UNLOCKING GREAT OPPORTUNITIES

ANNUAL REPORT 2019

adamjee insurance

OPENING NEW GATEWAYS

At Adamjee Insurance, we are committed to providing our customers with exceptional service, opening the doors to success and giving them the security and confidence to capitalize on every opportunity that comes their way.

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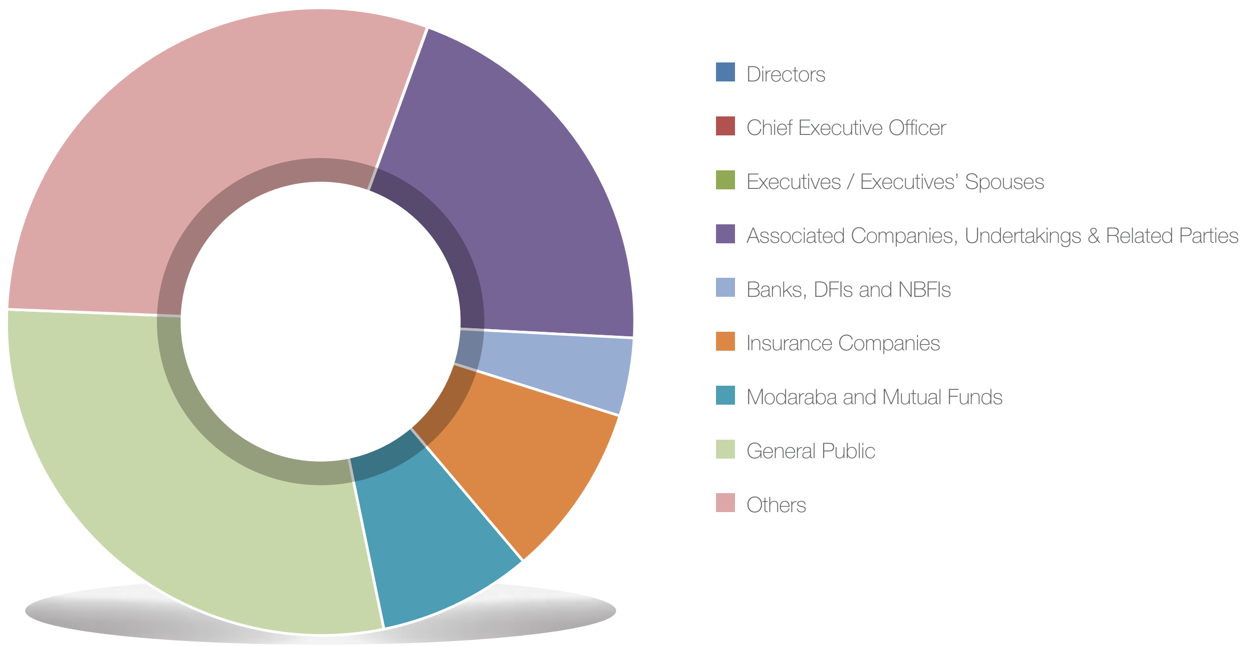
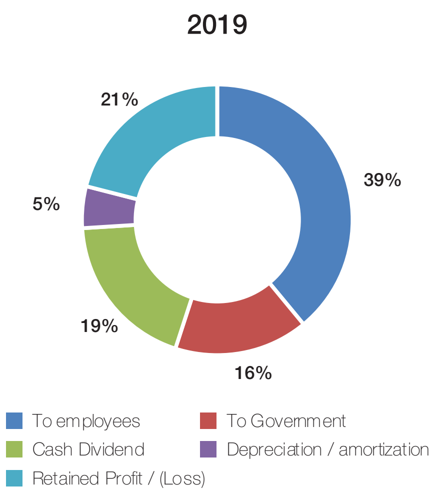
CATEGORIES OF SHAREHOLDERS

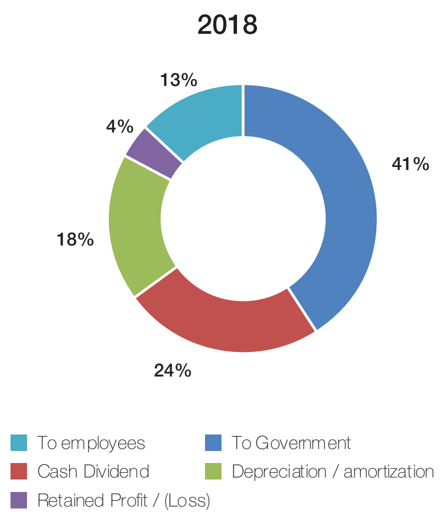


CATEGORIES OF SHAREHOLDERS	Number of Shares	Stake %
Directors	111,705	0.032
Chief Executive Officer	7,073	0.002
Executives / Executives' Spouses	104	-
Associated Companies, Undertakings & Related Parties	70,964,050	20.275
Banks, DFIs and NBFIs	14,108,203	4.031
Insurance Companies	31,402,606	8.972
Modaraba and Mutual Funds	27,764,351	7.933
General Public	100,961,513	28.846
Others	104,680,395	29.909
	350,000,000	100.000

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2019		2018	
WEALTH GENERATED	(Rupees in '000')	%	(Rupees in '000')	%
Gross premium earned	22,860,092		20,151,264	
Investment and all other income	1,586,343		1,465,284	
	24,446,435		21,616,548	
Management and other expenses	(19,857,008)		(17,681,325)	
	4,589,427	100.00	3,935,223	100.00
WEALTH DISTRIBUTED				
To employees	1,797,252	39.16	1,636,314	41.58
To government	720,019	15.69	934,500	23.75
	2,517,271	54.85	2,570,814	65.33
To share holders				
Cash dividend	875,000	19.07	700,000	17.79
Retained in business				
Depreciation and amortization	251,313	5.48	149,215	3.79
Retained profit / (Loss)	945,843	20.61	515,194	13.09
	1,197,156	26.09	664,409	16.88
	4,589,427	100.00	3,935,223	100.00





VISION

Our will is to explore, innovate and differentiate.
Our passion is to provide leadership to insurance industry.

CORE VALUES

- Integrity
- Humility
- Fun at the Workplace
- Corporate Social Responsibility

COMPANY INFORMATION

BOARD OF DIRECTORS

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

ADVISOR

Mian Muhammad Mansha

AUDIT COMMITTEE

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

ETHICS, HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Tameez ul Haque, F.C.A

CHIEF FINANCIAL OFFICER

Muhammad Asim Nagi, F.C.A

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

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

SHARIAH ADVISOR
Mufti Muhammad Hassan Kaleem

SHARE REGISTRAR
CDC Share Registrar Services Limited
CDC House, 99-B, Block-B, S.M.C.H.S.,
Main Shahra-e-Faisal, Karachi-74400
Ph: (92) 0800-23275
Fax (92-21) - 34326053

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

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

NOTICE OF 59TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 59th Annual General Meeting (AGM) of Adamjee Insurance Company Limited (the "Company") will be held at The Nishat Hotel, 9A Gulberg III, Main Mehmood Ali Kasuri Road, Lahore on 22 May 2020 at 11:00 a.m. to transact the following business:

ORDINARY

1. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2019, Directors' and Auditors' reports thereon and the Chairman's Review Report.
2. To declare and approve, as recommended by the directors, the payment of final cash dividend of Rs. 1.50 per share i.e. @ 15% in addition to 10% interim cash dividend already declared and paid i.e., total 25% for the year ended 31 December 2019.
3. To appoint auditors and fix their remuneration. The members are hereby notified that the Board of Directors and the Audit Committee have recommended the name of retiring auditors M/s Deloitte Yousuf Adil, Chartered Accountants for appointment as auditors of the Company.

SPECIAL

4. To consider and if thought fit, to pass the following resolutions as special resolution with or without modification(s), addition(s) or deletion(s).

a) RESOLVED THAT "the validity of special resolution passed in the Annual General Meeting of the Company held on 28 April 2014 for investment of up to Rs. 500 million for purchase of 50 million ordinary shares of Nishat Hotels & Properties Limited, an associated company be and is hereby extended for further two years till 28 April 2022 to allow the Company to make investment until 28 April 2022 with other terms and conditions of the investment to remain unchanged".

b) RESOLVED THAT "approval of the members of Adamjee Insurance Company Limited (the "Company") be and is hereby accorded to increase %age of long term equity investment in Hyundai Nishat Motor (Private) Limited (HNMPL), an associated company from 10% to up to 13% of the total paid up share capital of HNMPL provided that the aggregate limit of equity investment in HNMPL shall not exceed the amount of Rs. 1,056.4 million for subscription of 105.64 million ordinary shares approved pursuant to the authority of special resolutions passed on 26 March 2018 and 30 November 2019 and other terms with condition of investment to remain unchanged".

RESOLVED FURTHER THAT "the Chief Executive and/or Company Secretary (the "Authorized Officers") of the Company be and are hereby authorized and empowered on behalf of the Company to take all steps and actions necessary, ancillary, incidental and sign, execute and amend such documents, papers, instruments etc., as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the aforesaid resolutions".

By Order of the Board
Tameez-ul-Haque
Secretary

29 April 2020

NOTES:

1. The financial statements and reports have been placed on the website of the Company www.adamjeeinsurance.com.

2. The share transfer books of the Company will remain closed from 14 May 2020 to 22 May 2020 (both days inclusive). Transfers received in order at the office of the Company's Independent Share Registrar, M/s CDC Share Registrar Services Ltd., CDC House, 99- B, S.M.C.H.S, Main Shahrah e Faisal, Karachi by the close of business (1:00 PM) on 13 May 2020 will be treated in time for the purposes of entitlement of members to the final cash dividend and for attending and voting at the Annual General Meeting.

3. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.

4. Members, who have deposited their shares into Central Depositary Company of Pakistan Limited, are being advised to bring their original National Identity Cards along with CDC Participant ID and account number at the meeting venue.

5. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular No 1 of 2000.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

6. Members are requested to timely notify any change in their addresses.

7. Notice to Shareholders who have not provided CNIC:

The shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given hereinafter without any further delay.

8. Payment of Cash Dividend Electronically:

Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrant.

In order to receive cash dividend directly into the designated bank account, shareholders are requested to fill and sign the "Mandate Form for e-dividend" available on the Company's website link: http://www.adamjeeinsurance.com/pak/investors/downloads/share-holder_useful_documents/Mandate_for_e_dividend.pdf, and send to the relevant Broker/Participants/Investor Account Services of the CDC/Share Registrar of the Company (as the case may be) before 13 May 2020 along with a copy of their valid CNICs. The aforesaid form is also available at the end of Annual Report of the Company. The form has also been provided with CDs to the shareholders.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of CNICs, the Company will withhold cash dividend of such members in terms of Section 242 of the Companies Act, 2017.

9. Circulation of Annual Financials through E-mail:

Section 223 of the Companies Act, 2017 allows the companies to send the audited financial statements together with the reports electronically. The Securities and Exchange Commission of Pakistan vide SRO 787(1)/2014 dated September 08 2014 has allowed companies to circulate annual statement of financial position, profit & loss account, auditors report and directors report and Chairman's review report along with notice of Annual General Meeting to its members through email.

The Company has also placed the Audited Financial Statements for the year ended December 31, 2019 along with Chairman's review report, Directors and Auditors Reports thereon on its website: http://www.adamjeeinsurance.com/

10. Deduction of Withholding Tax on the amount of Dividend:

Pursuant to Circular No.19/2014 dated October 24, 2014, SECP has directed all companies to inform shareholders about changes made in the Section 150 of the Income Tax Ordinance, 2001. The Company, hereby advise to its shareholders, the important amendments, as under:

The Government of Pakistan through Finance Act, 2019 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

a. For filers of income tax returns 15%

b. For non-filers of income tax returns 30%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of Federal Board of Revenue, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 30% instead @ 15%.

In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-Filer and tax will be deducted by the Company on the basis of shareholding of each joint-holder as may be notified to the Company in writing. The joint-holders are, therefore, requested to submit their shareholdings otherwise each joint holder shall be presumed to have an equal number of shares.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Independent Share Registrar at the below mentioned address. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

11. Consent for Video-Link Facilities:

Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given herein blow at least 7 (seven) days prior to the date of the meeting on the Standard Form which can be downloaded from the company's website: www.adamjeeinsurance.com

Address of Independent Share Registrar of the Company:
Name : CDC Share Registrar Services Ltd.
Address: CDC House, 99- B, S.M.C.H.S, Main Shahrah e Faisal, Karachi
Phone: +92-21-111-111-500

Statement under Section 134(3) of The Companies Act 2017

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on 22 May 2020.

Item 4 (a) of agenda: Revalidation of period of investment in Nishat Hotels & Properties Limited

The members of the Company in their Extraordinary General Meeting held on 28 April 2014 had approved investment in the shares of Nishat Hotels & Properties Limited, an associated company up to an amount of Rs. 500 million for the purchase of up to 50 million shares by 28 April 2017. The period of investment was revalidated up to 28 April 2020 in Annual General Meeting held on 29 April 2017.

Regulation 6 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 issued vide SRO 1240 (1)/2017 dated 6 December 2017 requires that special resolution authorizing investment in associated companies or undertakings shall be valid for a period of twelve months unless specifically authorized by the members in the general meeting.

It is now proposed to further extend the period of investment for two years up to 28 April 2022. Section 199 of the Companies Act 2017 requires that no change in the terms and conditions of the investment shall be made except under the authority of a special resolution. Accordingly, the change in the period of investment is being presented to the shareholders for approval through passing of special resolution. There is no change in other terms and conditions of investment.

