerial remuneration	-	-	-	-	164,233	126,134
Compensated absence	-	-	-	-	9,486	6,365
Bonus	-	-	-	-	33,223	20,046
Rent and house maintenance	-	-	-	-	65,693	50,454
Utilities	-	-	-	-	16,423	12,613
Medical	-	-	-	-	13,860	10,714
Conveyance, other allowances and benefits	-	-	-	-	69,471	52,249
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,389</u>	<u>278,575</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>139</u>	<u>113</u>

41.1 No remuneration was paid to CEO during 2020. Cars provided to entitled executives are for private and official use.

## 42. RELATED PARTY TRANSACTIONS

The related parties comprise of the parent company, directors, key management personnel, associated undertakings, and entities with common directors. Related party transactions and balances, including those disclosed elsewhere in these financial statements are given below:

	2020	2019
	-----Rupees in 000-----	
<b>Transactions during the year</b>		
<b>Holding company</b>		
Premium written	5,226	5,139
Insurance expense	9,620	16,325
Claims expense	6,000	23,903
Premises Rental	39,084	1,436
Rental Income	3,750	2,250
<b>Associated undertakings</b>		
Premium written	232,107	239,237
Claims expense	185,653	75,304
Commission and other incentives in respect of bancassurance	1,536,137	1,770,676
Profit on bank deposits	105,228	269,079
Bank charges	1,832	1,646
Investments purchased	5,608,773	5,689,281
Investments sold	4,936,058	4,667,827
Dividend income	91,535	159,273
Reinsurance claim recoveries	-	10,680
Reinsurance premium ceded	-	1,906
<b>Other related parties</b>		
Premium written	6,228	8,445
Claims expense	493	459
Investment advisor fee	25,317	16,477
Trustee fee	9,450	9,530
<b>Transactions with key management personnel</b>		
Premium written	351	3,433
<b>Staff retirement benefit plan (gratuity fund)</b>		
Charge for the year	75,323	51,447
<b>Balances outstanding as at the end of the year</b>		
<b>Holding company</b>		
Premium received in advance	13	-
Claims and other payable	3,000	2,913
Insurance claims receivable	47	47
Other receivable	3,750	5
<b>Associated undertakings</b>		
Premium due but unpaid	7,985	6,526
Bank deposits	3,306,935	1,475,870
Investments held	7,868,307	6,799,087
Dividend receivables	-	22,814
Accrued Income	593	101
Commission payable	453,358	337,441
Claims payable	33,107	2,370
Reinsurance receivable	-	1,874
<b>Other related parties</b>		
Premium due but unpaid	146	3,027
Remuneration payable for the management of discretionary investment portfolio	1,849	3,792
Remuneration payable to trustee	968	486
Other receivable / (payable)	16,694	(892)
<b>Staff retirement benefit plan (gratuity fund)</b>		
Payable to gratuity fund	112,349	37,026

### 43. SEGMENTAL INFORMATION

#### 43.1 Revenue Account By Statutory Fund

	Statutory Funds					Group Family Takaful Business	2020
	Conventional Business	Accident and Health Business	Non-unitized Investment Link Business	Unit Linked Business	Individual		
					Family Takaful Unit Linked Business		
(Rupees in 000)							
Income							
Premiums / contribution less reinsurances / re-takaful	204,697	160	183,932	13,142,282	2,992,233	13,616	16,536,920
Rental income from investment property	-	-	-	3,750		-	3,750
Net investment income	44,165	-	352,040	3,523,973	322,204	-	4,242,382
Total net income	248,862	160	535,972	16,670,005	3,314,437	13,616	20,783,052
Insurance benefits and expenditures							
Insurance benefits including bonus net of reinsurance	(183,907)	-	(726,548)	(5,449,673)	(475,656)	(2,847)	(6,838,631)
Management expenses less recoveries	(71,472)	(71)	(12,180)	(2,637,830)	(999,780)	(2,500)	(3,723,833)
Total insurance benefits and expenditures	(255,379)	(71)	(738,728)	(8,087,503)	(1,475,436)	(5,347)	(10,562,464)
Excess of income over insurance benefits and expenditures	(6,517)	89	(202,756)	8,582,502	1,839,001	8,269	10,220,588
Net change in insurance liabilities (other than outstanding claims)	14,847	(111)	237,863	(8,399,705)	(1,784,457)	(5,503)	(9,937,066)
Surplus / (deficit) before tax	8,330	(22)	35,107	182,797	54,544	2,766	283,522
Movement in policyholders' liabilities	14,847	(111)	237,863	(8,399,705)	(1,784,457)	(5,503)	(9,937,066)
Capital contribution from / (to) shareholders' fund	16,500	-	-	-	-	10,000	26,500
Balance of statutory funds at beginning of the year	275,660	126	2,966,541	31,006,637	2,601,887	-	36,850,851
Balance of statutory funds at end of the year	285,643	215	2,763,785	39,589,139	4,440,888	18,269	47,097,939

# Revenue Account By Statutory Fund

## Statutory Funds

	Conventional Business	Accident and Health Business	Non-unitized Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2019
	(Rupees in 000)					
<b>Income</b>						
Premiums / contribution less reinsurance / re-takaful	231,458	-	287,082	9,987,242	1,880,368	12,386,150
Rental income from investment property	-	-	-	2,250	-	2,250
Net investment income	43,903	-	174,661	3,036,663	227,459	3,482,686
Total net income	275,361	-	461,743	13,026,155	2,107,827	15,871,086
<b>Insurance benefits and expenditures</b>						
Insurance benefits including bonus net of reinsurance	(157,099)	-	(172,313)	(6,037,157)	(357,313)	(6,723,882)
Management expenses less recoveries	(98,822)	-	(21,010)	(2,852,492)	(776,139)	(3,748,463)
Total insurance benefits and expenditures	(255,921)	-	(193,323)	(8,889,649)	(1,133,452)	(10,472,345)
Excess of income over insurance benefits and expenditures	19,440	-	268,420	4,136,506	974,375	5,398,741
Net change in insurance liabilities (other than outstanding claims)	(43,795)	-	(190,247)	(3,916,133)	(975,413)	(5,125,588)
Surplus / (deficit) before tax	(24,355)	-	78,173	220,373	(1,038)	273,153
Movement in policyholders' liabilities	(43,795)	-	(190,247)	(3,916,133)	(975,413)	(5,125,588)
Capital contribution from / (to) shareholders' fund	4,800	-	-	(13,540)	5,500	(3,240)
Balance of statutory funds at beginning of the year	251,420	126	2,698,121	26,883,672	1,622,012	31,455,350
Balance of statutory funds at end of the year	275,660	126	2,966,541	31,006,638	2,601,887	36,850,851

