Alfalah Insurance

ANNUAL REPORT 2020

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COMPANY INFORMATION

Chairman

H.H. Sheikh Nahayan Mabarak Al Nahayan

Board of Directors

H.H. Sheikh Nahayan Mabarak Al Nahayan	Director
H.E Sheikh Saif Bin Mohammed Bin Butti	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Tanveer Hussain	Director
Mr. Atif Bajwa	Director
Mr. Bilal Asghar*	Director
Mr. Abdul Haye Mughal	Director

Chief Executive & Managing Director

Mr. Abdul Haye Mughal

Chief Financial Officer & Company Secretary

Mr. Adnan Waheed

Board Committees:

Board Advisory/Strategy Committee:

Mr. Atif Bajwa	Chairman
Mr. Tanveer Hussain	Member
Mr. Bilal Asghar*	Member
Mr. Abdul Haye	Member

Audit Committee:

Mr. Atif Bajwa	Chairman
Mr. Tanveer Hussain	Member
Mr. Bilal Asghar*	Member
Mr. Faisal Shahzad	Secretary

Ethics, Human Resource and Remuneration Committee:

Mr. Atif Bajwa	Chairman
Mr. Tanveer Hussain	Member
Mr. Bilal Asghar*	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Secretary

Investment Committee:

Mr. Atif Bajwa	Chairman
Mr. Tanveer Hussain	Member
Mr. Bilal Asghar*	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member & Secretary

*Resigned on 11th December 2020 and the Board will fill up the casual vacancy within 90 days thereof.

Management Committees:

Underwriting Committee:

Mr. Abdul Haye	Chairman
Mr. Raza Javaid	Member
Mr. Faisal Arshad	Member
Mr. Zaheer Abbas	Member & Secretary

Claims Settlement Committee:

Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member
Ch. Manzoor Hussain	Member
Mr. Muhammad Sarfraz	Member & Secretary

Reinsurance, Re-takaful and Coinsurance Committee:

Mr. Abdul Haye	Chairman
Mr. Faisal Arshad	Member
Mr. Shahzad Aamir	Member
Mr. Shams ul Zuha	Member & Secretary

Risk Management & Compliance Committee:

Mr. Abdul Haye	Chairman
Mr. Adnan Waheed	Member
Mr. Faisal Shahzad	Member
Mr. Naveed Akbar	Member & Secretary

Conventional Banks

Bank Alfalah Limited
Khushsali Bank Ltd
The Bank of Punjab
Zarai Taraqiati Bank Ltd
Mobilink Microfinance Bank
Silk Bank Limited
NRSP Micro Finance Bank
Habib Bank Limited
Summit Bank Limited
Finca Micro Finance Bank
Soneri Bank Limited
The Punjab Provincial Cooperative Bank Ltd
Faysal Bank Limited

Takaful Banks

Bank Alfalah Limited
Askari Bank Limited
Meezan Bank Limited
Dubai Islamic Bank
Standard Chartered Bank

Auditors

M/s Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors

Salahuddin, Saif &Aslam (Attorneys at Law)

Head Office

5-Saint Mary Park,
Gulberg III, Lahore.
UAN: 111-786-234
Fax: 92-42-35774329
Email: afi@alfalahinsurance.com
Web: www.alfalahinsurance.com

VISION

To be a leading insurer by providing most comprehensive yet flexible cost effective risk management solutions to our clients backed with friendly and efficient claims service and enhance the Alfalah brand value for the benefit of all stakeholders.

MISSION

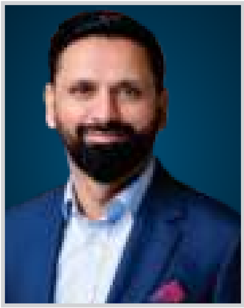
We undertake to provide world class service with unmatched security to our clients and help in increasing awareness about insurance in the country as well as enhancing public confidence in the insurance industry in Pakistan. We will introduce new modern insurance products comparable with international standards and will emerge as an innovative insurer providing complete risk management solutions to the insuring public in Pakistan.

His Highness Sheikh Nahayan Mabarak Al Nahayan
Chairman Abu Dhabi Group

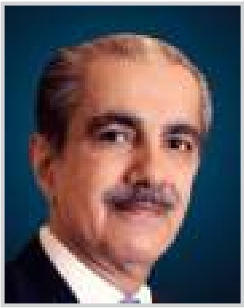
H.H. Sheikh Nahayan Mabarak Al Nahayan
Chairman

His Excellency Sheikh Saif Bin Mohammed Bin Butti
Director

Mr. Khalid Mana Saeed Al Otaiba
Director



Mr. Tanveer Hussain
Director



Mr. Atif Bajwa
Director

Ms. Anjum Hai
Director

Mr. Abdul Haye
MD & CEO

*Ms. Anjum Hai replaced Mr. Bilal Asghar w.e.f. 11th March, 2021.

"A" IS IN OUR DNA

UPGRADED TO "AA" BY PACRA

18TH June 2021

Alfalah Insurance takes pride to upheld Abu Dhabi Group's legacy of performance excellence by achieving an upgrade to "**AA**" by **PACRA**.

We heartily thank our valued customers, shareholders, employees and all stakeholders for inspiring us to reach this milestone.

MOTOR | INDUSTRIAL | PROPERTY | CARGO | TEXTILE | TRAVEL | ENERGY | HEALTH | CROP

www.alfalahinsurance.com | UAN: 111-786-234

Alfalah Insurance

Alfalah Insurance

Agriculture is still the largest sector of the economy of Pakistan in terms of labour participation and as such livelihood of the majority of the population directly or indirectly depends on it. However, during the last few decades, its contribution to GDP has gradually decreased to 19.3 percent however there is a lot of potential in the sector to increase its share in GDP through increased productivity utilization of latest agricultural technologies.

Sector	**Fy2014**	**Fy2015**	**Fy2016**	**Fy2017**	**Fy2018**	**Fy2019**	**Fy2020(P)**
Agriculture	**2.50**	**2.13**	**0.15**	**2.18**	**4.00**	**0.58**	**2.67**
Crops	2.64	0.16	-5.27	1.22	4.69	-4.96	2.98
i) Important Crops	7.22	-1.62	-5.86	2.60	3.56	-7.68	2.90
ii) Other Crops	-5.17	2.51	0.40	-2.51	6.26	2.59	4.57
iii) Cotton Ginning	-1.33	7.24	-22.12	5.58	8.80	-12.74	-4.61
Livestock	2.48	3.99	3.36	2.99	3.70	3.82	2.58
Forestry	1.88	-12.45	14.31	-2.33	2.58	7.87	2.29
Fishing	0.95	5.75	3.25	1.23	1.62	0.80	0.60

P: Provisional
Source: Pakistan Bureau of Statistics

Agriculture Growth (Base=2005-06)

Thus, the performance of Agriculture during 2019-20 remained remarkable. On the aggregate, the sector recorded strong growth of 2.67 percent considerably higher than 0.58 percent growth achieved last year.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Alfalah Insurance Company Limited are pleased to submit 15th Annual Report of your company, together with audited financial statements for the year ended December 31, 2020.

ECONOMIC OVERVIEW AND FUTURE OUTLOOK

Year 2020 was a challenging and volatile year for the world as the outrageous Covid-19 pandemic wreaked mayhem on the humanity taking precious people's lives and livelihoods in the process. Strict lockdowns to control the spread of the pandemic catalyzed the most severe global economic contraction. Pakistan was not an exception as the GDP growth for the year ending June-2020 contracted for the first time after in nearly 68 years. However, the country managed itself much better compared to rest of the world both in terms of lesser damage to the economy and population. On a positive note, the local economy witnessed a V-shaped recovery, boosting overall sentiments and confidence post the first wave of the pandemic.

The external account continued the improving trend as the current account surplus of USD 1.64 billion was recorded during July-November 2020 compared to a Current Account Deficit (CAD) of USD 1.75 billion during the same period last year. The improvement in CAD is primarily driven by record remittances growth of 27% YoY.

Pakistan being the host to CPEC, the flagship project of Beijing's Belt and Road Initiative (BRI), got special focus. China started enhancing investment in CPEC and non-CPEC projects. After successful completion of early harvest phase, CPEC is set to boost Pak-China cooperation in agriculture, industrial cooperation, trade, socio- economic development and initiate an ear of industrialization through establishment of Special Economic Zones.

INSURANCE SECTOR

The outbreak of coronavirus disease (COVID-19) has severely affected the global and Pakistani economy in year 2020, however, it has not impacted the Pakistan insurance industry significantly. Its impact was limited to gross premium underwritten in year 2020 and the growth of insurance industry almost remained flat on the basis of nine months ended as at 30th September 2020. The impact on underwriting profits was largely compensated by increase in investment income and improved loss ratios of certain classes i.e. motor and health during the lockdown. However, full impact of the pandemic on the profitability of insurance industry can only be ascertained during the year 2021.

ALFALAH INSURANCE PERFORMANCE

Despite the challenges of coronavirus disease, year 2020 was an exceptional year in terms of profitability. Increased premium revenue coupled with improved loss ratio, controlled expenses, increased investment income and better performance of window takaful operations together pushed the Profit before tax to Rs382m i.e. 51% higher than last year.

On consolidated basis, Company registered growth of 6% in its gross premium written. Non-group business of the Company increased by 3% registering non-group vs group ratio at 81:19 (LY: 84:16). Net premium revenue of the Company was higher by Rs143m i.e. 9% but its impact was partially diluted by commission expense which was increased by Rs41m i.e. 9% because new business was acquired at high acquisition cost. Net claims expense was increased by Rs84m i.e. by 13% while overall loss ratio was increased from 42% of last year to 43%. During the year, the Company received one-off fire claims of Rs275m which deteriorated the overall claims ratio, otherwise, claim ratio of motor class was significantly improved from 51% of last year to 44% owing to Covid lockdown. The management/admin expenses remained in control and were increased by Rs7m i.e. 2% and the expense ratio was improved from 16% of last year to 15%. Investment income of the Company was increased by Rs99m i.e. 56% from last year. It was mainly due to Company's strategy of building PIBs portfolio of different durations in last year which was yielding an average fixed return of 13% p.a. Due to pandemic, discount rate was substantially reduced by 625bps but the Company's majority of fixed income portfolio not only remained unaffected rather it also generated one-off capital gains. The equity market also gained momentum in last quarter of the year and generated healthy returns. The surplus of shareholder fund was also improved from Rs38m to Rs61m i.e. by 60%. These all positive trends helped the Company to achieve the profit before tax of Rs382m i.e. Rs128m or 51% higher than last year.

DIRECTORS' REPORT TO THE SHAREHOLDERS

SEGMENT WISE PROFITABILITY AT GLANCE

	Net Premium Revenue	Net Claim	Net Commission	Segment Profitability 2020	Segment Profitability 2019	Variance	%
Fire	18,747	30,200	(24,867)	13,414	32,698	-19,284	-59%
Marine	21,563	5,247	(7,845)	24,161	14,541	9,620	66%
Motor	476,764	211,349	10,835	254,580	214,625	39,955	19%
Misc.	83,884	46,624	(38,086)	75,346	130,170	-54,824	-42%
Health	1,125,423	449,021	547,444	128,958	86,275	42,683	49%
Total	**1,726,381**	**742,441**	**487,481**	**496,459**	**478,309**	**18,150**	**4%**

Fire Segment contribution was decreased by Rs19m i.e. by 59% mainly due to increased loss ratio from 50% of last year to 161% in year 2020. It was due to one-off fire claims of Rs275m.

Marine Segment contribution was increased by Rs10m i.e. by 66% due to increase in net premium revenue coupled with improved loss from 44% to 24%.

Motor Segment contribution was increased by Rs40m i.e. by 19%. It was due to improvement in loss ratio from 51% of last year to 44% due to lesser traffic on roads owing to Covid lockdown.

Miscellaneous Segment contribution was decreased by Rs55m i.e. by 42% mainly due to underperformance of crop/livestock segment where net premium revenue was decreased significantly by Rs47m.

Health Segment contribution was increased by Rs43m i.e. by 49% mainly due to improvement in loss ratio from 40% to 39%.

Reinsurance is indeed an important segment of any insurance company. Your company has been backed by leading reinsurers and we have developed and enhanced these relationships to the mutual advantage of the reinsurers and the company. Your company followed a policy of optimizing retention of risk through a carefully designed program of insurance risk management. Your company has also increased capacities for traditional reinsurance arrangements as well as obtained capacity for specialized line.

Window Takaful Operations (WTO) was able to underwrite contribution of Rs373m i.e. 10% higher than last year. This increase resulted in net contribution revenue growth of 10% which was partially diluted due to increase in claims expense, although overall loss ratio remained same at 56% but it coupled with controlled expenses helped the Participant Takaful Fund to achieve surplus of Rs32m in comparison to Rs28m of last year. Increase of 20% in wakala fee was aligned with the increase in earned contribution revenue by 18%. The controlled management/admin expenses of SHF and improvement investment income helped the SHF to achieve the surplus of Rs61m in comparison to Rs39m of last year.

EARNING PER SHARE

During the year after tax earnings per share was Rs.5.47 (2019: Rs.3.19). Detailed working has been reported in Note 34 to the financial statements.

AUDITORS

M/s EY Ford Rhodes, Chartered Accountants, being eligible for appointment, have shown their willingness to act as external and Shariah Compliance auditors of the Company for the year ending December 31, 2021. The Audit Committee and Board of directors in their respective meetings have recommended M/s EY Ford Rhodes, Chartered Accountants as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2021.

DIRECTORS' REPORT TO THE SHAREHOLDERS

BOARD OF DIRECTORS MEETINGS

During the year 2020, four (4) meetings of the Board were held, with attendance as follows;

Name of Directors	No. of Meetings Attended
- HH Sheikh Nahayan Mabarak Al Nahayan	4
- HE Sheikh Saif Bin Mohammad Bin Butti	-
- Mr. Khalid Mana Saeed Al Otaiba	4
- Mr. Atif Bajwa	3
- Mr. Tanveer Hussain Awan	1
- Ms. Dominique Liana Ruusso	3
- Mr. Nauman Ansari	1
- Mr. Bilal Asghar	4
- Mr. Abdul Haye	4

Leave of absence was granted to those Directors who could not attend the Board Meetings.

INSURERS FINANCIAL RATING STRENGTH

PACRA, during its recent review conducted on 26th August 2020, has maintained the IFS rating of your Company at "AA-" (Double A minus) with stable outlook. This rating denotes Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.

AUDIT COMMITTEE

As required under the Code of Corporate Governance, the Board of Directors has established an Audit Committee comprising of the following non-executive directors:

-	Mr. Atif Bajwa	Chairman
-	Mr. Tanveer Hussain Awan	Member
*	Mr. Bilal Asghar	Member

During the year Mr. Atif Bajwa and Mr. Tanveer Hussain Awan were admitted as members in place of Mr. Nauman Ansari and Ms. Dominique Liana Russo.

* Mr. Bilal Asghar resigned on 11th December 2020 and the Board of Directors will fill up the casual vacancy within 90 days thereof.

RELATED PARTY TRANSACTIONS

At each Board meeting the Board of Directors approved company's transactions made with Associated Companies / Related parties. All the transactions executed with related parties were on commercial terms and conditions.

STATEMENT OF ETHICS AND BUSINESS PRACTICES/CODE OF CONDUCT

The Board has adopted the statement of ethics and business practices. All employees were informed of this statement and were required to observe these rules of conduct in relation to business and regulations. Statement of Ethics and business practices were based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The provisions of the Code of Corporate Governance for insurance companies have been complied with during the year under review which was as follows:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and rules there under and Companies Act, 2017.
- These statements present fairly the company's state of affairs, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, International Financial Reporting Standards or any other regulation or law as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuous process and any weakness will be removed and its effective implementation shall be ensured.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is separately annexed with the report.
- Outstanding taxes and duties are given in the financial statements.
- The value of investments of provident and gratuity fund on the basis of un-audited accounts as on December 31, 2020 is as follows:

	Rs in '000'
• Provident Fund	**84,752**
• Gratuity Fund	**70,551**

- The statement of pattern of shareholding in the Company as on December 31, 2020 is separately annexed with the report.

STATEMENT OF COMPLIANCE UNDER SECTION 46(6) OF THE INSURANCE ORDINANCE 2000

The directors of Alfalah Insurance Company Limited hereby certify that in their opinion:

a) the annual statutory accounts of the Company annexed hereto have been drawn up in accordance with the Ordinance and any rules made thereunder;

b) the Company has at all times in the period complied with the provisions of the Ordinance and the rules made thereunder relating to paid up capital, solvency and reinsurance arrangements; and

c) as at the date of the statement, the Company continues to be in compliance with the provisions of the ordinance and the rules made thereunder relating to paid up capital, solvency and reinsurance arrangements.

FUTURE OUTLOOK

With paid up capital of Rs500m and rating of AA-, Alfalah Insurance is poised to increase its market share while maintaining its prudent underwriting policy which has helped the company from inception despite serious jolts in our initial years. We believe 2021 to be a very important year for us. We are aware of the challenges we face but we have set ambitious goals for ourselves and believe that the phenomenal strength of Dhabi Group will help us in achieving our targets.

As a responsible corporate entity we will continue to conduct our business in a transparent way, working closely with the regulators to ensure compliance. Our aim is to exceed expectation of our shareholders not only during the current year but beyond too.

ACKNOWLEDGEMENT

We are grateful to our Chairman HH Sheikh Nahayan Mubarak Al Nahayan and our Board of directors for their wise guidance and support to the Company during the year. We are equally thankful to our sponsor shareholders, our clients and to our reinsurers for their collective contribution. We would also like to place on record our special thanks to the Securities & Exchange Commission of Pakistan for rendering invaluable guidance during the year and to Pakistan Reinsurance Company for their support.

We would also like to express our appreciation to our executives, officers and staff for their hard work, dedication and their will to grow and make this company a leading insurer in Pakistan.

On behalf of the Board,

Director

Chief Executive Officer

Historical financial Information of Last ten (10) Years

Description	For the Year Ended on December 31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Gross Premium Written	2,810,203	2,666,478	2,338,699	2,082,006	1,924,316	1,545,612	1,330,854	1,230,932	1,060,187	928,020
Net Insurance Premium	1,726,381	1,583,734	1,302,298	1,043,222	916,586	780,180	705,323	563,744	454,403	384,483
Net Insurance Claims	(742,441)	(658,573)	(617,966)	(470,630)	(493,076)	(429,297)	(410,817)	(317,378)	(262,368)	(243,221)
Management Expenses	(402,055)	(405,266)	(397,735)	(383,559)	(370,370)	(267,333)	(239,919)	(214,401)	(195,933)	(134,810)
Net Commission	(487,481)	(446,852)	(262,400)	(88,341)	33,028	96,608	95,928	94,672	96,358	71,167
Underwriting Results	94,404	81,791	24,197	100,692	86,168	180,158	150,515	126,637	92,460	77,619
Investment/Other Income	261,240	165,694	72,675	78,888	119,407	77,137	105,103	85,605	96,088	72,156
Other Expenses	(28,390)	(24,238)	(16,091)	(11,095)	(12,489)	(103,784)	(105,024)	(89,202)	(80,662)	(74,141)
Finance Cost	(6,816)	(8,748)								
Profit from Window Takaful	61,467	38,554	14,407	8,410	1,890	-	-	-	-	-
Profit before tax	381,905	253,053	80,782	168,485	193,086	153,511	150,594	123,040	107,886	75,634
Income tax	(108,175)	(93,709)	(29,421)	(53,855)	(65,602)	(38,297)	(27,557)	(20,463)	(9,864)	(6,396)
Profit after tax	273,730	159,344	65,768	123,040	129,374	115,214	123,037	102,577	98,022	69,238
Paid up Capital	500,000	500,000	500,000	500,000	500,000	500,000	300,000	300,000	300,000	300,000
Share deposit money	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
General Reserve	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	15,000	15,000
Fair value reserve	72,902	33,015	(50,777)	951	52,160	9,453	-	-	-	-
Un-appropriated Profit	907,299	627,989	466,262	402,085	281,644	153,935	258,930	135,475	170,309	72,218
	1,631,582	1,312,385	1,066,866	1,054,417	985,185	814,769	710,311	586,856	486,690	388,599
Earnings per Share	5.47	3.19	1.32	2.46	2.59	2.30	2.46	3.42	3.27	2.31
Breakup Value per Share-with fair value adjustment	32.54	26.25	21.34	21.09	19.70	16.30	23.68	19.56	16.22	12.95
Breakup Value per Share-without fair value adjustment	31.17	25.59	22.38	21.07	18.66	16.11	23.68	19.56	16.22	12.95
Net Loss Ratio	-43%	-42%	-47%	-45%	-54%	-55%	-58%	-56%	-58%	-63%
Expense Ratio	-16%	-16%	-18%	-19%	-20%	-24%	-26%	-25%	-26%	-23%
Underwriting Profit to Net Premium	5%	5%	2%	10%	9%	23%	21%	22%	20%	20%
Return on Average Equity	19%	13%	6%	12%	14%	15%	19%	19%	22%	20%

Pattern of Share Holding
As at December 31, 2020

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
2	1	500	1,000
4	501	5,000	6,030
1	5,001	2,500,000	2,500,000
4	2,500,001	5,000,000	19,997,822
1	5,000,001	12,500,000	12,497,323
1	12,500,001	15,000,000	14,997,825
Total			
13			**50,000,000**

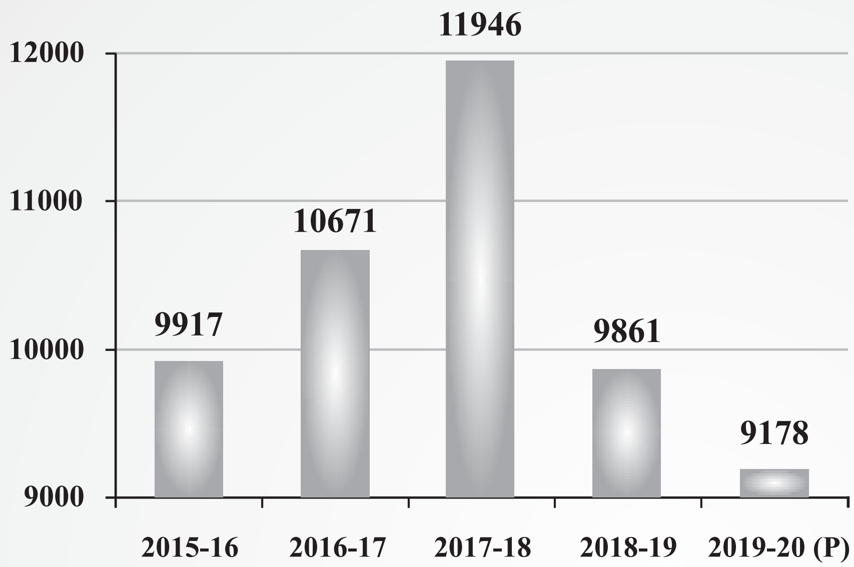
Classification of Shares Categories
As at December 31, 2020

Categories of Members	Number of Shareholders	Number of Shares Held	Percentage
Individuals having shareholding five percent or more	**3**	**12,497,822**	**25.00%**
H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan		2,500,000	5.00%
H.E. Sheikh Mohammed Bin Butti Hamid Al Hamid		4,998,911	10.00%
H.E. Dr. Mana Saeed Al Otaiba		4,998,911	10.00%
Associated Companies	**1**	**14,997,825**	**30.00%**
M/s Bank Alfalah Limited		14,997,825	30%
Directors and CEO	**7**	**12,504,353**	**25.00%**
H.H. Sheikh Nahayan Mabarak Al Nahayan		12,497,323	24.99%
H.E. Sheikh Saif Bin Mohammed Bin Butti		1,085	0.002%
Mr. Khalid Mana Saeed Al Otaiba		1,085	0.002%
Mr. Atif Aslam Bajwa		500	0.001%
Mr. Tanveer Hussain Awan		500	0.001%
Mr. Bilal Asghar		1,085	0.002%
Mr. Abdul Haye Mughal		2,775	0.006%
Companies having shareholding five percent or more	**2**	**10,000,000**	**20.00%**
M/s Al Ain Capital LLC (Formerly M/s Al Bateen Investments)		5,000,000	10.00%
M/s Electromechanical Co. LLC		5,000,000	10.00%
Total	**13**	**50,000,000**	**100.00%**

Alfalah Insurance

Being a major cash crop of Pakistan, cotton is considered the backbone of the economy. It contributes about 0.8 percent to GDP and 4.1 percent of total value addition in agriculture.

Cotton is grown primarily in Punjab and Sindh provinces. On average, Punjab produces about 75 percent of the crop and Sindh 25 percent. In Sindh province cotton is sown during March and April, while in Punjab most sowing activities take place during May and June.



پچھلے (۱۰) سال کا تاریخی مالیاتی اعداد و شمار

تفصیلات	۳۱ دسمبر کو ختم ہونے والے سال کے لئے									
	۲۰۲۰ء	۲۰۱۹ء	۲۰۱۸ء	۲۰۱۷ء	۲۰۱٦ء	۲۰۱۵ء	۲۰۱۴ء	۲۰۱۳ء	۲۰۱۲ء	۲۰۱۱ء
مجموئی خام بیمہ	2,810,203	2,666,478	2,338,699	2,082,006	1,924,316	1,545,612	1,330,854	1,230,932	1,060,187	928,020
خالص بیمہ آمدنی	1,726,381	1,583,734	1,302,298	1,043,222	916,586	780,180	705,323	563,744	454,403	384,483
خالص دعوؤں کے اخراجات	(742,441)	(658,573)	(617,966)	(470,630)	(493,076)	(429,297)	(410,817)	(317,378)	(262,368)	(243,221)
انتظامی اخراجات	(402,055)	(405,266)	(397,735)	(383,559)	(370,370)	(267,333)	(239,919)	(214,401)	(195,933)	(134,810)
خالص کمیشن کی رقم	(487,481)	(446,852)	(262,400)	(88,341)	33,028	96,608	95,928	94,672	96,358	71,167
ذمہ نویسی کا منافع	94,404	81,791	24,197	100,692	86,168	180,158	150,515	126,637	92,460	77,619
سرمایہ کاری / دیگر آمدنی	261,240	165,694	72,675	78,888	119,407	77,137	105,103	85,605	96,088	72,156
دیگر اخراجات	(28,390)	(24,238)	(16,091)	(11,095)	(12,489)	(103,784)	(105,024)	(89,202)	(80,662)	(74,141)
مالی اخراجات	(6,816)	(8,748)								
ونڈو تکافل سے منافع	61,467	38,554	14,407	8,410	1,890	-	-	-	-	-
قبل از ٹیکس منافع	381,905	253,053	80,782	168,485	193,086	153,511	150,594	123,040	107,886	75,634
آمدنی پر ٹیکس	(108,175)	(93,709)	(29,421)	(53,855)	(65,602)	(38,297)	(27,557)	(20,463)	(9,864)	(6,396)
بعد از ٹیکس منافع	273,730	159,344	65,768	123,040	129,374	115,214	123,037	102,577	98,022	69,238
حصص کی مد میں حاصل کیا گیا سرمایہ	500,000	500,000	500,000	500,000	500,000	500,000	300,000	300,000	300,000	300,000
حصص کی مد میں جمع کرائی گئی رقم	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
عام محفوظ فنڈ	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	15,000	15,000
مناسب قدر و قیمت کا فنڈ	72,902	33,015	(50,777)	951	52,160	9,453	-	-	-	-
غیر مختص منافع	907,299	627,989	466,262	402,085	281,644	153,935	258,930	135,475	170,309	72,218
	1,631,582	1,312,385	1,066,866	1,054,417	985,185	814,769	710,311	586,856	486,690	388,599
فی حصص آمدنی	5.47	3.19	1.32	2.46	2.59	2.3	2.46	3.42	3.27	2.31
فی حصص الگ الگ قدر و قیمت -- قدر و قیمت کے مناسب تطابق کے ساتھ	32.54	26.25	21.34	21.09	19.70	16.30	23.68	19.56	16.22	12.95
فی حصص الگ الگ قدر و قیمت -- قدر و قیمت کے مناسب تطابق کے بغیر	31.17	25.59	22.38	21.07	18.66	16.11	23.68	19.56	16.22	12.95
کل خسارے کا تناسب	-43%	-42%	-47%	-45%	-54%	-55%	-58%	-56%	-58%	-63%
اخراجات کا تناسب	-16%	-16%	-18%	-19%	-20%	-24%	-26%	-25%	-26%	-23%
کل بیمے کا ذمہ نویسی منافع	5%	5%	2%	10%	9%	23%	21%	22%	20%	20%
کمپنی کے حصص پر اوسط منافع	19%	13%	6%	12%	14%	15%	19%	19%	22%	20%

حصص داری کا طریقہ ء کار

۳۱ دسمبر ۲۰۲۰ء تک

حصص داروں کی تعداد	حصص داری		مجموعی لئے گئے حصص
	سے	تک	
2	1	500	1,000
4	501	5,000	6,030
1	5,001	2,500,000	2,500,000
4	2,500,001	5,000,000	19,997,822
1	5,000,001	12,500,000	12,497,323
1	12,500,001	15,000,000	14,997,825
کل			
13			**50,000,000**

حصص کے زمروں کی درجہ بندی

۳۱ دسمبر ۲۰۲۰ء تک

ارکان کے زمرے	حصص داروں کی تعداد	لئے گئے حصص کی تعداد	فیصد
افراد جن کے حصص ۵ فیصد یا اس سے زیادہ ہیں	**3**	**12,497,822**	**25.00٪**
جناب عالی شیخ حمدان بن مبارک بن محمد ال نہیان		2,500,000	5.00٪
فضیلت مآب شیخ محمد بن بُطّی حامد الحامد		4,998,911	10.00٪
فضیلت مآب ڈاکٹر مانع سعید العتیبہ		4,998,911	10.00٪
متعلقہ کمپنیاں	**1**	**14,997,825**	**30.00٪**
میسرز بنک الفلاح لمیٹڈ		14,997,825	30٪
ڈائریکٹرز اور چیف ایگزیکٹو آفیسرز	**7**	**12,504,353**	**25.00٪**
جناب عالی شیخ نہیان مبارک ال نہیان		12,497,323	24.99٪
فضیلت مآب شیخ سیف بن محمد بن بُطّی		1,085	0.002٪
جناب خالد مانع سعید العتیبہ		1,085	0.002٪
جناب عاطف اسلم باجوہ		500	0.001٪
جناب تنویر حسین اعوان		500	0.001٪
جناب بلال اصغر		1,085	0.002٪
جناب عبدالحئ مغل		2,775	0.006٪
کمپنیاں جن کے حصص ۵ فیصد یا اس سے زیادہ ہیں	**2**	**10,000,000**	**20.00٪**
میسرز العین کیپیٹل ایل ایل سی (پرانی میسرز البتیں انوسٹمنٹس)		5,000,000	10.00٪
میسرز الیکٹرو مکینیکل کمپنی ایل ایل سی		5,000,000	10.00٪
کل	**13**	**50,000,000**	**100.00٪**