The directors of the Company are not directly or indirectly concerned or interested in the aforesaid business except to the extent of Umer Mansha who holds 21.72% shareholding in Nishat Hotels & Properties Limited. He may be regarded as indirectly interested as directors or shareholders of the following companies which are shareholder of Nishat Hotels & Properties Ltd:

1. D.G. Khan Cement Ltd
2. Nishat Mills Ltd
3. Security General Insurance Company Ltd

Item 4 (b) of agenda: Increase in %age of stake in Hyundai Nishat Motor (Private) Ltd (HNMPL)

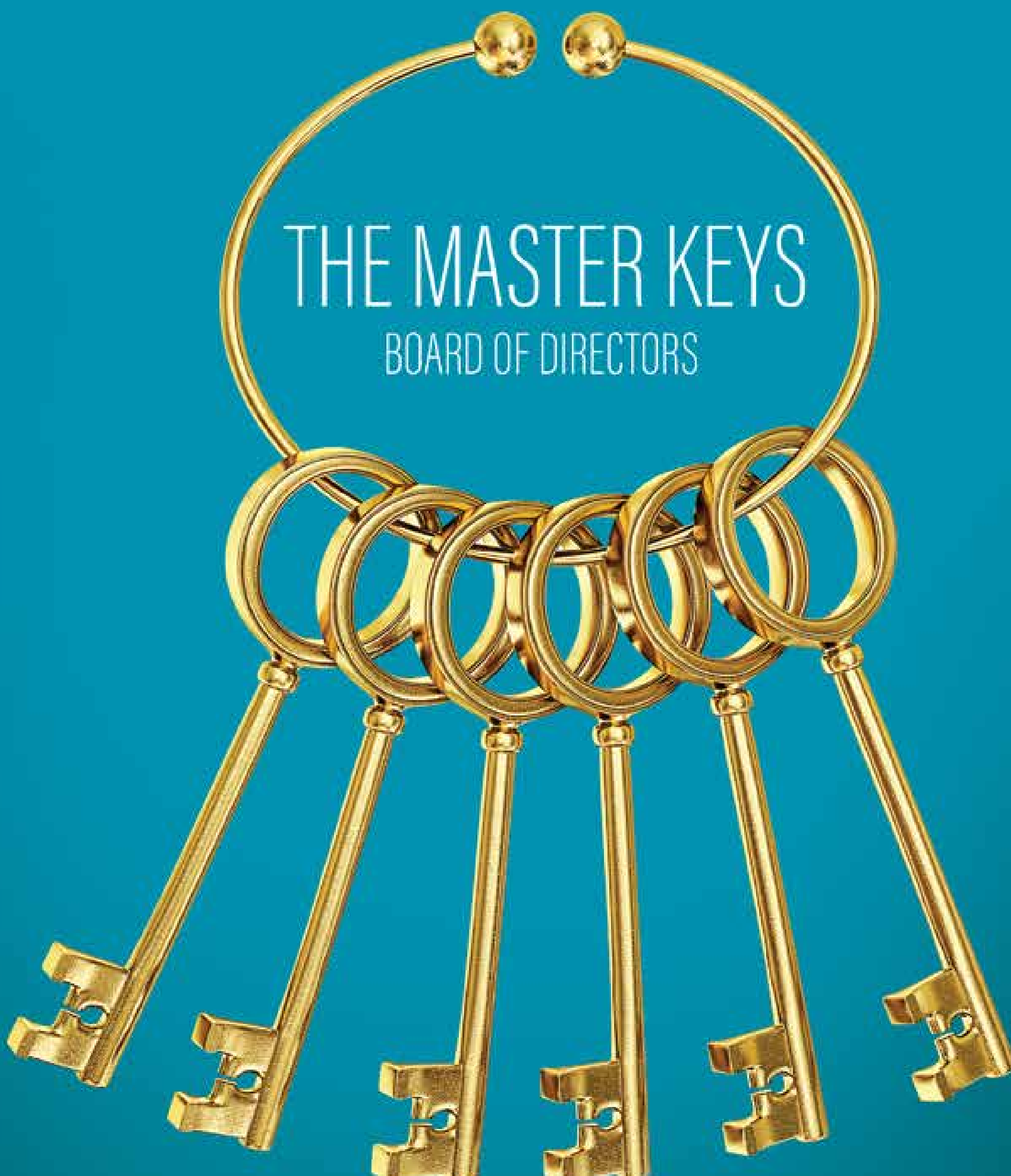
Adamjee Insurance Company Limited (the "Company") as on 31 March 2020 holds 74,750,000 ordinary share of PKR 10 each of HNMPL comprising 10% equity stake. The Company is authorized to make equity investment of up to PKR 1,056,400,000 for acquisition of 105,640,000 ordinary shares of HNMPL at PKR 10 each pursuant to the special resolutions passed by the shareholders on 26 March 2018 and 30 November 2019. The %age of Company's equity investment in NHMPL as mentioned in the Statement of Material Facts was 10% of the total paid up share capital of HNMPL. This %age may increase up to 13% of the total paid up share capital of HNMPL due to non-subscription by other shareholders of HNMPL. The Company's aggregate amount of equity investment in HNMPL at any point in time shall not exceed the amount of PKR 1,056,400,000 pursuant to the already passed special resolutions by the shareholders. Section 199 of the Companies Act, 2017 requires that no change in the terms and conditions attached to the investment in associated companies shall be made except under the authority of a special resolution. There is no change in other terms and conditions of the equity investments in HNMPL except increase in equity stake of from 10% to up to 13% which is proposed for approval.

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

Description	Nishat Hotels & Properties Ltd	Nishat Mills Ltd	Hyundai Nishat Motors (Pvt) Ltd
Date of approval	28 April 2014	28 May 2016	26 March 2018
Total Investment	Rs 500 million	Rs 625 million	a) Rs. 1056 million - Equity b) Rs. 1,277.10 million - Standby letter of credit
Amount of Investment made up to 31 March 2020	-	Rs 161.053 million	a) Rs. 747.5 million - Equity b) Rs. 990 million - Standby letter of credit
Reasons for deviation from the approved timeline of investment, when investment decision was to be implemented in stipulated time	The special resolution is valid for 6 years, hence no deviation.	The special resolution is valid for 6 years, hence no deviation.	The special resolution is valid for 4 years, hence no deviation.
Material changes in financial statement since date of resolution passed			
a. Breakup value per share	Jun 2013 Rs. 12.26 Jun 2019 Rs. 18.09	Jun 2015 Rs. 216.56 Jun 2019 Rs. 189.46	Dec 2017 Rs. 4.85 Dec 2019 Rs. 8.93
b. Earnings (loss) per share	Jun 2013 Rs. (0.37) Jun 2019 Rs. 1.42	Jun 2015 Rs. 11.13 Jun 2019 Rs. 16.66	Dec 2017 Rs. (5.74) Dec 2019 Rs. (1.18)
c. Balance Sheet footing	Jun 2013 Rs. 2.86 billion Jun 2019 Rs. 37.07 billion	Jun 2015 Rs.101.14 billion Jun 2019 Rs.100.545 billion	Dec 2017 Rs.1.7 billion Dec 2019 Rs.13.99 billion

THE MASTER KEYS

BOARD OF DIRECTORS



BOARD OF DIRECTORS

Mian Umer Mansha

Chairman

Umer Mansha holds a Bachelor's degree in Business Administration from USA. He has served on the Board of Directors of various listed companies for more than 22 years. He holds the position of Chief Executive Officer of Nishat Mills Limited and Adamjee Life Assurance Company Limited.

At present, he also serves on the Board of MCB Bank Limited, Adamjee Life Assurance Company Limited, Nishat Dairy (Private) Limited, Nishat Hotels and Properties Limited, Nishat (Aziz Avenue) Hotels and Properties Limited, Nishat (Raiwind) Hotels and Properties Limited, Nishat (Gulberg) Hotels and Properties Limited, Nishat Developers (Private) Limited, Nishat Agriculture Farming (Private) Limited, Hyundai Nishat Motor (Private) Limited, Nishat Agrotech Farm (Private) Limited and Nishat Mills Limited.

Ibrahim Shamsi

Director

Ibrahim Shamsi is the Chief Executive of Joyland Limited and AA Joyland (Pvt.) Ltd. and is the Chairman of Cotton Web (Pvt.) Ltd.. Ibrahim earned his MBA from the Lahore University of Management Sciences (LUMS). He has done Advance Management Program from Harvard University, USA. He serves as the Director of Dupak Group of Companies involved in real estate development in Pakistan. He also serves on the board of Siddiqsons Ltd., Siddiqsons Tin Plate Ltd., Siddiqsons Energy Ltd. and MCB Islamic Bank Ltd..

Imran Maqbool

Director

Imran Maqbool serves as President & Chief Executive Officer of MCB Bank Limited. He is a seasoned professional with over three decades of diverse, international banking experience. Prior to his current role at MCB Bank , he was the Head of Commercial Branch Banking Group, where he successfully managed the largest group of the Bank in terms of market diversity, size of the workforce, number of branches, on a countrywide basis and diversified spectrum of products. His earlier, multi-faceted assignments included heading Wholesale Banking Group–North, Special Assets Management and Islamic Banking. He was also posted as Country Head, MCB Sri Lanka. Before joining MCB Bank in 2002, Mr. Maqbool was associated with local banking operations of Bank of America and Citibank for over seventeen years where he worked in various senior management roles in respective banks. He holds an MBA degree from the Institute of Business Administration (IBA-Karachi) as well as an MS in Management from Sloan School of Management (Massachusetts Institute of Technology) in the USA.

He also serves on the boards of MCB Financial Services Limited, MCB Employees Foundation, and Adamjee Life Assurance Company Limited.

Muhammad Anees

Director

Muhammad Anees is a director in Mahmood Group. He has led the group to grow manifolds which is now among the top 10 exporters of Pakistan. Under his leadership the group has emerged as one of the 5 largest groups in Pakistan and is rated as one of the most technologically efficient textile house. He has been able to diversify the group into various other businesses like food & fruits, hospitality, real estate, leather tanning and energy. He is one of the largest private solar energy producers in Pakistan. He completed his bachelors and master's degree in Business Administration from Bahauddin Zakariya University, Multan. He also attended Wharton Business School, USA to study financial management & risk analysis and Harvard Business School, USA for strategic management. He also attended London School of Economics and London Business School for personal development and entrepreneurial growth. Previously, he served as the President D.G.Khan Chamber, SVC APTMA, President APBUMA, Director MEPCO and Director MIEB.

Presently, he is serving as a Board member of MSWMC and DG Khan Solid Waste Management, Incharge South Punjab for APTMA and APBF, Member of PBC and Director of Punjab Industrial Board.

Mohammad Arif Hameed

Director

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

Sadia Younas Mansha

Director

Sadia Younas Mansha has more than 19 years of diversified professional experience in Textile, Knitwear, Dairy and Agriculture Farming.

She is currently serving in the capacity of Managing Director of Nishat Dairy (Pvt.) Limited and Nishat Agriculture Farming (Pvt.) Limited. She is also a Director of Nishat Sutas Dairy Limited and Chief Executive Officer & Director of Golf View Land (Pvt.) Limited.

Shaikh Muhammad Jawed

Director

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

Muhammad Ali Zeb

Managing Director & Chief Executive Officer

Muhammad Ali Zeb is a fellow member of the Institute of Chartered Accountants of Pakistan and has over 24 years of diverse experience in the Manufacturing, Financial and Insurance sectors. He started his professional career from Nishat Mills in 1995 and joined Adamjee Insurance as Chief Financial Officer in 2005 where he was promoted to Executive Director Finance. He was appointed as Chief Executive Officer in 2008 and remained in this position until March, 2011. Before rejoining Adamjee Insurance as the Chief Executive Officer in June 2013. Ali also served as the Chief Financial Officer at City School (Pvt.) Ltd. He has served as the Chairman, Insurance Association of Pakistan in 2014. He also serves on the Boards of MCB Bank Ltd, Adamjee Life Assurance Company Ltd, Nishat Chunian Ltd and Nishat Sutas Dairy Limited.

MANAGEMENT TEAM

Muhammad Ali Zeb

Managing Director & Chief Executive Officer

Muhammad Ali Zeb is a fellow member of the Institute of Chartered Accountants of Pakistan and has over 24 years of diverse experience in the Manufacturing, Financial and Insurance sectors. He started his professional career from Nishat Mills in 1995 and joined Adamjee Insurance as Chief Financial Officer in 2005 where he was promoted to Executive Director Finance. He was appointed as Chief Executive Officer in 2008 and remained in this position until March, 2011. Before rejoining Adamjee Insurance as the Chief Executive Officer in June 2013. Ali also served as the Chief Financial Officer at City School (Pvt.) Ltd. He has served as the Chairman, Insurance Association of Pakistan in 2014. He also serves on the Boards of MCB Bank Ltd, Adamjee Life Assurance Company Ltd, Nishat Chunian Ltd and Nishat Sutas Dairy Limited.

Muhammad Asim Nagi

Executive Director Finance & Chief Financial Officer

Muhammad Asim Nagi has over 22 years of experience in Accounts and Finance. He is an Economics graduate from University College London and is a Fellow of the Institute of Chartered Accountants in England & Wales. Asim is also a member of the Institute of Chartered Accountants of Pakistan and a Fellow of the Association of Chartered Certified Accountants in United Kingdom. He has worked with a number of organizations at the management level in the UK, including Ernst & Young LLP and UHY Hacker Young LLP in London. His experience in UK comprised assurance and transaction advisory, in particular, IPOs, stock exchange flotations & reverse takeovers. He has also worked with A.F. Ferguson & Co., Chartered Accountants (a member firm of Pricewaterhouse Coopers) and has headed the Internal Audit function at DH Corporation Limited. Asim has been with Adamjee Insurance Company Limited since November 2011 and has served as the Executive Director Finance & Chief Financial Officer since 2014.

Adnan Ahmad Chaudhry

Executive Director Commercial

Adnan Ahmad Chaudhry has over 26 years of combined experience in Engineering, Manufacturing & Insurance sectors. He started his career in 1993 from Arden Engineering & Automation after which he moved to ALSTOM in 1995. He served as Senior Sales Engineer (Abu Dhabi Branch) at Al Hassan Group of Companies in 2000 and as General Manager Sales & Operations at Classic Needs Pakistan (Pvt.) Ltd. from 2003 to 2007. In 2008, Adnan joined Adamjee Insurance as the Head of Motor Department and became General Manager Operations in 2010. He is currently serving as the Executive Director Commercial. He was also the Chairman of Lahore Insurance Institute in 2015.

Asif Jabbar

Executive Director Technical

Asif Jabbar has over 26 years of insurance experience in the areas of Underwriting, Operations and Sales. He started his career in 1993 with Adamjee Insurance Company Limited where he held different leadership roles. In 2012, Asif moved to Marsh Operations in Pakistan with Unique Insurance Brokers as Chief Operating Officer. As an insurance broker his areas of specialty were Energy and Downstream Property plus Business Interruption. In 2013, Asif rejoined Adamjee Insurance Company Limited as an Executive Director Technical. He holds a Bachelor's degree in Commerce and Economics and is an Associate of the Chartered Insurance Institute, London. He is also a Chartered Insurer from Chartered Insurance Institute, London.

Muhammad Salim Iqbal

Executive Director Reinsurance

Muhammad Salim Iqbal has over 31 years of experience in the Insurance & Reinsurance sector. Salim started his career in 1987 from Wahidis Associates (Pvt.) Ltd. He then joined Adamjee Insurance in 1989 as Probationary Officer and was progressively promoted to the position of Deputy Chief Manager - Engineering Deptartment in 1994, after which he joined Al-Dhafra Insurance Company, Abu Dhabi in 1995 as Manager Marine Aviation and Reinsurance. Salim returned to Pakistan in 2005 and joined New Jubilee Insurance Company as Head of Reinsurance. He later joined Adamjee Insurance Company Ltd. in 2006 as Deputy General Manager, Reinsurance. He moved on to IGI Insurance Limited in 2009 as Head of Underwriting and rejoined Adamjee Insurance in 2010 as General Manager Technical. Salim is currently serving as Executive Director Reinsurance. He is a Chartered Insurer and Life member of Pakistan Engineering Council.

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

CHAIRMAN'S REVIEW

I am pleased to present the Chairman's Review of the 59th Annual Report of Adamjee Insurance Company Limited.

Adamjee Insurance continued to soar past benchmarks and targets, crossing Rs. 23 billion in premiums this year (including Takaful business), which is one of the highest recorded premiums in the industry in 2019. The growth was recorded across all areas of business from conventional insurance business to foreign operations to Window Takaful Operations. The underwriting profit stood at Rs. 654 million and profit after tax increased to Rs.1.813 billion.

I am also pleased to report that the performance of the Board of Directors was commendable and their contributions played a key role in guiding the Company through challenging and volatile times, infusing sound governance to accomplish projected milestones and providing solid returns to its shareholders.

Though, we head in to very turbulent times in the wake of Covid-19 outbreak, under the able leadership of our Board of Directors and Management Team, Adamjee Insurance is well poised to service its customers in a seamless manner despite the potential forthcoming lockdowns in the country. Our continuous investment in employees, digital technologies and automation of business processes puts us at the forefront of delivering the best customer experience to our customers and to maximize long-term value for its shareholders.

It has been a pleasure to serve our customers, whom I would like to thank for their continuing trust and confidence in us. I would also like to extend my gratitude to our employees, business partners, reinsurers, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and guidance that has helped Adamjee Insurance deliver on all fronts as one of Pakistan's leading insurance companies.