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**43.2 Segmental results by line of business financial year 2020**
**Income**
**Gross premiums**

- First year individual regular premiums
- Individual renewal premiums
- Individual single premiums
- Group premiums

**Total gross premiums**
**Reinsurance premiums**

- Individual
- Group

**Total reinsurance premiums**
**Net premium revenue**

Rental income from investment property

Net investment income

**Total Net Income**
**Insurance benefits and expenditures**

Insurance benefits net of reinsurance

Management expenses less recoveries

**Total insurance benefits and expenditures**
**Excess of income over insurance benefits and expenditures**

Add: Policyholders' liabilities at beginning of year

Less: Policyholders' liabilities at end of year

**Surplus / (deficit) for the year**

Individual life distributed through banks	Other lines of business	Total current year
(Rupees in 000)		
2,635,876	534,053	3,169,929
7,584,774	430,209	8,014,983
5,209,953	120,952	5,330,905
	585,070	585,070
15,430,603	1,670,284	17,100,887
(175,521)	(19,817)	(195,338)
-	(368,629)	(368,629)
(175,521)	(388,446)	(563,967)
15,255,082	1,281,838	16,536,920
3,502	248	3,750
3,943,756	298,626	4,242,382
19,202,340	1,580,712	20,783,052
(6,445,295)	(393,336)	(6,838,631)
(2,867,706)	(856,127)	(3,723,833)
(9,313,001)	(1,249,463)	(10,562,464)
9,889,339	331,249	10,220,588
34,515,226	1,406,396	35,921,622
(44,046,854)	(1,811,834)	(45,858,688)
357,711	(74,189)	283,522

**Segmental results by line of business financial year 2019**
**Income**
**Gross premiums**

- First year individual regular premiums
- Individual renewal premiums
- Individual single premiums
- Group premiums

**Total gross premiums**
**Reinsurance premiums**

- Individual
- Group

**Total reinsurance premiums**

Rental income from investment property

Net investment income

**Total Net Income**
**Insurance benefits and expenditures**

Insurance benefits net of reinsurance

Management expenses less recoveries

**Total insurance benefits and expenditures**
**Excess of income over insurance benefits and expenditures**

Add: Policyholders' liabilities at beginning of year

Less: Policyholders' liabilities at end of year

**Surplus / (deficit) for the year**

Individual life distributed through banks	Other lines of business	Total previous year
(Rupees in 000)		
3,302,698	334,489	3,637,187
6,754,998	340,373	7,095,371
1,526,123	73,671	1,599,794
-	637,069	637,069
11,583,819	1,385,602	12,969,421
(158,474)	(12,693.00)	(171,167)
-	(412,104)	(412,104)
11,425,345	960,805	12,386,150
2,113	137	2,250
3,271,298	211,388	3,482,686
14,698,756	1,172,330	15,871,086
(6,250,728)	(473,154)	(6,723,882)
(3,158,253)	(590,210)	(3,748,463)
(9,408,981)	(1,063,364)	(10,472,345)
5,289,775	108,966	5,398,741
29,883,684	912,351	30,796,035
(34,515,226)	(1,406,397)	(35,921,623)
658,233	(385,080)	273,153



## 43.3 Segmental Statement of Financial Position December 31, 2020

	2020		
	Statutory	Shareholders	Total
	Funds	Fund	
	(Rupees in '000)		
Property and equipment	-	126,198	126,198
Intangible assets	-	39,194	39,194
Right of use asset	-	236,382	236,382
Investment property	855,394	-	855,394
Investments			
Equity securities	7,053,933	18,367	7,072,300
Government securities	11,134,682	400,410	11,535,092
Debt securities	3,380,743	-	3,380,743
Term deposits	7,962,000	-	7,962,000
Mutual funds	8,596,989	-	8,596,989
Loan secured against life insurance policies	29,912	-	29,912
Insurance / reinsurance receivables	232,084	-	232,084
Other loans and receivables	398,433	58,398	456,831
Taxation - payment less provision	267,584	47,490	315,074
Deferred tax asset	-	9,096	9,096
Prepayments	1,340	44,831	46,171
Cash and bank	9,666,875	288,177	9,955,052
<b>Total assets</b>	<b>49,579,969</b>	<b>1,268,543</b>	<b>50,848,512</b>
Insurance liabilities	47,033,478	-	47,033,478
Retirement benefit obligations	-	112,349	112,349
Deferred tax liability	215,679	-	215,679
Lease liabilities	-	271,436	271,436
Borrowings	-	164,482	164,482
Deferred government grant	-	13,807	13,807
Premium / contribution received in advance	325,033	-	325,033
Insurance / reinsurance payables	130,635	-	130,635
Other creditors and accruals	851,595	239,403	1,090,998
<b>Total liabilities</b>	<b>48,556,420</b>	<b>801,477</b>	<b>49,357,897</b>
	2019		
	Statutory	Shareholders	Total
	Funds	Fund	
	(Rupees in '000)		
Property and equipment	-	149,924	149,924
Intangible assets	-	62,309	62,309
Right of use asset	-	351,742	351,742
Investment property	876,394	-	876,394
Investments			
Equity securities	7,466,745	19,167	7,485,912
Government securities	5,060,102	317,535	5,377,637
Debt securities	2,773,969	-	2,773,969
Term deposits	9,585,000	-	9,585,000
Mutual funds	5,855,626	-	5,855,626
Loan secured against life insurance policies	32,785	-	32,785
Insurance / reinsurance receivables	57,224	-	57,224
Other loans and receivables	236,370	39,794	276,164
Taxation - payment less provision	206,049	45,043	251,092
Prepayments	-	37,331	37,331
Cash and bank	7,211,761	48,798	7,260,559
<b>Total assets</b>	<b>39,362,025</b>	<b>1,071,643</b>	<b>40,433,668</b>
Insurance liabilities	36,735,953	-	36,735,953
Retirement benefit obligations	-	37,026	37,026
Deferred tax liability	143,144	(47,104)	96,040
Lease liabilities	-	361,378	361,378
Premium / contribution received in advance	261,045	-	261,045
Insurance / reinsurance payables	125,265	-	125,265
Other creditors and accruals	911,725	585,945	1,497,670
<b>Total liabilities</b>	<b>38,177,132</b>	<b>937,245</b>	<b>39,114,377</b>