ایک ذمہ دار کارپوریٹ حیثیت رکھتے ہوئے، ہم اپنا کاروبار شفاف انداز میں چلائیں گے اور قوانین نافذ کرنے والوں کے ساتھ مل کر کام کریں گے تاکہ قواعد کی پابندی کو یقینی بنایا جاسکے۔ ہمارا مقصد نہ صرف اس سال بلکہ اس کے بعد بھی اپنے حصص داروں کی توقعات سے بڑھ کر دکھانا ہے۔

اعتراف

ہم اپنے چیئرمین جنابِ عالی شیخ نہیان مبارک ال نہیان اور اپنے بورڈ کے ڈائریکٹرز کے ممنون ہیں کہ انہوں نے دوران سال کمپنی کی رہنمائی اور مدد کی۔ ہم اپنے تعاون کرنے والے حصص داروں، اپنے موکلوں اور اپنے مکرر بیمہ کاروں کی طرف سے اس اجتماعی شراکت داری کے لئے شکر گزار ہیں۔ ہم ریکارڈ پر سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کا ان کی بیش بہا رہنمائی پر اور پاکستان ری انشورنس کمپنی کا اس عرصہ کے دوران مدد کرنے پر خصوصی شکریہ ادا کرتے ہیں۔ ہم اپنے ایگزیکٹوز، افسروں اور سٹاف کو ان کی محنت، لگن، آگے بڑھنے کے مضبوط ارادے اور اس کمپنی کو پاکستان کی ایک نمایاں بیمہ کار بنانے کی کوششوں پر خوب سراہتے ہیں۔

بورڈ کی جانب سے،

چیف ایگزیکٹو آفیسر

ڈائریکٹر

- ۳۱ دسمبر ۲۰۲۰ء تک، کمپنی کے حصص داری کے طریقہ کار کا گوشوارہ رپورٹ کے ساتھ ضمیمے میں الگ سے شامل کر دیا گیا ہے۔

انشورنس آرڈیننس ۲۰۰۰ کے سیکشن (٦)٤٦ کے تحت تعمیلی گوشوارہ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز تصدیق کرتے ہیں کہ ان کی رائے میں:-

الف) یہاں ظاہر کئے گئے کمپنی کے سالانہ قانونی گوشوارے [31]، آرڈیننس کے عین مطابق ہیں اور اس کے مطابق وضع کئے گئے قوانین کے موافق ہیں؛

ب) کمپنی نے اس تمام عرصہ کے دوران آرڈیننس کی شرائط کی تعمیل کی ہے اور اس کے مطابق وضع کئے گئے قوانین کی، جو کہ حصص کی مد میں حاصل کئے گئے سرمائے، ادائے قرض کی صلاحیت، اور مکرر بیمے کے انتظامات کے بارے میں ہیں؛ اور

ج) اس گوشوارے کی تاریخ تک کمپنی نے تسلسل کے ساتھ آرڈیننس کی شرائط کی تعمیل کی ہے اور اس کے مطابق وضع کیے گئے قوانین کی، جو کہ حصص کی مد میں حاصل کئے گئے سرمائے، ادائے قرض کی صلاحیت [32]، اور مکرر بیمے کے انتظامات کے بارے میں ہیں۔

مستقبل کے مواقع

حصص کی مد میں حاصل کئے گئے ۵۰۰ ملین روپے کے سرمائے کے ساتھ "اے اے مائنس" درجہ پانے کے بعد الفلاح انشورنس، مارکیٹ میں اپنا کاروباری حصہ بڑھانے کے حوالے سے پُر اعتماد ہے اور اس کے ساتھ ساتھ اپنی محتاط ذمہ نویسی کی حکمت عملی برقرار رکھے ہوئے ہے، جس نے کمپنی کو آغاز سے ہی شدید نقصانات کے باوجود مدد پہنچائی۔ ہمیں یقین ہے کہ ۲۰۲۱ء ہمارے لئے ایک اہم سال ہے۔ ہم اپنے روبرو چیلنجز سے باخبر ہیں کیونکہ ہم نے اپنے لیے خود حوصلہ مندانہ منزل منتخب کی ہے اور یقین رکھتے ہیں کہ ظَہبی گروپ کی غیر معمولی قوت اس منزل کو پانے میں ہماری مدد کرے گی۔

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[31] Statutory Accounts
[32] Paid up capital, Solvency

- ان گوشواروں میں کمپنی کے معاملات کی صورتحال، سرگرمیوں کے نتائج، پیسے کے بہاؤ اور اصل کاروباری حصے میں تبدیلی کو واضح طور پر بیان کیا گیا ہے۔
- کمپنی نے گوشواروں کے کتابچوں کی خاص طور پر دیکھ بھال کی ہے۔
- مالیاتی گوشواروں اور حساب داری کے تخمینے تیار کرنے کے لیے موزوں حساب داری سے متعلق حکمت عملی کا اطلاق تسلسل سے کیا گیا ہے اور یہ حکمت عملی مناسب اور معقول تفہیم کے بعد اختیار کی گئی ہے۔
- مالیاتی گوشوارے تیار کرتے وقت حساب داری کے بین الاقوامی معیار، بین الاقوامی مالیاتی حساب داری کے معیار یا کوئی اور ضابطہ یا قانون جو پاکستان میں بھی قابل عمل ہے، اختیار کیا گیا ہے۔ مزید برآں معیار میں کسی بھی قسم کی ترمیم کو مناسب انداز میں ظاہر کیا گیا ہے۔
- اندرونی انضباطی نظام، ڈیزائن کے اعتبار سے مستحکم ہے اور مسلسل داخلی پڑتال کنندگان کے زیر نگرانی ہے۔ یہ نگرانی مسلسل جاری رہتی ہے اور کسی بھی کمی کو فوراً دور کیے جانے کے ساتھ ساتھ اس عمل کو یقینی بنایا جاتا ہے۔
- کاروبار کو جاری رکھنے کے حوالے سے کمپنی کی صلاحیت شکوک و شبہات سے بالاتر ہے۔
- کارپوریٹ نظم و نسق[28] کے بہترین طرز عمل کے حوالے سے کوئی میٹیریل ڈیپارچر[29] نہیں ہوا۔
- اہم اثاثوں اور مالیات سے متعلق اعداد و شمار، رپورٹ کے ساتھ ضمیمے میں شامل کر دیا گیا ہے۔
- واجب الادا ٹیکس اور محصولات[30] مالیاتی گوشواروں میں موجود ہیں۔
- ۳۱ دسمبر ۲۰۲۰ء کو غیر پڑتال شدہ کھاتوں کی بنیاد پر پراویڈنٹ اور گریجویٹی فنڈ سے ہونے والی سرمایہ کاری کی قیمت درج ذیل ہے:

	روپے '000'
پراویڈنٹ فنڈ	84,752
گریجویٹی فنڈ	70,551

[28] Corporate Governance
[29] Material Departure
[30] Outstanding Taxes and Duties

دوران سال جناب نعمان انصاری اور محترمہ ڈومینک لیانا روسو کی جگہ جناب عاطف باجوہ اور جناب تنویر حسین اعوان کو اراکین کے طور پر شامل کیا گیا۔

☆جناب بلال اصغر ۱۱ دسمبر ۲۰۲۰ء کو سبکدوش ہو گئے اور ڈائر کٹرز کا بورڈ اس متعلقہ عارضی خالی آسامی کو ۹۰ دن کے اندر پر کر لے گا۔

متعلقہ گروہ سے لین دین

ڈائریکٹرز کے بورڈ نے بورڈ کے ہر اجلاس میں شریک کمپنیوں / متعلقہ گروہوں کے ساتھ لین دین کی منظوری دی۔ متعلقہ گروہوں کے ساتھ تمام تر لین دین کاروباری قواعد وضوابط کے تحت طے پایا۔

اخلاقی و کاروباری ضابطہء عمل کا گوشوارہ / ضابطہء اخلاق

بورڈ اخلاقی و کاروباری ضابطہء عمل کے گوشوارے پر عمل پیرا ہے۔ تمام ملازمین کو اس سے متعلق آگاہ کیا گیا ہے اور توقع رکھی گئی ہے کہ وہ ان رہنما قواعد کے مطابق، کاروباری اصولوں کو مد نظر رکھتے ہوئے اپنا طرز عمل اختیار کریں گے۔ اخلاقی و کاروباری ضابطہ عمل کا گوشوارہ دیانتداری، وقار، مسابقت کے ماحول اور موکلوں، ساتھیوں اور عام آدمیوں کے ساتھ اخلاقیات کے دائرے میں رہتے ہوئے معاملات طے کرنے کے بارے میں ہے۔

کارپوریٹ نظم ونسق کے ضابطہ کی پابندی

سال کے دوران بیمہ کمپنیوں کے لیے کارپوریٹ نظم ونسق کے ضابطہ کی دفعات پر عمل کیا گیا۔ جس کا جائزہ مندرجہ ذیل ہے:۔

- مالیاتی گوشوارے اور انکے ضمیمے انشورنس آرڈننس ۲۰۰۰ء کے عین مطابق ہیں اور قواعد کمپنیز ایکٹ ۲۰۱۷ء کی شرائط کو ملحوظ رکھ کر بنائے گئے ہیں۔

– جناب نعمان انصاری	۱
– جناب بلال اصغر	۴
– جناب عبدالحئ	۴

غیر حاضری کی رخصت ان ڈائریکٹرز کو دی گئی جو بورڈ کے اجلاسوں میں شرکت نہ کرپائے۔

کمپنی کی مالیاتی طاقت کی درجہ بندی

پی۔اے۔سی۔آر۔اے[27] نے ۲۶ اگست ۲۰۲۰ء کے حالیہ جائزہ میں آپ کی کمپنی کی مالیاتی طاقت کے اعتبار سے درجہ بندی کو مستحکم تناظر میں دیکھتے ہوئے "ڈبل اے مائنس" کے درجے پر برقرار رکھا ہے۔ یہ درجہ بندی، بیمہ پالیسی کے حامل افراد اور معاہدوں کی ذمہ داریوں کو پورا کرنے کی بھرپور صلاحیت کو ظاہر کرتی ہے۔ خطرے کی علامات کم ترین ہیں اور ناموافق اقتصادی وکاروباری اثرات سے متعلق خدشات نہ ہونے کے برابر ہیں۔

پڑتال کی کمیٹی

ڈائریکٹرز کے بورڈ نے پڑتال کمیٹی تشکیل دی ہے جو کہ کارپوریٹ نظم ونسق کی شرائط کے مطابق درج ذیل غیر ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔

-جناب عاطف باجوہ - (چیئرمین)

-جناب تنویر حسین اعوان - (رکن)

-☆جناب بلال اصغر - (رکن)

[27] PACRA

فی حصص آمدنی

دورانِ سال ٹیکس کی ادائیگی کے بعد فی حصص آمدنی ۴۷۔۵ روپے رہی جو ۲۰۱۹ء میں ۱۹۔۳ روپے تھی۔ اس کی تفصیلی رپورٹ مالی گوشوارے کے نوٹ نمبر ۳۴ میں موجود ہے۔

پڑتال کنندگان

میسرز ای۔ وائی فورڈ رہوڈز، جو کہ سند یافتہ محاسب اور تقرری کے اہل ہیں، نے ۳۱ دسمبر ۲۰۲۱ء کو اختتام پذیر سال کے لئے خارجی اور شریعہ تعمیلی پڑتال کنندگان کی ذمہ داری لینے کے لئے رضامندی کا اظہار کیا ہے۔ پڑتال کمیٹی اور ڈائریکٹرز کے بورڈ نے اپنے متعلقہ اجلاسوں میں ۳۱ دسمبر ۲۰۲۱ء کو اختتام پذیر سال کے لیے میسرز ای۔ وائی فورڈ رہوڈز، سند یافتہ محاسب کی خارجی اور شریعہ تعمیلی پڑتال کنندہ گان کے طور پر سفارش کی ہے۔

ڈائریکٹرز کے بورڈ کے اجلاس

سال ۲۰۲۰ء کے دوران بورڈ کے چار (۴) اجلاس ہوئے، جن میں شرکت کی تفصیل مندرجہ ذیل ہے:-

ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد
– جنابِ عالی شیخ نہیان مبارک ال نہیان	۴
– فضیلت مآب شیخ سیف بن محمد بن بُطی	–
– جناب خالد مانع سعید العتیبہ	۴
– جناب عاطف باجوہ	۳
– جناب تنویر حسین اعوان	۱
– محترمہ ڈومینک لیانا روسو	۳

متفرق شعبے کا حصہ ۴۲ فیصد کے حساب سے ۵۵ ملین روپے کم ہوا، جس کی بڑی وجہ فصل/مال مویشی کے شعبے کی توقع سے کم کارکردگی کے سبب خالص بیمے کی آمدن[22] کا ۴۷ ملین روپے کے حساب سے نمایاں طور پر کم ہونا ہے۔

صحت کے شعبے میں ۴۹ فیصد کے حساب سے ۴۳ ملین روپے کا اضافہ ہوا، جس کی بڑی وجہ نقصان کی شرح میں ۴۰ فیصد کے مقابلے میں ۳۹ فیصد کی بہتری ہے۔

مکرر بیمہ یقیناً کسی بھی بیمہ کمپنی کا ایک اہم شعبہ تصور کیا جاتا ہے۔ آپ کی کمپنی کو نمایاں مکرر بیمہ کاروں کا تحفظ حاصل رہا ہے، جن کے ساتھ تعلقات کو ہم نے کمپنی اور مکرر بیمہ کاروں کے باہمی مفاد کے پیش نظر تقویت اور وسعت دی ہے۔ آپ کی کمپنی نے نہایت احتیاط سے ڈیزائن کردہ بیمے سے متعلق رسک کے انتظام کے پروگرام کے ذریعے ایک خاص حد تک رسک لینے کی پالیسی اختیار کر رکھی ہے۔ کمپنی نے نہ صرف روایتی مکرر بیمہ کاری کی انتظامی صلاحیتوں میں اضافہ کیا ہے بلکہ اپنے تخصیصی شعبے میں بھی صلاحیت بڑھائی ہے۔

ونڈو تکافل آپریشنز (ڈبلیو۔ٹی۔او) نے ۳۷۳ ملین روپے کی اعانت تحریر کی ہے جو کہ گزشتہ برس کے مقابلے میں ۱۰ فیصد زیادہ ہے۔ اس اضافے کے نتیجے میں خالص اعانت کی آمدن[23] میں ۱۰ فیصد کی نمو ہوئی، جس کا اثر دعووں کے اخراجات میں اضافے سے جزوی طور پر کم ہوا، تاہم مجموعی نقصان کی شرح ۵۶ فیصد پر جوں کی توں رہی، لیکن اس کے ساتھ ساتھ منضبط اخراجات نے حصص داروں کے تکافل فنڈ[24] میں گزشتہ سال کے ۲۸ ملین روپے کے مقابلے میں ۳۲ ملین روپے کی بیشی کے حصول میں مدد دی۔ وکالہ فیس میں ۲۰ فیصد اضافہ، اکتسابی اعانت کی آمدن[25] میں ۱۸ فیصد اضافے کے مطابق تھا۔ حصص داروں کے فنڈ[26] کے انتظامی اور نظم ونسق کے منضبط اخراجات اور سرمایہ کاری کی آمدن میں بہتری نے حصص داروں کے فنڈ میں گزشتہ برس کے ۳۹ ملین روپے کے مقابلے میں ۶۱ ملین کی بیشی کے حصول میں مدد دی۔

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[22] Net premium revenue
[23] Net contribution revenue
[24] Participan Takaful Fund
[25] Earned contribution revenue
[26] SHF

شعبہ جات کے لحاظ سے منافع پر ایک نظر

شعبہ جات	خالص بیمہ کی آمدن	کل دعوے	خالص کمیشن	شعبہ جات کا منافع ۲۰۲۰ء	شعبہ جات کا منافع ۲۰۱۹ء	مقدار تغیر	%
آتشزدگی	18,747	30,200	(24,867)	13,414	32,698	-19,284	-59%
بحری	21,563	5,247	(7,845)	24,161	14,541	9,620	66%
موٹر	476,764	211,349	10,835	254,580	214,625	39,955	19%
متفرق	83,884	46,624	(38,086)	75,346	130,170	-54,824	-42%
صحت	1,125,423	449,021	547,444	128,958	86,275	42,683	49%
کُل	**1,726,381**	**742,441**	**487,481**	**496,459**	**478,309**	**18,150**	**4%**

آتشزدگی کے شعبے کا حصہ ۵۹ فیصد کے حساب سے ۱۹ ملین روپے کم ہوا، جس کی بنیادی وجہ سال ۲۰۲۰ء میں نقصان کی شرح کا گزشتہ برس کے ۵۰ فیصد سے بڑھ کر ۱۶۱ فیصد ہو جانا ہے۔

بحری شعبے کا حصہ ۶۶ فیصد کے حساب سے ۱۰ ملین روپے بڑھا، جس کی وجہ خالص بیمہ کی آمدن میں اضافے کے ساتھ ساتھ نقصان کی شرح میں ۴۴ فیصد کے مقابلے میں ۲۴ فیصد کی بہتری ہے۔

موٹر کے شعبے کا حصہ ۱۹ فیصد کے حساب سے ۴۰ ملین روپے بڑھا۔ اس کی وجہ نقصان کی شرح میں گزشتہ برس کے ۵۱ فیصد کے مقابلے میں ۴۴ فیصد بہتری اور کووڈ کی قفل بندی کی وجہ سے سڑکوں پر کم ٹریفک کا ہونا ہے۔

کمپنی کے خالص بیمہ کی آمدن[17] میں ۹ فیصد کے حساب سے ۱۴۳ ملین روپے کا اضافہ ہوا لیکن ایک حد تک اس کا اثر کمیشن اخراجات نے کم کر دیا جن میں ۹ فیصد کے حساب سے ۴۱ ملین کا اضافہ ہوا کیونکہ نئے کاروبار کا حصول مہنگے داموں ہوا۔ کُل دعووں کے اخراجات میں ۱۳ فیصد کے حساب سے ۸۴ ملین روپے کا اضافہ ہوا جبکہ مجموئی اخراجات کی شرح میں گزشتہ سال کے ۴۲ فیصد کے مقابلے میں ۴۳ فیصد کے حساب سے بہتری آئی۔ دورانِ سال، کمپنی کو ۲۷۵ ملین روپے کا واحد ایک آتشزدگی کا دعویٰ وصول ہوا جس نے مجموئی دعووں کے تناسب کو بگاڑ دیا۔ ورنہ موٹر کے شعبے کے دعووں کے تناسب میں، کووڈ کے نتیجے میں ہونے والی قفل بندی کے نتیجے میں، گزشتہ برس کے ۵۱ فیصد کی نسبت، ۴۴ فیصد کے حساب سے نمایاں طور پر بہتری آئی تھی۔ انتظامی و نظم ونسق کے اخراجات قابو میں رہے، ان میں ۲ فیصد کے حساب سے ۷ ملین کا اضافہ ہوا اور اخراجات کی شرح میں گزشتہ برس کے ۱۶ فیصد کے مقابلے میں ۱۵ فیصد کے حساب سے بہتری آئی۔ کمپنی کے سرمایہ کاری کی آمدن میں گزشتہ سال کے مقابلے میں ۵۶ فیصد کے حساب سے ۹۹ ملین کا اضافہ ہوا۔ اس کی بنیادی وجہ گزشتہ برس کمپنی کی طرف سے مختلف دورانیوں کے پاکستان سرمایہ کاری بانڈز (پی-آئی-بی)[18] کا پورٹ فولیو بنانے کی حکمت عملی تھی، جس کا فائدہ فی سال[19] اوسطاََ ۱۳ فیصد کے یقینی منافع کی صورت میں ہو رہا تھا۔ بڑے پیمانے پر پھیلنے والی وباء کی وجہ سے رعائت کی شرح ۶۲۵ بنیادی نکات[20] کے حساب سے معقول حد تک کم ہوئی لیکن کمپنی کے یقینی منافع کے ایک بڑے حصے کا پورٹ فولیو اس سے محفوظ رہا بلکہ اس سے صرف ایک بار میں سرمایہ جاتی فوائد[21] بھی حاصل ہوئے۔ بازارِ حصص میں بھی سال کے چوتھے حصے میں تیزی آئی اور خاطر خواہ منافع ہوا۔ حصص داروں کے فنڈ کی بیشی میں بھی ۳۸ ملین روپے کے مقابلے میں ۶۱ ملین روپے کے اضافے سے ۶۰ فیصد کی بہتری آئی۔ ان تمام مثبت رجحانات نے کمپنی کو ٹیکس سے پہلے ۳۸۲ ملین روپے کے منافع کے حصول میں مدد دی جو کہ گزشتہ سال سے ۱۲۸ ملین روپے یا ۵۱ فیصد زیادہ تھے۔

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[17] Net premium revenue
[18] PIBs
[19] p.a
[20] pbs
[21] One-off capital gains

پاکستان نے سی-پیک[9] کے میزبان کے طور پر خصوصی توجہ حاصل کی، جو کہ بیجنگ کے بیلٹ اور روڈ اقدام[10] کا اہم ترین منصوبہ ہے۔ چین نے سی-پیک کے علاوہ دوسرے منصوبوں پر بھی سرمایہ کاری میں اضافے کا آغاز کر دیا ہے۔ ابتدائی منصوبوں کی کامیاب تکمیل[11] کے بعد سی-پیک پاکستان اور چین کے تعاون کو زراعت، صنعتی اشتراک، تجارت اور سماجی-اقتصادی ترقی کے شعبوں میں بڑھانے اور خصوصی صنعتی علاقوں کے قیام کے ذریعے صنعت کاری کے ایک نئے دور کے آغاز کے لئے تیار ہے۔

بیمہ کاری کا شعبہ

کووڈ- ۱۹ کی وباء پھوٹنے کی وجہ سے ۲۰۲۰ء میں پاکستانی اور عالمی معیشت بری طرح متاثر ہوئی، تاہم اس سے پاکستانی بیمے کی صنعت پر کوئی خاص اثر نہیں پڑا۔ سال ۲۰۲۰ء میں اس کا اثر ذمہ نویسی کے مجموعی بیمے[12] تک محدود رہا اور بیمے کی صنعت کی نمو، نو ماہ کی بنیاد پر ۳۰ ستمبر ۲۰۲۰ء تک زیادہ تر مندے کا شکار رہی۔ ذمہ نویسی کے منافعوں[13] کے اثر کا ازالہ زیادہ تر سرمایہ کاری کی آمدن اور قفل بندی کے دوران موٹر اور صحت جیسے کچھ شعبوں میں نقصان کی شرح میں بہتری سے ہوا۔ تاہم، بڑے پیمانے پر پھیلنے والی وباء کا بیمے کی صنعت کے منافعے پر پڑنے والے اثر کا مکمل اندازہ سال ۲۰۲۰ء میں ہی لگایا جا سکتا ہے۔

الفلاح انشورنس کمپنی کی کارکردگی

کروناوائرس کی وباء سے پیدا ہونے والی مشکلات کے باوجود سال ۲۰۲۰ء منافع کے اعتبار سے ایک غیر معمولی سال تھا۔ بیمے کی آمدن میں اضافے کا ساتھ ساتھ نقصان کی شرح میں کمی، منضبط اخراجات، صنعت کاری کی آمدن میں اضافہ اور ونڈو تکافل آپریشنز کی بہتر کارکردگی نے مجموعی طور پر منافع کو ٹیکس کے بغیر ۳۸۲ بلین روپے تک بڑھا دیا جو کہ گزشتہ برس سے ۵۱ فیصد زیادہ ہے۔ مجموعی طور پر کمپنی کے خام بیمے[14] میں ۶ فیصد نمو رجسٹر ہوئی۔ کمپنی کے غیر گروہی بیمے کے کاروبار[15] میں ۳ فیصد اضافے کے ساتھ اندراج شدہ گروہی اور غیر گروہی[16] بیمے کے درمیان ۱۹ : ۸۱ کی نسبت رہی جو گزشتہ برس ۱۶ : ۸۴ تھی۔

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[9] CPEC
[10] Belt and road Initiative (BRI)
[11] Early harvest phase
[12] Gross premium underwritten
[13] Underwriting profits
[14] Premium written
[15] Non-group business
[16] Registering Group vs Non-group ratio

حصص داروں کے نام ڈائریکٹرز کی رپورٹ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز آپ کی کمپنی کی پندرھویں سالانہ رپورٹ بخوشی پیش کررہے ہیں۔ جس میں ۳۱ دسمبر ۲۰۲۰ء کو اختتام پذیر سال کے پڑتال شدہ مالیاتی گوشوارے بھی شامل کئے گئے ہیں۔

معاشی جائزہ اور مستقبل کے مواقع

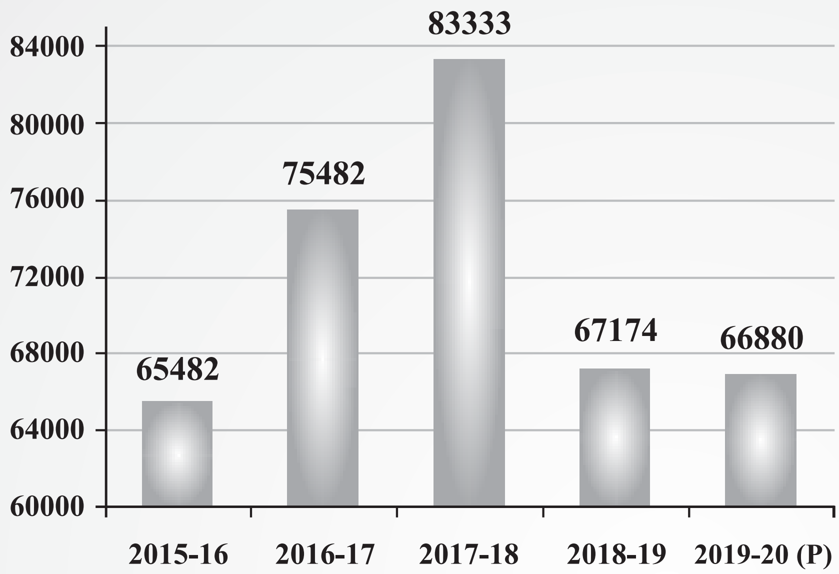
سال ۲۰۲۰ء دنیا بھر کے لئے ایک مشکل اور غیر یقینی سال تھا، کیونکہ کووڈ ۱۹ جیسی بڑے پیمانے پر پھیلنے والی غضبناک وباء نے قیمتی انسانی جانوں اور ذرائع معاش کو ختم کرکے انسانیت کو شدید تباہی سے دوچار کیا۔ اس بڑے پیمانے پر پھیلنے والی وباء کے پھیلاؤ کو روکنے کے لئے کی گئی سخت گیر قفل بندی، شدید ترین عالمگیر معاشی گراوٹ [1] کا باعث بنی۔ پاکستان بھی اس سے مستثنیٰ نہیں تھا کیونکہ اس کی جون ۲۰۲۰ء کو اختتام پذیر سال کی مجموئی قومی پیداوار [2] کی نمو ۶۸ سال میں پہلی دفعہ کم ہوئی۔ تاہم اس ملک نے باقی دنیا کے مقابلے میں معیشت اور آبادی کے کم نقصان کے حوالے سے خود کو بہتر طور پر سنبھالا۔ ایک مثبت پہلو یہ بھی ہے کہ مقامی معیشت میں اچانک مندے کے بعد فوری بحالی دیکھنے میں آئی [3]، جس سے بڑے پیمانے پر پھیلنے والی وباء کی پہلی لہر کے بعد، بحیثیت مجموئی، ہمت اور خوداعتمادی میں اضافہ ہوا۔

بیرونی کھاتے [4] میں بہتری کا رجحان رہا کیونکہ ۲۰۲۰ء میں جولائی سے نومبر تک چالو کھاتے میں بیشی [5] ۶۴۔۱ ارب امریکی ڈالر ریکارڈ کی گئی، اس کے مقابلے میں چالو کھاتے کا خسارہ [6] پچھلے برس کے اسی دورانیئے میں ۵۷۔۱ ارب امریکی ڈالر تھا۔ چالو کھاتے کے خسارے میں بہتری کی بنیادی وجہ ترسیلاتِ زر [7] میں سال بہ سال [8] ۲۷ فیصد کا ریکارڈ اضافہ ہے۔

[1] Economic contraction
[2] GDP
[3] V-shaped recovery
[4] External account
[5] Current Account Surplus
[6] Current Account Deficit (CAD)
[7] Remittances
[8] YOY

Alfalah Insurance

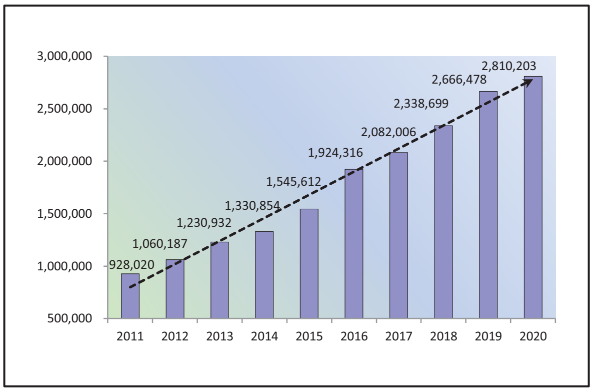
Sugarcane is a high value cash crop significance for sugar and sugar related industries in Pakistan. It contributes about 0.6 percent to GDP and 2.9 percent addition in agriculture. The Punjab Province accounts for 60 to 65 percent of total sugarcane production. Other producing areas include the Sindh Province which accounts for 25 to 30 percent of sugarcane.