Umer Mansha

Umer Mansha
Chairman

Lahore: 13 March 2020

چیئرمین کا جائزہ

میں نہایت مسرت کے ساتھ آدمجی انشورنس کمپنی لمیٹڈ کی 59 ویں سالانہ رپورٹ کا چیئرمین جائزہ لینے پیش کر رہا ہوں.

آدمجی انشورنس گذشتہ معیارات اور اہداف کو بڑھاتے ہوئے اس سال کا پریمیم 23 بلین روپے پہنچا دیا (بشمول تکافل بزنس)، جو 2019 ء میں انڈسٹری میں ریکارڈ کیے گئے سب سے زیادہ پریمیم میں سے ایک ہے۔ روایتی انشورنس کاروبار سے لے کر ونڈو تکافل آپریشنز تک کی غیر ملکی کارروائیوں تک کاروبار کے تمام شعبوں میں نمو حاصل کیا گیا۔ انڈر روائٹنگ (ضمانتی) منافع 10 روپے 654 ملین اور منافع بعد از ٹیکس اضافے کے ساتھ کر 1.813 بلین روپے ہو گیا۔

مجھے بیان کرتے ہوئے بھی خوشی ہے کہ بورڈ آف ڈائریکٹرز کی کارکردگی قابل ستائش ہے اور ان کے شراکتوں نے کمپنی کی غیر مستحکم اور مشکل وقت میں رہنمائی، موثر حکمرانی کی حوصلہ افزائی کر کے متوقع سنگ میل کو پورا کرنے اور اپنے حصص یافتگان کو ٹھوس منافع فراہم کرنے میں اہم کردار ادا کیا۔

اگر چہ، ہم Covid-19 کے وباء کے سبب بہت ہی پریشان کن وقت کی طرف گامزن ہیں، تاہم ہمارے بورڈ آف ڈائریکٹرز اینڈ مینجمنٹ ٹیم کی قابل قیادت کی زیرنگرانی، آدمجی انشورنس ملک میں ہونے والے ممکنہ لاک ڈاؤن کے باوجود بلا کسی رکاوٹ اپنے صارفین کی خدمت کے لئے تیار ہے۔

ملازمین پر ہماری مسلسل سرمایہ کاری، ڈیجیٹل ٹیکنالوجیز اور کاروباری امور کی خودکاری کے ذریعے اپنے صارفین تک بہترین تجربہ کار خدمات اور اپنے حصص یافتگان کو طویل المیعاد فوائد میں اضافہ فراہم کرنے میں ہمیں صف اول کی حیثیت حاصل ہے۔

ہمارے لئے اعزاز ہے کہ ہم اپنی قابل قدر صارفین کی خدمت کرتے رہیں جن کے ہم پر مسلسل یقین اور اعتماد کا میں شکریہ ادا کرنا چاہتا ہوں۔

میں اپنے ملازمین، کاروباری شراکت داروں، ری انشوررز، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے تعاون اور رہنمائی کا بھی انتہائی مشکور ہوں جس نے آدمجی انشورنس کو پاکستان کی معروف انشورنس کمپنیوں میں سے ایک کے طور پر تمام مراحل پر کارکردگی کی فراہمی میں معاونت ملی ہے۔

Umer Mansha

عمر منشا

چیئرمین

لاہور: ۱۳ مارچ ۲۰۲۰

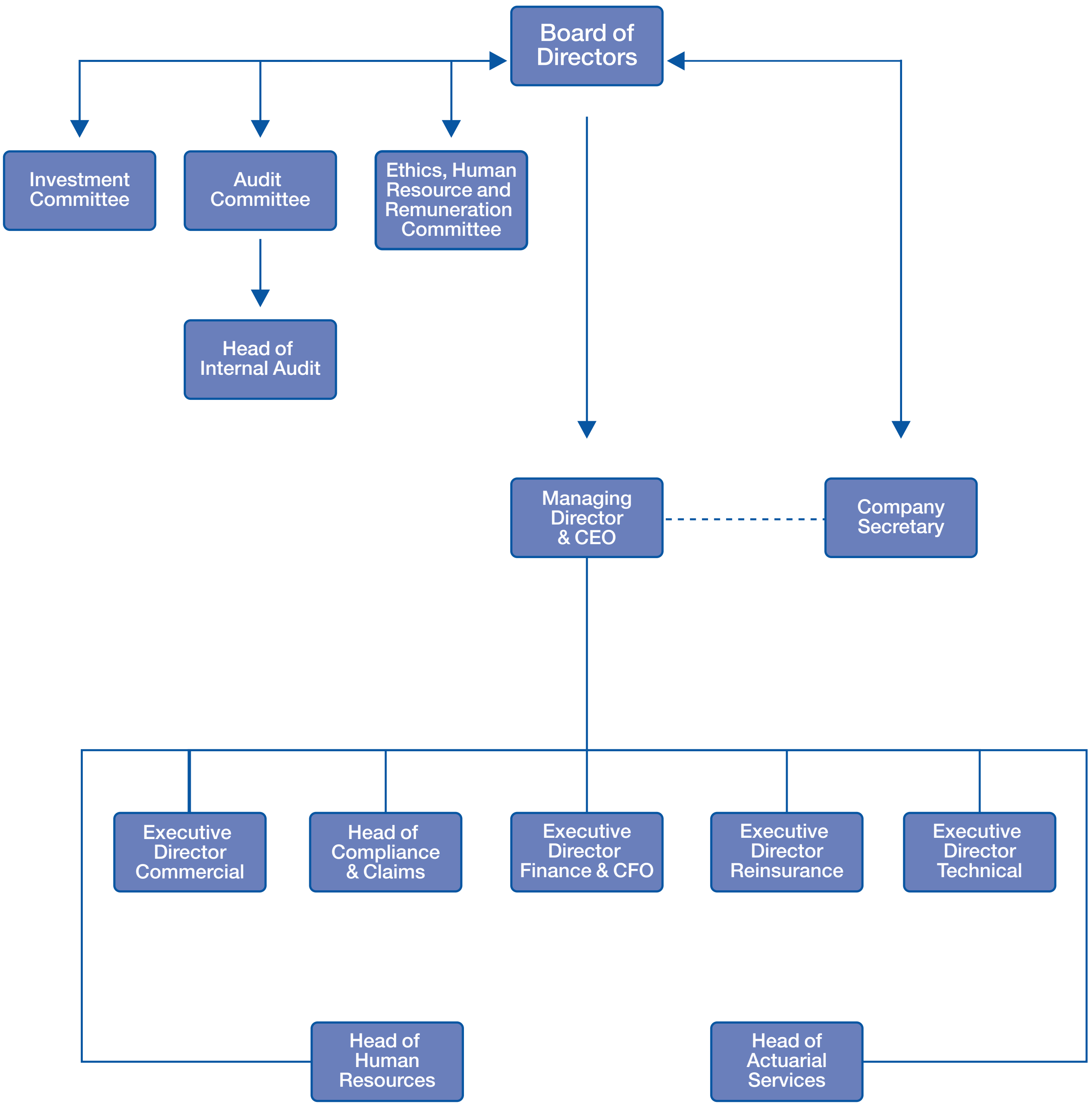
QUALITY POLICY

The management and employees of Adamjee Insurance demonstrate commitment to satisfying customer needs by managing risk assessment in General Insurance.

In alignment with satisfaction of customer needs, processes are established to support the vision and values of the Company. We use QMS-9001 as a tool to continually review and improve the effectiveness of our implemented systems.

We regularly assess our processes and practices to build on our relationship with all our stakeholders including customers, shareholders, strategic partners and employees.

ORGANIZATIONAL STRUCTURE




ANNUAL REPORT 2019
KEY TO SUCCESS
COMPANY PROFILE

COMPANY PROFILE

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

A Truly Dynamic Business Setting

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

Delivering Value to Customers

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

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

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

Alternatively, AICL serves Pakistan's primary industry by providing coverage to the Textile and Sugar sectors. AICL is proud to be the premier insurer of Kidnap & Ransom, Professional Indemnity, Product Liability and other specialized lines in Pakistan.

A wide range of Shariah-compliant Takaful Products are also offered through AICL's top-of-the-line Window Takaful Operations, serving customers from all walks of life, on a much larger scale.

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

Achievements through the year

- IFS rating of AA+ (Double 'AA' Plus) by PACRA
- IFS rating of B by AM Best, UK
- Certificate of ISO 9001:2015 by Lloyd's Register Quality Assurance
- Best Domestic General Insurer 2018 in Pakistan by Insurance Asia, Singapore
- Breakthrough Insurer of the Year 2018 by YALLACOMPARE Banking and Insurance Awards UAE
- World Finance Global Insurance Awards (Best General Insurance Company in Pakistan) 2017 & 2018
- Best Company "Asia's 200 Best Under A Billion $" by Forbes in 2016

WINDOW OF OPPORTUNITY

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

Adamjee Insurance's Corporate Social Responsibility (CSR) Program aims to address key concerns in society, such as health and education. The Company also stresses on reassuring its chief stakeholders of overall sustainability through compliance, ethics and corporate citizenship. These elements combined together, form the basis of AICL's corporate philosophy and CSR.

AICL's CSR is primarily focused on achieving compliance, upholding ethical standards, actively participating in corporate citizenship and maintaining overall sustainability. AICL has undertaken an array of initiatives, including improved communication and extensive training, to cultivate these aspects of its operations.

Compliance and Ethics

Regulations are becoming increasingly complex in light of high transparency prerequisites being enforced globally. AICL has continuously strived to develop its capabilities until it can be at par with international players in the global insurance industry, meeting all necessary standards and checks. AICL's edge in the market lies in its strict and efficient compliance of international standards.

AICL persistently reiterates that its Compliance Performance Standards are applied to all areas of business. AICL ensures to increase compliance and ethical understanding throughout its management hierarchy. Initiatives taken include internal awareness campaigns, specific trainings in detailed regulatory areas and focused efforts on sensitive areas such as conflict of interest.

Health, Safety & Environment

Health, Safety and Environmental (HSE) responsibilities constitute an essential part of Adamjee Insurance's operations. These become the core of the Company's activities. AICL's management and employees share the belief that good HSE contributes positively and productively to business development and success.

It is this belief that urges Adamjee Insurance to increase team efforts, endeavor for better HSE for employees, customers and neighbors. The Company also hopes to safeguard people's health and minimize the environmental impact of their jobs. AICL's HSE policy observes all existing laws, regulations and amendments.

Committed to Excellence

In an era of intense hectic competition, AICL stays afloat with its unwavering commitment to operational and financial discipline in producing unparalleled results; keeping its promises and continually fulfilling its customers' needs.

During the year, Adamjee Insurance was engaged in various activities with organizations including Rehman Keyani Memorial Foundation, Saleem Memorial Trust Hospital, Hussaini Haematology and Oncology Trust, SAFCO Support Foundation, Sindh Rural Support Organization and others.

Adamjee Insurance Re-creational Club organized extra-curricular activities including cricket tournaments, badminton, and table tennis competition for the promotion of healthy activities among employees and also have active participation in the insurance association events.

PILLARS OF STRENGTH

SIX YEARS AT A GLANCE

SIX YEARS AT A GLANCE

PARTICULARS	2019	2018	2017	2016	2015	2014
	Rupees in Million					
Balance Sheet						
Paid Up Capital	3,500	3,500	3,500	3,500	3,500	3,500
Reserves	4,555	3,784	5,001	6,278	1,409	1,397
Equity	21,380	19,663	20,364	21,872	14,561	13,661
Investments (Book Value)	21,781	21,006	18,649	17,359	16,220	14,542
Investments (Market Value)	25,888	24,114	23,749	24,337	20,780	23,500
Investment Property	402	-	-	-	-	-
Fixed Assets	4,301	3,593	2,632	1,250	1,301	1,114
Cash & Bank Deposits	1,177	2,211	2,279	3,811	2,072	1,817
Other Assets	17,770	17,926	18,727	16,242	12,787	11,456
Total Assets	49,538	47,845	47,388	45,640	32,380	28,929
Total Liabilities	28,158	28,182	27,023	23,768	17,819	15,268
Operating Data						
Gross Premium	22,507	20,387	18,522	16,270	13,639	12,145
Net Premium	15,434	13,806	11,535	9,615	7,747	6,303
Net Claims	9,877	8,386	7,434	6,210	5,223	4,088
Net Commission	1,507	1,280	1,090	763	558	362
Underwriting Result	654	816	557	1,078	242	369
Financial Charges	8	-	-	-	-	-
Total Expenses	3,100	3,438	2,683	2,329	2,178	2,011
Investment Income	1,372	1,285	1,494	3,502	2,404	2,061
Profit Before Tax	2,533	2,174	2,121	4,054	2,214	2,030
Profit After Tax	1,813	1,239	1,221	3,492	1,943	1,879
Share Information						
Break-Up Value Per Share (Rs.)	61.09	56.18	58.18	62.49	45.00	40
No. of Shares (Million)	350	350	350	350	350	350
Share Price at Year End (Rs.)	42.09	42.02	52.00	74.14	56.51	49.50
Highest Share Price During Year (Rs.)	47.70	60.25	82.50	79.79	61.12	53.60
Lowest Share Price During Year (Rs.)	26.00	38.10	43.02	46.70	38.08	36.90
KSE 100 Index	40,735.08	37,066.67	40,471.48	47,806.97	32,816.00	32,131.00
Market Price To Break-Up Value (Times)	0.69	0.75	0.89	1.19	1.26	1.24
Face Value (per share)	10.00	10.00	10.00	10.00	10.00	10.00
Market Capitalization - Amount	14,731.50	14,707.00	18,200.00	25,949.00	19,778.50	17,325.00
Distribution						
Dividend Per Share (Rs.)	2.50	2.00	4.00	3.00	3.00	2.25
Total Dividend - Amount	875.00	700.00	1,400.00	1,050.00	1,050.00	787.50
Cash Dividend %	25.00	20.00	40.00	30.00	30.00	22.50
Bonus Shares %	-	-	-	-	-	-
Total Dividend %	25.00	20.00	40.00	30.00	30.00	22.50