#### 44. MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through profit or loss	Investment property	Total
<b>----- (Rupees in '000) -----</b>					
<b>As at January 1, 2019</b>	11,070,000	447,717	17,265,377	855,394	29,638,488
Additions	98,847,476	1,459,016	132,200,278	-	232,506,770
Disposals (sale and redemptions)	(100,332,476)	(1,232,256)	(129,155,510)	-	(230,720,242)
Fair value net gains (excluding net realised gains)	-	516	508,006	21,000	529,522
<b>As at December 31, 2019</b>	<b>9,585,000</b>	<b>674,993</b>	<b>20,818,151</b>	<b>876,394</b>	<b>31,954,538</b>
<b>As at January 1, 2020</b>	<b>9,585,000</b>	<b>674,993</b>	<b>20,818,151</b>	<b>876,394</b>	<b>31,954,538</b>
Additions	54,451,000	2,441,468	167,134,793	-	224,027,259
Disposals (sale and redemptions)	(56,074,000)	(2,312,304)	(159,018,594)	-	(217,404,898)
Fair value net gains (excluding net realised gains / losses)	-	5,526	841,093	(21,000)	825,619
<b>As at December 31, 2020</b>	<b>7,962,000</b>	<b>809,681</b>	<b>29,775,443</b>	<b>855,394</b>	<b>39,402,518</b>

## **45. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

### **45.1 Financial risk management objectives and policies**

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk in relation to the financial statements on its statement of financial position. The Company's overall risk management seeks to minimize potential adverse effects on the Company's financial performance of such risk.

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

#### **45.1.1 Market risk**

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments and with respect to products other than unit linked products (where the investment risk is passed on to policyholders). The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities and equities. The Company, along with minimising market risk by careful diversification in financial assets, also periodically carries out an Asset Liability Management (ALM) exercise to match duration of assets and liabilities.

#### **45.1.2 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.

The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistan Rupees.

#### **45.1.3 Other price risk**

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

#### **45.1.4 Equity price risk**

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

#### **45.1.5 Liquidity risk**

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

The Company is maintaining sufficient liquid assets both in the form of cash deposits and liquid securities to meet its long term and short term cash requirements.

#### **45.1.6 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.



#### 45.1.7 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 bank balances and 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 as of December 31, 2020, whichever is earlier, is as follows:

On balance sheet financial instruments	2020					
	Interest / markup bearing		Non Interest / non markup bearing			
	Maturity up to 1 Year	Maturity after 1 Year	Sub Total	Maturity up to 1 Year	Maturity after 1 Year	Sub Total
(Rupees in '000)						
<b>Assets</b>						
Investments	15,022,195	7,855,640	22,877,835	15,669,289	-	15,669,289
Loan secured against life insurance policies	29,912	-	29,912	-	-	-
Insurance / reinsurance receivables	-	-	-	232,084	-	232,084
Loans and other receivables	-	-	-	456,831	-	456,831
Cash and bank	9,861,193	-	9,861,193	93,859	-	93,859
	<b>24,913,300</b>	<b>7,855,640</b>	<b>32,768,940</b>	<b>16,452,063</b>	<b>-</b>	<b>16,452,063</b>
<b>Liabilities</b>						
Borrowings	89,142	75,340	164,482	-	-	-
Lease liabilities	57,871	213,565	271,436	-	-	-
Insurance / reinsurance payable	-	-	-	130,635	-	130,635
Other creditors and accruals	-	-	-	1,076,373	-	1,076,373
	<b>147,013</b>	<b>288,905</b>	<b>435,918</b>	<b>1,207,008</b>	<b>-</b>	<b>1,207,008</b>
	<b>24,766,287</b>	<b>7,566,735</b>	<b>32,333,022</b>	<b>15,245,055</b>	<b>-</b>	<b>15,245,055</b>
						<b>47,578,077</b>

Concentration of credit risk arises when a number of counter parties have similar types of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. Major credit risk arises in credit exposure to group life policyholders on account of premiums due but unpaid and on bank balances.

The management monitors exposure to credit risk through regular review of credit exposure and assessing credit worthiness of counter parties.

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

**Ratings of Banks\***

	2020	2019
	----- (Rupees in '000) -----	
A	1,510,811	801,829
A-	21,486	600,878
A+	609,184	647,883
AA	888,496	1,639,407
AA+	410,752	3,679,930
AAA	14,470,385	9,460,233
	<u>17,911,114</u>	<u>16,830,160</u>

\*Rating of banks performed by PACRA and VIS Credit Rating Company.