FINANCIAL SUMMARY

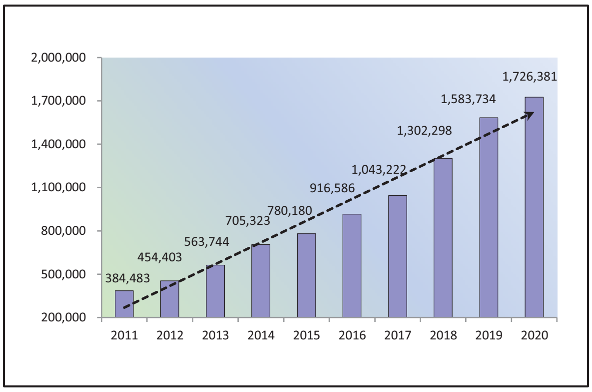
GROSS PREMIUM WRITTEN

(Rupees in Thousand)

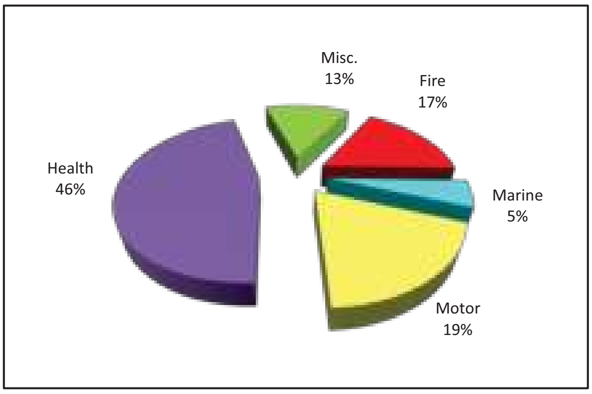


PREMIUM REVENUE

(Rupees in Thousand)

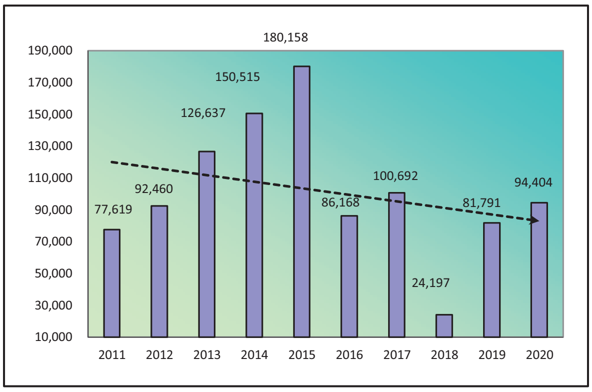


PRODUCT MIX ANALYSIS

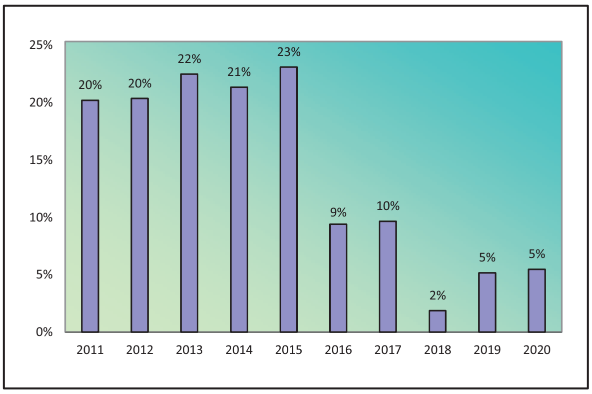


UNDERWRITING RESULTS

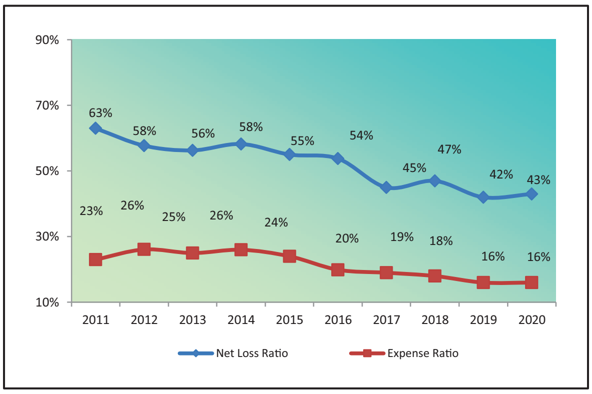
(Rupees in Thousand)



UNDERWRITING PROFIT MARGIN

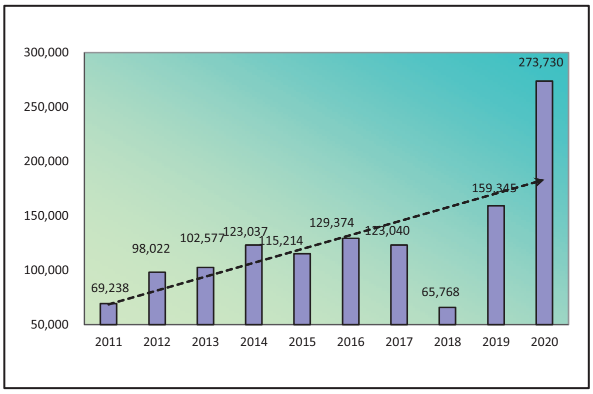


LOSS RATIO AND EXPENSE RATIO

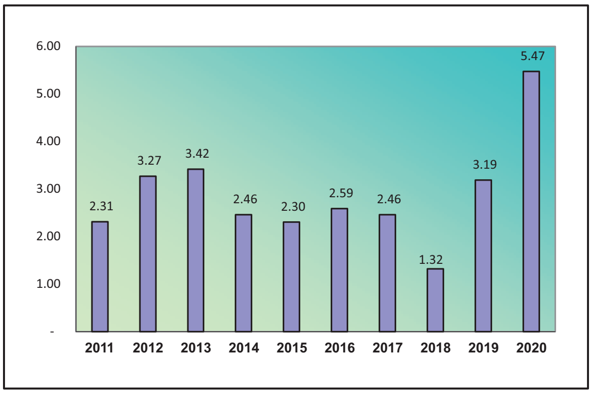


FINANCIAL SUMMARY

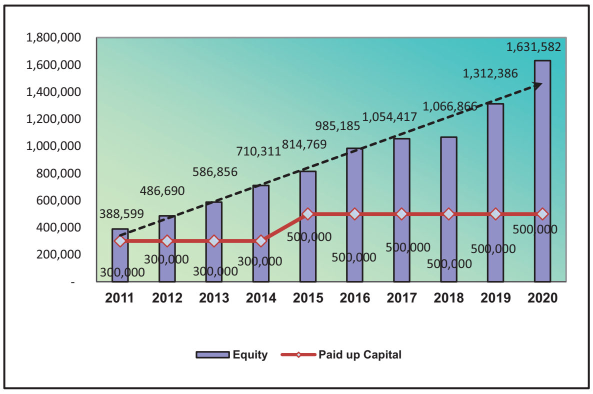
PROFIT AFTER TAX
(Rupees in Thousand)



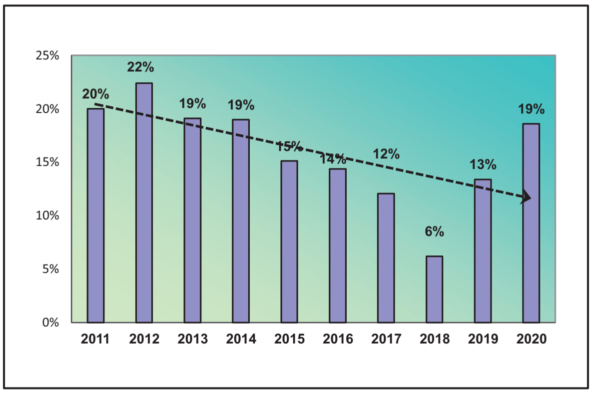
EARNING PER SHARE



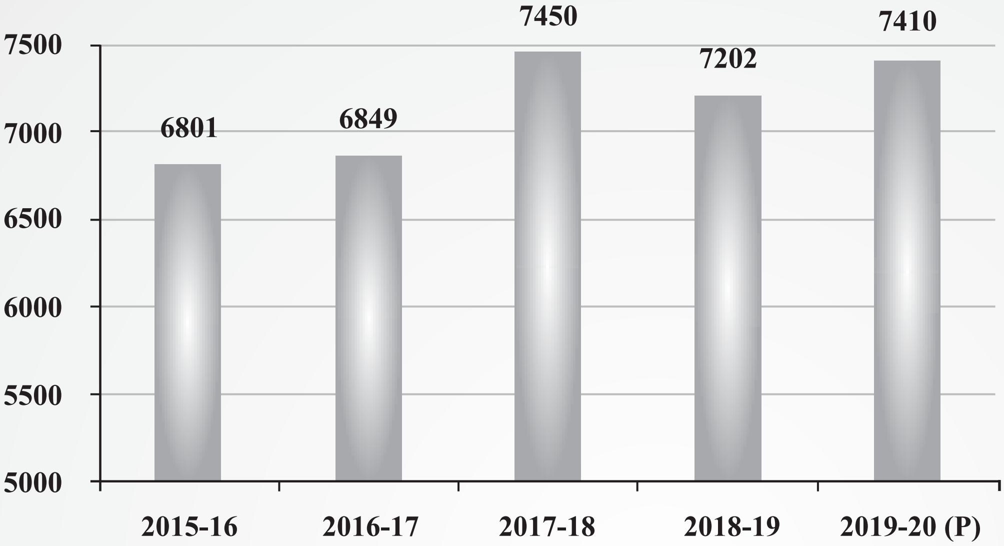
SHAREHOLDER EQUITY
(Rupees in Thousand)



RETURN ON EQUITY



Being a main food as well as cash crop, rice holds an important place in the agriculture of Pakistan. After wheat, it is the second main staple food crop and second major exportable commodity after cotton. It contributes about 3.1 percent of value added in agriculture and 0.6 percent in GDP. Rice is grown in many areas of Pakistan. In Punjab it is cultivated in Sialkot, Wazirabad, Gujranwala, Sheikhupura, district Gujrat, Sargodha, Faisalabad and Kasure. In Sindh, Jacobabad, Larkana, Badin, Thatta, Shikarpur and Dadu district are important in rice cultivation.



Alfalah Insurance Company Limited
Code of Conduct & Professional Standards

1. **Client Service**

   The interest of the policy holders is absolute. We shall provide the best possible services equivalent to international standard to our clients and shall make arrangements to serve them without any cause of complaint relating to claim settlement and otherwise. Our endeavor is to introduce new and innovative schemes of arrangements for the benefit of clients so that they will be able to get better services at very economical premium.

2. **Compliance with the applicable laws**

   It is the basic principle of Alfalah Insurance Company Limited to obey the law of the land and comply with its legal system. Accordingly, every employee of the company shall obey the law. Any employee guilty of violation will be liable to disciplinary consequences because of the violation of his/her duties. Every manager and supervisor shall be responsible to see that there is no violation of laws within his/her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he/she delegated particular tasks.

3. **Act with Honesty and Openness**

   The image and reputation of Alfalah Insurance Company Limited is determined by the way each and every one of us acts and conducts himself/herself at all times. Board members and staff of Alfalah Insurance Company Limited shall act with honesty and openness as representatives of the organization and in their interactions with one another. Alfalah Insurance Company Limited promotes a working environment that values respect, candor, and fairness.

4. **Conflict of Interest**

   Employees must avoid conflicts of interest between their private financial activities and conduct of company business.

5. **Integrity of financial information**

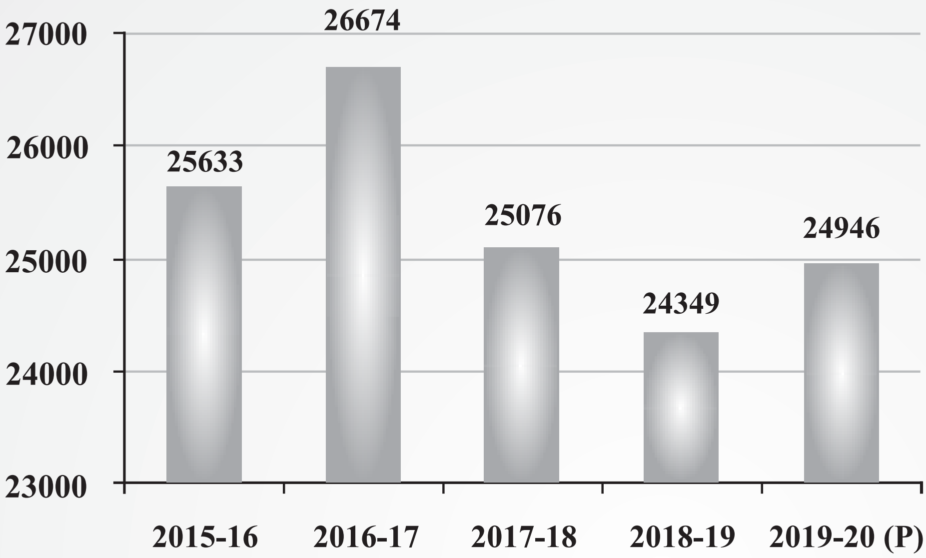
   All business transactions on behalf of Alfalah Insurance Company Limited must be reflected accordingly in the financial statements of the company.

6. **Equal opportunity employer**

   We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.

Alfalah Insurance

Wheat accounts for 8.7 percent to value addition in agriculture and 1.7 percent to GDP. Wheat crop production increased by 2.5 percent to 24.946 million tons over last year's production of 24.349 million tons. The area under cultivation increased by 1.7 percent to 8,825 thousand hectares over last year's area which was 8,678 thousand hectares. Wheat is of paramount importance in Pakistan, with 80 percent of farmers growing it on a total of about 9 million hectare. Punjab is the largest producer of wheat among other provinces.



Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2020

This statement is being presented to comply with the Code of corporate governance for Insurance Companies for the purpose of establishing a framework of good governance, whereby an Insurance company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors on its Board of Directors. Followings are the names of the Directors as at 31st December 2020.

Category	Name
Non-Executive Directors	H.H Sheikh Nahayan Mabarak Al Nahayan
Non-Executive Directors	H.E Sheikh Saif Bin Mohammed Bin Butti Al Hamid
Non-Executive Directors	Mr. Khalid Mana Saeed Al Otaiba
Non-Executive Directors	Mr. Atif Aslam Bajwa
Non-Executive Directors	Mr. Tanveer Hussain Awan
Non-Executive Directors	*Mr. Bilal Asghar
Executive Director/Chief Executive Officer	Mr. Abdul Haye Mughal

There is no independent Director on Board due to relaxation provided in the Code of Corporate Governance for Insurers, 2016. However, the Company shall consider the effective representation of independent director at the time of its next election of directors.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this insurer.

3. All the resident directors of the Company have declared that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

4. Casual vacancies occurring on the Board on 17th March 2020 and 25th September 2020 due to the resignation of Mr. Nauman Ansari and Ms. Dominique Liana Russo were filled up by Mr. Atif Aslam Bajwa and Mr. Tanveer Hussain Awan respectively within 90 days thereof. Mr. Bilal Asghar resigned on 11th December 2020 and the Board will fill up the casual vacancy within 90 days thereof.

5. The Company has prepared a 'Statement of Ethics and Business Practices/Code of Conduct' which has been disseminated among all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors and the key officers, if any, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The Company has adopted and complied with all the necessary aspects of internal control given in the code.

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2020

10. The Board arranged Orientation course for its directors during the current tenure to apprise them of their duties and responsibilities.

11. There was no new appointment of CFO, Company Secretary or Head of Internal Auditor during the year.

12. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The directors, CEO and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the applicable corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

16. The Board has formed the following Management Committees:

Underwriting Committee:

Name	Category
Mr. Abdul Haye	Chairman
Mr. Raza Javaid	Member
Mr. Faisal Arshad	Member
Mr.ZaheerAbbas	Member & Secretary

Claims Settlement Committee:

Name	Category
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member
Ch. Manzoor Hussain	Member
Mr. Muhammad Sarfraz	Member & Secretary

Reinsurance, Re-Takaful and Coinsurance Committee:

Name	Category
Mr. Abdul Haye	Chairman
Mr. Faisal Arshad	Member
Mr. Shahzad Aamir	Member
Mr. Shams ul Zuha	Member & Secretary

Risk Management & Compliance Committee:

Name	Category
Mr. Abdul Haye	Chairman
Mr. Adnan Waheed	Member
Mr. Faisal Shahzad	Member
Mr. Naveed Akbar	Member & Secretary

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2020

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

Name	Category
Mr. Atif Aslam Bajwa	Chairman
Mr. Tanveer Hussain Awan	Member
*Mr. Bilal Asghar	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Secretary

Terms of Reference of Nomination Committee as defined in the Code of Corporate Governance for Insurers, 2016 were discharged by the Ethics, Human Resource and Remuneration Committee.

Investment Committee:

Name	Category
Mr. Atif Aslam Bajwa	Chairman
Mr. Tanveer Hussain Awan	Member
*Mr. Bilal Asghar	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member & Secretary

18. The Board has formed an audit committee comprising of three members, all of them are non-executive Directors including the Chairman of the committee. The composition of the Audit Committee is as follows:

Name of the Member	Category
Mr. Atif Aslam Bajwa	Chairman
Mr. Tanveer Hussain Awan	Member
*Mr. Bilal Asghar	Member

*Resigned on 11th December 2020 and the Board will fill up the casual vacancy within 90 days thereof.

19. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as per the requirement of the Code of Corporate Governance for Insurers, 2016. The meetings of Board and Management Committees were also held once in every quarter. The terms of references of the Committees have been formed and advised to the Committees for compliance.

20. The Board has set-up an effective Internal Audit function which comprises of suitably qualified and experienced staff for the purpose and is conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance, risk management departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000.

Name of the Person	Designation
Mr. Abdul Haye	Chief Executive Officer
Mr. Adnan Waheed	Chief Financial Officer & Company Secretary

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2020

Mr. Faisal Shahzad	Head of Internal Audit
Mr. Naveed Akbar	Compliance Officer & Head of Risk Management
Mr. Faisal Arshad	Head of Underwriting
Mr. Manzoor Hussain	Head of Claims
Mr. Shamsul Zuha	Acting Head of Reinsurance

There was no new appointment of Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit, or Compliance Officer during the reporting year.

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. The Company has drawn up its investment policy in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.

25. The Board ensures that the risk management system of the Company is in place as per requirement of the Code of Corporate Governance for Insurers, 2016.

26. The Company has set up a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.

27. The Company has been rated by PACRA and the rating assigned by rating agency is AA- with stable outlook.

28. The Company has set up a grievance function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.

29. The Company has not obtained any exemption from the Securities and Exchange of Commission of Pakistan in respect of the requirement of the Code of Corporate Governance for Insurers, 2016.

30. We confirm that all other material principles contained in the Code of Corporate Governance for 2016 as applicable up to the reporting date have been complied by the Company.

Chief Executive Officer

EY
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EY Ford Rhodes
Chartered Accountants
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ey.com/pk

To the Members of Alfalah Insurance Company Limited Review Report on the Statement of Compliance Contained in the Code of Corporate Governance for Insurers, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) as prepared by the Board of Directors of **Alfalah Insurance Company Limited** (the Company) for the year ended **31 December 2020** to comply with the Code issued by the Securities and Exchange Commission of Pakistan applicable to non-listed insurance companies.

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

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to assess and determine the company's process for identification of related parties and whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2020.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Engagement Partner: Abdullah Fahad Masood
Lahore. 25 March 2021

EY
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INDEPENDENT AUDITOR'S REPORT

To the members of Alfalah Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Alfalah Insurance Company Limited** (the Company), which comprise the statement of financial position as at 31 December 2020, and the profit and loss account, the statement of comprehensive income, the cash flow statement for the year then ended and the statements of changes in equity, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the cash flow statement and the statement of changes in equity together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2020 and of the profit, total comprehensive income, its cash flows for the year then ended and the changes in equity.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

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INDEPENDENT AUDITOR'S REPORT SUBJECT TO RESOLUTION OF OUTSTANDING MATTERS

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the cash flow statement and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore:

Alfalah Insurance Company Limited
Statement of Financial Position
As at 31 December 2020

	Note	2020	2019
ASSETS		(Rupees in thousand)	
Property and equipment	5	156,599	173,006
Right-of-use asset	6	59,239	70,673
Intangible assets	7	7,656	8,552
Investment property	8	1,588	1,588
Investments			
Equity securities	9	532,055	219,097
Debt securities	10	1,237,457	1,322,362
Term deposits	11	-	-
Loans and other receivables	12	88,853	65,581
Insurance / reinsurance receivables - unsecured and considered good	13	753,752	796,688
Reinsurance recoveries against outstanding claims	26	381,598	396,122
Salvage recoveries accrued		16,751	13,836
Deferred commission expense / acquisition cost	27	47,780	68,324
Taxation - payment less provisions		24,761	10,881
Retirement benefits	20	5,901	2,879
Prepayments	15	330,204	379,591
Cash and bank	16	350,668	328,906
		3,994,862	3,858,086
Total assets of Window Takaful Operations - Operator's Fund	17	238,761	165,676
TOTAL ASSETS		4,233,623	4,023,762
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Authorized capital			
50,000,000 (2019: 50,000,000) ordinary shares of Rs.10 each		500,000	500,000
Ordinary share capital	18	500,000	500,000
Reserves	19	224,283	184,396
Unappropriated profit		907,299	627,989
Total Equity		1,631,582	1,312,385
Liabilities			
Underwriting provisions:			
Outstanding claims including IBNR	26	677,446	649,326
Unearned premium reserve	25	697,841	759,513
Unearned reinsurance commission	27	61,681	72,961
Deferred taxation	14	21,022	12,792
Premium received in advance		40,291	35,077
Insurance / reinsurance payables	21	259,107	495,516
Lease liabilities	22	70,771	73,332
Other creditors and accruals	23	673,899	542,320
		2,502,058	2,640,837
Total liabilities of Window Takaful Operations - Operator's Fund	17	99,983	70,540
		2,602,041	2,711,377
TOTAL EQUITY AND LIABILITIES		4,233,623	4,023,762
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 43 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Profit and Loss Account
For the year ended 31 December 2020

	Note	2020	2019
		(Rupees in thousand)	
Revenue account			
Net insurance premium	25	1,726,381	1,583,734
Net insurance claims	26	(742,441)	(658,573)
Net commission and other acquisition cost	27	(487,481)	(446,852)
Insurance claims and acquisition expenses		(1,229,922)	(1,105,425)
Management expenses	28	(402,055)	(396,518)
Underwriting result		94,404	81,791
Investment income	29	219,337	110,855
Other income	30	41,903	54,839
Other expenses	31	(28,390)	(24,238)
Results of operating activities		327,254	223,247
Finance cost	32	(6,816)	(8,748)
Profit from Window Takaful Operations - Operator's Fund	17	61,467	38,554
Profit before tax		381,905	253,053
Income tax expense	33	(108,175)	(93,709)
Profit after tax		273,730	159,344
Earnings per share - Basic and diluted	34	5.47	3.19

The annexed notes 1 to 43 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	(Rupees in thousand)	
Profit after tax	**273,730**	159,344
Other comprehensive income:		
Items that may be reclassified to profit and loss account in subsequent periods:		
Unrealized gain on available-for-sale investments - net of tax	**39,887**	83,792
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations	**5,580**	2,383
Other comprehensive income for the year	**45,467**	86,175
Total comprehensive income for the year	**319,197**	245,519

The annexed notes 1 to 43 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Statement of Changes in Equity
For the Year ended 31 December 2020

	Share capital	Capital reserve		Revenue reserve		
	Issued, subscribed and paid up	Share deposit money	Fair Value Reserves	General reserve	Unappropri-ated Profit	Total
	----------(Rupees in thousand)----------					
Balance as at 1 January 2019	500,000	1,381	(50,777)	150,000	466,262	1,066,866
Profit for the year	-	-	-	-	159,344	159,344
Other comprehensive income for the year	-	-	83,792	-	2,383	86,175
Total comprehensive income for the year	-	-	83,792	-	161,727	245,519
Balance as at 31 December 2019	**500,000**	**1,381**	**33,015**	**150,000**	**627,989**	**1,312,385**
Profit for the year	**-**	**-**	**-**	**-**	**273,730**	**273,730**
Other comprehensive income for the year	**-**	**-**	**39,887**	**-**	**5,580**	**45,467**
Total comprehensive income for the year	**-**	**-**	**39,887**	**-**	**279,310**	**319,197**
Balance as at 31 December 2020	**500,000**	**1,381**	**72,902**	**150,000**	**907,299**	**1,631,582**

The annexed notes 1 to 43 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Cash Flow Statement
For the Year ended 31 December 2020

	2020	2019
	(Rupees in thousand)	
Operating cash flows		
a) Underwriting activities		
Insurance premium received	**2,966,371**	2,479,542
Reinsurance premium paid	**(1,399,880)**	(1,051,849)
Claims paid	**(1,250,726)**	(921,704)
Reinsurance and other recoveries received	**550,929**	277,757
Commission paid	**(713,526)**	(590,450)
Commission received	**209,260**	224,939
Management expenses paid	**(376,464)**	(346,050)
Net cash (used in) / generated from underwriting activities	**(14,036)**	72,185
b) Other operating activities		
Income tax paid	**(130,117)**	(82,044)
Other receipts	**83,300**	73,984
Loans disbursed	**(8,595)**	(9,576)
Loans repayments received	**8,682**	10,063
Net cash used in other operating activities	**(46,730)**	(7,573)
Total cash flow from all operating activities	**(60,766)**	64,612
Investment activities		
Profit / return received on bank deposits	**132,929**	81,385
Dividends received	**12,658**	12,945
Payments for investments	**(2,256,711)**	(3,458,143)
Proceeds from disposal of investments	**2,208,092**	3,071,438
Fixed capital expenditure	**(5,242)**	(17,497)
Proceeds from disposal of operating fixed assets	**11,996**	4,812
Total cash flow generated from / (used in) investing activities	**103,722**	(305,060)
Financing activities		
Payment of lease liability in respect of right of use assets	**(21,194)**	(23,544)
Total cash flow used in financing activities	**(21,194)**	(23,544)
Net cash flow used in all activities	**21,762**	(263,992)
Cash and cash equivalents at beginning of the year	**328,906**	592,898
Cash and cash equivalents at end of the year	**350,668**	328,906

The annexed notes 1 to 43 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Cash Flow Statement
For the Year ended 31 December 2020

	2020	2019
	(Rupees in thousand)	
Reconciliation to profit and loss account		
Operating cash flows	**(60,766)**	64,612
Depreciation expense	**(45,651)**	(44,488)
Amortization of intangibles	**(1,303)**	(1,170)
Gain on disposal of operating fixed assets	**7,019**	1,237
Profit on sale of investments	**93,390**	43,891
Impairment in value of available-for-sale investments	**(8,608)**	(11,177)
Due from insurance contract holders - write-off	**(1,712)**	-
Dividend and other income	**162,969**	124,231
(Decrease) / increase in assets other than cash	**(80,045)**	507,140
Increase in liabilities other than borrowings	**134,683**	(572,787)
Un-realized gain in value of held for trading investment	**12,287**	9,301
Profit from Window Takaful Operations	**61,467**	38,554
Profit after taxation	**273,730**	159,344
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	**2,559**	2,181
Current and other accounts	**348,109**	326,725
Total cash and cash equivalents	**350,668**	328,906

The annexed notes 1 to 43 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

1 REPORTING ENTITY

Alfalah Insurance Company Limited ('the Company') is a public limited company incorporated in Pakistan on 21 December 2005 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is engaged in general non-life insurance business. The registered office of the Company is situated at 5-Saint Mary Park, Gulberg-III, Lahore.

The Company was granted authorization on 30 September 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on 13 January 2016.

1.1 The Company operates through the following location in Pakistan;

Locations	Address
Head Office - Lahore	5-Saint Mary Park, Gulberg-III, Lahore
South Zone Karachi Office	1st Floor, Finlay House, I.I. Chundrigar Road Karachi
Karachi Unit 1	1st Floor, Finlay House, I.I. Chundrigar Road Karachi
Peshawar Office	Ays Centre, 2nd Floor, Arbab Road, Peshawar Cantt. Peshawar
Islamabad Office	2nd Floor, Bank Alfalah Building Markaz I-8 Islamabad
Faisalabad Office	2nd Floor, Meezan Executive Tower, Liaqat Road, Opp. Police Lines, Faisalabad
Gujranwala Office	1st Floor, Al-Hameed Centre, Opp Govt. Iqbal High School, G.T. Road, Gujranwala
Sialkot Office	1st Floor, City Tower, Shahab Pura Road, Sialkot
Multan Office	10-A, 2nd Floor, Tehsil Chowk, Bosan Road, Multan
Hyderabad Branch	House No.49, 2nd Floor, Dr. Line Saddar Cantt, Hyderabad

1.2 Impact of Covid-19

Covid-19 was declared a world-wide pandemic by the World Health Organization (WHO) on 11 March 2020. The measures to slow the impact of the virus have had a significant impact on global economy. The Company generates all of its revenue from operations within Pakistan and lockdown within the country has resulted in decrease in the revenue for the quarter ended June 2020. However, with the relaxation of the lockdown, the Company returned back to pre-Covid operational levels. The management of the Company believes that this pandemic does not have a significant impact on the amounts recognized in the statement of financial position, the carrying values of assets and liabilities and on the going concern assumption of the Company.

2 BASIS OF ACCOUNTING

2.1 Statement of compliance

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

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

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

2.1.2 As per the requirements of the SECP Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the statement of financial position and profit and loss account of the Company respectively. A separate set of financial statements of the General Window Takaful Operations has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, and defined benefit obligations under employees benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in Rupee, unless otherwise stated.

2.4 Use of judgment and estimates

The preparation of financial statement in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

	Note
- Provision for doubtful receivables	4.19
- Provision for outstanding claims including claims incurred but not reported (IBNR)	4.14
- Premium deficiency reserve	4.15
- Defined benefit plans	4.17
- Provision for taxation including the amount relating to tax contingency	4.22
- Useful lives, pattern of economic benefits and impairments - Fixed assets	4.1

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments or interpretations which became effective during the year

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended standards and interpretations effective for annual period beginning on 01 January 2020, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Standards, Interpretations and Amendments

IFRS 3	Definition of a Business — (Amendments)
IAS 1 and IAS 8	Definition of Material — (Amendments)
IAS 39 and IFRS 7	Interest Rate Benchmark Reform — (Amendments)
Conceptual framework	The Conceptual Framework for Financial Reporting
IFRS 16	Covid-19-Related Rent Concessions — (Amendments)

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

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

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 39, IFRS 7, IFRS 4 and IFRS 4	Interest rate benchmark reform — Phase 2 — (Amendments)	1 January 2021
IFRS 3	Reference to conceptual framework — (Amendments)	1 January 2022
IAS 16	Property, plant and equipment: Proceeds before intended use — (Amendments)	1 January 2022
IAS 37	Onerous contracts - costs of fulfilling a contract — (Amendments)	1 January 2022
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41	Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current — (Amendments)	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	1 January 2023

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

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	1 July 2019
IFRS 17	Insurance Contracts	1 January 2023

The management, in consultation with Insurance Association of Pakistan, is in the process of determining the effect of application of IFRS 17.

3.3 Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts

The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023, as allowed by the amendments contained in Annual Improvements to IFRS Standards 2018-2020 Cycle.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if:

(i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and

(ii) its activities are predominantly connected with insurance on its annual reporting date.

The Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2019. During 2020, there had been no significant change in the activities of the Company that requires reassessment.

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements.

4.1 Property and equipment

Operating fixed assets:

Items of operating fixed assets, except freehold land, are stated at cost less accumulated depreciation and any impairment loss. Freehold land is stated at cost less identified impairment loss, if any.

Cost comprises of purchase price including import duties and non-refundable purchase taxes after deducting trade discounts, rebates and includes other costs directly attributable to the acquisition or construction including expenditures on the material, labour and overheads directly relating to construction, errection and installation of operating fixed assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the year in which they are incurred.

Depreciation on operating fixed assets is charged to profit and loss account using straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates mentioned in note 5.1 after taking their residual value into account.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Depreciation methods, residual values and the useful life of the assets are reviewed at least at each financial year end and adjusted if appropriate.

An item of operating fixed assets is derecognized upon disposal when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of an asset is determined by comparing the proceeds from sale with the carrying amount and is recognized in profit and loss account.

Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any and represents expenditure incurred on assets during the construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant categories as and when assets are available for use.

4.2 Investment Property

Property not held for own use or for the sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises of land and is valued using the cost method. This is stated at cost less any identified impairment loss.

Any gain or loss on disposal or retirement of investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the profit and loss account.

The useful lives, residual values, depreciation method and impairment loss are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis. Further, fair value determination for the purpose of impairment loss requires adjustments for any differences in nature, location and condition of the investment property, if any, which involves significant judgment.

4.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization for finite intangible asset and identified impairment loss, if any. Finite intangible assets are amortized using straight line method over its estimated useful life at the rates mentioned in the note 6.

Amortization on additions to intangible assets is charged from the month in which an asset is put to use and on disposal up to the month of disposal. The estimated useful life and amortization method is reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

The Company assesses at each statement of financial position date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account currently. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and liabilities is included in profit and loss account.