FINANCIAL RATIOS

PARTICULARS	2019	2018	2017	2016	2015	2014
Profitabilty						
Profit / (Loss) Before Tax / Gross Premium (%)	11.3	10.7	11.5	24.9	16.2	16.7
Profit / (Loss) Before Tax / Net Premium (%)	16.4	15.7	18.4	42.2	28.6	32.2
Profit After Tax / Gross Premium (%)	8.1	6.1	6.6	21.5	14.2	15.5
Profit After Tax / Net Premium (%)	11.7	9.0	10.6	36.3	25.1	29.8
Combined Ratio (%)	95.8	94.1	95.2	88.8	96.9	94.1
Expenses / Gross Premium (%)	13.8	16.9	14.5	14.3	16.0	16.6
Expenses / Net Premium (%)	20.1	24.9	23.3	24.2	28.1	31.9
Underwriting Result / Net Premium (%)	4.2	5.9	4.8	11.2	3.1	5.9
Net Claims / Net Premium (%)	64.0	60.7	64.4	64.6	67.4	64.9
Investment Income / Net Premium (%)	8.9	9.3	12.9	36.4	31.0	32.7
Underwriting Result / Written Premium (%)	2.9	4.0	3.0	6.6	1.8	3.0
Profit / (Loss) Before Tax / Total Income (%)	14.9	14.4	16.1	30.5	21.4	23.9
Profit / (Loss) After Tax / Total Income (%)	10.6	8.2	9.3	26.3	18.8	22.1
Net Commission / Net Premium (%)	9.8	9.3	9.4	7.9	7.2	5.7
Return To Shareholders						
Return On Equity - PBT(%)	11.8	11.1	10.4	18.5	15.2	14.9
Return On Equity - PAT (%)	8.5	6.3	6.0	16.0	13.3	13.8
Earnings Per Share (Rs.)	5.18	3.54	3.49	9.98	5.55	5.4
P/E Ratio (Times)	8.1	11.9	14.9	7.4	10.2	9.2
Return On Capital Employed (%)	11.8	11.1	10.4	18.5	15.2	14.9
Dividend Yield (%)	5.9	4.8	7.7	4.0	5.3	4.5
Dividend Payout (%)	48.3	56.5	114.7	30.1	54.1	41.9
Dividend Cover (Times)	2.1	1.8	0.9	3.3	1.9	2.4
Return On Total Assets (%)	3.7	2.6	2.6	7.7	6.0	6.5
Earnings Growth (%)	46.3	1.4	(65.0)	79.8	2.8	(3.6)
Liquidity / Leverage						
Current Ratio (Times)	1.7	1.6	1.8	1.7	1.8	1.8
Cash / Current Liabilities (%)	4.8	8.2	9.0	20.2	16.4	19.0
Earning Assets / Total Assets (%)	55.3	50.4	50.1	53.3	50.1	50.3
Liquid Ratio (Times)	1.2	1.1	0.9	1.0	1.0	1.1
Liquid Assets / Total Assets (%)	66.7	48.5	44.2	46.4	56.5	56.5
Total Assets Turnover (Times)	0.3	0.3	0.2	0.2	0.2	0.2
Fixed Assets Turnover (Times)	3.6	3.8	4.4	7.7	6.0	5.7
Total Liabilities / Equity (%)	131.7	143.3	132.7	108.7	122.4	111.8
Paid Up Capital / Total Assets (%)	7.1	7.3	7.4	7.7	10.8	12.1
Equity / Total Assets (%)	43.2	41.1	43.0	47.9	45.0	47.2

VERTICAL ANALYSIS
Balance Sheet and Income Statement

	2019		2018		2017		2016		2015		2014	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance sheet												
Assets												
Cash and Bank Deposits	1,177	2.4	2,211	4.6	2,279	4.8	3,811	8.4	2,898	8.9	2,877	9.9
Loans to Employees	49	0.1	45	0.1	43	0.1	18	0.0	17	0.1	14	0.0
Investments	25,888	52.3	24,114	50.4	23,749	50.1	24,337	53.3	15,393	47.5	13,482	46.6
Deferred Taxation	-	-	-	-	-	-	-	-	84	0.3	97	0.3
Current Assets-others	17,295	34.9	17,499	36.6	18,444	38.9	16,125	35.3	12,687	39.2	11,345	39.2
Fixed Assets	4,301	8.7	3,594	7.5	2,632	5.6	1,250	2.7	1,301	4.0	1,114	3.9
Investment Property	402	0.8	-	-	-	-	-	-	-	-	-	-
Total assets of Window Takaful	426	0.9	382	0.8	241	0.5	99	0.2	-	-	-	-
Total Assets	**49,538**	**100.0**	**47,845**	**100.0**	**47,388**	**100.0**	**45,640**	**100.0**	**32,380**	**100.0**	**28,929**	**100.0**
Total Equity	21,380	43.2	19,663	41.1	20,365	43.0	21,872	47.9	14,561	45.0	13,661	47.2
Underwriting Provisions	20,848	42.1	20,784	43.4	20,639	43.6	17,184	37.7	13,125	40.5	11,747	40.6
Deferred Taxation	1,330	2.7	944	2.0	1,567	3.3	2,223	4.9	-	-	-	-
Deferred Liabilities	225	0.5	199	0.4	154	0.3	81	0.2	116	0.4	106	0.4
Creditors and Accruals	1,719	3.5	2,206	4.6	1,884	4.0	1,661	3.6	4,502	13.9	3,319	11.5
Other Liabilities	3,840	7.8	3,819	8.0	2,638	5.6	2,573	5.6	75	0.2	95	0.3
Total liabilities of Window Takaful	196	0.4	230	0.5	141	0.3	46	0.1	-	-	-	-
Total Equity and Liabilities	**49,538**	**100.0**	**47,845**	**100.0**	**47,388**	**100.0**	**45,640**	**100.0**	**32,380**	**100.0**	**28,929**	**100.0**
Profit and Loss Account												
Revenue account												
Net Premium Revenue	15,434	100.0	13,806	100.0	11,535	100.0	9,615	100.0	7,747	100.0	6,303	100.0
Net Claims	9,877	64.0	8,386	60.7	7,434	64.4	6,210	64.6	5,223	67.4	4,533	71.9
Underwriting Expenses	3,397	22.0	3,324	24.1	2,576	22.3	1,615	16.8	1,556	20.1	1,483	23.5
Net Commission	1,507	9.8	1,280	9.3	1,090	9.4	763	7.9	558	7.2	362	5.7
Unexpired risk reserve	-	-	-	-	(122)	(1.1)	(50)	(0.5)	169	2.2	-	-
Underwriting Result	**654**	**4.2**	**816**	**5.9**	**557**	**4.8**	**1,078**	**11.2**	**242**	**3.1**	**(75)**	**(1.2)**
Investment Income	1,372	8.9	1,285	9.3	1,494	13.0	3,502	36.4	2,404	31.0	2,061	32.7
Rental Income	30	0.2	7	0.1	9	0.1	6	0.1	6	0.1	6	0.1
Other income	64	0.4	95	0.7	96	0.8	178	1.9	185	2.4	122	1.9
Change in fair value of investment property	12	0.1	-	-	-	-	-	-	-	-	-	-
Other / General and Administration Expenses	59	0.4	73	0.5	44	0.4	630	6.6	571	7.4	485	7.7
Exchange Gain / (Loss)	5	0.0	6	0.0	5	0.0	(2)	(0.0)	6	0.1	0	0.0
Finance Charges on Lease Liabilities	8	0.1	-	-	-	-	-	-	-	-	-	-
Workers' welfare fund charge / (reversal)	(356)	(2.3)	41	0.3	63	0.5	83	0.9	58	0.7	42	0.7
Profit before tax from takaful	108	0.7	79	0.6	67	0.6	4	0.0	-	-	-	-
Profit Before Tax	**2,533**	**16.4**	**2,174**	**15.7**	**2,121**	**18.4**	**4,054**	**42.2**	**2,214**	**28.6**	**1,587**	**25.2**
Provision for Taxation	720	4.7	935	6.8	900	7.8	561	5.8	272	3.5	151	2.4
Profit After Tax	**1,813**	**11.7**	**1,239**	**9.0**	**1,221**	**10.6**	**3,493**	**36.3**	**1,942**	**25.1**	**1,436**	**22.8**

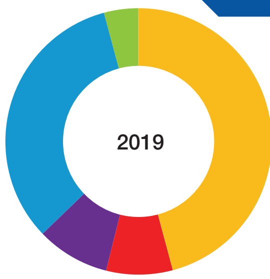
HORIZONTAL ANALYSIS

Balance Sheet and Income Statement

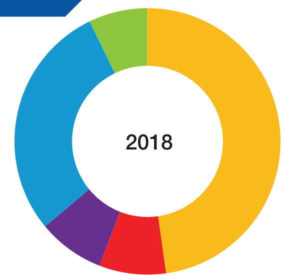
	2019	2018	2017	2016	2015	2014	2019	2018	2017	2016	2015	2014
	Rupees in million						% increase /(decrease) over preceding year					
Balance sheet												
Assets												
Cash and Bank Deposits	1,177	2,211	2,279	3,811	2,898	2,877	(46.8)	(3.0)	(40.2)	31.5	0.7	13.0
Loans to Employees	49	45	43	18	17	14	10.0	4.7	138.9	5.9	21.4	(12.5)
Investments	25,888	24,114	23,749	24,337	15,393	13,482	7.4	1.5	(2.4)	58.1	14.2	18.7
Deferred Taxation	-	-	-	-	84	97	-	-	-	(100.0)	(13.4)	(7.6)
Current Assets-others	17,295	17,499	18,444	16,125	12,687	11,345	(1.2)	(5.1)	14.4	27.1	11.8	(5.3)
Fixed Assets	4,301	3,594	2,632	1,250	1,301	1,114	19.7	36.6	110.6	(3.9)	16.8	(6.9)
Investment Property	402	-	-	-	-	-	100.0	-	-	-	-	-
Total assets of Window Takaful	426	382	241	99	-	-	11.6	58.5	143.4	100.0	-	-
Total Assets	**49,538**	**47,845**	**47,388**	**45,640**	**32,380**	**28,929**	**3.5**	**1.0**	**3.8**	**41.0**	**11.9**	**6.3**
Total Equity	21,380	19,663	20,365	21,872	14,561	13,661	8.7	(3.4)	(6.9)	50.2	6.6	4.7
Underwriting Provisions	20,848	20,784	20,639	17,184	13,125	11,747	0.3	0.7	20.1	30.9	11.7	1.7
Deferred Taxation	1,330	944	1,567	2,223	-	-	40.9	(39.8)	(29.5)	100.0	-	-
Deferred Liabilities	225	199	154	81	116	106	13.1	29.2	90.1	(30.4)	9.6	8.4
Creditors and Accruals	1,719	2,206	1,884	1,661	4,502	3,319	(22.1)	17.1	13.4	(63.1)	35.6	35.1
Other Liabilities	3,840	3,819	2,638	2,573	75	95	0.5	44.8	2.5	3,340.2	(21.6)	83.5
Total liabilities of Window Takaful	196	230	141	46	-	-	(14.8)	63.1	206.5	100.0	-	-
Total Equity and Liabilities	**49,538**	**47,845**	**47,388**	**45,640**	**32,380**	**28,929**	**3.5**	**1.0**	**3.8**	**41.0**	**11.9**	**6.3**
Profit and Loss Account												
Revenue account												
Net Premium Revenue	15,434	13,806	11,535	9,615	7,747	6,303	11.8	19.7	20.0	24.1	22.9	14.5
Net claims	9,877	8,386	7,434	6,210	5,223	4,533	17.8	12.8	19.7	18.9	15.2	30.0
Underwriting Expenses	3,397	3,324	2,576	1,615	1,556	1,483	2.2	29.0	59.5	3.8	4.9	(3.4)
Net Commission	1,507	1,280	1,090	763	558	362	17.8	17.4	42.9	36.7	54.1	4.0
Unexpired risk reserve	-	-	(122)	(50)	169	-	-	(100.0)	142.5	(129.8)	100.0	-
Underwriting Result	**654**	**816**	**557**	**1,078**	**242**	**(75)**	**(19.9)**	**46.5**	**(48.3)**	**346.0**	**(422.2)**	**(154.7)**
Investment Income	1,372	1,285	1,494	3,502	2,404	2,061	6.8	(14.0)	(57.3)	45.7	16.7	(12.6)
Rental Income	30	7	9	6	6	6	329.1	(22.2)	39.6	1.7	5.7	20.0
Other income	64	95	96	178	185	122	(32.7)	(1.0)	(46.0)	(3.7)	51.4	(17.6)
Change in fair value of investment property	12	-	-	-	-	-	100.0	-	-	-	-	-
Other / General And Administration Expenses	59	73	44	630	571	485	(19.2)	65.9	(93.0)	10.4	17.7	21.3
Exchange Gain / (Loss)	5	6	5	(2)	6	-	(23.1)	20.0	(412.5)	(127.1)	100.0	(100.0)
Finance Charges on Lease Liabilities	8	-	-	-	-	-	100.0	-	-	-	-	(100.0)
Workers' welfare fund charge / (reversal)	(356)	41	63	83	58	42	(967.7)	(34.9)	(23.8)	43.4	37.3	(6.7)
Profit before tax from takaful	108	79	67	4	-	-	36.3	17.9	1,559.2	100.0	-	-
Profit Before Tax	**2,533**	**2,174**	**2,121**	**4,054**	**2,214**	**1,587**	**16.5**	**2.5**	**(47.7)**	**83.1**	**39.5**	**(28.2)**
Provision for taxation	720	935	900	561	272	151	(23.0)	3.9	60.4	106.3	80.1	(38.1)
Profit after Tax	**1,813**	**1,239**	**1,221**	**3,493**	**1,942**	**1,436**	**46.3**	**1.5**	**(65.0)**	**79.8**	**35.3**	**(27.0)**

ANALYSIS OF FINANCIAL STATEMENTS

Gross Premium

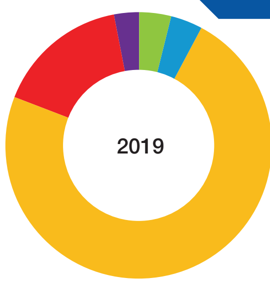


Fire and property damage 33%
Marine, aviation and transport 4%
Motor 46%
Accident & Health 8%
Miscellaneous 9%

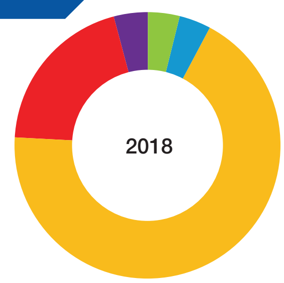


Fire and property damage 29%
Marine, aviation and transport 7%
Motor 48%
Accident & Health 8%
Miscellaneous 8%

Net Claims

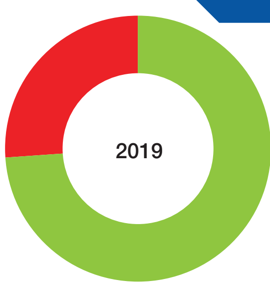


Fire and property damage 4%
Marine, aviation and transport 4%
Motor 73%
Accident & Health 16%
Miscellaneous 3%

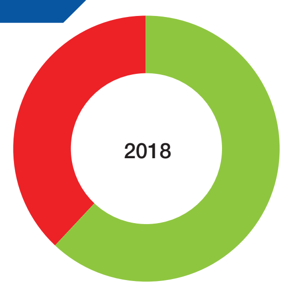


Fire and property damage 4%
Marine, aviation and transport 4%
Motor 68%
Accident & Health 20%
Miscellaneous 4%

Analysis of Income

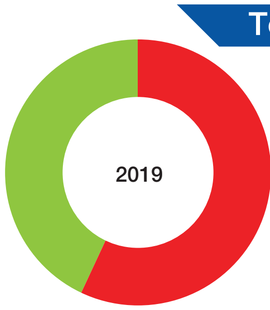


Underwriting profit 26%
Other income 74%

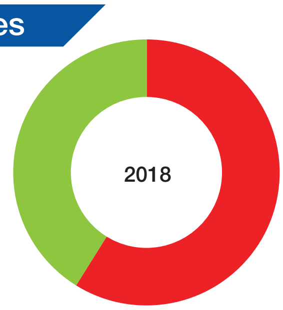


Underwriting profit 38%
Other income 62%

Total Equity and Liabilities

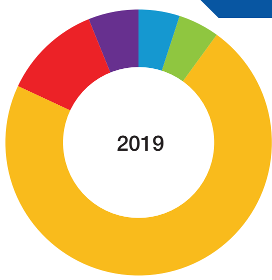


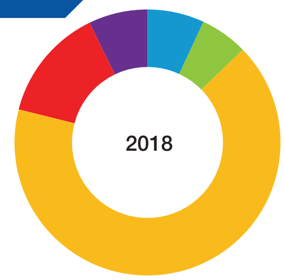
Liabilities 57%
Equity 43%



Liabilities 59%
Equity 41%

Net Premium Revenue





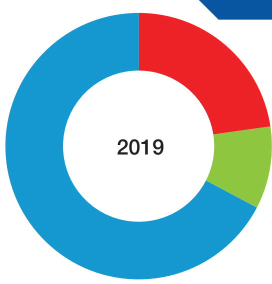
2019

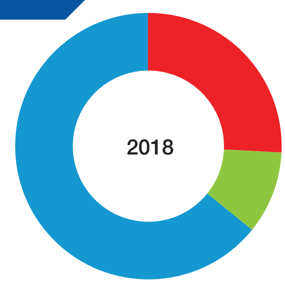
- Fire and property damage 5%
- Marine, aviation and transport 5%
- Motor 72%
- Accident & Health 12%
- Miscellaneous 6%