The credit quality of Company's exposure on TFCs and Corporate Sukuks can be assessed with reference to rating issued by rating agency as follows:

**Issuer of TFC's / Corporate Sukuks \*\***

	Rating	2020	2019
		----- (Rupees in '000) -----	
Askari Bank Limited	AA+	199,040	299,979
Aspin Pharma (Private) Limited	A	49,593	65,600
Bank Al Habib Limited	AA+	178,788	194,655
Bank Alfalah Limited		-	167,114
Bank of Punjab Limited	AA	589,004	580,430
Dawood Hercules Limited	AA	456,172	584,617
Dubai Islamic Bank Pakistan Limited	AA	59,622	58,058
Engro Polymer & Chemicals Limited	AA	91,935	91,238
Ghani Chemical Industries Limited	A-	25,123	29,250
Habib Bank Limited	AAA	108,894	56,810
International Brands Limited	AA	64,659	84,458
Jahangir Siddiqui Limited	AA+	123,656	148,802
Meezan Bank Limited	AA+	809,627	289,786
Pakistan Energy Limited	AA+	452,700	-
Soneri Bank Limited	AA-	49,430	49,820
TPL Tracker Limited	A+	22,500	23,352
		<u>3,280,743</u>	<u>2,723,969</u>

\*\*Rating of issuers of TFCs and Corporate Sukuks performed by PACRA and VIS Credit Rating Company.

Investment in Government securities are not exposed to any credit risk.

The management monitors exposure to credit risk in premium receivable from group clients through regular review of credit exposure and makes provision for doubtful premium receivables based on prudent estimates.

2019

On balance sheet financial instruments	Interest / markup bearing		Non interest / non markup bearing		Total
	Maturity up to 1 Year	Maturity after 1 Year	Maturity up to 1 Year	Maturity after 1 Year	
	(Rupees in '000)				
<b>Assets</b>					
Investments	16,839,783	896,823	13,341,538	-	31,078,144
Loan secured against life insurance policies	32,785	-	32,785	-	32,785
Insurance / reinsurance receivables	-	-	-	-	-
Loans and other receivables	-	-	57,224	-	57,224
Cash and bank	7,089,626	-	276,164	-	276,164
			155,534	-	155,534
	23,962,194	896,823	13,830,460	-	38,689,477
<b>Liabilities</b>					
Lease liabilities	90,734	270,644	361,378	-	361,378
Insurance / reinsurance payable	-	-	-	-	-
Other creditors and accruals	-	-	125,265	-	125,265
			1,486,487	-	1,486,487
	90,734	270,644	1,611,752	-	1,973,130
	23,871,460	626,179	12,218,708	-	36,716,347

## 46. INSURANCE RISK AND MANAGEMENT OF INSURANCE RISK

### 46.1 Conventional business

#### 46.1.1 Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Company faces the risk of underpricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

#### Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

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

#### Benefits assured per life

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

#### e) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 1% of the total policyholder liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

#### 46.1.2 Group Life

The main risk written by the Company is mortality. The Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Company also faces risk such as that of underpricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Company has a well defined medical underwriting policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The Management undertakes to write business in line with the limits set by the appointed actuary, especially for large groups having a group assurance policy with annual premium of Rs. 2 million or above in accordance with the requirements of Circular 11 of 2013 dated June 14, 2013. The Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure to any one life. The Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Company ensures that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

#### a) Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

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

#### Benefits assured per client

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



**Benefits assured per life**

Rupees	Sum assured at the end of 2019			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	14,013	39.57%	3,807	39.57%
200,000 - 400,000	5,605	15.83%	1,523	15.83%
400,001 - 800,000	4,841	13.67%	1,315	13.67%
800,001 - 1,000,000	510	1.44%	138	1.43%
More than 1,000,000	10,446	29.50%	2,838	29.50%
Total	35,415		9,621	

**a) Sources of uncertainty in the estimation of future benefit payments and premium receipts**

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

**b) Factors impacting future benefit payments and premium receipts are as follows:**

The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

**c) Process used to decide on assumptions**

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: A periodic study is conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

**d) Changes in assumptions**

There are no changes in assumptions.

**Benefits assured per life**

Sum assured at the end of 2019

Rupees	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-500,000	-	0.000%	-	0.000%
500,001-1,000,000	-	0.000%	-	0.000%
1,000,001-1,500,000	-	0.000%	-	0.000%
1,500,001-2,000,000	-	0.000%	-	0.000%
More than 2,000,000	592,761,889	100.000%	204,301,760	100.000%
Total	<u>592,761,889</u>		<u>204,301,760</u>	

**b) Sources of uncertainty in the estimation of future benefit payments and premium receipts**

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

**c) Process used to decide on assumptions**

Industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

**d) Changes in assumptions**

There are no changes in assumptions.

**e) Sensitivity analysis**

After reinsurance, the net unearned premium reserve for this business stands at less than 1% of the total policyholders liability. This liability will be on the Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

**46.2 Non utilised Investment Linked Business**

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the insured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of underpricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

#### a) Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

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

##### Benefits assured per life

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

##### Benefits assured per life

Rupees	Sum assured at the end of 2019			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	227,510	8.91%	69,243	10.13%
200,000 - 400,000	297,182	11.64%	91,405	13.37%
400,001 - 800,000	718,533	28.14%	217,492	31.81%
800,001 - 1,000,000	740,372	29.00%	223,161	32.64%
More than 1,000,000	569,440	22.30%	82,441	12.06%
Total	2,553,037		683,742	

#### b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term non-unitised investment linked assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

- Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

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### c) Process used to decide on assumptions

For long-term non-unitised investment linked assurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: A periodic study is conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

### d) Changes in assumptions

There are no changes in assumptions.

### e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

## 46.3 Unit Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of underpricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

### Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.



However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

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

Benefits assured per life	Sum assured at the end of 2020			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	2,897,364	2.62%	2,248,696	3.69%
200,000 - 400,000	14,087,312	12.75%	11,201,286	18.39%
400,001 - 800,000	29,372,875	26.58%	22,386,891	36.75%
800,001 - 1,000,000	27,231,334	24.65%	15,180,826	24.92%
More than 1,000,000	36,900,887	33.40%	9,893,933	16.24%
Total	110,489,772		60,911,632	

Benefits assured per life	Sum assured at the end of 2019			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	9,153,325	8.29%	5,636,878	10.02%
200,000 - 400,000	12,522,371	11.34%	9,121,989	16.22%
400,001 - 800,000	27,073,353	24.51%	18,911,051	33.63%
800,001 - 1,000,000	27,210,735	24.63%	14,001,825	24.90%
More than 1,000,000	34,506,808	31.24%	8,560,398	15.22%
Total	110,466,592		56,232,141	

**a) Sources of uncertainty in the estimation of future benefit payments and premium receipts**

Uncertainty in the estimation of future benefit payments and premium receipts for long-term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behaviour.