4.4.1 Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit and loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories namely: financial assets at fair value through profit and loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit and loss account

A financial asset is classified as at fair value through profit and loss account if it is classified as held-for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit and loss account if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit and loss account as incurred. Financial assets at fair value through profit and loss account are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit and loss account.

Held to maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of long term deposits, trade debts, short term advances, deposits, other receivables and cash and bank balances.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit and loss account.

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

4.4.2 Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies financial liabilities recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities mainly includes other creditors and accruals.

4.4.3 Offsetting of financial assets and financial liabilities

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

4.5 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset‘s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit and loss account. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit and loss account. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed though profit and loss account, otherwise it is reversed through other comprehensive income.

Non-financial assets

The carrying amounts of non-financial assets other than deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the -“cash generating unit, or CGU”).

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

4.6 Insurance Contracts

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

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

- Fire and property damage
- Marine, aviation and transport
- Motor
- Accident and health
- Others including miscellaneous

These contracts are normally one year insurance contracts except marine and some contracts of others including miscellaneous class. Normally all marine insurance contracts are of three months period. In others including miscellaneous class, some engineering insurance contracts are of more than one year period.

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

Fire and property damage insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

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

Accident and health insurance provides protection against losses incurred as a result of medical illnesses, surgical operations, accidental injuries and accidental death.

Other various types of insurance are classified in others including miscellaneous category which includes, terrorism, worker compensation, products of financial institutions, crop etc.

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

Premiums and administrative surcharge

Premiums and administrative surcharge received / receivable under a policy or cover note is recognized over the period of insurance from the date of attachment of risk to the policy on the following basis:

a) For business other than marine cargo business, evenly over the period of the policy; and
b) For marine cargo business, immediately after the commencement of voyage;

However, where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Administrative surcharge represents documentation and other charges recovered by the Company from policy holders in respect of polices issued and is recognized in accordance with pattern. Administrative surcharge is recognized, at a rate of 5% of the premium restricted to a maximum of following limits:

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

Class	Rupees
Fire	3,000
Marine	3,000
Motor	3,000
Engineering	5,000
Health	5,000
Other including Miscellaneous	5,000

4.7 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company on the following basis:

- for marine cargo business, premium written is recognized as provision for unearned premium until the commencement of voyage.
- for Fire, Motor, Miscellaneous and Health (except Personal Accident) business, premium written is recognized as provision for unearned premium by applying the 1/24th method.
- for Personal accident business, premium written is recognized as provision for unearned premium, as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day.

4.8 Receivables and payables related to insurance contracts

Receivables related to insurance contracts are known as premium due but unpaid. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Premiums received in advance is recognized as liability till the time of issuance of insurance contract there against.

Provision for impairment and write-off is estimated on a systematic basis after analyzing the receivables as per their aging.

4.9 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under contracts as various reinsurance assets and liabilities.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Due from reinsurance companies are carried at cost less any provision for impairment. Cost represents the fair value of the consideration to be received. Reinsurance recoveries against outstanding claims are measured at the amount expected to be received.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against expenses or income from related insurance assets.

Reinsurance liabilities represent balances due to reinsurance companies. Due to reinsurance companies are carried at cost which is the fair value of the consideration to be paid.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

4.10 Reinsurance expense

Premium Ceded to reinsurers is recognized as an expense. For reinsurance contracts operating on a proportional basis, on attachment of the underlying policies reinsured; and for reinsurance contracts operating on a non-proportional basis, on inception of the reinsurance contracts.

Reinsurance premium shall be recognized as an expense. For proportional reinsurance business, evenly over the period of the underlying policies, for non-proportional reinsurance business, evenly over the period of indemnity.

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

The portion of reinsurance premium ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of premium ceded is recognized as an asset. Such asset is calculated by applying the twenty-forth method, whereby the liability shall equal 1/24 of the premium ceded relating to reinsurance contract commencing in the first month of the insurer's financial year, 3/24 of the premiums ceded relating to policies commencing in the second month of the insurer's financial years, and so on.

4.11 Commission expense / acquisition cost

Commission expense incurred in obtaining and recording insurance policies is charged to the profit and loss account based on the pattern of recognition of related premium revenue.

4.12 Deferred commission expense / acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of insurance contract and is recognized as an asset. It is calculated in accordance with the pattern of its related unearned premium income.

4.13 Claims expense

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

4.14 Outstanding claims including incurred but not reported (IBNR)

The Company recognizes liability in respect of all claims incurred up to the statement of financial position date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Reinsurance recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

Claims incurred but not reported

Securities and Exchange Commission of Pakistan ('SECP'), through its circular 9 of 2016 dated 09 March 2016, issued "Guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016" ('Guidelines') for non-life insurance Companies and required to comply with all provisions of these guidelines with effect from 1 July 2016.

These Guidelines require the Company to develop an estimation of provision against claims incurred but not reported for each class of business, by either using -“Chain Ladder Method” ('CLM') or other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor ('CDF') which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

As required under the Guidelines, the Company uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2020 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

4.15 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency (also called unexpired risk reserve) on aggregation basis where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other claim handling expenses expected to be incurred after the statement of financial position date in respect of the unexpired policies as at the statement of financial position date. The movement in the premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

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For this purpose, premium deficiency reserve on aggregation basis is determined by independent actuary. The actuary determines the prospective loss ratio on aggregation basis and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve (UPR) shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency reserve is determined.

Based on recommendation of actuary, the unearned premium reserve, on aggregation basis, at the year end is adequate to meet the expected future liability after reinsurance claims and claim handling expenses, expected to be incurred after the statement of financial position date in respect of policies in force at the statement of financial position date. Therefore, no premium deficiency reserve has been accounted for in these financial statements.

4.16 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks and stamps in hand.

4.17 Employees benefit plans

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below:

Post employment benefits - Defined contribution plan

The Company operates an approved contributory provident fund for all permanent employees by establishing a separate Trust. Equal monthly contributions are made by the Company and employees to the fund at the rate of 8.33% (2019: 8.33%) of basic salary.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Post employment benefits - Defined benefit plan

The Company has established an approved gratuity fund for all permanent employees including Window Takaful Operations. Monthly contributions are made to the fund on the basis of actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The Company‘s net obligation in respect of defined benefit plans is calculated separately for plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the “Projected Unit Credit Method” and latest actuarial valuation has been carried out at 31 December 2020. When calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Acturial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to equity through other comprehensive income in the year in which they arise. Past service costs are recognized immediately in the profit and loss account. The main features of defined benefit schemes are mentioned in note 19.

4.18 Creditors and accruals

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

4.19 Provisions and contingencies

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

Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

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Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the note 4.5.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4.20 Revenue recognition

Premium income and administrative surcharge

Premium income and administrative surcharge is recognised in line with note 4.6.

Commission income

Commission income from other reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

The unearned portion of commission income is recognized as a liability. Such liability is calculated by applying the twenty-forth method, whereby the liability shall equal 1/24 of the premium relating to policies commencing in the first month of the insurer's financial year, 3/24 of the premiums relating to policies commencing in the second month of the insurer's financial years, and so on.

For facultative acceptance the basis of recognizing commission and determining the unearned commission reserve is the same as for the direct policies.

Dividend income

Dividend income including bonus shares are recognized when right to receive such dividend or bonus shares is established.

Interest income and other returns

Interest / mark-up is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Return on investments and interest on loans is accounted for on a time proportionate basis using the applicable rate of return/ interest.

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Miscellaneous Income

Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.

Other revenues are recognized on accrual basis.

4.21 Management expenses

Management expenses are recognized in profit and loss account on accrual basis. Management expenses that are directly attributable to the distinguished operation of business (i.e. Conventional insurance business and Window Takaful Operations) are directly charged to the relevant business, whereas, common management expenses incurred for both conventional insurance business and Window Takaful Operations are proportionately charged on the basis of volume of respective business.

4.22 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted.

The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

4.23 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of insurance contracts issued, the Company has five primary business segments for reporting purposes namely fire, marine, motor, health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 4.6. Since the operation of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

4.24 Dividend distribution

Dividend to ordinary shareholders is recognized as a deduction from accumulated profits in statement of changes in equity and as a liability in the Company's financial statements in the year in which it is approved.

4.25 Salvage recoveries

Salvage recoveries are recognized on estimated basis based on past experience and market patterns and are in line with the recognition of related claim expenses.

4.26 Window Takaful Operations

The accounting policies followed by Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended 31 December 2020.

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	Note	2020	2019
		Rupees in thousand	
5 PROPERTY AND EQUIPMENT			
Operating assets	5.1	**156,599**	173,006

5.1 Operating assets

2020	Cost				Depreciation				Written down value	
	As at 01 January 2020	Additions	Disposals	As at 31 December 2020	As at 01 January 2020	Charge for the year	On disposals	As at 31 December 2020	As at 31 December 2020	Depreciation rates
	-----	-----	-----	-----	Rupeesin thousand	-----	-----	-----	-----	%
Land - freehold	**121,671**	**-**	**-**	**121,671**	**-**	**-**	**-**	**-**	**121,671**	**-**
Building on leasehold land	**50,564**	**-**	**-**	**50,564**	**47,534**	**1,105**	**-**	**48,639**	**1,925**	**10**
Furniture and fixtures	**17,809**	**417**	**-**	**18,226**	**15,576**	**706**	**-**	**16,282**	**1,944**	**10**
Office equipment	**20,917**	**668**	**-**	**21,585**	**15,019**	**1,708**	**-**	**16,727**	**4,858**	**20**
Computer equipment	**40,086**	**2,582**	**-**	**42,668**	**34,926**	**2,314**	**-**	**37,240**	**5,428**	**25**
Vehicles	**72,949**	**1,168**	**(19,668)**	**54,449**	**37,935**	**10,432**	**(14,691)**	**33,676**	**20,773**	**25**
	323,996	**4,835**	**(19,668)**	**309,163**	**150,990**	**16,265**	**(14,691)**	**152,564**	**156,599**	

2019	Cost				Depreciation				written down value	
	As at 01 January 2019	Additions	Disposals	As at 31 December 2019	As at 01 January 2019	Charge for the year	On disposals	As at 31 December 2019	As at 31 December 2019	Depreciation rates
	-----	-----	-----	-----	Rupeesin thousand	-----	-----	-----	-----	%
Land - freehold	121,671	-	-	121,671	-	-	-	-	121,671	-
Building on leasehold land	50,564	-	-	50,564	46,429	1,105	-	47,534	3,030	10
Furniture and fixtures	17,795	33	(19)	17,809	14,895	694	(13)	15,576	2,233	10
Office equipment	20,076	4,430	(3,589)	20,917	16,466	1,367	(2,814)	15,019	5,898	20
Computer equipment	38,697	2,542	(1,153)	40,086	33,708	2,234	(1,016)	34,926	5,160	25
Vehicles	73,862	4,282	(5,195)	72,949	32,495	7,978	(2,538)	37,935	35,014	25
	322,665	11,287	(9,956)	323,996	143,993	13,378	(6,381)	150,990	173,006	

5.1.1 Immovable freehold land in the name of the Company comprises of land having an area of 2 Kanals situated at 13 Tariq Block, Garden Town, Lahore.

5.1.2 These include operating assets amounting to Rs. 97.052 million (2019: Rs. 93.097 million) having nil book value as at year end.

5.1.3 Total depreciation and amortization is as follows:

	Note	2020	2019
		Rupees in thousand	
Operating assets	5.1	**16,265**	13,378
Right-of-use asset	6	**22,082**	21,606
		38,347	34,984

5.1.4 Depreciation has been allocated as follows:

	2020	2019
Management expenses	**33,850**	31,039
Window Takaful Operations - Operator's Fund	**4,497**	3,945
	38,347	34,984

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5.1.5 Disposal of property and equipment

Particulars	Particulars of buyer	Relationship with the Company	Cost	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
			2020				
			(Rupees in thousand)				
Vehicles							
Toyata GLI (LED-09-3439)	Mr. Muhammad Tariq	Employee	1,416	354	1,147	793	Auction
Suzuki Bolan CT-8070)	Mr. Asim Khan	Third Party	510	127	482	354	Auction
Marcedez(LED-13-9950)	Mr. Kamran Aslam	Third Party	9,298	2,324	5,850	3,526	Auction
Toyota GLI (AVS-908)	Mr. Moin ud Din	Third Party	1,744	436	1,341	905	Auction
Honda Civic (LEE-8192)	Mr. Hamid Mahmood Mirza	Third Party	2,520	630	1,669	1,039	Auction
Honda Civic (LE-16A-2396)	Mr. Adnan Waheed	Employee	2,871	718	718	-	Company Policy
Suzuki cultus (AZW-634)	Mr. Nadeem Rehman	Third Party	1,053	263	665	402	Auction
Various Vehicles	Various Parties	Third Parties	257	124	125	-	Auction
2020			**19,668**	**4,977**	**11,996**	**7,019**	
2019			9,956	3,575	4,812	1,237	

		Note	2020	2019
			Rupees in thousand	
6	**RIGHT-OF-USE ASSET**			
	Balance as at 01 January		**70,673**	-
	Initial recognition due to application of IFRS 16		**-**	91,074
	Additions during the year		**12,442**	1,205
	Deletions / modification during the year		**(1,794)**	-
	Less: Depreciation		**22,082**	21,606
	Balance as at 31 December		**59,239**	70,673
7	**INTANGIBLE ASSETS**			
	Intangible assets	**7.1**	**4,095**	1,364
	Capital work-in-progress - intangibles	**7.2**	**3,561**	7,188
			7,656	8,552
7.1	Intangible assets			
	Cost			
	As at 01 January	**7.1.1**	**17,842**	17,581
	Additions during the year		**4,034**	261
	As at 31 December		**21,876**	17,842
	Amortization			
	Accumulated as at 01 January		**16,478**	15,308
	Charge for the year	7.1.2	**1,303**	1,170
	Accumulated as at 31 December		**17,781**	16,478
	Net book value as at 31 December		**4,095**	1,364
	Rate of amortization		**25%**	25%

7.1.1 These include intangible assets amounting to Rs.14.65 million (2019: Rs. 14.65 million) having nil book value as at year end.

7.1.2 Out of total amortization charged for the year, Rs. (thousand) 1,151 (2019: Rs. (thousand) 1,038) and Rs. (thousand) 152 (2019: Rs. (thousand) 132) have been allocated to management expenses and Window Takaful Operator's Fund.

7.2 This includes advance given in respect of 'Management Information System' to a software house.

8 INVESTMENT PROPERTY

	Cost: As at 01 January 2020	Cost: Additions	Cost: As at 31 December 2020	Depreciation: As at 01 January 2020	Depreciation: For the year	Depreciation: As at 31 December 2020	Written down value as at 31 December 2020	Useful life
	(Rupees in thousand)							
Land	1,588	-	**1,588**	-	-	-	**1,588**	-
2020	**1,588**	**-**	**1,588**	**-**	**-**	**-**	**1,588**	
2019	1,588	-	1,588	-	-	-	1,588	

This represents land situated at 64 B Block, Eden Valley Faisalabad having fair value of Rs. 8.11 million (2019: Rs.7,76 million) measuring 7 Marla 15 Sq ft. kept for capital appreciation purpose.

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9 INVESTMENTS IN EQUITY SECURITIES

	Note	2020 Cost	2020 Impairment / provision	2020 Carrying value	2019 Cost	2019 Impairment / provision	2019 Carrying value
		(Rupees in thousand)					
Available for sale - Quoted							
Related parties		-	-	-	-	-	-
Others							
Listed shares	9.1.1	511,161	(19,786)	491,375	226,592	(11,177)	215,415
		511,161	(19,786)	491,375	226,592	(11,177)	215,415
Unrealized gain on revaluation		-	-	40,680	-	-	3,682
		511,161	(19,786)	532,055	226,592	(11,177)	219,097

9.1.1 Others

Shares 2020	Shares 2019	Company	Face value per share	Cost 2020	Cost 2019	Market Value 2020	Market Value 2019
(Number)				(Rupees in thousand)			
		Commercial Banks					
112,000	-	Bank AL Habib Limited	10	8,424	-	7,795	-
330,000	142,583	United Bank Limited	10	41,884	22,372	41,534	23,455
300,000	137,800	Habib Bank Limited	10	37,983	20,319	39,684	21,692
175,000	75,100	MCB Bank Limited	10	32,514	15,734	32,424	15,391
1,200,500	433,000	The Bank of Punjab	10	11,624	5,212	11,129	4,906
-	11,000	Faysal Bank Limited	10	-	284	-	209
		Engineering					
75,000	-	Mughal Iron and Steels Industries	10	5,420	-	5,680	-
140,000	-	Agha Steel Indunstries Limited	10	5,251	-	5,517	-
30,000	10,000	International Steels Limited	10	2,334	519	2,797	579
		Cable & Electrical Goods					
75,000	-	Pak Elektron Limited	10	2,688	-	3,010	-
		Cement					
300,000	-	Gharibwal Cement Limited	10	7,215	-	11,256	-
500,000	-	Fauji Cement Company Limited	10	10,673	-	10,835	-
49,000	-	Kohat Cement Company Limited	10	9,171	-	10,743	-
80,000	-	Cherat Cement Limited	10	10,225	-	11,695	-
110,000	-	Pioneer Cement Limited	10	10,385	-	11,363	-
39,000	10,325	Lucky Cement Limited	10	22,808	4,707	27,148	4,423
64,800	69,300	D.G Khan Cement Limited	10	7,365	5,143	7,425	5,147
315,000	167,193	Maple Leaf Cement Factory Limited	10	12,455	5,336	14,178	3,869
		Fertilizers					
75,000	-	Engro Corporation Limited	10	23,459	-	23,052	-
-	174,000	Engro Fertilizer Limited	10	-	13,091	-	12,777
		Pharmaceuticals					
8,500	-	Highnoon Laboratories Limited	10	4,703	-	5,098	-
22,000	-	The Searle Company Limited	10	5,536	-	5,483	-
28,000	-	Glaxosmith Kline Pakistan Limited	10	5,190	-	5,371	-
		Automobile Parts & Accessories					
29,500	-	Thall Limited	10	11,076	-	13,944	-
		Automobile Assembler					
11,500	-	Atlas Honda Limited	10	5,556	-	5,750	-
18,000	-	Honda Atlas Cars (Pakistan) Limited	10	5,661	-	5,906	-
5,000	-	Millat Tractors Limited	10	4,795	-	5,470	-
25,000	-	Pak Suzuki Motor Company Limited	10	5,573	-	6,049	-
-	2,980	Indus Motor Company Limited	10	-	4,123	-	3,462

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Shares		Company	Face value per share	Cost		Market Value	
2020	2019			**2020**	2019	**2020**	2019
--------Number---------				-------------- (Rupees in thousand) --------------			
		Power generation and distribution					
275,000	170,000	Kot Addu Power Company Limited*	**10**	**8,689**	8,014	**7,480**	5,360
280,000	63,896	Hub Power Company Limited**	**10**	**23,134**	5,191	**22,212**	5,965
-	48,500	Nishat Chunian Limited	**10**	**-**	2,184	**-**	2,069
		Oil & Gas Exploration Companies					
240,000	177,900	Oil And Gas Development Company Limited	**10**	**29,613**	25,963	**24,905**	25,319
60,000	58,000	Pakistan Oil Fields Limited	**10**	**22,381**	26,032	**23,725**	25,910
260,000	154,650	Pakistan Petroleum Limited	**10**	**27,556**	22,306	**23,486**	21,209
12,000	8,483	Mari Petroleum Company Limited	**10**	**15,009**	9,247	**16,078**	11,114
		Oil & Gas Marketing Companies					
15,000	-	Attock Petroleum Limited	**10**	**4,971**	-	**5,019**	-
122,000		Hi-Tech Lubricants Limited	**10**	**5,083**	-	**5,341**	-
-	12,000	Sui Northern Gas Pipelines	**10**	**-**	1,103	**-**	914
		Textile composite					
147,500	-	Gul Ahmad Textile Mills Limited	**10**	**5,393**	-	**5,421**	-
88,000	-	Kohinoor Textile Mills Limited	**10**	**3,596**	-	**6,003**	-
85,000	122,576	Interloop Limited	**10**	**5,558**	5,651	**5,786**	7,114
105,000	124,000	Nishat Mills Limited	**10**	**10,460**	15,832	**10,686**	13,161
		Insurance					
115,000	-	Adamjee Insurance Company Limited	**10**	**4,507**	-	**4,522**	-
		Glass & Ceramics					
64,000	-	Tariq Glass Industries Limited	**10**	**5,709**	-	**5,618**	-
		Technology					
23,000		System Limited	**10**	**5,221**	-	**9,642**	-
		Foods and personal care products					
-	126,500	Fauji Foods Company	**10**	**-**	4,777	**-**	1,830
		Transport					
50,000	-	Pakistan National Shipping Corporation	**10**	**4,128**	-	**4,570**	-
		Chemical					
185,000	97,000	Engro Polymer and Chemicals Limited	**10**	**8,459**	3,452	**8,789**	3,221
				-	-	**-**	-
		Miscellaneous					
132,237	-	Synthetic Products Enterprises	**10**	**5,810**	-	**5,751**	-
325,000	-	Siddiqsons Tin Plate Limited	**10**	**5,916**	-	**6,685**	-
		Value as at 31 December		**511,161**	226,592	**532,055**	219,097
		Grand Total		**511,161**	226,592	**532,055**	219,097

* 90,000° (2019: 90,000) shares are pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.
** 221,396 (2019: Nil) shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.

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	Note	2020	2019
10 INVESTMENTS IN DEBT SECURITIES		(Rupees in thousand)	
10.1 Available for sale - Unquoted			
Sukuk Certificates	10.1.1	22,524	29,950
Term Finance Certificates	10.1.2	54,693	54,707
Pakistan Investment Bonds	10.1.3	651,522	743,732
		728,739	828,389
Unrealized gain on debt securities		61,993	42,817
		790,732	871,206
10.2 Held for trading			
Treasury Bills	10.1.4	287,304	304,512
Pakistan Investment Bonds	10.1.5	145,303	137,343
		432,607	441,855
Unrealized gain on debt securities		14,118	9,301
Total Investment in debt securities		1,237,457	1,322,362

Description	Maturity	Profit Payment	Yield	2020	2019
				(Rupees in thousand)	
10.1.1 Sukuk Certificates					
Sukuk-International Brands Ltd "ISBLSC"	15-Nov-21	Quarterly	3M KIBOR + 0.50%	22,524	29,950
10.1.2 Term Finance Certificates					
Habib Bank Limited	15-Nov-24	Quarterly	3M KIBOR + 1.60%	20,000	20,000
The Bank of Punjab	23-Dec-26	Semi Annually	6M KIBOR + 1.00%	34,693	34,707
				54,693	54,707
10.1.3 Pakistan Investment Bonds					
Pakistan Investment Bond-Floater	09-Aug-28	Semi Annually	7.71%	110,000	110,000
Pakistan Investment Bond	19-Sep-22	Semi Annually	12.87%	141,264	136,989
Pakistan Investment Bond	12-Jul-23	Semi Annually	13.77%	65,991	63,193
Pakistan Investment Bond	12-Jul-23	Semi Annually	13.59%	176,684	169,419
Pakistan Investment Bond	12-Jul-23	Semi Annually	13.78%	65,983	63,182
Pakistan Investment Bond	19-Sep-24	Semi Annually	12.38%	91,600	89,915
Pakistan Investment Bond	12-Jul-28	Semi Annually	13.45%	-	28,701
Pakistan Investment Bond	12-Jul-28	Semi Annually	13.40%	-	38,382
Pakistan Investment Bond	19-Sep-29	Semi Annually	12.15%	-	43,951
Average Yield / total			12.57%	651,522	743,732
10.1.4 Treasury Bills - Held for Trading					
Treasury Bills	08-Apr-21	On Maturity	7.95%	162,538	-
Treasury Bills	11-Feb-21	On Maturity	7.08%	124,766	-
Treasury Bills	24-Sep-20	On Maturity	13.77%	-	140,687
Treasury Bills	13-Feb-20	On Maturity	13.46%	-	163,825
Treasury Bills	14-Mar-19	On Maturity	10.30%	-	-
Average Yield / total			10.51%	287,304	304,512
10.1.5 Pakistan Investment Bonds - Held for Trading					
Pakistan Investment Bond	12-Jul-21	Semi Annually	13.61%	96,827	91,451
Pakistan Investment Bond	12-Jul-21	Semi Annually	13.35%	48,476	45,892
Average Yield / total			13.48%	145,303	137,343

10.1.6 Pakistan Investment Bonds having face value of Rs. 60 million (2020: Rs. 60 million) and market value of Rs. 58.93 million (2019: Rs. 58.93 million) respectively are held with State Bank of Pakistan as security deposit.

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		Note	2020	2019
			(Rupees in thousand)	
11	**INVESTMENTS IN TERM DEPOSITS**			
	Term Deposit Receipt - maturing within 12 months	11.1	**2,000**	2,000
	Impairment		**(2,000)**	(2,000)
			-	-

11.1 These includes term deposit receipts (TDRs) purchased from Trust Investment Bank of Rs. 2 million (2020: Rs. 2 million) matured in 2013. Impairment has been charged due to uncertainty surrounding the recoverability of the amount.

		Note	2020	2019
12	**LOANS AND OTHER RECEIVABLES**		(Rupees in thousand)	
	Considered good			
	Accrued investment income		**28,529**	36,652
	Security deposits		**4,301**	4,298
	Loan to employees		**4,422**	4,509
	Insurance claim receivable		**27**	34
	Receivable from Shareholders' fund		**49,550**	18,972
	Other advances		**5,824**	4,916
			92,653	69,381
	Provision against other advances		**(3,800)**	(3,800)
			88,853	65,581
12.1	**Provision against other advances**			
	Balance as at 01 January		**3,800**	3,800
	Charge for the year		**-**	-
	Balance as at 31 December		**3,800**	3,800
13	**INSURANCE / REINSURANCE RECEIVABLES**			
	Unsecured and considered good			
	Due from insurance contract holders		**492,186**	648,104
	Less : Provision for impairment of receivables from insurance contract holders	13.1	**(30,272)**	(31,496)
			461,914	616,608
	Due from other insurers / reinsurers		**295,884**	180,385
	Less : Provision for impairment of due from other insurers / reinsurers	13.2	**(4,046)**	(305)
			291,838	180,080
			753,752	796,688
13.1	**Provision for impairment for receivables from insurance contract holders**			
	Balance as at 01 January		**31,496**	30,133
	Addition made during the year		**488**	1,363
	Write-off		**(1,712)**	-
	Balance as at 31 December		**30,272**	31,496
13.2	**Provision for impairment of due from other insurers / reinsurers**			
	Balance as at 01 January		**305**	2,776
	Addition / (Reversal) made during the year		**3,741**	(2,471)
	Balance as at 31 December		**4,046**	305

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	Note	2020	2019
		(Rupees in thousand)	
14 DEFERRED TAXATION			
Credit / (debit) balances arising in respect of timing differences relating to:			
Deferred credits arising in respect of			
Accelerated tax depreciation allowance		**3,764**	2,618
Leases - net		**3,344**	771
Impairment on investments - Available for sale		**5,739**	-
Deferred debits arising due to			
Investments - Available for sale		**(29,775)**	(13,484)
Investments - Held for trading		**(4,094)**	(2,697)
		(21,022)	(12,792)

14.1 Reconciliation of deferred tax liabilities, net

	Note	2020	2019
Opening balance		**(12,792)**	1,862
Tax expense recognized in statement of profit or loss		**8,061**	(1,170)
Tax income recognized in OCI	**14.2**	**(16,291)**	(13,484)
Closing balance		**(21,022)**	(12,792)

14.2 This represents deferred tax charged to unrealized gain / (loss) on available-for-sale investments in other comprehensive income.

	Note	2020	2019
		(Rupees in thousand)	
15 PREPAYMENTS			
Prepaid reinsurance premium ceded	**25**	**327,959**	376,527
Prepaid miscellaneous expenses		**2,245**	3,064
		330,204	379,591
16 CASH AND BANK			
Cash and cash equivalents			
Cash in hand		**483**	388
Revenue stamps		**2,076**	1,793
		2,559	2,181
Cash at bank			
Current accounts			
- Local currency		**52,553**	49,730
- Foreign currency (USD 3,294.98) (2019: USD 3,294.98)		**529**	510
		53,082	50,240
Savings accounts	**16.1**	**295,027**	276,485
		348,109	326,725
		350,668	328,906

16.1 The balance in saving accounts carry mark-up at the rate of 5.53% to 7% per annum (2019: 5.53% to 12.40% per annum).

16.2 Cash at bank deposits includes an amount of Rs. 307.95 million (2019: Rs.308.32 million) held with Bank Alfalah Limited, an associated undertaking.

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17 WINDOW TAKAFUL OPERATIONS

	2020	2019
	(Rupees in thousand)	
Operator's Fund		
Assets:		
Cash and bank deposits	**188,161**	114,424
Qard-e-Hasna to Participant Takaful Fund	**10,000**	25,000
Assets - others	**40,600**	26,252
Total assets	**238,761**	165,676
Total Liabilities - Current	**99,983**	70,540

17.1 Window Takaful Operations

Profit and loss account

	2020	2019
Wakala fee	**104,364**	87,090
Commission expense	**(15,024)**	(18,848)
Management expense	**(39,770)**	(37,267)
Mudarib's share of PTF investment income	**5,464**	5,476
Other income	**10,973**	7,037
Finance cost	**(857)**	(1,072)
Other expenses	**(3,683)**	(3,862)
Profit before tax from Window Takaful Operations	**61,467**	38,554
Taxation	**(17,825)**	(11,181)
Profit after tax from Window Takaful Operations	**43,642**	27,373

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

18 SHARE CAPITAL

18.1 Authorized Capital

2020	2019		2020	2019
(Number of shares)			(Rupees in thousand)	
50,000,000	50,000,000	Ordinary share of Rs. 10 each	**500,000**	500,000

18.2 Issued, subscribed and paid-up share capital

2020	2019		2020	2019
(Number of shares)			(Rupees in thousand)	
30,000,000	30,000,000	Ordinary shares of Rs. 10 each, fully paid in cash	**300,000**	300,000
20,000,000	20,000,000	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	**200,000**	200,000
50,000,000	50,000,000		**500,000**	500,000

18.3 As at 31 December 2020, Bank Alfalah Limited and Sheikh Nahayan Mubarak Al Nahayan held 14,997,825 (2019: 14,997,825) and 12,497,323 (2019: 12,497,823) ordinary shares of Rs. 10 each fully paid, respectively.

19 RESERVES

	2020	2019
	(Rupees in thousand)	
Capital reserves		
Share deposit money	**1,381**	1,381
Fair value reserves	**72,902**	33,015
Revenue reserves		
General reserves	**150,000**	150,000
	224,283	184,396

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	2020	2019
	(Rupees in thousand)	
20 RETIREMENT BENEFITS ASSET / OBLIGATION		
Staff gratuity (asset) / liability	**(5,901)**	(2,879)

Gratuity plan entitles an eligible employee to receive a lump sum amount equal to last drawn eligible salary multiplied by number of eligible years of service with the Company at the time of cessation of employment. An eligible employee means a permanent employee who has successfully completed minimum five years of service with the Company. Eligible salary means monthly basic salary of the eligible employee at the time of cessation of employment.