2018

- Fire and property damage 7%
- Marine, aviation and transport 6%
- Motor 66%
- Accident & Health 14%
- Miscellaneous 7%

Combined Expenses





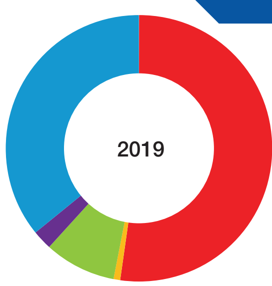
2019

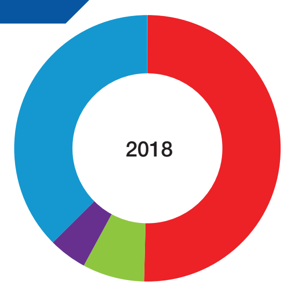
- Net claims 67%
- Net commission 10%
- Expenses 23%

2018

- Net claims 64%
- Net commission 10%
- Expenses 26%

Total Assets





2019

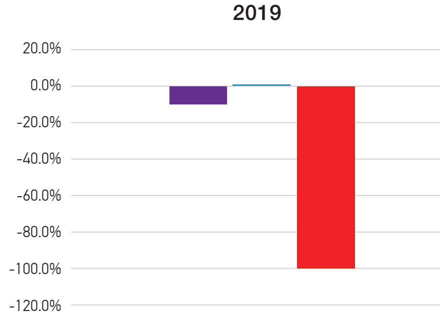
- Investments 52%
- Fixed assets 9%
- Other Assets 36%
- Investment Property 1%
- Cash and bank deposits 2%

2018

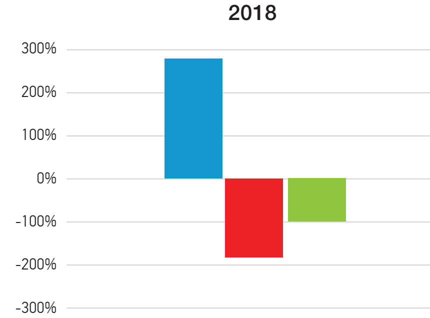
- Investments 50%
- Fixed assets 8%
- Other Assets 37%
- Investment Property 0%
- Cash and bank deposits 5%

Cash Flow Analysis

2019



2018



2019

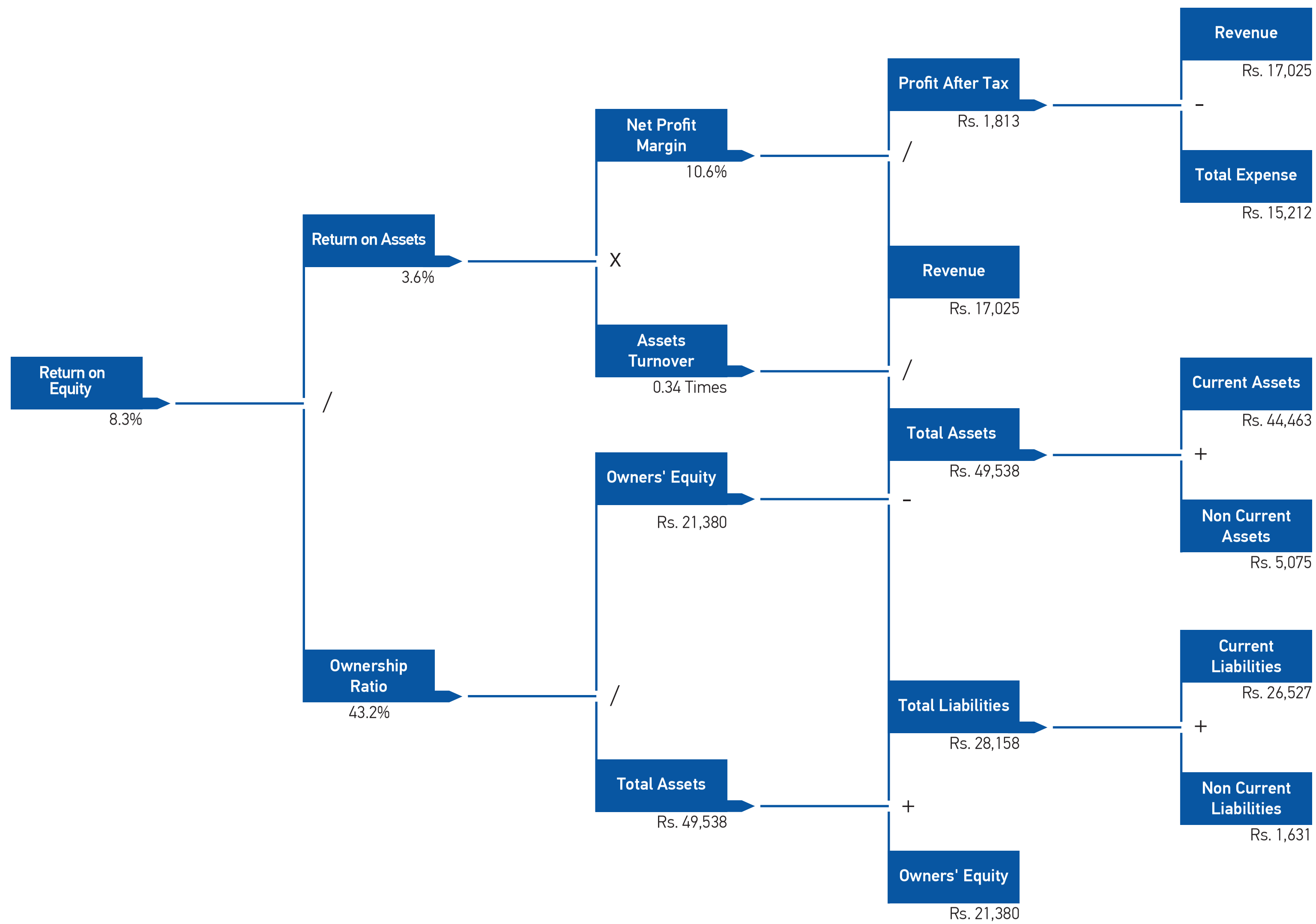
- Operating activities 9.9%
- Financing activities -100%
- Investing activities 0.3%

2018

- Operating activities 276%
- Financing activities -100%
- Investing activities -186%

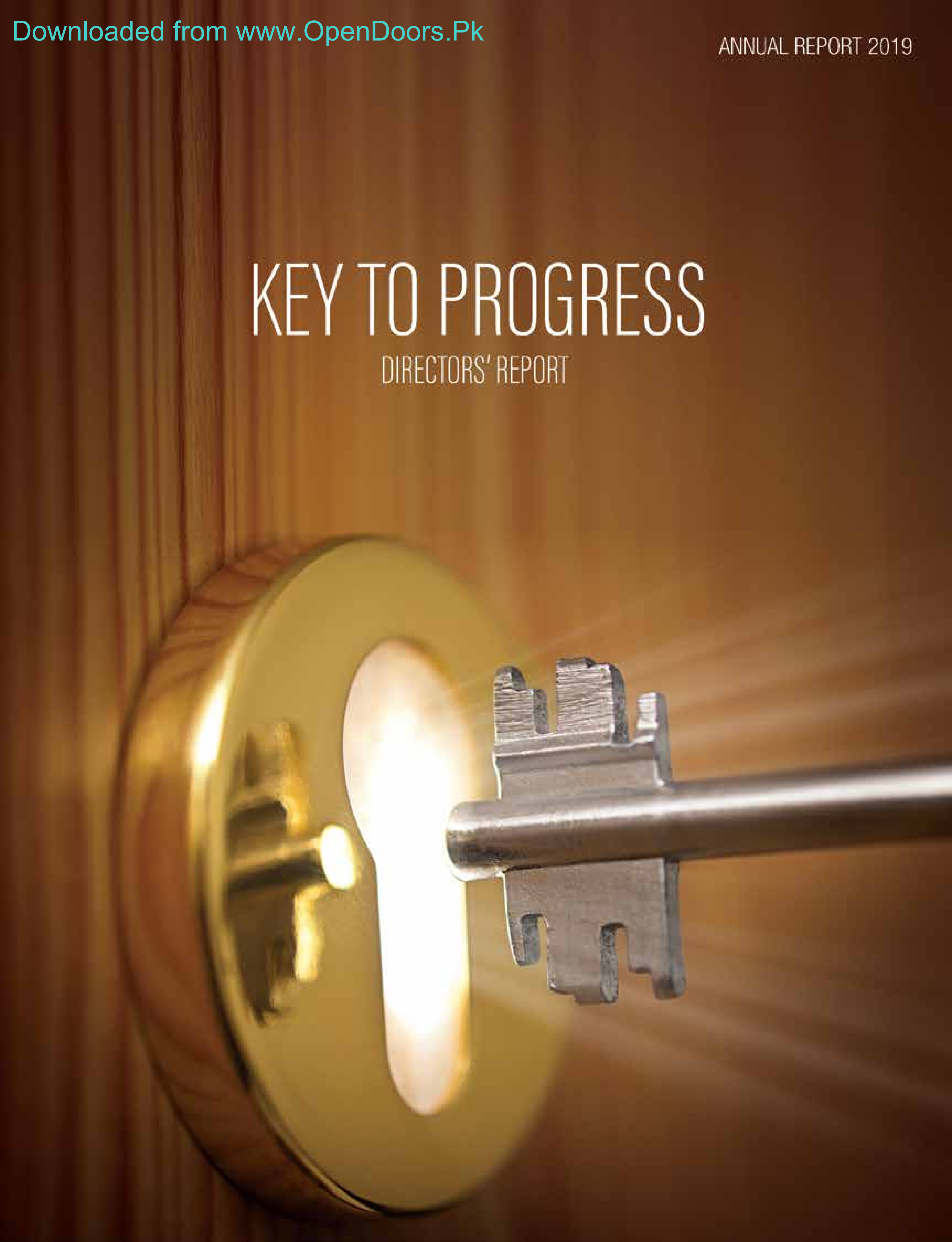
DUPONT ANALYSIS 2019

Rupees in Million



KEY TO PROGRESS

DIRECTORS' REPORT



DIRECTORS' REPORT

to the Members on Unconsolidated Financial Statements

DIRECTORS' REPORT

to the Members on Unconsolidated Financial Statements

On behalf of the Board of Directors, we are pleased to present the 59th Annual Report of your Company together with the audited unconsolidated financial statements for the year ended 31 December 2019.

ECONOMIC OVERVIEW

During the fiscal year 2018-19 the growth of the economy declined to 3.3% against the initial target of 6.2%. State Bank of Pakistan increased its policy rate to 13.25% in 2019, a cumulative 325 basis points increase during the year to ease inflationary pressure and curb aggregate demand. Despite these contractionary measures taken by the Government during the year, the average CPI inflation rate stayed at 11.1% during first six months of the fiscal year 2020.

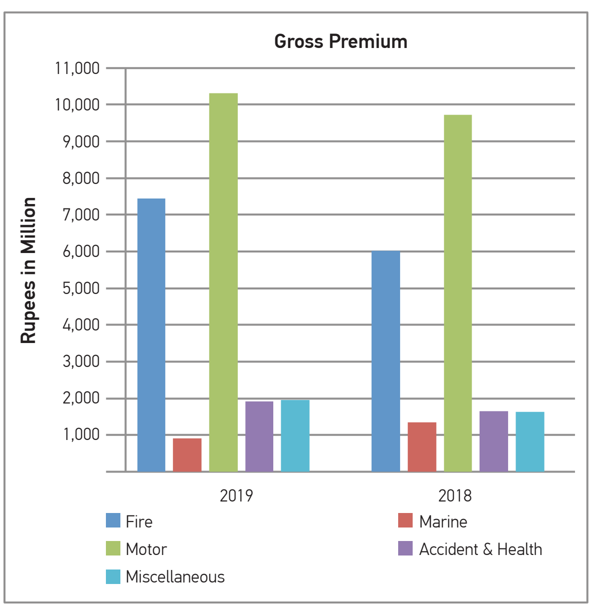
Concerning Pakistan Stock Exchange (PSX), the KSE-100 Index posted return of 9.9% as against negative return of 8.4% in 2018, closing at 40,735 in the year 2019 as compared to 37,067 in 2018.

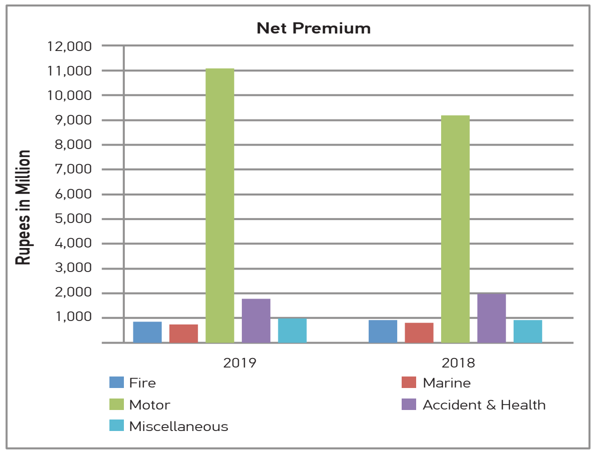
Standard & Poor's assigned Pakistan's long-term credit rating to 'B-Negative' with stable outlook.

COMPANY PERFORMANCE REVIEW

The Company's performance for 2019 remained impressive as we closed the year delivering sound financial results with a premium growth of 10% per annum. We continued to follow the strategy of sustainable growth by focusing on further strengthening the risk and compliance management.

In 2019, the gross premium increased to Rs. 22,507 million (excluding Rs. 1,212.5 million of premiums generated through Window Takaful Operations) as compared to Rs. 20,387 million in 2018. The net premium retention was 69% (Rs. 15,434 million) of total gross premium underwritten as compared to the net premium retention of 68% (Rs. 13,806 million) last year.





The net claims ratio increased to 64% as compared to last year's ratio of 61% per annum primarily due to increase in loss ratio of UAE Operations.

The underwriting profit decreased to Rs. 653.6 million from Rs. 815.9 million in the preceding year.

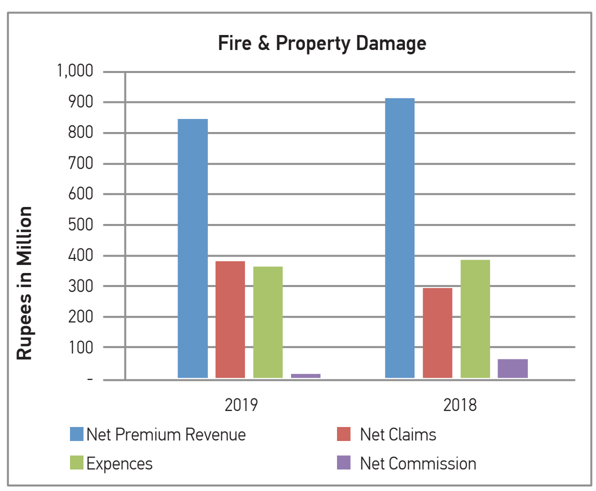
However, the return on investment portfolio has remained constant at 6% as compared to 6% last year.