**b) Factors impacting future benefit payments and premium receipts are as follows:**

**Mortality:** The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

**Persistency:** The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

**c) Process used to decide on assumptions**

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

**Mortality:** The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

**Persistency:** The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

**Expense levels and inflation:** As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

**Investment returns:** The investment returns are based on the historic performance of the assets and asset types underlying the fund.

**d) Changes in assumptions**

There are no changes in assumptions.

**e) Sensitivity analysis**

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

**46.4 Individual Family Takaful Unit Linked Business**

The risk covered is mainly death and sometimes disability and / or critical illness. The risk of death and disability will vary from region to region. The PTF may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The PTF may also face the risk of poor investment return, and liquidity issues on monies invested in the fund. The PTF faces the risk of inadequacy of the Mortality Charge (Takaful Contribution) particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency can lead to an impact on the size of the PTF. A larger PTF may allow for a greater degree of cross subsidization of Mortality Risk, increasing the probability of convergence between actual and expected Mortality experience.

The Company manages these risks through its underwriting, retakaful, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids issuing cover to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of contribution charged for risk underwritten by the PTF. Retakaful contracts have been purchased by the Company to limit the maximum exposure on any one participant. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency, the Company applies quality controls on the standard of service provided to Participants of the PTF and has placed checks to curb mis-selling and improvement in the standard of customer service. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, a Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the Takaful Contributions deductible under the contracts, thus limiting the risk of under pricing.

**Frequency and severity of claims**

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.



The Company charges for mortality risk on a monthly basis for all Takaful contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and retakaful arrangements.

The table below presents the concentration of covered benefits across five bands of covered benefits per participant. The benefit covered figures are shown gross and net of the retakaful contracts described above.

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

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

Benefits covered per life	Sum assured at the end of 2019			
	Total benefits covered			
	Before retakaful		After retakaful	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Rupees				
0 - 200,000	1,517,959	7.36%	1,143,889	8.53%
200,000 - 400,000	2,072,722	10.05%	1,967,329	14.66%
400,001 - 800,000	4,998,950	24.23%	4,725,553	35.22%
800,001 - 1,000,000	5,431,737	26.33%	3,616,272	26.95%
More than 1,000,000	6,606,294	32.03%	1,964,029	14.64%
Total	20,627,662		13,417,072	

**a) Sources of uncertainty in the estimation of future benefit payments and contribution receipts**

Uncertainty in the estimation of future benefit payments and contribution receipts for long-term unit linked takaful contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in participant's behaviour.

**b) Factors impacting future benefit payments and contribution receipts are as follows:**

**Mortality:** The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

**Persistency:** The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

**c) Process used to decide on assumptions**

For long-term unit linked takaful contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:



**Mortality:** The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

**Persistency:** The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

**Expense levels and inflation:** A periodic study is conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

**Investment returns:** The investment returns are based on the historic performance of the assets and asset types underlying the fund.

#### e) Changes in assumptions

There are no changes in assumptions.

#### Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

### 46.5 Group Life Family Takaful

The main exposure of the PTF is to mortality risk. The PTF may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality, writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The PTF also faces risk such as that of underpricing to acquire business in a competitive environment and of non-receipt of takaful contributions in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Company manages these risks through underwriting, retakaful, effective claims handling and other related controls. The Company has a well defined medical underwriting policy and avoids writing business for groups with overly hazardous exposure. Pricing is done using the retakaful rates. The contribution charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The rates are certified by the appointed actuary for large groups. The Company also maintains an MIS to track the adequacy of the takaful contribution charged. Retakaful contracts have been purchased by the Company to limit the maximum mortality exposure of any one covered person. The Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Company ensures that payment of any fraudulent claims is avoided. Strict monitoring is in place in order to keep the outstanding balances of contribution at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

#### Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

The table below presents the concentration of covered benefits across five bands of covered benefits per participant. The benefit covered figures are shown gross and net of the retakaful contracts described above.

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





# Benefits covered per Participant

Rupees	Sum assured at the end of 2020			
	Total benefits covered			
	Before retakaful		After retakaful	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0 - 500,000	5,252,290	11.02%	3,389,030	29.51%
500,001-1,000,000	7,540,050	15.82%	4,477,095	38.99%
1,000,001-1,500,000	2,173,100	4.56%	489,900	4.27%
1,500,001-2,000,000	4,760,845	9.99%	814,800	7.10%
More than 2,000,000	27,934,683	58.61%	2,312,400	20.14%
Total	47,660,968		11,483,225	

The Group Life Family Takaful business started during the year.

## a) Sources of uncertainty in the estimation of future benefit payments and contribution receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

## b) Process used to decide on assumptions

The business is too new for any meaningful investigation into the group's past experience. However, industry experience, the insured group's own past experience and retakaful risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

## c) Changes in assumptions

Assumptions	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
	(Rupees in '000)	
Mortality	45,874,473	45,840,744
Investment Returns	45,874,473	45,863,927

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

#### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

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

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).

#### On balance sheet financial instruments

On balance sheet financial instruments									
December 31, 2020									
Carrying value									
Fair value									
Available for Sale	Fair value through profit or loss	Loans and Receivables	Financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000')									
Financial assets measured at fair value									
- Investments									
Government Securities (T-bills + PIBs + Sukuks)	790,268	10,744,824	-	-	11,535,092	-	11,535,092	-	11,535,092
Equity securities	19,413	7,052,887	-	-	7,072,300	7,072,300	-	-	7,072,300
Mutual funds	-	8,596,989	-	-	8,596,989	8,596,989	-	-	8,596,989
Debt securities (listed TFCs / Corporate sukus)	-	3,280,743	-	-	3,280,743	772,875	2,507,868	-	3,280,743
	809,681	29,675,443	-	-	30,485,124	16,442,164	14,042,960	-	30,485,124
Non-financial assets measured at fair value									
- Investment property	-	855,394	-	-	855,394	-	-	855,394	855,394
	-	855,394	-	-	855,394	-	-	855,394	855,394
Financial assets not measured at fair value									
- Balances with banks	-	-	9,949,114	-	9,949,114				
- Term deposit receipts	-	-	7,962,000	-	7,962,000				
- Investment in debt securities	-	-	100,000	-	100,000				
- Other financial assets	-	-	718,969	-	718,969				
	-	-	18,730,083	-	18,730,083				
Financial liabilities not measured at fair value									
- Borrowings	-	-	-	164,482	164,482				
- Other financial liabilities	-	-	-	1,207,008	1,207,008				
	-	-	-	1,371,490	1,371,490				
	809,681	30,530,837	18,730,083	(1,371,490)	48,699,111				