Gratuity plan is administered through separate fund that is legally separated from the Company. The Trust of the fund comprises of four members, out of which one member is the Chair. The Trustees of the funds are required by law to act in the best interests of the plan participants and are responsible for making all the investments and disbursements out of the funds.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

These defined benefit plan is fully funded by the Company. The funding requirements are evaluated by the management using the funds' actuarial measurement framework set out in the funding policies of the plans. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from time to time. Employees are not required to contribute to gratuity plan.

The Company is responsible to manage the deficit in the defined benefit obligation towards fair value of the plan assets. The Company has devised an effective periodic contribution plan to maintain sufficient level of plan assets to meet its obligations. Further, the Company also performs regular maturity analysis of the defined benefit obligation and manages its contributions accordingly.

	2020	2019
20.1 Statement of financial position reconciliation	(Rupees in thousand)	
The amounts recognized in the statement of financial statements are as follows:		
Present value of defined benefit obligations	**64,650**	54,897
Fair value of plan assets	**(70,551)**	(57,776)
Funded status Unrecognized net actuarial loss /(gain)	**-**	-
Recognized (asset) / liability	**(5,901)**	(2,879)
20.1.1 Movement in the defined benefit obligations		
Obligation as at 01 January	**54,897**	62,709
Current service cost	**6,685**	8,028
Interest cost	**7,142**	6,981
Actuarial (gain) / losses	**(2,088)**	(2,780)
Benefits paid	**(1,986)**	(20,041)
Obligation as at 31 December	**64,650**	54,897
20.1.2 Movement in the fair value of plan assets		
Fair value as at 01 January	**57,776**	62,071
Expected return on plan assets	**6,648**	7,505
Actuarial gain / (losses)	**3,492**	(397)
Employer contributions	**4,621**	8,638
Benefits paid	**(1,986)**	(20,041)
Fair value as at 31 December	**70,551**	57,776

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20.1.3 Cost

	2020	2019
	(Rupees in thousand)	
Current service cost	**6,685**	8,028
Interest cost	**7,142**	6,981
Expected return on plan assets	**(6,648)**	(7,505)
Recognition of actuarial loss	**-**	-
Expense	**7,179**	7,504
Actual return on plan assets	**10,140**	9,230

20.1.4 Principal actuarial assumptions used are as follows:

	2020	2019
Discount rate per annum - %	**9.75%**	11.25%
Expected return on plan assets per annum - %	**8.75%**	11.25%
Future salary increases - %	**8.75%**	10.25%
Net retirement age	**60**	60
Mortality rates	**SLIC 2001-05**	SLIC 2001-05
Withdrawal rate	**Moderate**	Moderate
Effective salary increase timing	**1st January**	1st January

20.1.5 Comparison for five years:

	2020	2019	2018	2017	2016
	---------------------------- (Rupees in thousand) ----------------------------				
As at December 31					
Present value of defined benefit obligation	**64,650**	54,897	62,709	53,202	43,821
Fair value of plan assets	**(70,551)**	(57,776)	(62,071)	(48,982)	(41,858)
Deficit	**(5,901)**	(2,879)	638	4,220	1,963

20.1.6 Experience adjustments

	2020	2019	2018	2017	2016
Gain / (loss) on plan assets (as percentage of plan assets)	**-3.23%**	-5.06%	2.57%	3.20%	3.08%
Gain / (loss) on plan assets (as percentage of obligations)	**-4.95%**	0.69%	2.65%	0.52%	4.00%

20.1.7 Plan assets comprise of the following:

	2020		2019	
	Rupees in Thousand	**%**	Rupees in Thousand	%
Mutual funds	**863**	**1%**	789	1.37%
Pakistan Investment Bond	**54,751**	**78%**	49,664	85.96%
Others including (cash and bank balances)	**14,937**	**21%**	7,323	12.67%
	70,551	**100%**	57,776	100.00%

21 INSURANCE / REINSURANCE PAYABLE

	2020	2019
	(Rupees in thousand)	
Due to other insurers / reinsurers	**259,107**	495,516

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22 LEASE LIABILITY

The effective interest rate used as the discounting factor (i.e. implicit in the lease) ranges from 7.95% to 12.68%. The amount of future payments and the period during which they will become due are:

	2020	2019
	(Rupees in thousand)	
Year ending 31 December		
2020	-	23,929
2021	29,748	29,019
2022	17,933	23,948
2023	18,720	9,090
2024	6,108	4,887
2025 onwards	14,617	1,881
	87,126	92,754
Less: Future finance charges	(16,355)	(19,422)
	70,771	73,332

22.1 Minimum Lease Payments (MLP) and their Present Value (PV) are as follows:

	2020		2019	
	MLP	PV of MLP	MLP	PV of MLP
Due not later than 1 year	29,748	23,883	23,929	16,062
Due later than 1 year but not later than 5 years	47,192	38,143	66,944	55,533
Due later than 5 years	10,186	8,745	1,881	1,737
	87,126	70,771	92,754	73,332

22.2 Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Note	2020	2019
		(Rupees in thousand)	
Balance as at 01 January		73,332	-
Initial recognition		-	86,467
Additions during the year		12,442	905
Deletions / modification during the year		(1,112)	-
Markup on lease liabilities		7,303	9,504
		91,965	96,876
Lease rentals paid		(21,194)	(23,544)
Balance as at 31 December		70,771	73,332

23 OTHER CREDITORS AND ACCRUALS

	Note	2020	2019
Agent commission payable		311,833	292,645
Cash margin against performance bonds		103,454	62,604
Federal excise duty and sales tax		56,310	39,803
Federal Insurance Fee		2,813	2,940
Workers' welfare fund	23.1	30,166	22,110
Accrued expenses	23.2	141,329	98,653
Tax deducted at source		6,654	8,928
Payable to Participant Fund		5,167	72
Payable to Shareholder Fund		-	-
Others	23.3	16,173	14,565
		673,899	542,320

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23.1 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all insurance companies have been brought within the scope of WWF Ordinance.

During the year ended 31 December 2012, the Honorable Lahore High Court (LHC) in Constitutional Petition relating to the amendments brought to WWF Ordinance, 1971 through Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honorable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honorable Supreme Court of Pakistan declared broadening the scope of WWF (becoming applicable for all commercial organizations) to be void. Based on the above developments, the Company decided not to make provision against WWF for the year 2016 and 2017, however being prudent prior periods provision has not been reversed.

Provincial assembly of the Punjab has through notification dated 10 December 2019 has published The Punjab Workers Welfare Fund Act, 2019. Based on the above, management has recorded provision in respect of WWF amounting to Rs. 8.06 million.

23.2 Accrued expenses

This mainly includes provision for bonus payable to employees of Rs. 53.08 million (2019: Rs. 33.37 million).

23.3 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 6.14 million (2019: Rs. 4.22 million), aging of which is given below:

	Age-wise breakup of unclaimed insurance benefits					
	1 to 6 months	**7 to 12 months**	**13 to 24 months**	**25 to 36 months**	**beyond 36 months**	**Total**
	(Rupees in thousand)					
Claims not encashed - 2020	**-**	**57**	**2,463**	**754**	**2,869**	**6,143**

	Age-wise breakup of unclaimed insurance benefits					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	beyond 36 months	Total
	(Rupees in thousand)					
Claims not encashed - 2019	9	585	753	1,089	1,788	4,224

24 CONTINGENCIES AND COMMITMENTS

24.1 Tax Contingencies

a) <u>Income tax - Tax Year 2011</u>

The Company's appeal against order passed, raising a tax demand of Rs. 121.55 million under section 122(5A) of the Ordinance, was disposed of by Commissioner Inland Revenue (Appeals - I) ['CIR(A)'] through order dated 14 September 2017 for tax year 2011. While, a substantial amount of relief was allowed on issues decided in Company's favor by CIR(A) reducing the demand to Rs. 69.37 million, the treatment earlier accorded was repeated in respect of remaining issues. The Company, as well as the Department, assailed the order for cross appeals before Appellate Tribunal Inland Revenue ['Tribunal'] whereby substantial relief was given, by ATIR's order dated 17 May 2018, by reducing demand to Rs. 0.61 million. The department has filed an appeal in Lahore High Court against ATIR's order. As per Company's Tax advisor, the Company has strong case, accordingly, the appeal is likely to be decided in favor of the Company. Therefore, no provision has been made in these financial statements.

<u>Income tax - Tax Year 2017</u>

For tax year 2017, the tax department disputed Company's treatment on certain issues and raised the aggregate liability of Rs. 93.9 million, however, upon assailing the assessment order before the first appellate authority, additions only to the extent of Rs 5.9 million were confirmed in respect of unpaid liabilities (Rs 0.4 million) and unverified expenses (Rs 5.5 million). While the former will be claimed on payment basis, the Company has preferred an appeal before the Appellate Tribunal Inland Revenue is respect of the latter. No provision has been made in the financial statements regarding the said additions, as the management is of the view that these issues will be decided in the Company's favor as and when these are taken up by the Appellate Authorities. Therefore, no provision has been made in these financial statements.

b) <u>Sales tax - Tax Year 2017</u>

The department issued the show cause notice under section 11(2) and 11(4) of the Sales Tax Act, 1990 (the "ST Act") for the tax period from July 2016 to June 2017 against which the Company has duly submitted its response. However, the Deputy Commissioner Inland Revenue ("DCIR") passed an order dated 31 December 2020 raising sales tax demand amounting to Rs. 6.8 million along with penalty of Rs. 0.41 million on the issue of sales tax on sale of fixed assets, sales tax on premium received in advance, wrong filing of sales tax returns, input tax inadmissibility. Being aggrieved by the said order, the Company is in the process of filing an appeal before CIR(A).

Based on the opinion of the legal advisor, the Company expects a favorable outcome of the matter under consideration, hence no provision has been recognized.

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25 NET INSURANCE PREMIUM

	2020	2019
	(Rupees in thousand)	
Written gross premium	**2,810,203**	2,666,478
Unearned premium reserve as at 01 January	**759,513**	650,096
Unearned premium reserve as at 31 December	**(697,841)**	(759,513)
Premium earned	**2,871,875**	2,557,061
Reinsurance premium ceded	**(1,096,926)**	(1,079,400)
Prepaid reinsurance premium ceded as at 01 January	**(376,527)**	(270,454)
Prepaid reinsurance premium ceded as at 31 December	**327,959**	376,527
Reinsurance expense	**(1,145,494)**	(973,327)
	1,726,381	1,583,734

26 NET INSURANCE CLAIMS

	2020	2019
Claims paid	**1,250,726**	921,704
Outstanding claims including IBNR as at 31 December	**677,446**	649,326
Outstanding claims including IBNR as at 01 January	**(649,326)**	(532,442)
Claims expense	**1,278,846**	1,038,588
Reinsurance and other recoveries received	**(550,929)**	(277,759)
Reinsurance and other recoveries in respect of outstanding claims net of impairment as at 31 December	**(381,598)**	(396,122)
Reinsurance and other recoveries in respect of outstanding claims net of impairment as at 01 January	**396,122**	293,866
Reinsurance and other recoveries revenue	**(536,405)**	(380,015)
	742,441	658,573

26.1 Claim Development

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2020.

	Accident year					
	2016 and earlier	**2017**	**2018**	**2019**	**2020**	**Total**
	(Rupees in thousand)					
Estimate of ultimate claims cost						
At the end of accident year with IBNR	476,945	412,866	638,739	444,627	595,999	2,569,176
One year later	436,905	355,994	591,802	396,321	-	1,781,022
Two years later	430,268	344,956	569,530	-	-	1,344,754
Three years later	448,259	341,293	-	-	-	789,552
Four years later	447,857	-	-	-	-	447,857
Current estimate of cumulative claims	447,857	341,293	569,530	396,321	595,999	2,351,000
Cumulative payments to date	(421,262)	(341,310)	(562,070)	(306,001)	(324,863)	(1,955,506)
Liability recognized	**26,595**	**(17)**	**7,460**	**90,320**	**271,136**	**395,494**

27 NET COMMISSION / ACQUISITION EXPENSE / (INCOME)

	2020	2019
	(Rupees in thousand)	
Commission paid or payable	**734,207**	650,497
Deferred commission expense as at 01 January	**68,324**	83,486
Deferred commission expense as at 31 December	**(47,780)**	(68,324)
Net commission	**754,751**	665,659
Commission received or recoverable	**(255,990)**	(223,839)
Unearned reinsurance commission as at 01 January	**(72,961)**	(67,929)
Unearned reinsurance commission as at 31 December	**61,681**	72,961
Commission from reinsurance	**(267,270)**	(218,807)
	487,481	446,852

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		Note	2020	2019
28	**MANAGEMENT EXPENSES**		**(Rupees in thousand)**	
	Employee benefit cost	**28.1**	**240,593**	230,504
	Travelling expenses		**3,049**	9,947
	Advertisement and sales promotion		**453**	2,056
	Printing and stationery		**7,767**	9,253
	Depreciation	**5.1.4**	**33,850**	31,039
	Amortization	**7.1.2**	**1,151**	1,038
	Rent, rates and taxes		**4,976**	5,020
	Electricity, gas and water		**6,735**	7,288
	Vehicle running expenses		**13,956**	15,225
	Office repairs and maintenance		**13,528**	10,080
	Bank charges		**1,789**	2,189
	Postages, telegrams and telephone		**9,678**	10,043
	Annual supervision fee SECP		**4,677**	4,164
	Fee and subscription		**8,580**	3,937
	Tracker expense		**28,854**	40,771
	Training and development		**3,646**	3,084
	Inspection fee		**598**	937
	Bad and doubtful debts	**12 & 13**	**4,229**	792
	Miscellaneous expenses		**13,946**	9,151
			402,055	396,518

28.1 Employee benefit cost

	2020	2019
Salaries, allowances and other benefits	**223,113**	211,765
Charges for post employment benefits	**17,480**	18,739
	240,593	230,504

28.2 Management expenses amounting to Rs. 29.08 million (2019: Rs. 28.08 million) have been allocated to Window Takaful Operations Operators fund.

		Note	2020	2019
29	**INVESTMENT INCOME**		**(Rupees in thousand)**	
	Dividend income	**29.1**	**12,658**	12,946
	Income from debt securities	**29.2**	**115,548**	68,117
	Net realized gains on investments	**29.3**	**93,390**	33,498
	Net unrealized gains on investments	**29.4**	**12,287**	9,301
	Impairment of available for sale securities		**(8,608)**	(11,177)
	Investment related expenses		**(5,938)**	(1,830)
			219,337	110,855

		2020	2019
29.1	**Dividend income**		
	- Available for sale		
	Dividend income	**12,658**	12,946
29.2	**Income from debt securities**		
	- Available for sale		
	Return on Pakistan Investment Bonds	**87,695**	47,048
	Return on Sukkuk Certificate	**2,747**	4,280
	Return on Term Finance Certificate	**6,314**	6,113
	- Held for trading		
	Return on Pakistan Investment Bonds	**18,792**	10,676
		115,548	68,117
29.3	**Net realized gains on investments**		
	- Available for sale		
	Realized gain / (loss) on equity securities	**31,831**	(12,305)
	Realized gain / (loss) on debt securities	**33,932**	(492)
	- Held for trading		
	Realized gains on debt securities	**27,627**	46,295
		93,390	33,498
29.4	**Net unrealized gains on investments**		
	- Held for trading		
	Net un-realized gains on investments at fair value through profit and loss account	**12,287**	9,301
	Total investment income	**233,883**	123,862
	- Impairment of available for sale securities		
	Equity securities	**(8,608)**	(11,177)
	- Investment related expenses	**(5,938)**	(1,830)
		219,337	110,855

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30 OTHER INCOME

	Note	2020	2019
		(Rupees in thousand)	
Return on bank balances		**34,762**	53,564
Gain on disposal of property and equipment		**7,061**	1,237
Other		**80**	38
		41,903	54,839

31 OTHER EXPENSES

	Note	2020	2019
Insurance expenses		**4,072**	4,143
Legal and professional fee		**11,445**	8,938
Auditor's remuneration	**31.2**	**1,962**	2,014
Miscellaneous expenses		**2,856**	2,036
Workers' welfare fund	**23.1**	**8,056**	7,107
		28,391	24,238

31.1 Other expenses amounting to Rs. 2.44 million (2019: Rs. 1.92 million) have been allocated to Window Takaful Operations Operators fund.

31.2 Auditor's remuneration

	2020	2019
	(Rupees in thousand)	
Statutory audit fee	**728**	650
Half yearly review	**323**	289
Statutory returns	**414**	220
Certification and sundry services	**122**	482
Out of pocket expenses	**120**	110
Sales tax	**254**	263
	1,961	2,014

32 FINANCE COST

	2020	2019
Mark up on lease liabilities	**6,447**	8,432
Exchange loss	**369**	316
	6,816	8,748

32.1 Finance cost amounting to Rs. 0.857 million (2019: Rs. 1.07) have been allocated to Window Takaful Operations Operators fund.

33 TAXATION

	2020	2019
	(Rupees in thousand)	
Current Tax:		
Current year	**126,817**	89,876
Prior years	**(10,580)**	2,663
	116,237	92,539
Deferred Tax:		
- Temporary differences	**(8,061)**	1,170
- Change in tax rate	**-**	-
	(8,061)	1,170
	108,176	93,709

33.1 Relationship between tax expense and accounting profit

A numerical reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate.

	2020	2019
	(Rupees in thousand)	
Accounting profit	**381,905**	253,053
Tax at the applicable rate of 29% (2019: 29%)	**110,752**	73,385
Tax effect of amounts that are:		
- Related to temporary differences	**8,004**	17,661
- Chargeable to tax at different rates	**-**	-
Prior year adjustment	**(10,580)**	2,663
	(2,576)	20,324
Tax expense	**108,176**	93,709

34 EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

	2020	2019
	(Rupees in thousand)	
Net profit after tax for the year	**273,730**	159,344
	Number of shares	
Weighted average number of shares of Rs. 10 each	**50,000,000**	50,000,000
	-------------- (Rupees) ------------	
Basic earnings per share	**5.47**	3.19

34.1 There is no dilution in basic earnings per share as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

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35 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND KEY MANAGEMENT PERSONNEL:

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Directors, Chief Executive and Key Management Personnel of the Company is as follows:

	Chief Executive Officer		Directors		Key Management Personnel	
	2020	2019	**2020**	2019	**2020**	2019
	(Rupees in thousand)					
Managerial remuneration	**13,200**	16,505	-	-	**75,709**	63,939
Leave fare assistance	**330**	851	-	-	**1,973**	1,545
Bonus	**4,500**	8,452	-	-	**10,358**	5,963
Charge for defined benefit plan	**685**	685	-	-	**3,416**	3,143
Contribution to defined contribution plan	**660**	825	-	-	**3,785**	3,197
Rent and house maintenance	**3,407**	852	-	-	**-**	-
Vehicle allowance	**-**	-	-	-	**10,836**	8,226
Other perquisites and allowances	**54**	2,962	-	-	**480**	240
	22,837	31,132	-	-	**106,557**	86,253
Number	**1**	1*	**7**	7	**51**	44

In addition, the Chief Executive and certain other executives of the Company were also provided with Company maintained cars. No fee was paid to directors for attending meetings.

* This includes compensation provided to Mr. Nasar us Samad Qureshi up to March 2019, after which Mr. Abdul Haye was appointed as the Company's CEO.

36 PROVIDENT FUND TRUST

The Company operates funded contributory provident fund scheme for all its eligible employees. The following information is based on the unaudited financial statements of the provident fund for the year ended 31 December 2020:

	Un-audited	Audited
	2020	2019
	(Rupees in thousand)	
Size of the fund	**87,564**	75,521
Cost / Amortized of investments made	**76,747**	67,661
Percentage of investments made (based on fair value)	**96.79%**	95.58%
Fair value of investments	**84,752**	72,185

Break up of Investments

Investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Act, 2017 and the rules formulated for this purpose. The break-up of investments is as follows:

	Percentage of Investments as a % size of fund		Fair Value	
	2020	2019	**2020**	2019
			(Rupees in thousand)	
Mutual funds	**3%**	3%	2,423	2,215
Government Securities	**82%**	88%	69,683	63,208
Profit bearing bank accounts	**15%**	9%	12,646	6,762
			84,752	72,185

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37 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The Company, in the normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors, chief executive and key management personnel is disclosed in note 35. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 19 and 36 of these financial statements, respectively.

Investment in related parties have been disclosed in note 9 to the financial statements. Other transactions with related parties are summarized as follows:

	2020	2019
	(Rupees in thousand)	
i) Associated undertakings and other related parties		
Premium written	**517,705**	440,333
Premium received	**620,554**	509,660
Claims paid	**339,757**	385,585
Interest income	**31,647**	52,272
Dividend income	**-**	415
Rent paid	**-**	2,860
Commission paid	**67**	97
Expense charged in respect of retirement benefit plans	**18,599**	14,841
Investment advisory fee	**2,348**	1,640
Investments sold	**-**	71,337
Key management personnel		
Premium written	**150**	40
Claims paid	**57**	57
ii) Period end balances		
Associated undertakings and other related parties		
Premium receivable from related parties	**5,979**	56,051
Provision for outstanding claims	**147,442**	102,407
Key Management Personnel		
Premium receivable	**48**	108
Provision for outstanding claims	**275**	-

All transactions with related parties have been carried out on commercial terms and conditions.

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38 SEGMENT REPORTING

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017:

	31 December 2020					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees in thousand)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	555,201	167,071	612,638	1,390,855	425,237	3,151,002
Federal Excise Duty	(69,213)	(19,144)	(82,738)	(88,965)	(52,684)	(312,744)
Federal Insurance Fee	(4,657)	(1,441)	(5,250)	(13,005)	(3,702)	(28,055)
Gross Written Premium (inclusive of Administrative Surcharge)	**481,331**	**146,486**	**524,650**	**1,288,885**	**368,851**	**2,810,203**
Gross direct premium	459,451	141,880	503,196	1,288,705	366,835	**2,760,067**
Facultative inward premium	19,995	88	227	-	321	**20,631**
Administrative surcharge	1,885	4,518	21,227	180	1,695	**29,505**
	481,331	**146,486**	**524,650**	**1,288,885**	**368,851**	**2,810,203**
Insurance premium earned	480,344	146,495	503,063	1,296,009	445,964	**2,871,875**
Insurance premium ceded to reinsurers	(461,597)	(124,932)	(26,299)	(170,586)	(362,080)	**(1,145,494)**
Net insurance premium	**18,747**	**21,563**	**476,764**	**1,125,423**	**83,884**	**1,726,381**
Commission income	84,022	32,620	718	51,176	98,734	**267,270**
Net underwriting income	**102,769**	**54,183**	**477,482**	**1,176,599**	**182,618**	**1,993,651**
Insurance claims	(338,992)	(37,585)	(215,558)	(549,166)	(137,545)	**(1,278,846)**
Insurance claims recovered from reinsurers	308,792	32,338	4,209	100,145	90,921	**536,405**
Net claims	(30,200)	(5,247)	(211,349)	(449,021)	(46,624)	**(742,441)**
Commission expense	(59,155)	(24,775)	(11,553)	(598,620)	(60,648)	**(754,751)**
Management expense	(63,922)	(19,454)	(98,529)	(171,167)	(48,984)	**(402,055)**
Premium deficiency reserve	-	-	-	-	-	**-**
Net insurance claims and expenses	**(153,277)**	**(49,476)**	**(321,431)**	**(1,218,808)**	**(156,256)**	**(1,899,247)**
Underwriting results	**(50,508)**	**4,707**	**156,051**	**(42,209)**	**26,362**	**94,404**
Net investment income						**219,337**
Other income						**41,534**
Other expenses						**(28,390)**
Profit from window takaful operations						**61,467**
Finance Cost						**(6,447)**
Profit before tax						**381,905**
Segment assets	716,498	42,707	58,204	366,078	254,717	**1,438,203**
Unallocated assets						**2,795,420**
						4,233,623
Segment liabilities	628,764	114,937	423,160	124,624	289,949	**1,581,434**
Unallocated liabilities						**1,020,607**
						2,602,041

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	31 December 2019					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees in thousand)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	559,696	153,872	611,318	1,250,844	483,857	3,059,587
Federal Excise Duty	(71,621)	(20,173)	(82,975)	(128,298)	(62,745)	(365,812)
Federal Insurance Fee	(4,736)	(1,546)	(5,236)	(11,361)	(4,418)	(27,297)
Gross Written Premium (inclusive of Administrative Surcharge)	483,339	132,153	523,107	1,111,185	416,694	2,666,478
Gross direct premium	462,755	127,856	502,709	1,110,970	410,314	2,614,604
Facultative inward premium	18,510	-	-	-	3,886	22,396
Administrative surcharge	2,074	4,297	20,398	215	2,494	29,478
	483,339	132,153	523,107	1,111,185	416,694	2,666,478
Insurance premium earned	418,285	132,139	508,297	1,093,678	404,662	2,557,061
Insurance premium ceded to reinsurers	(388,710)	(114,592)	(23,594)	(174,919)	(271,512)	(973,327)
Net insurance premium	29,575	17,547	484,703	918,759	133,150	1,583,734
Commission income	78,286	26,417	689	26,981	86,434	218,807
Net underwriting income	107,861	43,964	485,392	945,740	219,584	1,802,541
Insurance claims	(195,689)	(60,743)	(249,845)	(392,840)	(139,471)	(1,038,588)
Insurance claims recovered from reinsurers	180,818	52,990	2,869	39,093	104,245	380,015
Net claims	(14,871)	(7,753)	(246,976)	(353,747)	(35,226)	(658,573)
Commission expense	(60,292)	(21,670)	(23,791)	(505,718)	(54,188)	(665,659)
Management expense	(71,875)	(19,652)	(77,789)	(165,239)	(61,963)	(396,518)
Premium deficiency reserve	-	-	-	-	-	-
Net insurance claims and expenses	(147,038)	(49,075)	(348,556)	(1,024,704)	(151,377)	(1,720,750)
Underwriting results	(39,177)	(5,111)	136,836	(78,964)	68,207	81,791
Net investment income						110,855
Rental income						-
Other income						54,839
Other expenses						(24,238)
Finance costs						38,554
Profit from window takaful operations						(8,748)
Profit before tax						253,053
Segment assets	725,546	117,100	66,404	319,503	394,768	1,623,321
Unallocated assets						2,400,441
						4,023,762
Segment liabilities	767,775	154,535	433,970	123,441	467,766	1,947,487
Unallocated liabilities						763,890
						2,711,377

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		Held to maturity	Available for sale	Fair value through profit and loss account	Total
39	**MOVEMENT IN INVESTMENTS**	-------------------- (Rupees in thousand) --------------------			
	As at beginning of previous year	-	569,500	445,008	1,014,508
	Additions	-	726,670	2,731,472	3,458,142
	Disposals (sales and redemptions)	-	(299,539)	(2,734,133)	(3,033,672)
	Fair value net gains (excluding net realized gains)	-	97,727	4,569	102,296
	(Discount) on investment bonds	-	7,123	4,239	11,362
	Impairment/ (reversal) losses	-	(11,177)	-	(11,177)
	At the beginning of the year	-	1,090,304	451,155	1,541,459
	Additions	**-**	**1,049,918**	**1,206,793**	**2,256,711**
	Disposals (sales and redemptions)	**-**	**(884,391)**	**(1,224,001)**	**(2,108,392)**
	Fair value net gains (excluding net realized gains)	**-**	**19,392**	**7,961**	**27,353**
	(Discount) on investment bonds	**-**	**56,174**	**4,816**	**60,990**
	Impairment losses	**-**	**(8,609)**	**-**	**(8,609)**
	At the end of current year	**-**	**1,322,788**	**446,724**	**1,769,512**

40 RISK MANAGEMENT

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholder from the events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management system in place.

The Company's risk management function is carried out by the Board of Directors ('the Board'), with its associated committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to the Chief Executive Officer and senior managers.

The Board of Directors meets regularly to approve any commercial, regulatory and organizational decisions. The Chief Executive Officer under the authority delegated from the Board of Directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirement.

The risk faced by the Company and the way these risks are mitigated by management are summarized below :

a) Financial risk, categorized into;

- Credit risk	- note 40.1.1
- Liquidity risk	- note 40.1.2
- Market risk	- note 40.1.3

b) Capital adequacy risk - note 40.2

c) Insurance risk - note 40.3

40.1 Financial risk

The Company's activities exposes it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk).

The Company's principal financial risk instruments are financial investments, receivables arising from insurance and reinsurance contracts, statutory deposits and cash and cash equivalents. The Company does not enter into any derivative transactions.

The Company's financial risk focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Financial risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the

40.1.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring the following:

a) Credit worthiness of counter party;
b) Sector wise concentration of counter party; and
c) Aging analysis of counter party.