Profit before tax amounted to Rs. 2,532.9 million recording an increase of 16.54% over last year at Rs. 2,173.5 million. While the Profit after tax excelled by 46.32% to Rs. 1,812.9 million as against profits of Rs. 1,239 million, of last year.

PORTFOLIO ANALYSIS

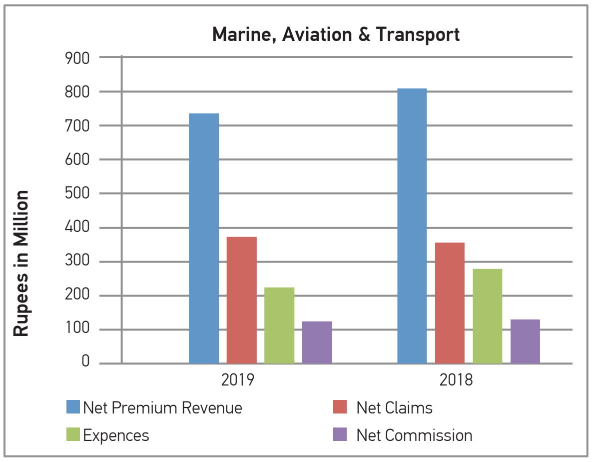
Fire & Property

Fire and property class of business constitutes 33% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 7,436.6 million (2018: Rs. 6,028.1 million). The ratio of net claims to net premium increased to 45% this year as compared to 32% last year. Underwriting profit dropped to Rs. 85.1 million as compared to Rs. 175.5 million profit of last year.



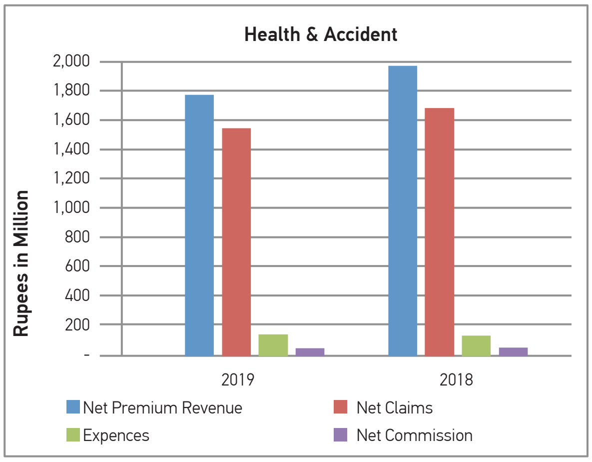
Marine, Aviation & Transport

Marine, Aviation & Transport constitutes 4% of the total portfolio. The Company has underwritten a gross premium of Rs. 903.9 million in current year as compared to Rs. 1,340.7 million in the last year. The net claims ratio has increased to 51% as against 44% last year, which resulted in an underwriting profit of Rs. 13 million against Rs. 41.4 million in 2018.



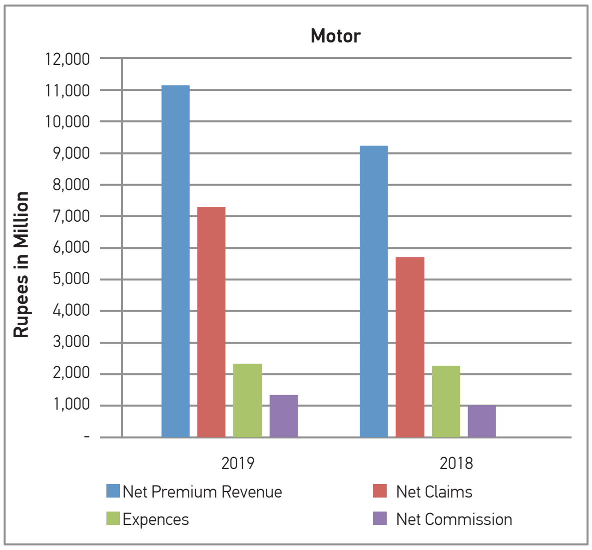
Accident & Health

The Accident & Health class of business constitutes 8% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 1,910 million (2018: Rs. 1,658 million). The ratio of net claims to net premium was 87% as against 86% last year. This portfolio showed an underwriting profit of Rs. 21 million in the current year against Rs. 84 million in 2018.



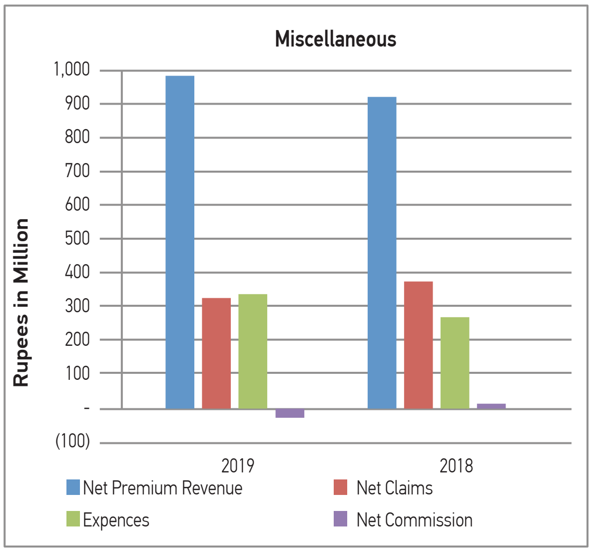
Motor

This class of business constitutes 46% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 10,304 million as compared to Rs. 9,727 million in 2018. The ratio of net claims to net premium for the current year is 65% as compared to 62% in 2018. The portfolio showed an underwriting profit of Rs. 174.5 million as compared to Rs. 237.9 million in 2018.



Miscellaneous

The miscellaneous class of business constitutes 9% of the total portfolio. The gross premium showed an increase of 20% over last year with a gross premium written of Rs. 1,952 million (2018: Rs. 1,633 million). The ratio of net claims to net premium was 33% as against 40% last year. The portfolio showed an underwriting profit of Rs. 359.6 million in the current year as compared to Rs. 277.1 million in 2018.

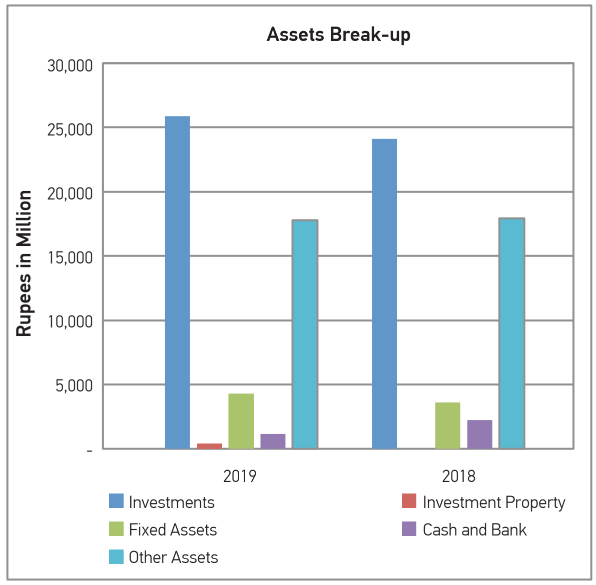


INVESTMENT INCOME

Pakistan's stock market continued with its declining trend in 2019 with signs of recovery towards the end of the year. The return on term deposits fared well due to high investment returns, both in Pakistan and UAE. As a result, the overall income from investments showed an increase of 6.8% from Rs. 1,285 million in 2018 to Rs. 1,372 million in the current year.

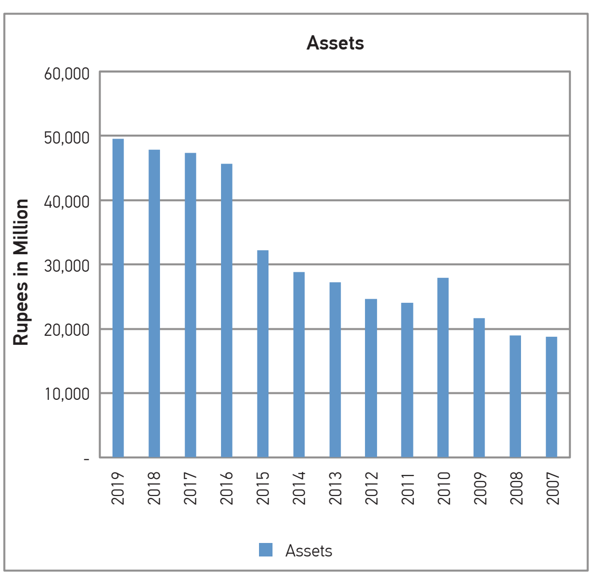
The break-up of investment income is as under:

	2019	2018
	(Rupees in million)	
Dividend income	1,407	1,295
Return on fixed income securities	48	31
Income from term deposits	170	82
Gain/(Loss) on sale of 'available-for-sale' investments (net of impairment)	(253)	(123)
Net investment income	1,372	1,285



COMPANY'S ASSETS

Total assets of the Company as on 31 December 2019 increased by 3.42% at Rs. 49,538 million as against Rs. 47,845 million last year. Total investments increased by 7.36% at Rs. 25,888 million as compared to Rs. 24,114 million in 2018. The management's strategy is to optimize utilization of funds over a long-term investment horizon to maximize investment returns.



WINDOW TAKAFUL OPERATIONS

Company's Window Takaful Operations (WTO) closed the year with a growth of 10% in gross written contribution at Rs. 1,212.5 million as compared to Rs. 1,101.5 million in the year 2018 and has made a profit after tax of Rs. 76.7 million as compared to profit of Rs. 52.5 million last year.

Outside Pakistan Operations - United Arab Emirates & Export Processing Zone

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

Outside Pakistan operations' Profits showed an increase of 18% amounting to Rs. 244.7 million as compared to Rs. 207.5 million in 2018 with the written gross premium of Rs. 7,591.6 million in 2019 as against Rs. 6,973.5 million in 2018.

PROSPECTS FOR 2020

Strong and decisive policy measures adopted by the Government had commenced the onset of positive results in reversing macroeconomic imbalances and narrowing current account deficits, but the outbreak of ongoing COVID-19 is expected to impact adversely on growth prospects by infusing negativity in meeting consumer demands and all other elements of businesses.

Lockdowns to save people from COVID-19 has diminished oil prices and oil demands globally. Pakistan inclusive, Stock Exchanges around the world are witnessing downwards fluctuating trends. Strong economies around the world are under grave threats. Lockdown in Pakistan is likely to be on cards this month which will result in partial negative impacts on the country's economy.

Insurance Industry in Pakistan has seen several peaks and dips in the recent past. It keeps pace with the development of economy and growth vis-a-vis other sectors of the industry. Despite volatility and turbulence in the domestic financial markets, the Insurance Sector has performed well in 2019, registering a positive growth of 12.8%. However, in the current macro-financial environment, especially the effects of COVID-19 and related global and potential domestic lockdowns, we foresee a distressed growth trajectory of Insurance Sector during the year 2020.

The year 2019 has been a productive year for AICL. During the year 2020, knowing well and having acknowledged the significance of digital transformation, we expect to reap benefits by employment of digital technology infrastructure.

Furthermore, we are fully aware of the investment projects of China Pakistan Economic Corridor (CPEC) worth US$62 billion and the agreement for a total of US$10 billion Saudi investment in Pakistan is likely to come true in May 2020. AICL is well placed in getting the maximum out of what comes on ground.

DIRECTORS

The board of directors comprising on following 8 elected directors, completed their tenure of three (3) years on 28 May 2019:

1) Ibrahim Shamsi
2) Imran Maqbool
3) Muhammad Ali Zeb
4) Muhammad Anees
5) Mohammad Arif Hameed
6) Muhammad Umer Virk
7) Shaikh Muhammad Jawed
8) Umer Mansha

The board has fixed the number of elected directors at seven (7) for the next term.

The following persons filed notices of their intention to offer themselves for election of directors:

1) Ibrahim Shamsi
2) Imran Maqbool
3) Muhammad Anees
4) Mohammad Arif Hameed
5) Sadia Younas Mansha
6) Shaikh Muhammad Jawed
7) Umer Mansha

In the extra ordinary general meeting of the Company held on 28 May 2019, the above referred 7 persons were elected as directors for a term of 3 years, commencing 29 May 2019.

CHIEF EXECUTIVE OFFICER

The Board of Directors in its meeting held on 3 June 2019 appointed Muhammad Ali Zeb as the Chief Executive Officer (CEO) of the Company for a period of 3 years commencing from 10 June 2019. His term as the CEO expired on 10 June 2019.

Under the Insurance Companies (Sound and Prudent Management) Regulations, 2012, the Securities & Exchange Commission of Pakistan accorded its approval for appointment of 7 elected Directors and the Chief Executive Officer.

The above can be summarized under Regulation 34 (2) of Listed Companies (CCG) Regulations 2019 as below:

1. Total Number of Directors:

i.	Male	7
ii.	Female	1

2. Composition of board:

i. Independent director 2

- Muhammad Anees
- Mohammad Arif Hameed

ii. Non-executive directors - Male 4

- Ibrahim Shamsi
- Imran Maqbool
- Shaikh Muhammad Jawed
- Umer Mansha

iii. Non-executive director - Female 1

- Sadia Younas Mansha

iv. Executive director 1

- Muhammad Ali Zeb

DIRECTORS' REMUNERATION

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

The aggregate amount of remuneration is mentioned at Note 35 of the Unconsolidated Financial Statements.

BOARD MEETINGS & ATTENDENCE

During year 2019, six meetings of the Board of Directors were held and attended by the Directors as under:

a) Three (3) Meetings held upto 28 May 2019

Umer Mansha	2
Ibrahim Shamsi	1
Imran Maqbool	1
Muhammad Anees	3
Mohammad Arif Hameed	3
Muhammad Umer Virk	3
Shaikh Muhammad Jawed	2
Muhammad Ali Zeb – CEO	3

b) Three (3) meeting held after 28 May 2019

Umer Mansha	3
Ibrahim Shamsi	2
Imran Maqbool	2
Muhammad Anees	3
Mohammad Arif Hameed	3
Sadia Younas Mansha	2
Shaikh Muhammad Jawed	2
Muhammad Ali Zeb – CEO	3

MEMBERS OF BOARD COMMITTEES

The members of the Board Committees were as under:

AUDIT COMMITTEE

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

ETHICS, HUMAN RESOURCES & REMUNERATION COMMITTEE

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

INVESTMENT COMMITTEE

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

STATEMENT OF COMPLIANCE WITH CODE(s) OF CORPORATE GOVERNANCE

Statement of compliance with code(s) of corporate governance is separately provided in Annual Report at page 54.

RISK MITIGATION

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

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

The Company pays particular attention to the underwriting controls. Each class of insurance is headed by qualified and experienced underwriters, who manage and control the underwriting in their respective class of business. The utmost aim in any underwriting process is to protect the bottom-line of the Company. This is achieved by accurately estimating the exposures and the probability of future losses and thereby developing appropriate terms and conditions for each proposed risk for insurance and also deciding carefully on the retention of each risk.

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

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

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed in the Annual Report at page 283. The format of reporting, Form 34, has been slightly amended to comply with the reporting requirements under the Code of Corporate Governance for Insurers, 2016.