#### 48. WINDOW TAKAFUL OPERATIONS

##### 48.1 Statement of Financial Position As at December 31, 2020

Operator's Sub Fund	Statutory funds		Aggregate	
	Individual Family Takaful	Group Family Takaful	December 31, 2020	December 31, 2019
-----Rupees in 000-----				
<b>Share capital and reserves</b>				
Operator's fund	159,501	-	159,501	159,501
Accumulated deficit	(54,071)	-	(54,071)	(120,967)
Qard-e-Hasna contributed by Window Takaful Operator	(22,500)	-	(22,500)	(22,500)
<b>Net shareholders' equity</b>	<b>82,930</b>	<b>-</b>	<b>82,930</b>	<b>16,034</b>
<b>Balance of statutory fund [including technical reserves]</b>				
Participants' Investment Fund	-	4,256,344	4,256,344	2,545,272
Participants' Takaful Fund - Waqf [ including technical reserves of Rs.86.75 million (2019: Rs. 30.61 million) ]	-	104,252	119,755	40,899
	-	4,360,596	4,376,099	2,586,171
<b>Creditors and accruals</b>				
Outstanding claims	-	37,737	37,755	12,241
Contribution received in advance	-	85,834	85,985	51,536
Amounts due to retakaful	-	15,689	31,196	23,923
Amounts due to agents	130,854	-	130,854	79,772
Other creditors and accruals	53,148	2,462	55,610	32,384
Inter-fund payable	-	23,256	26,004	85,288
<b>Total liabilities</b>	<b>184,002</b>	<b>164,978</b>	<b>367,404</b>	<b>285,144</b>
<b>Total equity and liabilities</b>	<b>266,932</b>	<b>4,525,574</b>	<b>4,826,433</b>	<b>2,887,349</b>
<b>Cash and bank deposits</b>				
Cash and others	1,449	-	1,449	5,989
Bank deposits	93,323	586,651	705,552	417,885
Deposit maturing within twelve months	35,000	1,626,000	1,661,000	1,050,000
	129,772	2,212,651	2,368,001	1,473,874
<b>Investments</b>				
Government securities	57,426	324,981	382,407	3
Other fixed income securities	-	196,144	196,144	121,726
Listed equities and mutual funds	43,255	1,767,299	1,818,903	1,236,922
	100,681	2,288,424	2,397,454	1,358,651
<b>Current assets - others</b>				
Investment income accrued	1,256	18,449	19,705	9,435
Other receivables	-	96	96	23
Prepayments	962	-	962	-
Advances and deposits	3,204	-	3,204	31
Taxation - payment less provision	4,916	-	4,916	13
Dividend receivable	-	5,954	5,954	2,556
Inter-fund receivable	26,141	-	26,141	42,766
	36,479	24,499	60,978	54,824
	<b>266,932</b>	<b>4,525,574</b>	<b>4,826,433</b>	<b>2,887,349</b>

## 48.2 Revenue Account

	Statutory funds			Aggregate
	Individual Family Takaful	Group Family Takaful	2020	
Note	(Rupees in 000)			
48.2.1 Operator's Sub Fund (OSF)				
Income				
Wakalah fee	842,130	5,323	847,453	646,359
Surrender charges	450	-	450	176
Tharawat fee	53,266	-	53,266	30,916
Bid offer spread	97,148	-	97,148	61,857
Participants' Takaful fund management income	51,632	-	51,632	25,263
Income against admin cost charged to PIF	5,892	-	5,892	1,289
Investment income	13,397	-	13,397	11,079
Total net income	1,063,915	5,323	1,069,238	776,939
Less: Expenditures				
Acquisition costs	(819,904)	(2,500)	(822,404)	(594,193)
Administration cost and others	(179,136)	-	(179,136)	(180,796)
Expenses on behalf of PTF- Tabarru dripping	(802)	-	(802)	(519)
Total management cost	(999,842)	(2,500)	(1,002,342)	(775,508)
Excess of income over expenditure	64,073	2,823	66,896	1,431
Technical reserve at the beginning of the year	2,650	-	2,650	-
Less: Technical reserve at end of the year	(12,682)	-	(12,682)	(2,650)
Movement in technical reserves	(10,032)	-	(10,032)	(2,650)
Surplus / (deficit) for the year	54,041	2,823	56,864	(1,219)
Movement in technical reserves	10,032	-	10,032	2,650
Contribution received from Shareholders' Fund	-	10,000	10,000	5,500
Capital contributed to Group Family Takaful	-	(10,000)	(10,000)	-
Balance of Operator's Sub Fund at the beginning of the year	16,034	-	16,034	9,103
Balance of Operator's Sub Fund at end of the year	80,107	2,823	82,930	16,034
Represented by:				
Capital contributed by shareholders' fund	159,501	10,000	169,501	159,501
Capital contributed to Group Family Takaful	-	(10,000)	(10,000)	-
Qard-e-Hasna to PTF	(22,500)	-	(22,500)	(22,500)
Technical reserve at end of the year	12,682	-	12,682	2,650
Retained earnings on other than participating business	(38,082)	2,823	(35,259)	(97,383)
Adjust: Impact of deferred tax	(31,494)	-	(31,494)	(26,234)
Balance of Operator's Sub Fund	80,107	2,823	82,930	16,034