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

Financial assets		**2020**	2019
		(Rupees in thousand)	
Bank balances	- note 40.1.1.1	**348,109**	326,725
Investments		**1,769,512**	1,541,459
Due from insurance contract holders	- note 40.1.1.2	**461,914**	616,608
Amount due from other insurers / reinsurers	- note 40.1.1.3	**291,838**	180,080
Accrued investment income		**28,529**	36,652
Reinsurance recoveries against outstanding claims	- note 40.1.1.3	**381,598**	396,122
Loans and Other receivables		**55,902**	24,420
		3,337,402	3,122,066

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

	Rating Short term	Rating Long term	Rating Agency	2020	2019
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	**307,950**	308,319
Habib Bank Limited	A1+	AAA	JCR-VIS	**1**	1
The Bank of Punjab	A1+	AA+	PACRA	**108**	107
Silk Bank Limited	A2	A-	JCR-VIS	**5**	5
Summit Bank Limited	A3	BBB-	JCR-VIS	**1,062**	753
Mobilink Microfinance Bank Limited	A1	A	PACRA	**11,192**	1,595
Zarai Tarakiati Bank Limited	A1+	AAA	JCR-VIS	**14,609**	7,693
NRSP Microfinance Bank Limited	A1	A	PACRA	**81**	72
Khushhali Microfinance Bank Limited	A1	A+	JCR-VIS	**2,629**	267
Finca Microfinance Bank Limited	A1	A	PACRA	**10,045**	7,508
Faysal Bank Limited	A1+	AA	JCR-VIS	**320**	300
Soneri Bank Limited	A1+	AA-	PACRA	**6**	5
The Punjab Provincial Cooperative Bank Limited	N/A	N/A	N/A	**101**	100
				348,109	326,725

40.1.1.2 The management monitors exposure to credit risk in premium receivable arising from insurance and reinsurance contracts, through regular review of credit exposure and prudent estimates of provision for doubtful receivables. The provision for doubtful receivables amounting to Rs. 30.272 million (2019: Rs. 31.496 million) is shown in note 13.1. The figures shown below are exclusive of any provisions made during the year. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

Sector wise analysis of due from insurance contract holders but unpaid is as follows:

	2020	2019
	(Rupees in thousand)	
Financial institutions	**28,483**	314,111
Telecom sector	**15,092**	19,320
Construction	**14,659**	-
Manufacturing	**10,969**	-
Personal Goods	**6,151**	6,074
Health and Pharmaceutical	**6,125**	12,932
Textile and composite	**11,026**	83,533
Miscellaneous and others	**399,681**	212,134
	492,186	648,104
Provision for impairment of receivables from insurance contract holders	**(30,272)**	(31,496)
	461,914	616,608

The aging analysis of premium due but unpaid can be assessed with the following:

	2020			2019		
	Related parties	**Others**	**Total**	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	5,947	455,783	**461,730**	56,079	552,669	608,748
1-2 years	32	8,995	**9,027**	(27)	18,362	18,335
2-3 years	-	3,279	**3,279**	-	20,482	20,482
Over 3 years	-	18,150	**18,150**	-	539	539
	5,979	486,207	**492,186**	56,052	592,052	648,104

40.1.1.3 The credit quality of amount due from other insurers / reinsurers and reinsurance recoveries against outstanding claims can be assessed with reference to external ratings as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Total
	(Rupees in thousand)		
As at 31 December 2020			
BB+ or above (including PRCL)	**295,884**	**381,598**	**677,482**
As at 31 December 2019			
BB+ or above (including PRCL)	**180,385**	**396,122**	**576,507**

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The credit risk of reinsurance recoveries against outstanding claims can be assessed with the following age analysis, estimated in a manner consistent with the provision for outstanding claims, in accordance with the reinsurance contracts:

The age analysis of reinsurance against outstanding claims is shown below:

	2020		2019	
	Reinsurance recoveries against outstanding claims	**Provision for outstanding claims**	Reinsurance recoveries against outstanding claims	Provision for outstanding claims
	(Rupees in thousand)			
Up to 1 year	**266,348**	**523,764**	293,162	510,849
1-2 years	**61,507**	**76,939**	44,726	59,466
2-3 years	**7,589**	**12,032**	15,210	19,875
Over 3 years	**46,154**	**64,711**	43,024	59,136
	381,598	**677,446**	396,122	649,326

40.1.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

On the statement of financial position date, the Company has cash and bank deposits and readily marketable securities with insignificant change in value of Rs. 350.66 million (2019: Rs. 328.91 million) and Rs. 1,769.51 million (2019: Rs. 1,541.46 million) respectively.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2020			
	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity after one year**
	(Rupees in thousand)			
Provision for outstanding claims	**677,446**	**677,446**	**677,446**	-
Amounts due to other insurers / reinsurers	**259,107**	**259,107**	**259,107**	-
Other creditors and accruals	**673,899**	**673,899**	**673,899**	-
	1,610,452	**1,610,452**	**1,610,452**	**-**

	2019			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims	649,326	649,326	649,326	-
Amounts due to other insurers / reinsurers	495,516	495,516	495,516	-
Other creditors and accruals	542,320	542,320	542,320	-
	1,687,162	1,687,162	1,687,162	-

40.1.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices such as interest rates, foreign exchange rates and equity prices.

The Company is exposed to market risk with respect to its bank balances deposits and investments.

The Company limits market risk by maintaining a diversified portfolio of money market and equity market and by continuous monitoring of developments in respective markets. The Company has formulated a liquidity-risk based investment policy approved by the Board of Directors which contains various guidelines for investment of surplus funds in money market and equity market.

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40.1.3.1 Interest rate risk

Interest rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instrument exposes the Company to fair value interest risk.

Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

At the statement of financial position date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2020 Effective Interest rate %	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		2020	2019	**2020**	2019
		---------------(Rupees in thousand)---------------			
Financial assets					
Bank balances	**5.53% to 7%**	**295,027**	276,485	-	-

	2020 Effective Interest rate %	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		2020	2019	**2020**	2019
		---------------(Rupees in thousand)---------------			
Investments					
TFCs and Sukkuk	**7.79% to 8.9%**	-	-	**77,217**	84,429
PIB's	**7.71% to 13.61%**	**145,303**	137,343	**651,522**	743,732
T.Bills	**7.08% to 7.95%**	**287,304**	304,512	**-**	-
		432,607	441,855	**728,739**	828,161

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rate will not affect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Increase by 100 bps	Decrease by 100 bps
Impact on profit and loss account	(Rupees in thousand)	
As at 31 December 2020		
Cash flow sensitivity-variable rate financial assets	**16,325**	**(16,325)**
As at 31 December 2019		
Cash flow sensitivity-variable rate financial assets	**15,448**	**(15,448)**

40.1.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to price risk since it has investments amounting to Rs. 1,769.51 million (2019: Rs 1,541.46 million) at the statement of financial position date. However the Company has no significant concentration of price risk.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2020 and 31 December 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

The impact of hypothetical change on held for trading portfolio would be as follows:

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		Fair value	Hypothetical price change	Estimated fair value after hypothetical changes in price	Hypothetical increase/ (decrease) in Asset	Hypothetical increase/ (decrease) in Profit after tax
					(Rupees in thousand)	
31 December 2020	**Available for sale**	**532,055**	**10% increase**	**585,261**	**53,206**	**37,776**
			10% decrease	**478,850**	**(53,206)**	**(37,776)**
	Held for trading	**432,607**	**10% increase**	**475,868**	**43,261**	**30,715**
			10% decrease	**389,346**	**(43,261)**	**(30,715)**
31 December 2019	Available for sale	219,097	10% increase	241,007	21,910	15,556
			10% decrease	197,187	(21,910)	(15,556)
	Held for trading	451,156	10% increase	496,272	45,116	32,032
			10% decrease	406,040	(45,116)	(32,032)

40.1.3.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company's exposure to exchange rate fluctuation risk is insignificant as it hold liabilities of US $ Nil as at 31 December 2020 (2019: US $ Nil).

40.1.3.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for certain debt instruments held. The fair values of financial instruments are disclosed in note 40 to these financial statements.

40.2 Capital adequacy risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development in its businesses.

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

The Company's current paid-up capital is in accordance with the limit prescribed by the SECP vide SRO 89 (1)/2017 .

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

40.3 Insurance risk

The Company's insurance activities are primarily concerned with the pricing, acceptance and management of risks from its customers. In accepting risks the Company is committing to the payment of claims and therefore these risks must be understood and controlled. Disciplined underwriting, encompassing risk assessment, risk management, pricing and exposure control is critical to the Company's success. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The company is facing three kinds of risk in its insurance activities, namely;

- Premium Risk - note 40.3.1
- Claim Risk - note 40.3.2
- Reinsurance Risk - note 40.3.3

40.3.1 Premium Risk

The underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Pricing is generally based upon risk quality, historical claims frequencies, claims averages, adjusted for inflation and imposition of deductibles. Risk inspections surveys are also conducted before acceptance of larger risks. Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria. For example, the Company does not offer health insurance to walk-in individual customers. Health insurance is generally offered to corporate customers with a large population to be covered under the policy.

The Company manages the insurance risk arising from the geographical concentration of risk with the help of various MIS reports generated from the IT system. For this purpose all critical underwriting information including address lookups and geocoding is punched into the IT system. For example, for catastrophic aggregates, the IT system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils. For Marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea/air/inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

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The following table demonstrates the class wise concentration of risk on the basis of sum insured:

	Gross sum insured		Net sum insured	
	2020	2019	**2020**	2019
Fire	**60%**	57%	**21%**	12%
Marine	**25%**	31%	**29%**	60%
Motor	**3%**	2%	**26%**	13%
Accident and Health	**2%**	2%	**19%**	10%
Others including miscellaneous	**10%**	8%	**5%**	5%
	100%	100%	**100%**	100%

The following table demonstrates the class wise concentration of risk on the basis of premium:

	Gross premium written		Net premium written	
	2020	2019	**2020**	2019
Fire	**17%**	18%	**1%**	2%
Marine	**5%**	5%	**1%**	1%
Motor	**19%**	20%	**28%**	31%
Accident and Health	**46%**	41%	**65%**	58%
Others including miscellaneous	**13%**	16%	**5%**	8%
	100%	100%	**100%**	100%

40.3.2 Claim Risk

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies and can be characterized under a number of specific headings, such as;

- Uncertainty as to whether an event has occurred which would give rise to an insured loss.
- Uncertainty as to the extent of policy coverage and limits applicable.
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.
- Uncertainty over the timing of a settlement to a policyholder for a loss suffered.

Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these uncertainties and in case of any change in estimation due to further development on uncertainty or change on assumptions, the Company account for that change immediately.

Claims provisions are determined based upon previous claims experience, the knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. It should be emphasized that corroborative evidence obtained from as wide a range of sources as possible also contribute to form the overall estimate. Large claims impacting each relevant business class are generally assessed separately, being measured at the face value of the surveyor’s estimates.

Company has reasonably accounted for claims that have occurred by the end of the reporting period but remain unsettled and for those that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured. The Company's policy for accounting of its claims has been disclosed in note 4.13 to the financial statements.

Sensitivity analysis

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on equity (net of reinsurance) due to 10% change in claim expense.

	Underwriting result		Shareholders' Equity	
	2020	2019	**2020**	2019
	-----------------(Rupees in thousand)-----------------			
Fire	**3,020**	1,487	**2,144**	1,056
Marine	**525**	775	**373**	550
Motor	**21,135**	24,798	**15,006**	17,607
Accident and Health	**44,902**	35,375	**31,880**	25,116
Others including Miscellaneous	**4,662**	3,523	**3,310**	2,501
	74,244	65,958	**52,713**	46,830

40.3.3 Reinsurance risk

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both proportional and non-proportional basis. The majority of proportional reinsurance is quota share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess of loss reinsurance vary by product line. The Company also arranges the local and foreign facultative reinsurance as part of its risk management strategy.

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41 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy and has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

		Carrying amount							Fair value			
	Note	Available for sale	Fair value through profit and loss account	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2020		(Rupees in thousand)										
Financial assets - measured at fair value												
Investment - Equity securities	9	532,055	-	-	-	-	-	532,055	532,055	-	-	532,055
Investment - Debt securities	10	790,732	-	-	-	-	-	790,732	790,732	-	-	790,732
		1,322,787	-	-	-	-	-	1,322,787	1,322,787	-	-	1,322,787
Financial assets - not measured at fair value												
Investment - Debt securities	10	-	432,607	-	-	-	-	432,607	432,607	-	-	432,607
Loans and other receivables*	12	-	-	-	88,853	-	-	88,853	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good*	13	-	-	-	753,752	-	-	753,752	-	-	-	-
Reinsurance recoveries against outstanding claims*	26	-	-	-	381,598	-	-	381,598	-	-	-	-
Cash and bank*	16	-	-	-	-	350,668	-	350,668	-	-	-	-
Total assets of Window Takaful Operations-Operator's Fund*	17	-	-	-	-	238,761	-	238,761	-	-	-	-
		-	432,607	-	1,224,203	589,429	-	2,246,239	432,607	-	-	432,607
Financial liabilities - measured at fair value												
Financial liabilities - not measured at fair value												
Underwriting provision against outstanding claims including IBNR*	26	-	-	-	-	-	677,446	677,446	-	-	-	-
Insurance / reinsurance payables*	21	-	-	-	-	-	259,107	259,107	-	-	-	-
Other creditors and accruals*	23	-	-	-	-	-	673,899	673,899	-	-	-	-
Total liabilities of Window Takaful Operations-Operator's Fund*	17	-	-	-	-	-	99,983	99,983	-	-	-	-
		-	-	-	-	-	1,710,435	1,710,435	-	-	-	-

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

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		Carrying amount							Fair value			
	Note	Available for sale	Fair value through profit and loss account	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2019		-------------------	-------------------	-------------------	-------------------	--------(Rupees	in thousand)--------	-------------------	-------------------	-------------------	-------------------	-------------------
Financial assets - measured at fair value												
Investment - Equity securities	9	219,097	-	-	-	-	-	219,097	219,097	-	-	219,097
Investment -Debt Securities		871,206	-	-	-		-	871,206	871,206	-	-	871,206
		1,090,303	-	-	-	-	-	1,090,303	1,090,303	-	-	1,090,303
Financial assets - not measured at fair value												
Investment - Debt securities	10	-	441,855	-	-	-	-	441,855	441,855	-	-	441,855
Loans and other receivables*	12	-	-	-	65,581	-	-	65,581	-	-	-	-
Insurance / reinsurance receivables												
- unsecured and considered good*	13	-	-	-	796,688	-	-	796,688	-	-	-	-
Reinsurance recoveries against outstanding claims*	26	-	-	-	396,122	-	-	396,122	-	-	-	-
Cash and bank*	16	-	-	-	-	328,906	-	328,906	-	-	-	-
Total assets of Window Takaful Operations-Operator's Fund*	17	-	-	-	-	165,676	-	165,676	-	-	-	-
		-	441,855	-	1,258,391	494,582	-	2,194,828	441,855	-	-	441,855
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value												
Underwriting provision against		-	-	-	-	-		-	-	-	-	-
outstanding claims including IBNR*	26	-	-	-	-	-	649,326	649,326	-	-	-	-
Insurance / reinsurance payables*	21	-	-	-	-	-	495,516	495,516	-	-	-	-
Other creditors and accruals*	23	-	-	-	-	-	542,320	542,320	-	-	-	-
Total liabilities of Window Takaful Operations-Operator's Fund*	17	-	-	-	-	-	70,540	70,540	-	-	-	-
		-	-	-	-	-	1,757,702	1,757,702	-	-	-	-

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

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Notes to the Financial Statements
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42 NUMBER OF EMPLOYEES

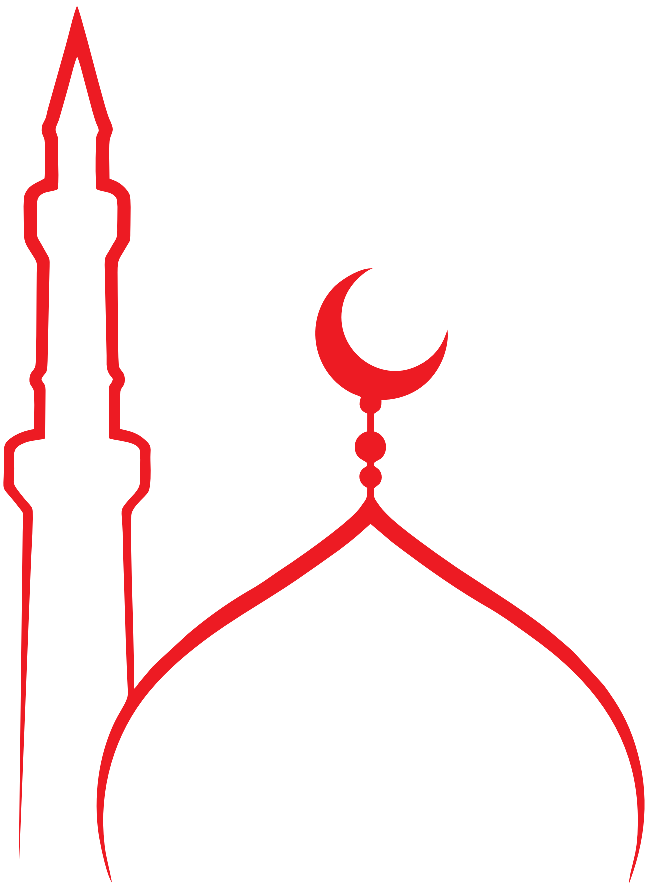
The number of employees of the Company are as follows:

	2020	2019
Average number of employees during the year	**222**	230
As at 31 December	**214**	233

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on **Feb 03, 2021**.

Chairman	**Director**	**Director**	**Chief Executive Officer**



ALFALAH INSURANCE COMPANY LIMITED WINDOW TAKAFUL OPERATIONS

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Building a better working world

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Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Takaful Rules, 2012

Introduction

We were engaged by the Board of Directors of Alfalah Insurance Company Limited (the Operator) to report on the management's assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Operator, as set out in the annexed statement of compliance (the Statement) prepared by the management for the year ended 31 December 2020, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable criteria

The criteria against which the subject matter information (the Statement) is assessed is the Takaful Rules, 2012.

Responsibilities of the management

The management of the Operator is responsible for the preparation of the annexed statement that is free from material misstatement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed Statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Takaful Operations with the Takaful Rules, 2012.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion as to whether the statement is prepared in accordance with the applicable criteria, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 (Revised) requires that we plan and perform our procedures to obtain reasonable level of assurance about whether the Statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules 2012, in all material respects.

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

Building a better working world

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Takaful Rules, 2012

periods is subject to the risk that the controls may become inadequate or fail.

We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with Takaful Rules, 2012.

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

Conclusion

In our opinion, the Statement for the year ended 31 December 2020 present fairly the status of compliance of the Takaful Operations of the Operator with the Takaful Rules, 2012, in all material respects.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Engagement Partner: Abdullah Fahad Masood
Lahore: 25 March 2021

Shariah Advisory Report to the Board of Directors

For the Year Ended December 31, 2020

By the grace of Almighty Allah, the year under review was the fifth year of Alfalah Insurance Company Ltd. (Window Takaful Operations), Window Takaful Operations AICL was a step towards fostering a full Islamic Economic System. This initiative was to provide Shariah Compliant Takaful facilities to those seeking Shariah Compliant alternatives to conventional insurance

Progress of the year:

During the year under consideration AICL (WTO) has made significant achievements, details of which are as follow:

1. AICL (WTO) continued its offering of Takaful products such as Motor, Marine, Property, Health and Miscellaneous for its participants.

2. In executing Takaful agreements with major Islamic Banks, AICL (WTO) made tremendous progress

3. Five new takaful products were approved by Sharia Advisor, list is as follows:
   - A. "Household Scheme Comprehensive Takaful"
   - B. Solar Panel Takaful Policy
   - C. Plat glass Takaful
   - D. Neon Sign Takaful
   - E. Erection all risk Takaful
4. Dedicated Takaful Administration System has been implemented in AICL (WTO) to manage all operational aspects of window Takaful operations.

5. For the investment purpose of Takaful Funds in the Shari'ah compliant avenues, Shariah Compliant Investment policy has been approved by the Shariah Advisor. And all the placements of the Takaful Funds in accordance with the approved investment policy. Furthermore, all Bank Accounts of Takaful funds are maintained in Islamic Banks.

6. By the grace of Almighty, this year PTF managed to repay its major portion of "Qard e Hasna" back to operator fund (SHF).

   Shariah Certification:

   As Shariah Advisor of AICL (WTO); I hereby, confirm that:

- I have carefully reviewed all the products of AICL (WTO) including Waqf Deed, PTF Policies, Takaful Policies and Re-Takaful Agreements etc. And Alhamdulillah I have found them in accordance with Shariah Principles. Further, I confirm that the Takaful Policies issued during the year under review are in accordance with the guidelines of Shariah.
- The management of AICL (WTO) continuously seeks advice and guidance of Shariah Advisor from Shari'ah perspective prior of launching any Takaful product. Moreover, all the takaful products are designed and developed in consultation with the Shariah Compliance Officer and in accordance to the guidelines that are provided by the Shariah Advisor.
- Segregated Window Takaful Operations is the essential part of valid Takaful contracts. I am pleased to state that AICL (WTO) has made it a priority to separate all the Takaful Funds, Investments, Bank Accounts, and other Operational systems from its conventional insurance business, as per requirement of Shariah Advisor.
- To full fill the financial needs of Window Takaful Operations, The company managed to arrange Shariah Compliant funds, and the expenses of Takaful operations including the seed money of Waqf were paid with the same funds.
- Training and Development is vital for understanding the principles of Takaful from the product and the operations perspective. In this regard, AICL (WTO) fulfilled its responsibility of arranging training sessions on Takaful products and operations for head office employees and branch staffs. I hope AICL (WTO) will continue to invest in its human capital so that all the employees ensure complete compliance of Shariah principles and guidelines.

In the end; I pray to that may ALLAH Almighty accept our efforts and enable us to perform our duties in the best manner. May Allah Almighty grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Alfalah Insurance Company Ltd. (Window Takaful Operations).

Wassalam

Dr. Khalil Ahmad Aazami
Shariah Advisor
Alfalah Insurance Company Limited
(Window Takaful Operation)

شریعہ سرٹیفکیشن

الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کے شریعہ ایڈوائزر ہونے کی حیثیت سے میں تصدیق کرتا ہوں کہ

- میں نے الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کی تمام دستاویزات بشمول وقف ڈیڈ، پی۔ٹی۔ ایف پالیسیوں، تکافل پالیسیوں اور ری تکافل معاہدات وغیرہ کا احتیاط سے جائزہ لیا ہے اور اَلحمدُلِلّٰہ میں نے ان کو شریعہ اصولوں سے ہم آہنگ پایا ہے۔ مزید یہ کہ دوران سال جاری کی جانے ولی تکافل پالیسیاں شریعہ کی ہدایات کے مطابق جاری کی گئی ہیں۔

- الفلاح انشورنس کمپنی(ونڈو تکافل آپریشن) کی انتظامیہ، تمام تر تکافل کی خدمات کے آغاز سے پہلے، مسلسل شرعی مشیر سے شرعی تناظر میں مشورہ اور رہنمائی لیتی رہتی ہے۔ مزید یہ کہ تمام تکافل پراڈکٹس شریعہ کمپلائنس آفیسر کے مشورے اور شریعہ ایڈوائزر کے ذریعہ فراہم کردہ ہدایات کے مطابق تیار کی گئیں ہیں۔
- ونڈو تکافل آپریشنز کی علیحدگی درست تکافل معاہدوں کا جزوِلازم ہے۔ میں یہ بیان کرتے ہوئے خوشی محسوس کررہاہوں کہ الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے اس بات کو ترجیحی بنیادوں پر ممکن بنایا ہے کہ اس کے تمام تکافل فنڈز، سرمایہ کاری، بنک اکاؤنٹس، سسٹمز اور دوسرے متعلقہ معاملات کو روایتی انشورنس کے کاروبار سے الگ رکھا جائے جیسا کہ شریعت کا تقاضہ ہے ۔

- ونڈو تکافل آپریشنز کی مالی ضروریات کو پورا کرنے کیلئے شریعت کے تقاضوں کے مطابق فنڈز فراہم کئے گئے ہیں۔ اور تکافل کے تمام اخراجات بشمول وقف کی گئی اصل رقم، اسی فنڈ سے پورے کئے گئے ہیں۔

- تکافل نظام کے اصولوں اور اس کی عملی صورت کو سمجھنے کے لئے علمی و نظریاتی ترقی کی کوشش اور تربیت از حد ضروری ہے۔ الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے اس معاملے میں بھی اپنی ذمہ داری کو پورا کیا ہے اور ہیڈ آفس اور برانچز کے عملے کے لئے تکافل کے تربیتی پروگرام کا انتظام کیا ہے، مجھے یقین ہے کہ الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کاروباری وانتظامی سطح پر شریعہ اصولوں کی مکمل پاسداری یقینی بنانے کے لئے اپنی افرادی قوت پر خرچ کرتا رہے گا

- اختتام پر میں اللہ تعالیٰ سے دعا گو ہوں، کہ اللہ تعالیٰ ہماری کوششوں کو قبول کرے اور ہمیں اس قابل بنائے کہ ہم اپنی ذمہ داریاں بہترین طریقے سے پوری کرسکیں۔ اللہ تعالیٰ ہمیں کامیابی عطا کرے اور ہر قدم پر ہماری مدد کرے، ہمیں ہر مشکل اور رکاوٹ سے دور رکھے اور الفلاح انشورنس کمپنی لمیٹڈ (ونڈو تکافل آپریشن) کو مالی کامیابی سے ہمکنار کرے۔

والسلام

ڈاکٹر خلیل احمد اعظمی
شریعہ مشیر
الفلاح انشورنس کمپنی لمیٹڈ
(ونڈو تکافل آپریشن)

بورڈ آف ڈائریکٹرز کو پیش کردہ 31 دسمبر 2020 کو اختتام پذیر سال کی

شریعہ ایڈوائزری رپورٹ

اللہ تعالیٰ کے فضل وکرم سے 2020ء کا سال الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کا پانچواں سال تھا۔ ونڈو تکافل آپریشنز کا افتتاح کرتے ہوئے الفلاح انشورنس کمپنی لمیٹڈ نے اسلامی معاشی نظام کی ترقی کیلئے بہت اہم قدم اٹھایا ہے۔۔ یہ قدم پاکستان کے لوگوں کو شریعہ کمپلائنٹ تکافل کی سہولیات پہنچانے کے لئے اٹھایا گیا ہے۔

سال کی پیشرفت

اس عرصے کے دوران الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے قابل ذکر کامیابیاں حاصل کی ہیں، جن کی تفصیلات درج ذیل ہیں۔

1۔ شریعہ ایڈوائزر کی رہنمائی میں الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے موٹر، میرین، املاک، صحت اور متفرق تکافل مصنوعات کی خدمات اپنے صارفین / حصہ داروں کو پیش کیں

2۔ اسلامی بینکوں کے ساتھ تکافل کے معاہدے کرتے ہوئے الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے قابل ذکر کامیابی حاصل کی۔

3۔ شریعہ ایڈوائزر نے پانچ نئی تکافل پراڈکٹس کی منظوری دی ہے جس کی تفصیل درج ذیل ہے:

ا۔ ہاوس ہولڈ سکیم کمپری ہینسو تکافل۔

ب۔ سولر پینل تکافل پالیسی۔

ج۔ پلیٹ گلاس تکافل۔

د۔ نیون سائن تکافل۔

ھ۔ ایریکشن آل رسک تکافل۔

4۔ الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے خاص طور پر ایک مستقل تکافل ایڈمنسٹریشن سسٹم کا نفاذ کیا ہے ۔ جو ونڈو تکافل آپریشنز کی تمام انتظامی ذمہ داریوں کو نبھارہا ہے ۔

5۔ تکافل فنڈز سے سرمایہ کاری کے لئے شریعہ ایڈوائزر نے شریعہ کمپلائنٹ سرمایہ کاری پالیسی کی منظوری دی ہے۔ تکافل فنڈز کی سرمایہ کاری کے تمام امور اس پالیسی کے تحت طے پاتے ہیں۔ مزید بر آں تکافل کے تمام بینک اکاؤنٹس کو روایتی انشورنس سے علیحدہ رکھنے کا اہتمام کیا گیا ہے اور یہ اکاونٹس اسلامی بینکوں کے ذریعے چلائے جاتے ہیں۔

6- اللہ تعالیٰ کے فضل وکرم سے اس سال پی۔ٹی۔ایف نے اپنے "ِ قرض حسنہ" " کا بڑا حصہ آپریٹر فنڈ کولوٹا دیا ہے۔

Statement of Compliance with the Shariah Principles
For the year ended December 31, 2020

The financial arrangements, contracts and transactions, entered into by Alfalah Insurance Company Limited - Window Takaful Operations ('the Operator') for the year ended December 31, 2020 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

- The Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have been implemented;

- The Operator has imparted necessary trainings / orientations and ensured availability of manuals / agreements approved by Shariah Advisor to maintain the adequate level of awareness, capacity and sensitization of the staff and management;

- All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the polices approved by Shariah Advisor; and

- The assets and liabilities of Window Takaful Operations (Participants' Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Company.