For the category of 'Executive', the Board of Directors has set the threshold for the year 2019. In addition to CEO, CFO, Head of Internal Audit and Company Secretary, officers in the cadre of Executive Director and above are included in the category of 'Executives'. The threshold is reviewed by the Board annually.

EARNINGS PER SHARE

During the year under review, earnings per share were Rs. 5.18 (2018: Rs. 3.54). Detailed working has been reported in Note 34 to the financial statements in this regard.

INTERNAL FINANCIAL CONTROLS AND ITS ADEQUACY

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

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

CSR ACTIVITIES

The CSR initiatives taken during the year 2019 have been separately mentioned in the annual report.

Impact of Company's Business on Environment

The impact of Company's business on environment is actually next to nothing, since Adamjee does not have any manufacturing and/or energy-resource based business set-up. With over 900 employees, we feel that we have a responsibility for environmental protection and have involved ourselves in areas that we can influence in a positive manner. We are focusing on reducing the use of paper and gradually moving towards a paperless environment. We are sensitizing our staff to behave in an environmentally friendly manner to save on electricity/power consumption and water usage. We have also achieved certification of environment from WWF for our main sites.

HUMAN RESOURCE

At Adamjee Insurance "It's all about People", as we truly believe that our employees are the greatest strength we have. Talent Management is a continuous process and we ensure that we hire right people on right jobs. Rewards are based on performance culture; culture is engaging and based on ethical values and ample career growth opportunities are provided to our employees.

As a result, all key employee satisfaction indicators i.e. employee productivity, engagement index, employee turnover and female diversity for 2019 are encouraging.

ISO 9001:2015 CERTIFICATION

Adamjee Insurance has always strived to enhance customer satisfaction through continuous improvements in the quality management system practices, processes and standards. By upgrading our system to ISO 9001:2015, Adamjee Insurance has once again assured its customers that it will continue to fulfill their insurance, regulatory and quality requirements, adding even more value to its customer services. This is an upgrade from the previous version of ISO 9001:2008 standard and conferred by Lloyd's Register Quality Assurance.

There are many changes that characterize the new ISO 9001:2015. A key objective is to have a simpler more applicable standard having a common format and language. Furthermore, more flexibility with the core elements of ISO 14001, ISO 22000, ISO 45000, etc.

The certification shows our continuous adherence to the internationally established standards for quality system.

At Adamjee Insurance, we are fully aware of how beneficial this new standard (ISO 9001:2015) is, as it includes but is not limited to enhanced operating environment, better working conditions, increased job satisfaction and elevated customer satisfaction.

The certification body has shown their satisfaction on implementation of its standard's requirements and their compliance at all functions / locations and consequently, has assigned the Company, ISO 9001:2015 Certification for the next 3 years.

IFS Ratings

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

AM Best has downgraded the financial strength rating of the Company to "B (fair)" from "B + (Good)" with stable outlook which denotes a strong risk-adjusted capitalization maintained by the Company.

SUBSIDIARY COMPANY

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

ALACL was incorporated in Pakistan under the Repealed Companies Ordinance, 1984 on 4 August 2008 as a public unlisted company and commenced operations from 24 April 2009. ALACL is a subsidiary of AICL and an associate of IVM

Intersurer B.V. (IVM) having 74.28% and 25.72% holding respectively in the capital of ALACL.

Subsequent to the year end, the Company has acquired the remaining stake of 25.72% in ALACL from IVM, which makes it a wholly owned subsidiary of the Company. Further details of this transaction are set out in the following section.

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

EVENTS AFTER BALANCE SHEET DATE

The shareholders of the Company in their Extra Ordinary General Meeting (EOGM) held on 25 February 2019 had approved acquisition of 25.72% stake i.e. 24,059,855 ordinary shares at par value of Rs. 10 each of Adamjee Life Assurance Company Limited from IVM intersurer B.V. at a per share price of Rs. 16.68 approximately, for an aggregate price of Rs. 401.2 million.

The Company after obtaining the regulatory approvals completed the transaction with IVM on 25 February 2020. After the acquisition of aforementioned shares (representing 25.72%) ALACL has become a wholly owned subsidiary of the Company.

RECOMMENDATION FOR DIVIDEND

An interim dividend @ 10% (Rupee 1.00 per share) (2018: @ 10% [Rupee 1.00 per share]) was paid during the year. The Board recommended final cash dividend @15% (Rupees 1.50 per share) (2018: @15% [Rupees 1.50 per share]).

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Act, 2017.
- The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been disclosed, and accounting estimates made on the basis of prudent and reasonable judgment.
- Financial Statements have been prepared by the Company in accordance with the International Financial Reporting Standards as applicable in Pakistan. The departure therefrom (if any), is disclosed adequately and explained.
- The system of internal control is sound and is being implemented and monitored. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives and provide reasonable, but not absolute assurance against material misstatements or loss.
- The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.
- Key operating and financial data for the last six years is included in this annual report in summarized form.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2019, except those disclosed in the financial statements.
- The value of investments including accrued income of provident and gratuity funds on the basis of un-audited accounts as on 31 December 2019, is as follows:

	(Rupees in '000')
Provident Fund	1,036,657
Gratuity Fund	198,745

AUDITORS

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

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

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board

Lahore: 13 March 2020

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

کارپوریٹ اور مالی رپورٹنگ فریم ورک کا بیان

کارپوریٹ قوانین، قواعد وضوابط کمپنی کے بورڈ آف ڈائریکٹرز کے مجموعی کاموں کے امت کے تحت تیار کیے گئے ہیں۔ بورڈ اپنی کارپوریٹ ذمہ داریوں سے مکمل طور پر آگاہ ہے جیسا کہ کمپنیز ایکٹ 2017، بیمہ کاروں کے لئے کوڈ آف کارپوریٹ گورننس 2016 اور لسٹڈ کمپنیاں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 (کوڈز) ہیں اور مندرجہ ذیل بیانات دینے پر راضی ہے۔

کمپنی کے ذریعہ تیار کردہ مالی بیانات، اس کی امور کی منصفانہ حیثیت، اس کے آپریشنز، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کے نتائج پیش کرتے ہیں۔

کمپنی نے کمپنیز ایکٹ، 2017 کے تحت ضرورت کے مطابق اکاؤنٹس کی مناسب کتابیں برقرار رکھی ہیں۔

کمپنی نے مالی بیانات کی تیاری میں مستقل اکاؤنٹنگ کی مناسب پالیسیوں کی پیروی کی ہے۔ تبدیلیاں جہاں کہیں بھی کی گئیں، انکشاف کی گئیں، اور محاسبہ اور معقول فیصلے کی بنیاد پر اکاؤنٹنگ کا تخمینہ لگایا گیا۔

کمپنی کے ذریعہ مالی بیانات بین الاقوامی مالیاتی رپورٹنگ معیارات کے مطابق تیار کیے گئے ہیں جیسا کہ پاکستان میں لاگو ہوتا ہے۔ وہاں سے روانگی (اگر کوئی ہے) تو، مناسب طور پر انکشاف اور وضاحت کی گئی ہے۔

داخلی کنٹرول کا نظام مستحکم ہے اور اس پر عمل درآمد اور نگرانی کی جارہی ہے۔ تاہم ،اس طرح کا نظام اہداف کے حصول اور ناکافی ہونے کے خطرے کو ختم کرنے کے بجائے نظم و نسق کے لئے بنایا گیا ہے لیکن مادی غلطیوں یا نقصان کے خلاف قطعی یقین دہانی نہیں۔

کمپنی کی بنیادی باتیں مضبوط ہیں اور اس کی تشویش کی حیثیت سے جاری رکھنے کی صلاحیت کے بارے میں کوئی شک نہیں ہے۔

پچھلے چھ سالوں سے چلنے والے اہم آپریٹنگ اور مالی اعداد و شمار کو مختص شکل میں اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

ٹیکسوں، ڈیوٹیوں، محصولات اور محصولات کے حساب سے کوئی قانونی ادائیگی نہیں ہے جو 31 دسمبر 2019 کو بقایا ہے، سوائے اس کے کہ مالی بیانات میں انکشاف کیا گیا ہو۔

31 دسمبر 2019 تک غیر آڈٹ شدہ کھاتوں کی بنیاد پر پروویڈنٹ اور گراوٹی فنڈز کی حاصل شدہ آمدنی سمیت سرمایہ کاری کی قیمت مندرجہ ذیل ہے۔

	('000 میں روپے)
پروویڈنٹ فنڈ	1,036,657
گریچویٹی فنڈ	198,745

آڈیٹرز

موجودہ آڈیٹرز، یعنی، میسرز ڈیلوئٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹ اہل ہونے کے بعد، اگلی مدت کے لئے بطور آڈیٹر کام کرنے کی رضامندی دے گئے۔

آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ڈیلوئٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹ کو آئندہ مدت کے لئے قانونی آڈیٹر کے طور پر تقرری کی سفارش کی۔

اعتراف

کمپنی اپنے حصص یافتگان کا اس اعتماد کے لئے شکریہ ادا کرنا چاہے گی جس پر انہوں نے ہم پر اعتماد کیا ہے۔ ہم اپنے صارفین، ملازمین، اسٹریٹجک شراکت داروں، فروشوں اور سپلائرز کا مخلصانہ شکریہ ادا کرتے ہیں۔

ہم سال کے دوران سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی جانب سے فراہم کردہ مستقل حمایت اور رہنمائی کو بھی سراہتے ہیں۔

بورڈ کے لئے اور اس کی طرف سے

لاہور: 13 مارچ 2020

ابراہیم شمسی
ڈائریکٹر

محمد علی زیب
مینجنگ ڈائریکٹر اور
چیف ایگزیکٹو آفیسر

کی ہماری ذمہ داری ہے اور ہم نے خود کو ان شعبوں میں شامل کیا ہے جن پر ہم مثبت انداز میں اثرانداز ہوسکتے ہیں۔ ہم کاغذ کے استعمال کو کم کرنے اور آہستہ آہستہ پیپر لیس ماحول کی طرف بڑھنے پر توجہ دے رہے ہیں۔ ہم اپنے عملے کو ماحول دوست ماحول میں برتاؤ کر رہے ہیں تا کہ بجلی / بجلی کی کھپت اور پانی کے استعمال کو بچایا جاسکے۔ ہم نے اپنی اہم سائٹوں کے لئے WWF سے ماحولیات کی سند بھی حاصل کرلی ہے۔

انسانی وسائل

آدمجی انشورنس میں، "یہ سب لوگوں کے بارے میں ہے"، جیسا کہ ہم واقعتاً یقین رکھتے ہیں کہ ہمارے ملازمین ہماری سب سے بڑی طاقت ہیں۔ ٹیلنٹ مینجمنٹ ایک مستقل عمل ہے اور ہم اس بات کو یقینی بناتے ہیں کہ ہم صحیح ملازمت پر صحیح لوگوں کی خدمات حاصل کریں۔ انعامات کارکردگی کی ثقافت پر مبنی ہیں۔ ثقافت کشش اور اخلاقی اقدار پر مبنی ہے اور ہمارے ملازمین کو کیریئر میں اضافے کے کافی مواقع فراہم کیے جاتے ہیں۔

اس کے نتیجے میں، تمام اہم ملازمین کے اطمینان کے اشارے یعنی ملازمت پیداوری، منگنی انڈیکس، ملازمت کا کاروبار اور خواتین کا تنوع 2019 کے لئے حوصلہ افزا ہے۔

ISO 9001:2015 سرٹیفیکیشن

آدمجی انشورنس نے ہمیشہ کوالٹی مینجمنٹ سسٹم کے طریقوں، عمل اور معیاروں میں مستقل بہتری کے ذریعے صارفین کی اطمینان کو بڑھانے کی کوشش کی ہے۔ ہمارے نظام کو آئی ایس او 9001:2015 میں اپ گریڈ کرکے، آدمجی انشورنس نے ایک بار پھر اپنے صارفین کو یقین دہانی کرائی ہے کہ وہ ان کی انشورنس، ریگولیٹری اور معیار کی ضروریات کو پورا کرتا رہے گا، جس سے اس کی صارفین کی خدمات میں اور بھی زیادہ قدر آئے گی۔ یہ ISO 9001:2008 کے سابقہ ورژن سے اپ گریڈ ہے اور اسے لوئیڈ کے رجسٹر کوالٹی اشورینس نے دیا ہے۔

بہت سی تبدیلیاں ہیں جو نئے ISO 9001:2015 کی خصوصیات کرتی ہیں۔ ایک اہم مقصد یہ ہے کہ ایک عام شکل اور زبان کا ایک آسان سے زیادہ قابل اطلاق معیار ہو۔ مزید یہ کہ ISO 14001, ISO 22000, ISO 45000 وغیرہ کے بنیادی عناصر کے ساتھ زیادہ لچک سرٹیفیکیشن معیار کے نظام کے ل بین الاقوامی سطح پر قائم معیارات پر ہماری مستقل پیروی ظاہر کرتا ہے۔

آدمجی انشورنس میں، ہم پوری طرح واقف ہیں کہ یہ نیا معیار (ISO 9001:2015) کتنا فائدہ مند ہے، کیوں کہ اس میں توسیع شدہ آپریٹنگ ماحول، بہتر کام کی شرائط، ملازمت میں اطمینان اور اضافہ گاہکوں کی اطمینان تک محدود ہے۔

سرٹیفیکیشن باڈی نے اپنے معیار کی ضروریات کے نفاذ اور تمام افعال / مقامات پر ان کی تعمیل پر اطمینان ظاہر کیا ہے اور اس کے نتیجے میں، کمپنی کو ISO 9001:2015 کو اگلے 3 سال کے لئے سند تفویض کیا گیا ہے۔

آئی ایف ایس کی درجہ بندی

ایک سال کے دوران، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پی اے سی آر اے) نے کمپنی کی انشورنس فنانشل اسٹرنتھ (آئی ایف ایس) کی درجہ بندی کو "اے اے +" (ڈبل اے پلس) کے طور پر برقرار رکھا ہے۔ یہ درجہ بندی پالیسی ہولڈرز کے معاہدے کی ذمہ داریوں کو پورا کرنے کے لئے ایک بہت ہی مضبوط صلاحیت کی نشاندہی کرتی ہے۔ خطرے والے عوامل معمولی سمجھے جاتے ہیں اور کسی بھی منفی کاروبار اور معاشی عوامل کے اثرات بہت محدود ہونے کی امید ہے۔

AM بیسٹ نے مستحکم نقطہ نظر کے ساتھ کمپنی کی مالی طاقت کی درجہ بندی کو "B+" (بہترین) سے "B" ("بہتر") سے نیچے کردیا ہے جو کمپنی کے ذریعہ برقرار خطرے سے ایڈجسٹ کیپٹلائزیشن کی نشاندہی کرتا ہے۔

ذیلی کمپنی

کمپنی نے اپنے اجتماعی مالی بیانات کے ساتھ اپنے الگ مالی بیانات بھی منسلک کردیئے ہیں۔ آدمجی انشورنس کمپنی لمیٹڈ (AICL) کی ذیلی کمپنی آدمجی لائف اشورنس کمپنی لمیٹڈ (ALACL) ہے۔ ذیل میں ALACL کی ایک مختصر وضاحت دی گئی ہے۔