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#### 48.2.2 Participants' Takaful Fund (PTF)

	Note	Statutory funds				(Rupees in 000)	Aggregate	
		Individual Family Takaful	Group Family Takaful	2020	2019			
<b>Participants' Takaful Fund (PTF)</b>								
<b>Income</b>								
Allocated contribution	48.3.2	29,117	31,810	60,927	13,289			
Tabarru income		119,608	-	119,608	59,298			
Re-Takaful ceded		(24,838)	(23,517)	(48,355)	(27,661)			
<b>Total contribution income net of re-takaful</b>		<b>123,887</b>	<b>8,293</b>	<b>132,180</b>	<b>44,926</b>			
<b>Other income</b>								
Add: Investment income	48.4.2	6,269	-	6,269	5,139			
<b>Total Income</b>		<b>130,156</b>	<b>8,293</b>	<b>138,449</b>	<b>50,065</b>			
<b>Less: Expenditure</b>								
Participants' Takaful fund management charges		(51,632)	-	(51,632)	(25,263)			
Death claim expense net of retakaful recoveries		(15,171)	(2,790)	(17,961)	(9,956)			
Other charges		(66,803)	(2,790)	(69,593)	(64)			
					(35,283)			
<b>Excess of income over expenditure</b>		<b>63,353</b>	<b>5,503</b>	<b>68,856</b>	<b>14,782</b>			
<b>Technical reserve at the beginning of the year</b>								
Less: Technical reserve at end of the year		17,899	-	17,899	3,117			
(Less) / add: surplus or deficit retained in technical reserves		(66,613)	(1,745)	(68,358)	(30,619)			
		(14,639)	(3,758)	(18,397)	12,720			
<b>Movement in technical reserve</b>		<b>(63,353)</b>	<b>(5,503)</b>	<b>(68,856)</b>	<b>(14,782)</b>			
<b>Surplus for the year</b>								
Movement in technical reserve		-	-	-	-			
Capital contribution by OSF		63,353	5,503	68,856	14,782			
Qard-e-Hasna received by PTF		-	10,000	10,000	-			
Balance of Participants' Takaful Fund at beginning of the year		-	-	-	-			
<b>Balance of Participants' Takaful Fund at end of the year</b>		<b>40,899</b>	<b>40,899</b>	<b>26,117</b>	<b>40,899</b>			
		<b>104,252</b>	<b>15,503</b>	<b>119,755</b>	<b>40,899</b>			
<b>Represented by:</b>								
Money ceded to Waqf Funds		500	-	500	500			
Capital contribution by OSF		-	10,000	10,000	-			
Qard-e-Hasna received by PTF		22,500	-	22,500	22,500			
Policyholders' liabilities		66,613	5,503	72,116	30,619			
Retained earnings on other than participating business		14,639	-	14,639	(12,720)			
<b>Balance of statutory fund</b>		<b>104,252</b>	<b>15,503</b>	<b>119,755</b>	<b>40,899</b>			

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**Statutory Funds**  
**Individual Family Takaful      Group Family Takaful      Aggregate**

2019

2020

**Note**

(Rupees in 000)

**48.2.3 Participants' Investment Fund (PIF)**

**Income**

Allocated contribution

Investment income

**Total net income**

**Less: Claims expense**

Surrender - Regular

Surrender - Top up

Maturity

Death claim

**Less: Expenditures**

Tabaru charges

Tharawat fee - investment management

Administrative charges

Bank charges

Other expenses

**Excess of income over expenditures**

Technical reserve at the beginning of the year

Technical reserve at the end of the year

**Movement in technical reserve**

**Surplus for the year**

**Movement in technical reserve**

**Balance of statutory funds at beginning of the year**

**Balance of statutory funds at end of the year**

**Represented by:**

Retained earnings on other than participating business

**Balance of statutory fund**

48.3.1	2,048,677	-	2,048,677	1,186,524
48.4.1	302,538	-	302,538	211,241
	2,351,215	-	2,351,215	1,397,765
	(157,372)	-	(157,372)	(83,347)
	(277,846)	-	(277,846)	(262,735)
	(21,311)	-	(21,311)	-
	(4,199)	-	(4,199)	(1,432)
	(460,728)	-	(460,728)	(347,514)
	(118,806)	-	(118,806)	(59,296)
	(53,266)	-	(53,266)	(30,916)
	(5,892)	-	(5,892)	(1,289)
	(171)	-	(171)	(159)
	(1,280)	-	(1,280)	(609)
	(179,415)	-	(179,415)	(92,271)
	1,711,072	-	1,711,072	957,980
	2,545,272	-	2,545,272	1,587,292
	4,256,344	-	4,256,344	2,545,272
	1,711,072	-	1,711,072	957,980
	-	-	-	-
	1,711,072	-	1,711,072	957,980
	2,545,272	-	2,545,272	1,587,292
	4,256,344	-	4,256,344	2,545,272
	4,256,344	-	4,256,344	2,545,272
	4,256,344	-	4,256,344	2,545,272

		Statutory Funds			(Rupees in 000)	Aggregate	
		Individual Family Takaful	Group Family Takaful	2020		2019	
48.3	Statement of Contribution						
	Gross contribution						
	Regular contribution Individual policies						
	First year	1,230,385	-	1,230,385		1,027,255	
	Second year	768,584	-	768,584		462,538	
	Third and subsequent years	671,772	-	671,772		216,498	
	Single contribution	446,331	-	446,331		201,738	
	Group policies without cash values	-	37,133	37,133		-	
	Total gross contribution	3,017,072	37,133	3,054,205		1,908,029	
48.3.1	Proportion of gross contribution allocated to Participants' Investment Fund						
	Allocated regular contribution	1,613,554	-	1,613,554		994,296	
	Single contribution	220,675	-	220,675		-	
	Top-up contribution	214,448	-	214,448		192,228	
	(A)	2,048,677	-	2,048,677		1,186,524	
48.3.2	Proportion of gross contribution allocated to Participants' Takaful Fund						
	Allocated gross contribution-Individual life family takaful	29,117	-	29,117		13,289	
	On group policies	-	31,810	31,810		-	
	(B)	29,117	31,810	60,927		13,289	
48.3.3	Proportion of gross contribution allocated to Operator's Sub Fund						
	Wakalah fees- Individual life family takaful	842,130	-	842,130		646,359	
	Bid offer spread- Individual life family takaful	97,148	-	97,148		61,857	
	Wakalah fees- Group family takaful	-	5,323	5,323		-	
	(C)	939,278	5,323	944,601		708,216	
	(A)+(B)+(C)	3,017,072	37,133	3,054,205		1,908,029	