Chief Executive Officer

EY Ford Rhodes
Chartered Accountants
96-B-I, 4th Floor, Pace Mall Building
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INDEPENDENT AUDITOR'S REPORT

To the members of Alfalah Insurance Company Limited - Window Takaful Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Alfalah Insurance Company Limited (the Operator) - Window Takaful Operations (the Operations), which comprise the statement of financial position as at 31 December 2020, and the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund, the statement of changes in participant's takaful fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund, the statement of changes in participant's takaful fund and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's operations as at 31 December 2020 and of the profit/surplus, total comprehensive income, the changes in operator's fund, the changes in participant's takaful fund and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and

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INDEPENDENT AUDITOR'S REPORT

To the members of Alfalah Insurance Company Limited - Window Takaful Operations
Report on the Audit of the Financial Statements

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund, the statement of changes in participant's takaful fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore: 25 March 2021

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Financial Position
As at 31 December 2020

	Note	2020 OPF	2019 OPF	2020 PTF	2019 PTF
		(Rupees in thousand)			
ASSETS					
Property and equipment	5	**57**	104	**-**	-
Investment - Term deposits	6	**-**	-	**50,000**	-
Loans and other receivables		**1,247**	994	**5,502**	2,839
Takaful / retakaful receivables	7	**-**	267	**32,898**	39,638
Salvage recoveries accrued		**-**	-	**6,464**	4,458
Qard-e-Hasna to Participants' Takaful Fund	8	**10,000**	25,000	**-**	-
Deferred wakala fee	20	**-**	-	**40,996**	40,151
Receivable from PTF	9	**33,337**	17,984	**-**	-
Taxation - payments less provision		**-**	-	**7,485**	4,083
Retakaful recoveries against outstanding claims		**-**	-	**41,893**	10,589
Deferred commission expense / acquisition cost	21	**5,959**	6,903	**-**	-
Prepayments	14	**-**	-	**18,378**	15,461
Cash and bank	10	**188,161**	114,424	**234,549**	226,384
TOTAL ASSETS		**238,761**	165,676	**438,165**	343,603
RESERVES AND LIABILITIES					
RESERVES ATTRIBUTABLE TO OPERATOR AND PARTICIPANTS					
Operator's Reserves:					
Statutory reserve	11	**50,000**	50,000	**-**	-
Unappropriated profit		**88,778**	45,136	**-**	-
Total operator reserve		**138,778**	95,136	**-**	-
Participants' Takaful Fund (PTF)					
Seed money		**-**	-	**500**	500
Accumulated surplus		**-**	-	**57,517**	25,133
Balance of Participants' Takaful Fund		**-**	-	**58,017**	25,633
Qard-e-Hasna from Operators' Fund	8	**-**	-	**10,000**	25,000
LIABILITIES					
PTF Underwriting Provisions:					
Outstanding claims including IBNR	16	**-**	-	**121,413**	76,578
Unearned contribution reserves	14	**-**	-	**137,673**	134,888
Contribution deficiency reserves		**-**	-	**253**	-
Unearned retakaful rebate	15	**-**	-	**2,378**	2,385
		-	-	**261,717**	213,851
Unearned wakala fee	20	**40,996**	40,151	**-**	-
Contribution received in advance		**-**	-	**3,107**	3,370
Re takaful / Co-takaful payables		**255**	-	**56,767**	43,681
Other creditors and accruals	12	**58,732**	30,389	**15,220**	14,084
Taxation - provision less payments		**-**	-	**-**	-
Payable to OPF	9	**-**	-	**33,337**	17,984
TOTAL LIABILITIES		**99,983**	70,540	**370,148**	292,970
TOTAL FUND AND LIABILITIES		**238,761**	165,676	**438,165**	343,603
CONTINGENCIES AND COMMITMENTS	13				

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Profit and Loss Account
For the year ended 31 December 2020

	Note	2020	2019
Participants' takaful fund		(Rupees in thousand)	
Contributions earned		**266,221**	226,139
Less: Contributions ceded to retakaful		**79,573**	49,895
Net contributions revenue	14	**186,648**	176,244
Retakaful rebate earned	15	**13,261**	7,513
Net underwriting income		**199,909**	183,757
Net claims - reported / settled		**(162,214)**	(151,817)
- IBNR		**(2,161)**	3,985
	16	**(164,375)**	(147,832)
Charge of contribution deficiency reserve		**(253)**	-
Other direct expenses	17	**(18,565)**	(24,656)
Surplus before investment income		**16,716**	11,269
Investment income	18	**3,064**	-
Other income	19	**18,791**	21,868
Modarib's share of investment income	4.14	**(5,464)**	(5,476)
(Provision) / Reversal for doubtful contributions (net of wakala fee)		**(723)**	427
Surplus transferred to accumulated surplus		**32,384**	28,088
Operators' fund			
Wakala fee	20	**104,364**	87,090
Commission expense	21	**(15,024)**	(18,848)
General administrative and management expenses	22	**(39,770)**	(38,827)
		49,570	29,415
Mudarib's share of PTF investment income	4.14	**5,464**	5,476
Other income	19	**10,973**	7,037
Direct expenses	23	**(3,683)**	(2,302)
Finance cost		**(857)**	(1,072)
Profit before taxation		**61,467**	38,554
Taxation	24	**(17,825)**	(11,181)
Profit after taxation		**43,642**	27,373

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	(Rupees in thousand)	
Participants' takaful fund		
Surplus for the year	**32,384**	28,088
Other comprehensive income	-	-
Total comprehensive income for the year	**32,384**	28,088
Operators' fund		
Profit after taxation	**43,642**	27,373
Other comprehensive income	**-**	-
Total comprehensive income for the year	**43,642**	27,373

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Cash Flows
For the year ended 31 December 2020

	2020	2019	2020	2019
	OPF		PTF	
Operating cash flows	(Rupees in thousand)			
(a) Takaful activities				
Contributions received	-	-	**389,582**	333,001
Retakaful contribution paid	-	-	**(74,328)**	(23,881)
Retakaful rebate received	-	-	**8,443**	5,993
Claims paid	-	-	**(187,283)**	(125,318)
Commissions paid	**(15,789)**	(19,455)	-	-
Retakaful recoveries received	-	-	**36,439**	3,670
Wakala Fees received	**91,431**	90,138	-	-
Wakala Fees paid	-	-	**(91,431)**	90,138
Modarib share received	**3,889**	5,135	-	-
Modarib share paid	-	-	**(3,889)**	5,135
Net cash inflows from takaful activities	**79,531**	75,818	**77,533**	288,738
(b) Other operating activities				
Income tax paid	**(16,212)**	-	**(3,402)**	(2,843)
General and other expenses paid	**(39,945)**	(37,714)	**(23,368)**	(25,317)
Other operating receipts / (payments)	**24,641**	(5,353)	**(870)**	(10,807)
Loans disbursed	**(787)**	(351)	-	-
Loans repaid	**507**	292	-	-
Net cash outflows from other operating activities	**(31,796)**	(43,126)	**(27,640)**	(38,967)
Total cash inflows from operating activities	**47,735**	32,692	**49,893**	249,771
Investment activities				
Profit/ return received	**11,002**	11,576	**23,272**	14,641
Qard-e-Hasna repayment by Participant's Takaful Fund	**15,000**	5,000	**(15,000)**	(5,000)
Payment from investments	-	-	**(50,000)**	-
Fixed capital expenditure	-	(105)	-	-
Total cash inflows from investing activities	**26,002**	**16,471**	**(41,728)**	**9,641**
Financing activities				
Total cash (outflow) / inflows from financing activities	-	-	-	-
Net cash inflow during the year	**73,737**	49,163	**8,165**	68,866
Cash at the beginning of the year	**114,424**	65,261	**226,384**	157,518
Cash at the end of the year	**188,161**	114,424	**234,549**	226,384
Reconciliation to profit and loss account				
Operating cash flows	**47,735**	32,692	**49,893**	59,225
Depreciation	**(47)**	(42)	-	-
Charge of contribution deficiency reserve	-	-	**(253)**	-
Contribution due from contract holders - write-off	-	-	**(410)**	-
Increase in assets other than cash	**14,424**	(1,590)	**38,224**	26,277
Increase in liabilities	**(29,443)**	(16,200)	**(76,925)**	(73,806)
Return on bank deposits	**10,973**	12,513	**21,855**	16,392
Net surplus for the year	**43,642**	27,373	**32,384**	28,088

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Changes in Operator's Fund
For the year ended 31 December 2020

	Statutory reserve	Unappropriated profits	Total
	------------------ (Rupees in thousand) ------------------		
Balance as at 1 January 2019	50,000	17,763	**67,763**
Total comprehensive income for the year			
Profit after taxation	-	27,373	**27,373**
Other comprehensive income for the year	-	-	**-**
Total comprehensive income for the year	-	27,373	**27,373**
Balance as at 31 December 2019	**50,000**	**45,136**	**95,136**
Total comprehensive income for the year:			
Profit after taxation	-	43,642	**43,642**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**-**	**43,642**	**43,642**
Balance as at 31 December 2020	**50,000**	**88,778**	**138,778**

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	**Director**	**Director**	**Chief Executive Officer**

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Changes in Participant's Takaful Fund
For the year ended 31 December 2020

	Seed money	Accumulated surplus	Total
	------------------ (Rupees in thousand)	------------------	
Balance as at 1 January 2019	500	(2,955)	**(2,455)**
Total comprehensive income for the year:			
Surplus for the year	-	28,088	**28,088**
Other comprehensive income for the year	-	-	**-**
Total comprehensive income for the year	-	28,088	**28,088**
Balance as at 31 December 2019	**500**	**25,133**	**25,633**
Total comprehensive income for the year:			
Surplus for the year	-	32,384	**32,384**
Other comprehensive income for the year	-	-	**-**
Total comprehensive income for the year	**-**	**32,384**	**32,384**
Balance as at 31 December 2020	**500**	**57,517**	**58,017**

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
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1 REPORTING ENTITY

1.1 Legal status and nature of business

Alfalah Insurance Company Limited ("the Operator") is a public limited company incorporated in Pakistan on 21 December 2005 under the Companies Ordinance,1984 (now the Companies Act, 2017).The Company is engaged in general non-life insurance business. The registered office of the Company is situated at 5-Saint Mary Park, Gulberg-III, Lahore.

The Operator was granted authorization on 30 September 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP).

For the purpose of carrying on the takaful business, the Operator formed a Waqf / Participant Takaful Fund on 13 January 2016 under the Waqf deed. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.

1.2 Impact of Covid-19

Covid-19 was declared a world-wide pandemic by the World Health Organization (WHO) on 11 March 2020. The measures to slow the impact of the virus have had a significant impact on global economy. The Company generates all of its revenue from operations within Pakistan and lock down within the country has resulted in decrease in the revenue for the quarter ended June 2020. However, with the relaxation of the lock down, the Company returned back to pre-Covid operational levels. The management of the Company believes that this pandemic does not have a significant impact on the amounts recognized in the statement of financial position, the carrying values of assets and liabilities and on the going concern assumption of the Company.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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

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

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

2.1.2 Total assets, total liabilities and profit / (loss) of the Window Takaful Operations of the Company (referred to as the Operator's Fund) have been presented in these financial statements in accordance with the requirements of General Takaful Accounting Regulations, 2019

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

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for defined benefit obligations under employee's benefits carried at present value. All transaction reflected in these financial statements are on accrual basis except for those reflected in cash flow statement.

Alfalah Insurance Company Limited
Window Takaful Operations
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2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Operator operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Operator's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in rupee, unless otherwise stated.

2.4 Use of judgment and estimates

The preparation of financial statement in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

		Note
-	Residual values and useful lives of property and equipment	4.1
-	Classification of takaful Contracts	4.4
-	Provision for unearned contributions	4.5
-	Rebate from retakaful operators	4.19
-	Outstanding claims (including IBNR) and reinsurance recoveries there against	4.12
-	Contribution deficiency reserve	4.13
-	Defined benefit plans	4.16
-	Segment reporting	4.22

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments or interpretations which became effective during the year

The SECP through its notification SRO 416 (I) / 2019 dated November 20, 2019 has issued General Takaful Accounting Regulations, 2019 (the Regulations) which have come into force from accounting periods beginning on or after January 1 2020. The impact of these Regulations have been detailed in note 3.2 to these financial statements. There are certain other new and amended standards, interpretations and amendments that are mandatory for the Operator's accounting periods beginning on or after January 1,2020 but are considered not to be relevant or do not have any significant effect on the Operator's operations and are therefore not detailed in these financial statements.

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3.2 During 2019, the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 1416 (I) / 2019 dated November 20, 2019 has issued the General Takaful Accounting Regulations, 2019 (Regulations). The Regulations prescribe revised formats for the regulatory returns and the published financial statements of the Operator. These Regulations are applicable from January 1, 2020. The Operator has prepared these financial statements based on these revised Regulations. The comparative information in these financial statements has been presented in line with the above mentioned Regulations. Further, upon application of General Takaful Accounting Regulations, 2019, the management has carried out a detailed exercise for determination of expenses that relate to Window Takaful Operations. Based on this exercise, the management has revised the basis of expense allocation during the current period and the revised basis will be followed consistently in future periods. The changes in the statement of financial position, profit and loss account, statement of changes in funds and notes to the financial statements due to application of General Takaful Accounting Regulations, 2019 are given below:

1. Statement of financial position

(a) 'Wakala and modarib fee receivable' has been merged and presented as 'receivable from PTF'.

(b) 'Wakala and modarib fee payable' has been renamed as 'payable to OPF'.

2. 'Statement of changes in funds' has been renamed to 'statement of changes in operator's fund' and 'participants' takaful fund'

3. Statement of cash flows

Modarib share received / paid has been moved to under operating cash flows from takaful activities.

4. Notes to the financial statements

Notes 9 (receivable / payable) and 19 (other income) have been added.

3.3 Standards, amendments or interpretations which became effective during the year

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended standards and interpretations effective for annual period beginning on 01 January 2020, as listed below. The Operator has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Standards, Interpretations and Amendments

IFRS 3	Definition of a Business — (Amendments)
IAS 1 and IAS 8	Definition of Material — (Amendments)
IAS 39 and IFRS 7	Interest Rate Benchmark Reform — (Amendments)
Conceptual framework	The Conceptual Framework for Financial Reporting
IFRS 16	Covid-19-Related Rent Concessions (Amendments)

The adoption of interpretations and amendments applied for the first time in the year did not have any impact on the financial statements of the Operator.

3.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

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Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 39, IFRS 7, IFRS 4 and IFRS 4	Interest rate benchmark reform — Phase 2 — (Amendments)	1 January 2021
IFRS 3	Reference to conceptual framework — (Amendments)	1 January 2022
IAS 16	Property, plant and equipment: Proceeds before intended use — (Amendments)	1 January 2022
IAS 37	Onerous contracts -costs of fulfilling a contract — (Amendments)	1 January 2022
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards -Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41	Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current — (Amendments)	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture —	1 January 2023

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

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2021.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	1 July 2019
IFRS 17	Insurance Contracts	1 January 2023

The management, in consultation with Insurance Association of Pakistan, is in the process of determining the effect of application of IFRS 17.

3.5 Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts

The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023, as allowed by the amendments contained in Annual Improvements to IFRS Standards 2018-2020 Cycle.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 and continue to apply IAS39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if:

(i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and

(ii) its activities are predominantly connected with insurance on its annual reporting date.

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The Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2019. During 2020, there had been no significant change in the activities of the Company that requires reassessment.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set outbelow. These policies have been consistently applied to all years presented in these financial statements.

4.1 Operating assets

Items of operating assets are stated at cost less accumulated depreciation and any impairment loss.

Cost comprises of purchase price including import duties and non-refundable purchase taxes after deducting trade discounts, rebates and includes other costs directly attributable to the acquisition or construction including expenditures on the material, labour and overheads directly relating to constructions, errection and installation of operating fixed assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Operator and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the year in which they are incurred.

Depreciation on equipment is charged to profit and loss account using straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates mentioned in note 5 after taking their residual value into account.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed of.

Depreciation methods, residual values and the useful life of the assets are reviewed at least at each financial year end and adjusted if appropriate.

An item of equipment is derecognized upon disposal when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of an asset is determined by comparing the proceeds from sale with the carrying amount and is recognized in profit and loss account.

4.2 Financial instruments

Financial assets and liabilities are recognized when the Operator becomes a party to contractual provisions of the instrument and de-recognized when the Operator looses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de recognition of financial assets and liabilities are included in profit and loss account for the year.

4.2.1 Non-derivative financial assets

The Operator initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit and loss account) are recognized initially on the trade date, which is the date that the Operator becomes a party to the contractual provisions of the instrument.

The Operator derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Operator is recognized as a separate asset or liability.

The Operator classifies non-derivative financial assets into the following categories namely: financial assets at fair value through profit and loss account, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Alfalah Insurance Company Limited
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Financial assets at fair value through profit and loss account

A financial asset is classified as at fair value through profit and loss account if it is classified as held-for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit and loss account if the Operator manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Operator's documented risk management or investment strategy. Attributable transaction costs are recognized in profit and loss account as incurred. Financial assets at fair value through profit and loss account are measured at fair value and changes there in, which takes into account any dividend income, are recognized in profit and loss account.

Held to maturity financial assets

If the Operator has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of long term deposits, trade debts, short term advances, deposits, other receivables and cash and bank balances.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit and loss account.

4.2.2 Non-derivative financial liabilities

The Operator initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Operator becomes a party to the contractual provisions of the instrument.

The Operator derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Operator classifies financial liabilities recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities mainly includes other creditors and accruals.

4.2.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Operator has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

4.3 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit and loss account. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit and loss account. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed though profit and loss account, otherwise it is reversed through other comprehensive income.

Non-financial assets

The carrying amounts of non-financial assets other than deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together in to the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit, or CGU").

The Operator's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

4.4 Takaful contracts

Takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspired by the concept of tabarru (to donate for benefits of others) and mutual sharing of losses with the overall objective of eliminating the interest, gambling and uncertainty.

Takaful contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from the participant if specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event as compared to its non happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period unless all rights and obligations are extinguished or expired.

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

- Fire and property damage
- Marine, aviation and transport
- Motor
- Accident and health
- Others including miscellaneous

These contracts are normally one year takaful contracts except marine and some other contracts including miscellaneous class. Normally all marine takaful contracts are of three months period. In others including miscellaneous class, some engineering takaful contracts are of more than one year period.

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

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Fire and property damage takaful contracts mainly compensate the Operator's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful properties in their business activities.

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

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

Accident and health takaful contracts provide protection against losses incurred as a result of medical illness, surgical operations and accidental injuries.

Other various types of takaful contracts are classified in others including miscellaneous category which includes mainly engineering, terrorism, worker compensation, products of financial institutions, crop etc.

The Operator also accepts takaful risk pertaining to takaful contracts of other takaful Operators as co-takaful and re-takaful inward. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful contracts. All retakaful inward contracts are facultative (specific risk) acceptance contracts.

4.5 Provision for unearned contributions

Provision for unearned contribution represents the portion of contribution written relating to the unexpired period of coverage and is recognized as a liability by the Operator on the following basis:

- for other classes contribution written is recognized as provision for unearned contribution by applying the 1/24th method as specified in the Insurance Rules, 2017.
- for marine cargo business, contribution written is recognized as provision for unearned contribution until the commencement of voyage.

4.6 Receivables and payables related to takaful contracts

Receivables related to takaful contracts are known as contribution due but unpaid. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Contributions received in advance is recognized as liability till the time of issuance of takaful contract there against.

Provision for impairment and write-off is estimated on a systematic basis after analyzing the receivables as per their aging.

4.7 Retakaful contracts held

These are contracts entered into by the Operator with retakaful operators for compensation of losses suffered on takaful contracts issued. These retakaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these financial statements. The Operator recognizes the entitled benefits under contracts as various retakaful assets and liabilities.

Retakaful assets represent balances due from retakaful operators and retakaful recoveries against outstanding claims. Due from retakaful operators are carried at cost less any provision for impairment. Cost represents the fair value of the consideration to be received. Retakaful recoveries against outstanding claims are measured at the amount expected to be received.

Retakaful assets are not offset against related takaful liabilities. Income or expenses from retakaful contracts are not offset against expenses or income from related takaful assets.

Retakaful liabilities represent balances due to retakaful operators. Due to retakaful operators are carried at cost which is the fair value of the consideration to be paid.

Retakaful assets or liabilities are derecognized when the contractual rights are extinguished or expired.

4.8 Retakaful expense

Contribution ceded to retakaful operators is recognized as an expense. For retakaful contracts operating on a proportional basis, on attachment of the underlying policies; and for retakaful contracts operating on a non-proportional basis, on inception of the retakaful contracts.

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Retakaful contribution ceded shall be recognized as an expense. For proportional retakaful business, evenly over the period of the underlying policies, for non-proportional retakaful business, evenly over the period of indemnity.

The portion of retakaful contribution ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of contribution ceded is recognized as an asset. Such asset is calculated by applying the twenty-forth method, whereby the liability shall equal 1/24 of the contribution ceded relating to retakaful contract commencing in the first month of the operator's financial year, 3/24 of the contributions ceded relating to policies commencing in the second month of the operator's financial years, and so on.

4.9 Commission expense / acquisition cost

Commission expense incurred in obtaining and recording takaful policies is deferred and recognized as an asset on the attachment of the related risks. This expense is charged to the profit and loss account of the Operator's Fund based on the pattern of recognition of related contribution revenue.

4.10 Deferred commission expense / acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of takaful contract and is recognized as an asset. It is calculated in accordance with the pattern of its related unearned contribution income.

4.11 Claims expense

General takaful claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims are charged to the PTF profit and loss account.

4.12 Outstanding claims including incurred but not reported (IBNR)

The Operator recognizes liability in respect of all claims incurred up to the statement of financial position date which is measured at the un discounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in any policy. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Retakaful recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

Claims incurred but not reported

Securities and Exchange Commission of Pakistan ('SECP'), through its circular 9 of 2016 dated 09 March 2016, issued "Guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016" ('Guidelines') and required to comply with all provisions of these guidelines with effect from 01 July 2016.

These Guidelines require the Operator to develop an estimation of provision against claims incurred but not reported for each class of business, by either using “Chain Ladder Method” ("CLM") or other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

As required under the Guidelines, the Operator uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2020 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required/ allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

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4.13 Contribution deficiency reserve

The Operator maintains a provision in respect of contribution deficiency (also called unexpired risk reserve) on aggregation basis where the unearned contribution liability is not adequate to meet the expected future liability, after retakaful, from claims and other claim handling expenses expected to be incurred after the statement of financial position date in respect of the unexpired policies as at the statement of financial position date. The movement in the contribution deficiency reserve is recorded as an expense /income in the profit and loss account for the year.

For this purpose, contribution deficiency reserve on aggregation basis is determined by independent actuary. The actuary determines the prospective loss ratio on aggregation basis and applies factors of unearned and earned contributions and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned contribution reserve (UCR) shows whether UCR is adequate to cover the unexpired risks. If these ratios are adverse, contribution deficiency reserve is determined.

Based on recommendation of actuary, the unearned contribution reserve, on aggregation basis, at the year end is adequate to meet the expected future liability after retakaful claims and claim handling expenses, expected to be incurred after the statement of financial position date in respect of policies in force at the statement of financial position date. Therefore, no contribution deficiency reserve has been accounted for in these financial statements except for health class for which contribution defidiency reserve has been calculated separately as well.

4.14 Wakala fee and Mudarib Share

The Operator manages the general takaful operations for the participants and charge the following percentages of gross contribution as Wakala Fee to meet the marketing and selling expenses (including commissions), administrative and management expenses:

- Fire and property damage	30%
- Marine	30%
- Motor	30%
- Accident and health	15%
- Others including miscellaneous	30%

The Takaful operator manages the investment of the Participant's Funds as Mudarib and charge 25% of the investment income earned by the PTF as Mudarib Share.

Wakala fee and Mudarib share shall be recognized on the same basis on which related revenue shall be recognized. Unexpired portion of Wakala fee shall be disclosed as a liability for the Operator's Fund and an asset for the Participant's Fund.

4.15 Cash and Cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks and stamps in hand.

4.16 Employees benefit

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Operator and measured on an undiscounted basis.

Alfalah Insurance Company Limited has under taken for employee benefit cost of the Operator.

4.17 Creditors and accruals

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

4.18 Provisions and contingencies

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

Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

4.19 Revenue recognition

4.19.1 Participant's' Takaful Fund

Contribution

Contribution income under a policy is recognized in line with note 4.4 of these financial statements.

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Rebate from retakaful operators

Rebate income from other reinsurers is recognized at the time of issuance of the underlying takaful policy by the Operator. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates. Profit commission, if any, which the Operator may be entitled to under the terms of retakaful, is recognized on accrual basis.

The unearned portion of rebate income is recognized as a liability. Such liability is calculated by applying the twenty-forth method, whereby the liability shall equal 1/24 of the contribution relating to policies commencing in the first month of the operator's financial year, 3/24 of the contributions relating to policies commencing in the second month of the operator's financial years, and so on.

For facultative acceptance the basis of recognizing commission and determining the unearned retakaful rebate is the same as for the direct policies.

Participants' Takaful Fund / Operator's Fund

Investment income

Return on investments is accounted for on a time proportionate basis using the applicable rate of return / interest.

Miscellaneous income

Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.

4.20 Management expenses

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross contribution written. Expenses not allocable to the underwriting business are charged as other expenses.

4.21 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss account, except to the extent that relates to items recognized in equity or in other comprehensive income, in which case it is recognized in equity or in other comprehensive income respectively.

4.22 Segment reporting

A business segment is a distinguishable component of the Operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of insurance contracts issued, the Operator has five primary business segments for reporting purposes namely fire, marine, motor, health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 4.4 of these financial statements. Since the operation of the Operator are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

4.23 Salvage recoveries

Salvage recoveries are recognized on estimated basis based on past experience and market patterns and are in line with the recognition of related claim expenses.

4.24 Takaful surplus

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

4.25 Qard-e-Hasna

If there is a deficit of admissible assets over its liabilities in the PTF, the Operator from the Operators' fund may provide Qard-e-Hasna to the PTF so that the PTF may become solvent as per Takaful Rules, 2012.

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	Note	2020	2019	2020	2019
		OPF		PTF	
5 PROPERTY AND EQUIPMENT		---------(Rupees in thousand)----------			
Opening balance - net book value		**104**	41	**-**	-
Additions during the year	**5.1**	**-**	105	**-**	-
Less: Book value of disposals during the year		**-**	-	**-**	-
Depreciation charged during the year		**(47)**	(42)	**-**	-
		(47)	(42)	**-**	-
		57	104	**-**	-
5.1 Additions during the year					
Computer equipment		**-**	105	**-**	-

5.2 The depreciation charge for the year is at 25%.

6 Investment - Term deposits

PTF	Cost (2020)	Impairment provision (2020)	Carrying Value (2020)	Cost (2019)	Impairment provision (2019)	Carrying Value (2019)
	---- (Rupees in thousand) ----			---- (Rupees in thousand) ----		
Term deposit certificate	**50,000**	**-**	**50,000**	-	-	-

	No. of certificates 2020	No. of certificates 2019	Face Value	Value of Certificates 2020	Value of Certificates 2019
Term deposit certificate	**5**	-	**10,000**	**50,000**	-

6.1 The maturity date of the term deposit certificates is 4 February 2021.

7 TAKAFUL / RE-TAKAFUL RECEIVABLES - UNSECURED AND CONSIDERED GOOD

	Note	2020	2019	2020	2019
		OPF		PTF	
		---------(Rupees in thousand)----------			
Contribution due from contract holders		**-**	-	**12,882**	28,858
Less : provision for impairment of receivables from takaful contract holders	**7.1**	**-**	-	**(1,393)**	(894)
		-	-	**11,489**	27,964
Amount due from other takaful / retakaful operator		**-**	267	**22,082**	11,790
Less : provision for impairment of due from other takaful / re-takaful operator	**7.2**	**-**	-	**(673)**	(116)
		-	267	**21,409**	11,674
		-	267	**32,898**	39,638

7.1 Provision for impairment for receivables from takaful contract holders

	2020 OPF	2019 OPF	2020 PTF	2019 PTF
Balance as at 01 January	**-**	-	**894**	1,436
Addition made during the year	**-**	-	**909**	(542)
Write-off	**-**	-	**(410)**	-
Balance as at 31 December	**-**	-	**1,393**	894

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7.2 Provision for impairment of due from other takaful / retakaful operator	2020	2019	2020	2019
	OPF		PTF	
	---------(Rupees in thousand)----------			
Balance as at 01 January	-	-	**116**	-
Addition made during the year	-	-	**557**	116
Balance as at 31 December	-	-	**673**	116

8 QARD-E-HASNA TO PARTICIPANTS' TAKAFUL FUND

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

	2020	2019
	(Rupees in thousand)	
Opening balance	**25,000**	30,000
Transferred from OPF during	**-**	-
Returned by PTF during the	**(15,000)**	(5,000)
Impairment adjustment	**-**	-
Closing balance	**10,000**	25,000

9 RECEIVABLE FROM PTF / PAYABLE TO OPF	2020	2019	2020	2019
	OPF		PTF	
	---------(Rupees in thousand)----------			
Wakala fee	**31,191**	17,413	**-**	-
Modarib fee	**2,146**	571	**-**	-
	33,337	17,984	**-**	-

10 CASH AND BANK	Note	2020	2019	2020	2019
		---------(Rupees in thousand)----------			
Cash in hand		**41**	9	**-**	-
Savings accounts	10.1	**188,120**	114,415	**234,549**	226,384
		188,161	114,424	**234,549**	226,384

10.1 The rate of profit on profit and loss sharing accounts from bank range from 2.29% to 5.75% (2019: 4.04% to 12.75%) per annum depending upon the size of average deposits.

10.2 Cash and bank deposits include Rs. 24.42 million (2019: Rs. 31.58 million) held with Bank Alfalah Limited (a related party).

11 STATUTORY FUND

Amount of Rs. 50 million is deposited as statutory reserves to comply with provisions of para 4 of Circular No 8 of 2014 read with section 11(c) of Takaful Rules, 2012 issued by SECP.

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	Note	2020	2019	2020	2019
		OPF		PTF	
12 OTHER CREDITORS AND ACCRUALS		---------(Rupees in thousand)----------			
Federal excise duty		-	-	2,242	2,660
Federal insurance fee		-	-	215	173
Payable to Alfalah Insurance Company Limited	12.1	49,550	18,972	264	-
Taxes payable		205	37	3,550	3,360
Agency commission payable		6,789	9,020	-	-
Accrued expenses	12.2	1,984	1,346	6,363	6,175
Payable to Participant's Fund		-	1,014	-	-
Others	12.3	204	-	2,586	1,716
		58,732	30,389	15,220	14,084

12.1 This represents payable in respect of common expenses incurred by Alfalah Insurance Company Limited on behalf of the Operator.

	2020	2019	2020	2019
	OPF		PTF	
12.2 Accrued expenses	---------(Rupees in thousand)----------			
Tracker expense payable	-	-	6,363	6,175
Bonus payable	769	790	-	-
Audit fee payable	408	310	-	-
Sundry expenses payable	543	18	-	-
Leave encashment payable	264	228	-	-
	1,984	1,346	6,363	6,175

12.3 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 1,240 million (2019: Rs. 0.56 million), aging of which is given below:

	2020	2019	2020	2019
	OPF		PTF	
	---------(Rupees in thousand)----------			
Claims not enchased				
1 to 6 months	-	-	10	-
7 to 12 months	-	-	279	243
13 to 24 months	-	-	670	177
25 to 36 months	-	-	177	128
beyond 36 months	-	-	104	12
	-	-	1,240	560

13 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2020 (2019: Nil).

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	2020	2019
14 NET CONTRIBUTIONS REVENUE	(Rupees in thousand)	
Written Gross Contribution	**373,370**	338,869
Less: Wakala Fee	**104,364**	87,090
Contribution Net of Wakala Fee	**269,006**	251,779
Add: Unearned contribution reserve opening	**134,888**	109,248
Less : Unearned contribution reserve closing	**137,673**	134,888
Contribution earned	**266,221**	226,139
Less : Re-takaful ceded	**82,490**	52,979
Add : Prepaid retakaful contribution ceded opening	**15,461**	12,377
Less : Prepaid retakaful contribution ceeded closing	**18,378**	15,461
Re-takaful expense	**79,573**	49,895
Net Contribution	**186,648**	176,244

	2020	2019
15 RETAKAFUL REBATE EARNED		
Rebate on re-takaful received	**13,254**	7,986
Add : Rebate on re-takaful opening	**2,385**	1,912
Less : Rebate on re-takaful closing	**2,378**	2,385
	13,261	7,513

	2020	2019
16 NET CLAIMS - REPORTED / SETTLED		
Benefits / claims paid	**187,283**	125,318
Add : Outstanding benefits / claims including IBNR closing	**121,413**	76,578
Less : Outstanding benefits / claims including IBNR opening	**76,578**	52,913
Claims expense	**232,118**	148,983
Retakaful and other recoveries received	**36,439**	3,669
Add : Retakaful and other recoveries in respect of outstanding claims closing	**41,893**	10,589
Less : Retakaful and other recoveries in respect of outstanding claims opening	**10,589**	13,107
Re-takaful and other recoveries revenue	**67,743**	1,151
Net Claims Expense	**164,375**	147,832

16.1 Claim development

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2020.

	Accident year				
	2017 and earlier	2018	2019	2020	Total
	(Rupees in thousand)				
Estimate of ultimate claims					
At the end of accident year with IBNR	615	34,218	1,998	80,333	**117,164**
One year later	546	34,210	(672)	-	**34,084**
Two years later	546	34,210	-	-	**34,756**
Three years later	546	-	-	-	
Current estimate of cumulative claims	546	34,210	(672)	80,333	**114,417**
Cumulative payments to date	(47)	(19,567)	(7,638)	(37,697)	**(64,949)**
Liability recognized	**499**	**14,643**	**(8,310)**	**42,636**	**49,468**

	2020	2019
	(Rupees in thousand)	
17 OTHER DIRECT EXPENSES		
Bank charges	**119**	107
Tracker expenses	**18,446**	24,549
	18,565	24,656

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		2020	2019	2020	2019
		OPF		PTF	
18	INVESTMENT INCOME - NET	---------(Rupees in thousand)----------			
	Participant's Takaful Fund				
	Profit on term deposit receipts	**-**	-	**3,064**	-
19	OTHER INCOME				
	Return on bank balances	**10,973**	7,037	**18,791**	21,868

20 WAKALA FEE

The shareholders of the Company manage the generel takaful operations for the participants and charge 30% for motor, 30% for fire, 30% for marine, 30 % for miscellanous, 30% for engineering, 15% for health and 30% for any other class of the gross contribution written net off administrative surcharge on co-takaful inward as wakala fee against the services.

		Note	2020	2019
			(Rupees in thousand)	
	Gross wakala fee		**105,209**	94,730
	Add : Deferred wakala fee opening		**40,151**	32,511
	Less : Deferred wakala fee closing		**40,996**	40,151
	Wakala expense		**104,364**	87,090
21	**COMMISSION EXPENSE**			
	Commission paid or payable		**14,080**	17,478
	Add : Deferred commission opening		**6,903**	8,273
	Less : Deferred commission closing		**5,959**	6,903
	Commission expense		**15,024**	18,848
22	**GENERAL ADMINISTRATIVE AND MANAGEMENT EXPENSES**			
	Employee benefit cost	22.1	**19,729**	19,305
	Travelling expenses		**430**	1,392
	Advertisement and sales promotion		**60**	283
	Printing and stationery		**1,386**	1,379
	Depreciation		**4,544**	3,987
	Amortization		**153**	132
	Rent, rates and taxes		**661**	638
	Electricity, gas and water		**895**	926
	Vehicle running expenses		**2,099**	2,188
	Office repairs and maintenance		**4,121**	3,605
	Postages, telegrams and telephone		**1,352**	1,349
	Annual supervision fee		**1,069**	356
	Training and development		**492**	601
	Shariah advisory fee		**1,716**	1,560
	Miscellaneous		**1,063**	1,126
			39,770	38,827
22.1	**Employee benefit cost**			
	Salaries allowances and other benefits		**18,486**	18,021
	Charges for post employment benefits		**1,243**	1,284
			19,729	19,305

22.2 Management expenses include reverse charge from conventional business to the Operator of Rs.29.08 million (2019: Rs. 28.08 million) under various heads.

		Note	2020	2019
23	**DIRECT EXPENSES**		(Rupees in thousand)	
	Insurance expenses		**541**	526
	Legal and professional fee		**1,521**	1,136
	Auditor's remuneration	23.1	**499**	380
	Miscellaneous		**1,122**	260
			3,683	2,302

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		Note	2020	2019
			(Rupees in thousand)	
23.1	**Auditor's remuneration**			
	Annual Audit Fee		**154**	138
	Half year review		**92**	83
	Shariah Compliance report		**92**	83
	Statutory returns		**50**	
	Sales tax		**62**	49
	Out of pocket		**48**	27
			498	380

23.2 Other expenses include reverse charge from conventional business of the Operator of Rs. 2.44 million (2019: Rs 1.92 million) under various heads.

		2020	2019
		(Rupees in thousand)	
24	**TAXATION**		
	Current tax	**17,825**	11,181
	Deferred tax	**-**	-
		17,825	11,181
25	**REMUNERATION OF HEAD OF WINDOW TAKAFUL OPERATIONS**		
	Managerial remuneration	**2,440**	2,280
	Leave fare assistance	**61**	57
	Bonus paid	**428**	600
	Charge for defined benefit plan	**130**	94
	Contribution to defined contribution plan	**122**	105
	Vehicle allowance	**480**	480
		3,661	3,616
		--------- (Number) ---------	
		1	1

26 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The Operator, in normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of head of Window Takaful Operations is disclosed in note 24. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

Other transactions with related parties are summarized as follows:

		2020	2019
i)	**Associated undertakings and other related parties**	(Rupees in thousand)	
	Contribution written	**82,914**	52,007
	Contribution received	**112,285**	45,598
	Claims paid	**48,442**	40,562
	Profit on bank deposits-PTF	**1,251**	4,353
	Profit on bank deposits-OPF	**297**	1,649
ii)	**Year end balances**		
	Associated undertakings and other related parties		
	Contribution receivable from related parties	**964**	15,000
	Provision for outstanding claims	**12,290**	5,011

All transactions with related parties have been carried out on commercial terms and conditions.

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27 SEGMENT REPORTING - OPF

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012:

	31 December 2020					
	Fire and Property Damage	**Marine, Aviation and Transport**	**Motor**	**Accident & Health**	**Miscellaneous**	**Total**
	(Rupees in thousand)					
Wakala fee	7,722	3,374	74,931	6,811	11,526	104,364
Commission expense	(3,227)	(2,004)	(10,306)	(10)	523	(15,024)
Management expenses	(2,895)	(1,198)	(26,818)	(4,831)	(4,028)	(39,770)
	1,600	**172**	**37,807**	**1,970**	**8,021**	**49,570**
Mudarib's share of PTF investment income						**5,464**
Other income						**10,973**
Other expenses						**(3,683)**
Finance Cost						**(857)**
Profit before tax						**61,467**
Segment assets	6,741	2,700	24,625	-	2,865	**36,931**
Unallocated assets						**201,830**
						238,761
Segment liabilities	3,074	-	37,059	211	306	**40,650**
Unallocated liabilities						**59,333**
						99,983

	31 December 2019					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees in thousand)					
Wakala fee	6,653	3,336	68,799	6,882	1,420	87,090
Commission expense	(3,233)	(2,056)	(13,425)	(13)	(121)	(18,848)
Management expenses	(2,473)	(1,222)	(27,649)	(5,082)	(842)	(37,267)
	947	58	27,725	1,787	457	30,975
Investment income - net						-
Mudarib's share of PTF investment income						5,476
Other income						7,037
Other expenses						(3,862)
Finance Cost						(1,072)
Profit before tax						38,554
Segment assets	4,869	504	12,979	2,504	3,565	24,421
Unallocated assets						141,255
						165,676
Segment liabilities	2,490	83	35,605	314	918	39,410
Unallocated liabilities						31,130
						70,540

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28 SEGMENT REPORTING - PTF

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012:

	31 December 2020					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Miscellaneous	Total
	(Rupees in thousand)					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	31,371	12,816	292,686	45,808	43,888	426,569
Federal Excise Duty	(3,928)	(1,459)	(38,397)	-	(5,691)	(49,475)
Federal Insurance Fee	(266)	(112)	(2,514)	(454)	(378)	(3,724)
Gross Written Contribution (inclusive of Administrative Surcharge)	**27,177**	**11,245**	**251,775**	**45,354**	**37,819**	**373,370**
Gross Direct Contribution	26,529	11,207	251,319	45,354	37,819	**372,228**
Facultative inward contribution	648	38	456	-	-	**1,142**
	27,177	**11,245**	**251,775**	**45,354**	**37,819**	**373,370**
Wakala fees	(7,722)	(3,374)	(74,931)	(6,811)	(11,526)	**(104,364)**
Contribution earned	25,740	11,245	249,770	45,407	38,423	**370,585**
Contribution ceded to retakaful	(23,036)	(9,994)	(12,206)	-	(34,337)	**(79,573)**
Net takaful contribution	**(5,018)**	**(2,123)**	**162,633**	**38,596**	**(7,440)**	**186,648**
Net rebate on re-takaful	4,616	2,289	168	-	6,188	**13,261**
Net underwriting income	**(402)**	**166**	**162,801**	**38,596**	**(1,252)**	**199,909**
Takaful claims	(73,374)	(588)	(106,228)	(48,227)	(3,701)	**(232,118)**
Takaful claims recovered from retakaful	64,323	531	185	-	2,704	**67,743**
Net claims	(9,051)	(57)	(106,043)	(48,227)	(997)	**(164,375)**
Charge of contribution deficiency reserve	-	-	-	(253)	-	**(253)**
Other direct expenses	(9)	(4)	(18,526)	(12)	(14)	**(18,565)**
(Deficit)/Surplus before investment income	**(9,462)**	**105**	**38,232**	**(9,896)**	**(2,263)**	**16,716**
Investment income						**3,064**
Other income						**18,791**
Less: Modarib's share of investment income						**(5,464)**
(Provision) / Reversal for doubtful contributions (net of wakala fee)						**(723)**
Surplus transferred to accumulated surplus						**32,384**
Segment assets	56,049	4,492	57,473	362	9,883	**128,259**
Unallocated assets						**309,906**
						438,165
Segment liabilities	55,809	12,860	227,709	9,429	29,203	**335,010**
Unallocated liabilities						**35,138**
						370,148

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	31 December 2019					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees in thousand)					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	26,002	12,743	292,157	52,172	8,930	**392,004**
Federal Excise Duty	(3,297)	(1,519)	(38,240)	(5,499)	(1,202)	**(49,757)**
Federal Insurance Fee	(221)	(110)	(2,509)	(462)	(76)	**(3,378)**
Gross Written Contribution (inclusive of Administrative Surcharge)	**22,484**	**11,114**	**251,408**	**46,211**	**7,652**	**338,869**
Gross Direct Contribution	21,800	10,958	250,884	46,211	7,631	**337,484**
Facultative inward contribution	684	156	524	-	21	**1,385**
	22,484	**11,114**	**251,408**	**46,211**	**7,652**	**338,869**
Wakala fees	(6,653)	(3,336)	(68,799)	(6,882)	(1,420)	**(87,090)**
Contribution earned	22,176	11,120	229,326	45,880	4,727	**313,229**
Contribution ceded to retakaful	(19,402)	(10,347)	(16,003)	-	(4,143)	**(49,895)**
Net takaful contribution	**(3,879)**	**(2,563)**	**144,524**	**38,998**	**(836)**	**176,244**
Net rebate on re-takaful	4,167	2,368	138	-	840	**7,513**
Net underwriting income	**288**	**(195)**	**144,662**	**38,998**	**4**	**183,757**
Takaful claims	(2,850)	6,545	(106,323)	(40,670)	(5,685)	**(148,983)**
Takaful claims recovered from retakaful	2,442	(5,852)	18	-	4,543	**1,151**
Net claims	(408)	693	(106,305)	(40,670)	(1,142)	**(147,832)**
Other direct expenses	-	-	(24,656)	-	-	**(24,656)**
Surplus before investment income	**(120)**	**498**	**13,701**	**(1,672)**	**(1,138)**	**11,269**
Investment income						**-**
Other income						**21,868**
Less: Modarib's share of investment income						**(5,476)**
(Provision) / Reversal for doubtful contributions (net of wakala fee)						**427**
Profit before tax						**28,088**
Segment assets	26,794	16,471	48,135	14,348	8,814	**114,562**
Unallocated assets						**229,041**
						343,603
Segment liabilities	32,326	29,033	202,353	11,819	13,909	**289,440**
Unallocated liabilities						**3,530**
						292,970

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29 RISK MANAGEMENT

The primary objective of the Operator's risk and financial management framework is to protect the Operator's shareholder from the events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management system in place.

The Board of Directors meets regularly to approve any commercial, regulatory and organizational decisions. The Chief Executive Officer under the authority delegated from the Board of Directors defines the Operator's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, aligns underwriting and retakaful strategy to the corporate goals, and specifies reporting requirements.

The risks faced by the Operator and the way these risks are mitigated by management are summarized below:

a) Financial risk, categorized into;

- Credit risk	- note 29.1.1
- Liquidity risk	- note 29.1.2
- Market risk	- note 29.1.3

b) Capital adequacy risk	- note 29.2
c) Takaful risk	- note 29.3

29.1 Financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk).

The Operator's principal financial risk instruments are financial investments, receivables arising from takaful and retakaful contracts, statutory deposits and cash and cash equivalents. The Operator does not enter into any derivative transactions.

The Operator's financial risk focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Financial risks arising from the Operator's financial assets and liabilities are limited. The Operator consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

29.1.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Operator attempts to control credit risk by monitoring the following:

a) Credit worthiness of counter party;
b) Sector wise concentration of counter party; and
c) Aging analysis of counter party.

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

		2020	2019
Financial assets		**(Rupees in thousand)**	
Bank balances	- note 29.1.1.1	**422,669**	340,799
Takaful / retakaful receivables	- note 29.1.1.2	**32,898**	39,905
Retakaful recoveries against outstanding claims	- note 29.1.1.3	**41,893**	10,589
		497,460	391,293

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

	Rating		Rating		
	Short term	Long term	Agency	2020	2019
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	**24,429**	31,058
Askari Bank Limited	A1+	AA+	PACRA	**11,704**	7,308
Standard Chartered Bank	A1+	AAA	PACRA	**162,904**	-
Meezan Bank Limited	A-1+	AA+	JCR-VIS	**1,193**	1,140
Dubai Islamic Bank	A-1+	AA	JCR-VIS	**222,439**	301,293

29.1.1.2 The management monitors exposure to credit risk in contribution receivable arising from takaful and retakaful contracts, through regular review of credit exposure and prudent estimates of provision for doubtful receivables.

	2020	2019
Sector wise analysis of contributions due from policy holders is as follows :	(Rupees in thousand)	
Financial institutions	**7,359**	19,133
Manufacturing	**888**	424
Personal Goods	**511**	186
Health & Pharmaceutical	**271**	275
Textile & Composite	**119**	1,023
Others including miscellaneous	**3,734**	7,817
Provision for impairment of receivables from takaful contract holders	**(1,393)**	(894)
	11,489	27,964

The Operator monitors exposure to credit risk in contribution due from policy holders and amount due from co-takaful operators and re-takaful operators through regular review of credit exposure. The amount due from co-takaful operators /companies and re-takaful operators / companies represents low credit risk as they have strong credit ratings and have sound financial stability.

The aging analysis of contributions due from policy holders can be assessed with the following:

	2020			2019		
	Related parties	Others	Total	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	**962**	**11,283**	**12,245**	14,178	12,711	26,889
1-2 years	**-**	**189**	**189**	818	924	1,742
2-3 years	**2**	**368**	**370**	3	164	167
Over 3 years	**-**	**78**	**78**	-	60	60
	964	**11,918**	**12,882**	14,999	13,859	28,858

29.1.1.3 The credit quality of amount due from other takaful / retakaful and retakaful recoveries against outstanding claims can be assessed with reference to external ratings as follows:

	Amount due from Takaful / Other retakaful Operators	Retakaful recoveries against outstanding claims	Total
	(Rupees in thousand)		
As at 31 December 2020			
BB+ or above	**21,409**	**41,893**	**63,302**
BBB and BBB+	**-**	**-**	**-**
	21,409	**41,893**	**63,302**
As at 31 December 2019			
BB+ or above	11,674	10,589	22,263
BBB and BBB+	-	-	-
	11,674	10,589	22,263

The credit risk of retakaful recoveries against outstanding claims can be assessed with the following age analysis, estimated in a manner consistent with the provision for outstanding claims, in accordance with the retakaful contracts:

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The aging analysis of retakaful recoveries against outstanding claims is shown below:

	2020		2019	
	Retakaful recoveries against outstanding claims	**Outstanding Claims including (IBNR)**	Retakaful recoveries against outstanding claims	Outstanding Claims including (IBNR)
	-------------------- (Rupees in thousand) --------------------			
Up to 1 year	**38,235**	**112,893**	10,130	71,680
1-2 years	**1,999**	**4,941**	9	2,506
2 to 3years	**9**	**244**	450	890
Over 3 years	**1,650**	**3,335**	-	1,502
	41,893	**121,413**	10,589	76,578

29.1.2 Liquidity risk

Liquidity risk is the risk that the Operations will not be able to meet its financial obligations as they fall due. The Operations' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the operation's reputation. The following are the contractual maturities of financial liabilities based on the remaining period at the reporting date to maturity date.

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

	2020 OPF			
	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity after one year**
	-------------------- (Rupees in thousand) --------------------			
Re takaful / Co-takaful payables	**255**	**255**	**255**	
Other creditors and accruals	**58,732**	**58,732**	**58,732**	-
	58,987	**58,987**	**58,987**	**-**

	2020 PTF			
	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity after one year**
	-------------------- (Rupees in thousand) --------------------			
Outstanding claims including IBNR	**121,413**	**121,413**	**121,413**	-
Re takaful / Co-takaful payables	**56,767**	**56,767**	**56,767**	-
Other creditors and accruals	**15,220**	**15,220**	**15,220**	-
	193,400	**193,400**	**193,400**	-

	2019 OPF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	-------------------- (Rupees in thousand) --------------------			
Re takaful / Co-takaful payables	-	-	-	-
Other creditors and accruals	30,389	30,389	30,389	-
	30,389	30,389	30,389	-

	2019 PTF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	-------------------- (Rupees in thousand) --------------------			
Outstanding claims including IBNR	76,578	76,578	76,578	-
Re takaful / Co-takaful payables	43,681	43,681	43,681	-
Other creditors and accruals	14,084	14,084	14,084	-
	134,343	134,343	134,343	-

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29.1.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices such as interest rates, foreign exchange rates and equity prices.

The Operator is exposed to market risk with respect to its bank balance deposits.

The Operator limits market risk by maintaining a diversified portfolio of money market and equity market and by continuous monitoring of developments in respective markets. The Operator has formulated a liquidity-risk based investment policy approved by the Board of Directors which contains various guidelines for investment of surplus funds in money market and equity market.

29.1.3.1 Interest rate risk

Interest rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Floating rate instruments expose the Operator to cash flow interest risk, whereas fixed interest rate instrument exposes the Operator to fair value interest risk.

Sensitivity to interest rate risk arises from mismatching of financial assets and liabilities that mature or re-price in a given period. The Operator manages these mismatching through risk management strategies where significant changes in gap position can be adjusted.

At the date of statement of financial position, the interest rate profile of the Operator's significant interest bearing financial instruments was as follows:

	2020	**Carrying amounts**		**Carrying amounts**	
	Effective interest rate	**Maturity up to one year**		**Maturity after one year**	
		OPF	**PTF**	**OPF**	**PTF**
	%	**(Rupees in thousand)**			
Financial assets					
Bank balances	**2.29% to 5.75%**	**188,120**	**234,549**	**-**	**-**

	2019	Carrying amounts		Carrying amounts	
	Effective interest rate	Maturity up to one year		Maturity after one year	
		OPF	PTF	OPF	PTF
	%	(Rupees in thousand)			
Financial assets					
Bank balances	4.04% to 12.75%	114,424	226,384	-	-
Term deposit receipt		-	-	-	-
		114,424	226,384	-	-

As on 31 December 2020, Operator had no financial instrument valued at fair value through profit and loss account.

29.1.3.2 Price risk

Other price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices (other than those arising from profit 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.

29.1.3.3 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 Operations, at present, are not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

29.2 Capital adequacy risk

The Operator's objective when managing capital is to safeguard the Operator's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development in its businesses.

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29.3 Takaful risk

The Operator's takaful activities are primarily concerned with the pricing, acceptance and management of risks from its customers. In accepting risks the Operator is committing to the payment of claims and therefore these risks must be understood and controlled. Disciplined underwriting, encompassing risk assessment, risk management, pricing and exposure control is critical to the Operator's success. The Operator manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling.

The Operator is facing three kinds of risk in its takaful activities, namely;

- Contribution Risk - note 29.3.1
- Claim Risk - note 29.3.2
- Retakaful Risk - note 29.3.3

29.3.1 Contribution Risk

The takaful strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Pricing is generally based upon risk quality, historical claims frequencies, claims averages, adjusted for inflation and imposition of deductibles. Risk inspection surveys are also conducted before acceptance of larger risks. Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria. For example, the Operator does not offer health takaful to walk-in individual customers. Health takaful is generally offered to corporate customers with a large population to be covered under the policy.

The Operator manages the takaful risk arising from the geographical concentration of risk with the help of various MIS reports generated from the IT system. For this purpose all critical takaful information including address lookups and geocoding is punched into the IT system. For example, for catastrophic aggregates, the IT system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils. For Marine risks, complete takaful details, besides sums insured and contributions, like vessel identification, voyage input (sea/air/inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system.

The Operator also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

The following table demonstrates the class wise concentration of risk on the basis of sum insured:

	PTF			
	Gross sum insured		Net sum insured	
	2020	2019	**2020**	2019
Fire	**43%**	45%	**16%**	17%
Marine	**31%**	36%	**13%**	12%
Motor	**16%**	15%	**57%**	59%
Accident and Health	**3%**	3%	**10%**	11%
Others including miscellaneous	**7%**	1%	**4%**	1%
	100%	100%	**100%**	100%

The following table demonstrates the class wise concentration of risk on the basis of contribution :

	Gross contribution written		Net contribution written	
	2020	2019	**2020**	2019
Fire	**7%**	7%	**1%**	1%
Marine	**3%**	3%	**0%**	0%
Motor	**68%**	74%	**82%**	81%
Accident and Health	**12%**	14%	**16%**	17%
Others including miscellaneous	**10%**	2%	**1%**	1%
	100%	100%	**100%**	100%

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29.3.2 Claim risk

One of the purposes of takaful is to enable policyholders to protect themselves against uncertain future events. Takaful companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in takaful is inevitably reflected in the financial statements of takaful companies and can be characterized under a number of specific headings, such as;

- Uncertainty as to whether an event has occurred which would give rise to an insured loss.
- Uncertainty as to the extent of policy coverage and limits applicable.
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.
- Uncertainty over the timing of a settlement to a policyholder for a loss suffered.

Therefore the objective of the Operator is to ensure that sufficient reserves are available to cover these uncertainties and in case of any change in estimation due to further development on uncertainty or change on assumptions, Operator accounts for that change immediately.

Claims provisions are determined based upon previous claims experience, the knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. It should be emphasized that corroborative evidence obtained from as wide a range of sources as possible also contribute to form the overall estimate. Large claims impacting each relevant business class are generally assessed separately, being measured at the face value of the surveyor's estimates.

Operator has reasonably accounted for claims that have occurred by the end of the reporting period but remain unsettled and for those that may have occurred but have not yet been notified to the operator and those that are not yet apparent to the insured. The Operator's policy for accounting of its claims has been disclosed in note 4.11 of these financial statements.

Sensitivity analysis

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

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

	PTF			
	Underwriting result		Participants' surplus	
	2020	2019	**2020**	2019
	(Rupees in thousand)			
Fire	**(9,462)**	41	**(6,718)**	29
Marine	**105**	(69)	**75**	(49)
Motor	**38,232**	10,631	**27,145**	7,548
Accident and Health	**(9,643)**	114	**(6,847)**	81
Others including Miscellaneous	**(2,263)**	4,067	**(1,607)**	2,888
	16,969	14,784	**12,048**	10,497

29.3.3 Retakaful risk

The Operator purchases retakaful as part of its risks mitigation program. Retakaful ceded is placed on both proportional and non-proportional basis. The majority of proportional retakaful is quota share reinsurance which is taken out to reduce the overall exposure of the Operator to certain classes of business. Non-proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Operator's net exposure to catastrophe losses. Retention limits for the excess of loss retakaful vary by product line. The Operator also arranges the local and foreign facultative retakaful as part of its risk management strategy.

Although the Operator has retakaful arrangements, it is not relieved of its direct obligations to its policy holders and thus a credit exposure exists with respect to ceded takaful, to the extent that any retakaful is unable to meet its obligations assumed under such retakaful agreements. The Operator's placement of retakaful is diversified such that it is neither dependent on a single retakaful nor are the operations of the Operator substantially dependent upon any single retakaful contract. Operator's strategy is to seek retakaful with the best combination of financial strength, price and capacity. In compliance of the regulatory requirement, the retakaful agreements are duly submitted with SECP on an annual basis.

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30 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the operator is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13' Fair Value Measurement' requires the operator to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

		Carrying amount				Fair value			
	Note	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2020		----------	----------	----------	(Rupees in thousand)	----------	----------	----------	----------
Financial assets - measured at fair value		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value									
Takaful / re-takaful receivables*	7	32,898	-	-	32,898	-	-	-	-
Retakaful recoveries against outstanding claims*		41,893	-	-	41,893	-	-	-	-
Cash and bank*	10	-	422,710	-	422,710	-	-	-	-
		74,791	422,710	-	497,501	-	-	-	-
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value									
Underwriting provisions									
outstanding claims including IBNR*	16	-	-	121,413	121,413	-	-	-	-
Re takaful / Co-takaful payables*		-	-	57,022	57,022	-	-	-	-
Other creditors and accruals*	12	-	-	73,952	73,952	-	-	-	-
		-	-	252,387	252,387	-	-	-	-

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

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		Carrying amount				Fair value			
31 December 2019	Note	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees							
Financial assets - measured at fair value		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value									
Takaful / re-takaful receivables*	7	39,905	-	-	39,905	-	-	-	-
Retakaful recoveries against outstanding claims*		10,589	-	-	10,589	-	-	-	-
Cash and bank*	10	-	340,808	-	340,808	-	-	-	-
		50,494	340,808	-	391,302	-	-	-	-
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value									
Underwriting provisions									
Outstanding claims including IBNR*	16	-	-	76,578	76,578	-	-	-	-
Re takaful / Co-takaful payables*		-	-	43,681	43,681	-	-	-	-
Other creditors and accruals*	12	-	-	44,473	44,473	-	-	-	-
		-	-	164,732	164,732	-	-	-	-

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

31 Subsequent events - non adjusting event

There are no significant subsequent events requiring disclosure for the year ended 31 December 2020.

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32 NUMBER OF FULL TIME EMPLOYEES

The number of employees of the Company are as follows:	**2020**	2019
Average number of employees during the year	**3**	3
As at 31 December	**3**	3

33 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Operator on **Feb 03, 2021**.

Chairman	Director	Director	Chief Executive Officer

Notice of 15th Annual General Meeting

Notice is hereby given that 15th Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the "Company") will be held on ________, ___ ___, 2021 at 11:00 a.m. at the registered office of the Company located at 5 – Saint Mary Park, Gulberg III, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 7th Extra Ordinary General Meeting held on September 24, 2020.

2. To receive, consider and adopt the financial statements of Conventional business and Window takaful operations for the year ended December 31, 2020 along with the Director's and Auditor's report thereon, Shariah Advisor's Report and Auditor's assurance report on Compliance with Shariah rules and principles.

3. To appoint Statutory and Shariah Compliance Auditors of the Company for the year ending December 31, 2021 and to fix their remuneration.

   M/s EY Ford Rhodes, Chartered Accountants, our retiring auditors, being eligible for re-appointment, have shown their willingness to act as external auditors of the Company for the year ending December 31, 2021. The Audit Committee and Board of directors in their respective meetings have suggested and recommended M/s EY Ford Rhodes, Chartered Accountants as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2021.

4. To transact any other business with the permission of the Chair.

Date: ---------, 2021
Lahore

By order of the Board
Adnan Waheed
Company Secretary

Notes

1) The Share Transfer Books of the Company will be closed from _______ ___, 2021 to _______ ___, 2021 both days inclusive.

2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as a proxy to attend and vote instead of him/her.

3) Every proxy shall be appointed in writing under the hand of the appointer or by an agent duly authorized under a Power of Attorney or if such appointer is a company or corporation under the Common Seal of the company or corporation or the hand of its Attorney who may be the appointer.

4) The instrument of proxy in order to be effective must reach the Company's registered address at 5-Saint Mary Park, Gulberg III, Lahore not less than 48 hours before the time for holding of the Meeting.

5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

6) The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.

7) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.

8) Shareholders are requested to notify change in their address, if any, to the Company Secretary.

9) SECP vide SRO No. 787(I)2014 dated 8th September, 2014 has allowed companies to circulate the audited financial statements and notice of Annual General Meeting to shareholders through their email address subject to their written consent. Desiring shareholders are requested to provide their complete email address through a duly signed letter along with copy of valid CNIC or passport. Shareholders are also required to notify immediately any change in email address in writing to the Company Secretary.

Notes

Notes

FORM OF PROXY

The Company Secretary
Alfalah Insurance Company Limited
5-Saint Mary Park, Gulberg III, Lahore

"I/We________________________________being a member of ALFALAH INSURANCE COMPANY LIMITED hereby appoint Mr./Mrs.____of____________________or failing him Mr./Mrs.____________________________________of____as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of ALFALAH INSURANCE COMPANY LIMITED to be held on______ _____, 2021 at 11:00 a.m. at the registered office of the Company, 5-Saint Mary Park, Gulberg, III, Lahore and at any adjournment thereof."

Signed this ____________________ day of ___________________2021

Signature: ....

Name:..

Holder of .... Ordinary Shares

WITNESSES:

1. Signature : ....
   Name : ....
   Address : ....
   ....
   CNIC/PP No : ....

2. Signature : ....
   Name : ....
   Address : ....
   ....
   CNIC/PP No : ....

پراکسی فارم

کمپنی سیکرٹری
الفلاح انشورنس کمپنی لمیٹڈ
۵۔ سینٹ میری پارک، گلبرگ III لاہور۔

"میں/ہم ________________ ساکن ________________ بحثیت رکن الفلاح انشورنس کمپنی لمیٹڈ بزریعہ ہٰذا مسمی ________________ ساکن ________________ کو یا ان کی عدم دستیابی کی صورت میں مسمی ________________ ساکن ________________ کو میری/ہماری جانب سے پراکسی مقرر کررہاہوں تاکہ وہ الفلاح انشورنس کمپنی لمیٹڈ کے ________، ۲۰۲۱ء بوقت ۱۱:۰۰ بجے صبح کمپنی کے رجسٹرڈ آفس ۵۔ سینٹ میری پارک، گلبرگ III لاہور میں منعقد ہونے والے سالانہ اجلاسِ عام یا اِس کے التوائی اجلاسِ میں میری/ہماری طرف سے شرکت کرسکے یا ووٹ دے سکے۔"

دستخط بروز ________ بتاریخ ________ ۲۰۲۱ء

دستخط: ________________

نام: ________________

حامل ________________ عام حصص

گواہان:

۱. دستخط: ________________

نام: ________________

پتہ: ________________

سی این آئی سی/پاسپورٹ نمبر: ________________

۲. دستخط: ________________

نام: ________________

پتہ: ________________

سی این آئی سی/پاسپورٹ نمبر: ________________

Alfalah Insurance Network

Head Office:
5-Saint Mary Park, Gulberg III, Lahore.
UAN: 111-786-234
Fax: +92-42-35774329-30
E-mail: afi@alfalahinsurance.com
Web: www.alfalahinsurance.com

Lahore Main Branch:
5-Saint Mary Park, Gulberg III, Lahore.
UAN: 111-786-234
Fax: +92-42-35774329-30
E-mail: afi.lu1@alfalahinsurance.com
Web: www.alfalahinsurance.com

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Liaqat Road, Opp. Police Lines, Faisalabad.
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Fax: +92-41-2646969
E-mail: afi.fbd@alfalahinsurance.com

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2nd Floor, Bank Alfalah Building,
Markaz I-8, Islamabad.
Tel: +92-51-4864695-98
Fax: +92-51-4862596
E-mail: afi.isl@alfalahinsurance.com

Peshawar Office:
Ays Centre, 2nd Floor, Arbab Road,
Peshawar Cantt, Peshawar.
Tel: +92-91-111-786-234, +92-91-5253901-3
Fax: +92-91-5253964
E-mail: afi.pwr@alfalahinsurance.com

Multan Office:
10-A, 2nd Floor, Tehsil Chowk, Bosan Road,
Multan.
Phone # 061-6211446-8
Fax # 061-6211449
E-mail: afi.mul@alfalahinsurance.com

Gujranwala Office:
1st Floor, Al-Hameed Centre, Opp Govt.
Iqbal High School, G.T. Road, Gujranwala.
Tel: +92-55-3820863-5
Fax: +92-55-3820867
E-mail: afi.guj@alfalahinsurance.com

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1st Floor, City Tower,
Shahab Pura Road, Sialkot.
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Fax: +92-52-3240908
E-mail: afi.skt@alfalahinsurance.com

South Zone

Karachi Office:
1st Floor, Finlay House,
I.I. Chundrigar Road, Karachi.
Tel: +92-21-111-786-234, 32463839-42
Fax: +92-21-32463361
E-mail: afi.khi@alfalahinsurance.com

Karachi Unit-1 Office:
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Tel: +92-21-111-786-234, 32463839-42
Fax: +92-21-32463361
E-msail: afi.ku1@alfalahinsurance.com

Hyderabad Office:
House No. 49, 2nd Floor,
Dr. Line, Saddar Cantt, Hyderabad.
Tel: +92-22-2780655
Fax: +92-22-2780656
E-mail: afi.hyd@alfalahinsurance.com

MOTOR | ENGINEERING | FIRE | CARGO | TRAVEL | ENERGY | HEALTH | AGRICULTURE

Alfalah Insurance

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