#### 48.4 Statement of Investment Income

##### 48.4.1 Participants' Investment Fund (PIF)

Return on Government Securities - sukuk  
Return on Debt securities - privately placed sukuk  
Profit on bank deposits  
Unrealised gains on revaluation of mutual funds  
Unrealised gains / (losses) on Debt Securities- privately placed sukuk  
Unrealised (losses) / gains on Government Securities  
Dividend Income  
Gain on disposal of investments  
Less: Investment related expenses  
Less: Tax on dividend under FTR

Statutory Funds	Individual Family Takaful	Group Family Takaful	Aggregate
	2019	2020	2019
	(Rupees in 000)		
	9,786	-	-
	21,105	-	9,786
	106,894	-	21,105
	74,570	-	106,894
	18,829	-	74,570
	4,654	-	18,829
	(2,953)	-	4,654
	27,033	-	(2,953)
	51,363	-	27,033
	(5,732)	-	51,363
	(11)	-	(8,732)
	302,538	-	(11)
(a)			302,538
			211,241

##### 48.4.2 Participants' Takaful Fund (PTF)

Dividend Income  
Unrealised (loss) / gain on revaluation of mutual funds  
Unrealised loss on revaluation of Government Securities  
Return on Government Securities  
Profit on bank deposits

	1,021	-	1,021
	(161)	-	(161)
	(657)	-	(657)
	891	-	891
	5,175	-	5,175
(b)	6,269	-	6,269
			4,937
			5,139

##### 48.4.3 Operator's Sub-Fund

Return on Government Securities  
Unrealised loss on revaluation of Government Securities  
Unrealised gain on revaluation of mutual funds  
Gain on disposal of investments  
Profit on bank balances  
Dividend Income

	1,508	-	1,508
	(1,159)	-	(1,159)
	1,433	-	1,433
	145	-	145
	9,282	-	9,282
	2,188	-	2,188
(c)	13,397	-	13,397
(a+b+c)	322,204	-	322,204
			11,079
			227,459

#### 48.5 Statement of Claims

Claims under individual policies  
- by death  
- by insured event other than death  
- by maturity  
- by surrender  
Total gross individual policy claims  
Claims under group policies  
- by death  
Add: Claim investigation fees  
Total gross claims  
Less: Reinsurance recoveries  
- on individual life claims  
- on group life claims  
Net claims

	34,116	-	34,116
	300	-	300
	21,311	-	21,311
	434,788	-	434,788
	490,495	-	490,495
	-	10,800	10,800
	1,428	-	1,428
	491,923	10,800	502,723
	(16,267)	-	(16,267)
	-	(8,010)	(8,010)
	475,656	2,790	478,446
			357,516
			484
			357,980
			(867)
			-
			357,313

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48.6 Statement of expenses

Operator's Sub-Fund

Acquisition costs

Remuneration to Takaful intermediaries on individual policies:

	Individual Family	Group Family	2020	2019
- commission on first year contributions	518,241	-	518,241	433,473
- commission on second year contributions	39,418	-	39,418	24,958
- commission on subsequent year renewal contributions	8,302	-	8,302	5,418
- commission on single contributions	11,829	-	11,829	4,369
- other benefits to insurance intermediaries	75,044	-	75,044	61,984
<b>Total commission cost</b>	<b>652,834</b>	<b>-</b>	<b>652,834</b>	<b>530,202</b>

Remuneration to insurance intermediaries on group policies:

- Commission	-	2,453	2,453	-
- Other benefits to insurance intermediaries	-	25	25	-
	-	2,478	2,478	-

Other acquisition cost	15,006	22	15,028	11,246
	667,840	2,500	670,340	541,448

Branch Overheads	152,064	-	152,064	52,745
<b>Total acquisition cost</b>	<b>819,904</b>	<b>2,500</b>	<b>822,404</b>	<b>594,193</b>

Administrative expenses

Salaries allowances and other benefits	103,260	-	103,260	89,675
Travelling expenses	1,306	-	1,306	1,581
Actuary's fee	922	-	922	993
Auditor's remuneration	480	-	480	620
Legal and professional charges	5,647	-	5,647	4,950
Information technology expenses	6,346	-	6,346	5,373
Printing and stationery	7,051	-	7,051	6,398
Depreciation	2,699	-	2,699	1,205
Depreciation-Right of use assets	3,608	-	3,608	4,989
Amortisation	2,434	-	2,434	2,501
Rent expense	1,050	-	1,050	6,635
Insurance expense	216	-	216	526
Vehicle running	5,424	-	5,424	4,183
Postage and courier	4,841	-	4,841	4,412
Electricity, gas and water	1,055	-	1,055	1,563
Office repairs and maintenance	1,813	-	1,813	2,121
Entertainment	643	-	643	826
Bank charges	360	-	360	160
Training and development	1,712	-	1,712	5,497
Fees and subscription	1,015	-	1,015	3,099
Marketing cost	23,904	-	23,904	32,203
Other expense	541	-	541	(157)
Profit expense	2,809	-	2,809	1,424
	179,136	-	179,136	180,777
<b>Gross management expenses</b>	<b>999,040</b>	<b>2,500</b>	<b>1,001,540</b>	<b>774,970</b>

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**49. EVENT AFTER REPORTING DATE**

The Board of Directors of the Company have intended to apply for listing in 2021 for further expansion. The utilisation of funds and detailed financial projections will be disclosed when the prospectus to the issue is released.

**50. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on April 26, 2021.



Chief Executive Officer



Director



Director



Chairman