پاکستان میں 4 اگست 2008 کوری پبلک کمپنیز آرڈیننس کے تحت اے ایل سی ایل کو شامل کیا گیا تھا اور 24 اپریل 2009 سے اس کا آغاز کیا گیا تھا۔ بالترتیب ALACL کے دارالحکومت میں فیصد انعقاد. سال کے اختتام کے بعد، کمپنی نے 25.72 فیصد کا باقی حصص IVM سے حاصل کیا، جو اسے کمپنی کا مکمل ملکیتی ماتحت ادارہ بنادیتا ہے۔ اس لین دین کی مزید تفصیلات مندرجہ ذیل حصے میں دی گئی ہیں۔

مالی کارکردگی اور ALAC کی حیثیت سالانہ رپورٹ سے منسلک مستحکم مالی بیانات میں دی گئی ہے۔

بیلنس شیٹ کی تاریخ کے بعد واقعات

کمپنی کے حصص یافتگان نے 25 فروری 2019 کو منعقدہ اپنی ایکسٹرا عام جنرل میٹنگ (EOGM) میں 25.72 فیصد حصص یعنی 24,059,855 عام حصص کے حصول کی منظوری دی تھی جس میں IVM چوراہے BV سے آدمجی لائف انشورنس کمپنی لمیٹڈ میں سے ہر ایک کے 10 روپے کے برابر قیمت پر تھا۔ 401.2 ملین روپے کی مجموعی قیمت کے لئے تقریبا 16.68 روپے کی حصص کی قیمت۔

ریگولیٹری منظوری حاصل کرنے کے بعد کمپنی نے 25 فروری 2020 کو آئی وی ایم کے ساتھ لین دین مکمل کیا۔ مذکورہ بالا حصص کے حصول کے بعد (25.72 فیصد نمائندگی کرتا ہے) ایل اے سی ایل کمپنی کا مکمل ملکیتی ماتحت ادارہ بن گیا ہے۔

منافع منقسمہ کے لئے سفارشات

ایک عبوری منافع @10 فیصد (فی شیئر روپیہ 1.00) (2018: @10 فیصد [فی شیئر 1.00 روپے]) سال کے دوران ادا کیا گیا تھا۔ بورڈ نے حتمی نقد منافع @15 فیصد (فی شیئر 1.50 روپے) کی سفارش کی (2018: @ 15 فیصد [فی شیئر 1.50 روپے])۔

تعمیلی بیانیہ مع کارپوریٹ گورننس کا ضابطہ

کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کا بیان صفحہ 54 پر سالانہ رپورٹ میں الگ سے فراہم کیا گیا ہے۔

رسک کی تخفیف

رسک تخفیف ایک فعال جائزہ اور تنظیم کے حالیہ اور ممکنہ خطرات کے لئے منصوبہ ہے۔ آدمجی انشورنس میں خطرے کے خاتمے میں ایک اہم کام انشوریئس کے لئے پیش کیے جانے والے فکسڈ اثاثوں کی فزیکل رسک مینجمنٹ ہے، چاہے انڈسٹریل، انفراسٹرکچر، کمرشل یا نجی رہائش۔ رسک مینجمنٹ میں مختلف حصوں، عمل اور محکموں کا اندازہ ہوتا ہے اور اس میں ان خطرات کا تجزیہ کیا جاتا ہے جن میں ان طے شدہ اثاثوں کا سامنا کرنا پڑتا ہے۔ آدمجی انشورنس خطرے کے سروے کرتے ہیں جو ہمارے انڈررائٹرز کو خطرات کی پہلے سے طے شدہ اقسام اور ان خطرات کے بارے میں بصیرت فراہم کرتے ہیں جو بعض مالی دہلیز کو عبور کرتے ہیں، بعض اوقات انشورنس کوٹیشن اور / یا انشورنس پالیسی جاری کرنے سے پہلے بھی۔ یہی وجہ ہے کہ ہمارے پاس اچھی طرح سے اہل اور تجربہ کار رسک سروے کرنے والوں کی ایک سرشار ٹیم ہے جو ہر سال انڈسٹری میں سب سے زیادہ تعداد میں خطرے سے متعلق سروے کرتی ہے۔

خطرہ کے بارے میں زیادہ سے زیادہ معلومات سے آراستہ انڈررائٹرز اس وقت زیادہ بہتر یقین اور اعتماد کے ساتھ اس خطرہ کو قبول کرنے یا مسترد کرنے کی بہتر پوزیشن میں ہیں۔ ایک بار خطرہ انڈررائٹنگ کے لئے قبول کرلیا گیا تو، ہمارے قابل قدر صارفین کے فائدے کے لئے ایک مناسب قیمت اور مناسب شرائط فراہم کی جاتی ہیں۔ خطرے کے سروے کرنے والوں کی سفارشات صارفین کو اپنے عمل اور امور کو بہتر بنانے میں مدد کرتی ہیں، اس طرح خطرے کے انکشافات کو نمایاں طور پر کم کرسکتے ہیں۔

کمپنی انڈررائٹنگ کنٹرول پر خصوصی توجہ دیتی ہے۔ انشورنس کے ہر طبقے کی سربراہی کوالیفائی اور تجربہ کار انڈرڈرائٹرز کرتے ہیں، جو اپنے کاروبار کے اپنے طبقے میں لکھاوٹ کا نظم ونسق اور انتظام کرتے ہیں۔

کسی بھی تحریری عمل کا حتمی مقصد کمپنی کے نچلے طبقیکی حفاظت کرنا ہے۔ یہ نمائشوں اور مستقبل میں ہونے والے نقصانات کے امکانات کا درست اندازہ لگانے اور اس طرح انشورنس کے لئے ہر مجوزہ خطرے کیلئےمناسب قواعد و ضوابط تیار کرکے اور ہر خطرے کو برقرار رکھنے کے بارے میں احتیاط سے فیصلہ کرنے سے حاصل کیا جاتا ہے۔ انڈررائٹنگ میں متعدد تکنیکی کنٹرول کرنے والے پروٹوکول شامل ہیں۔

ان پروٹوکولز میں رسک کی درجہ بندی گرڈ، تعریفی انڈررائٹنگ اتھارٹی، انڈرڈرائٹرز کے لئے چیک لسٹس، بزنس کلاس کے ذریعہ رہنما خطوط، شرح مانیٹرنگ میکانزم، انڈررائٹنگ پیپر کے جائزے اور رسک ایکسپوزر گروپ (آر ای جی) سے بڑے اور پیچیدہ خطرات سے متعلق رہنمائی حاصل کرنے کے لئے مشق شامل ہیں۔ اس گروپ کی نمائندگی ایگزیکٹوڈائریکٹر ٹیکنیکل، ایگزیکٹوڈائریکٹر کمرشل، ہیڈ آف کلیمز اینڈ کمپلیئنس اور ایگزیکٹو ڈائریکٹر ری انشورنس کرتے ہیں۔ رسک کی درجہ بندی گرڈ میں بہت زیادہ خطرات، اعلی خطرات، درمیانی خطرات اور کم خطرات والے زمرے کی وضاحت کی گئی ہے۔

کمپنی کے پاس ایک بہت موثر ری انشورنس ٹریٹی پروگرام ہے جس میں فکٹوٹیوک رسک وائز انتظامات کے ساتھ ساتھ کمپنی کو مختلف قسم کے خطرات سے بچانے کے لئے ایک مؤثر تحفظ فراہم کرتا ہے۔ انشورنس اور کوائننس انشورنس انتظامات مؤثر طریقے سے ہر قسم کے رسک کی نمائشوں کے خلاف اور کمپنی کی رسک بھوک کو بڑھانے کے لئے رسک کو کم کرنے کے اوزار کے طور پر استعمال ہوتے ہیں۔

شیئر ہولڈنگ کا اسلوب

صفحہ 283 پر سالانہ رپورٹ میں حصص یافتگی کا انداز جوڑا گیا ہے۔ کارپوریٹ گورننس برائے انشورنس کمپنی، 2016 کے تحت رپورٹنگ کی ضروریات کی تعمیل کے لئے، فارم 34، کی شکل میں معمولی سی ترمیم کی گئی ہے۔

'ایگزیکٹو' کے زمرے کے لئے، بورڈ آف ڈائریکٹرز نے سال 2019 کی دہلیز طے کی ہے۔ سی ای او کے علاوہ، سی ایف او، ہیڈ آف انٹرنل آڈٹ اور کمپنی سکریٹری، ایگزیکٹوڈائریکٹر کے کیڈر میں افسران اور اس سے اوپر کے زمرے میں شامل ہیں ایگزیکٹوز کا اس دہلیز کا جائزہ بورڈ کے ذریعہ سالانہ لیا جاتا ہے۔

فی شیئر آمدنی

زیر جائزہ سال کے دوران، ہر حصص کی آمدنی 5.18 روپے (2018: 3.54 روپے) رہی۔ اس سلسلے میں مالی بیانات کے بارے میں نوٹ 34 میں تفصیلی کام کی اطلاع دی گئی ہے۔

اندرونی مالیاتی نظم ونسق

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

کمپنی کا داخلی کنٹرول سسٹم اس کے سائز، پیمانے اور اس کی کارروائیوں کی پیچیدگیوں کے موافق ہے۔ بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی داخلی کنٹرول سسٹم کی قابلیت اور تاثیر کا فعال طور پر جائزہ لیتی ہے اور اس کو مستحکم کرنے کے لئے بہتری کی تجویز کرتی ہے۔ یہ سہ ماہی اندرونی آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ پورے سال میں کمپنی کے اندر اندر داخلی مالی کنٹرول اطمینان بخش پایا گیا ہے۔

CSR کی سرگرمیاں

سال 2019 میں سی ایس آر کے اقدامات کا الگ سے ذکر کیا گیا ہے۔

ماحولیات پر کمپنی کے کاروبار کا اثر

ماحولیات پر کمپنی کے کاروبار کے اثرات درحقیقت کسی بھی چیز کے آگے نہیں ہیں، کیوں کہ آدمجی کے پاس کوئی مینوفیکچرنگ اور / یا توانائی وسائل پر مبنی کاروبار نہیں ہے۔ 900 سے زائد ملازمین کے ساتھ، ہم محسوس کرتے ہیں کہ ماحولیاتی تحفظ

2-بورڈ کی تشکیل:

i. آزاد ڈائریکٹرز 2

- محمد انیس
- محمد عارف حمید

ii. نان ایگزیکٹو ڈائریکٹرز - مرد 4

- ابراہیم شمسی
- عمران مقبول
- شیخ محمد جاوید
- عمر منشا

iii. نان ایگزیکٹو ڈائریکٹر - خواتین 1

- سعدیہ یونس منشا

iv. ایگزیکٹو ڈائریکٹر 1

- محمد علی زیب

ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز نے بورڈ کے اجلاسوں میں شرکت کے لئے بورڈ کے ممبرز (آزاد ڈائریکٹرز بشمول نان ایگزیکٹو ڈائریکٹرز) کے معاوضے کی منظوری دے دی ہے۔اجلاس کی فیس -/10,000 روپے فی اجلاس ڈائریکٹرز کو ادا کیے جاہیں گے۔رہائشی شہر سے اجلاس کے شہر تک ہوائی ٹکٹ مع ہوٹل کی رہائش، اگر دستیاب ہو، سفر کے اخراجات کے طور پر ادا کیے جائیں گے۔معاشی گوشواروں کے نوٹ 35 پر اجرت کی مجموعی رقم کا ذکر کیا گیا ہے۔

بورڈ کے اجلاس اور حاضری

سال 2019ء کے دوران، بورڈ آف ڈائریکٹرز کے 6 اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز کی جانب سے اس میں حاضری مندرجہ ذیل ہے:

a) تین (3) اجلاس مورخہ 28 مئی 2019ء تک منعقد ہوئے۔

عمر منشا	2
ابراہیم شمسی	1
عمران مقبول	1
محمد انیس	3
محمد عارف حمید	3
محمد عمرورک	3
شیخ محمد جاوید	2
محمد علی زیب۔ سی ای او	3

b) تین (3) اجلاس مورخہ 28 مئی 2019ء کے بعد منعقد ہوئے۔

عمر منشا	3
ابراہیم شمسی	2
عمران مقبول	2
محمد انیس	3
محمد عارف حمید	3
سعدیہ یونس منشا	2
شیخ محمد جاوید	2
محمد علی زیب۔ سی ای او	3

بورڈ کمیٹی کے ممبران

بورڈ کمیٹیز کے ممبران حسب ذیل ہیں:

آڈٹ کمیٹی

محمد انیس	آزاد ڈائریکٹر	چیئرمین
ابراہیم شمسی	نان ایگزیکٹو ڈائریکٹر	ممبر
شیخ محمد جاوید	نان ایگزیکٹو ڈائریکٹر	ممبر
عمر منشا	نان ایگزیکٹو ڈائریکٹر	ممبر

اخلاقیات، انسانی وسائل اور مشاہرہ کمیٹی

محمد انیس	آزاد ڈائریکٹر	چیئرمین
ابراہیم شمسی	نان ایگزیکٹو ڈائریکٹر	ممبر
عمر منشا	نان ایگزیکٹو ڈائریکٹر	ممبر
محمد علی زیب	ایم ڈی اور سی ای او	ممبر

انوسٹمنٹ کمیٹی

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

پاکستان سے باہر آپریشنز-متحدہ عرب امارات اور ایکسپورٹ پراسیسنگ زون

کمپنی کی تین مکمل طور پر عملی شاخیں دبئی، شارجہ، ابوظہبی اور ایک برانچ ایکسپورٹ پراسیسنگ زون میں واقع ہیں۔ متحدہ عرب امارات کی شاخیں مقامی انشورنس کمپنیوں پر لاگو ہونے والے متحدہ عرب امارات کے متعلقہ قوانین کے ماتحت ہیں۔

پاکستان سے باہر آپریشنز کے منافع میں 18 فیصد کا اضافہ ہوا جو کہ 244.7 ملین روپے ہے جبکہ اس کے مقابلے میں 2018 میں 207.5 ملین روپیہ تھا جبکہ اس میں 2019 میں 7,591.6 ملین روپے کا تحریری مجموعی پریمیم تھا جو 2018 میں 6,973.5 ملین روپے تھا۔

2020 کے امکانات

حکومت کی طرف سے اختیار کیے گئے مضبوط اور فیصلہ کن پالیسی اقدامات نے معاشی عدم توازن کو تبدیل کرنے اور کرنٹ اکاؤنٹ کے خسارے کو کم کرنے میں مثبت نتائج کا آغاز کیا۔ تاہم توقع ہے کہ جاری COVID-19 کے پھیلنے سے صارفین کی مانگ کو پورا کرنے اور کاروبار کے دیگر تمام عناصر کی نفی کو متاثر کرکے ترقی کے امکانات پر مضر اثرات پڑیں گے۔

COVID-19 سے لوگوں کو بچانے کے لئے لاک ڈاؤنز نے تیل کی قیمتوں میں کمی کر دی ہے اور عالمی سطح پر تیل کی طلب میں کمی آچکی ہے۔ پاکستان سمیت، دنیا بھر میں اسٹاک ایکسچینجز نیچے کی جانب اتار چڑھاؤ کے رجحانات دیکھے جا رہے ہیں۔ پوری دنیا کی مضبوط معیشتوں کو شدید خطرات لاحق ہیں۔ پاکستان میں لاک ڈاؤن کا اکے خاتمے کے فیصلے کا مکان اس ماہ ہوگا جس کے نتیجے میں ملک کی معیشت پر جزوی منفی اثرات مرتب ہوں گے۔ پاکستان میں انشورنس انڈسٹری نے حالیہ دنوں میں کئی عروج وزوال کو دیکھا ہے۔ یہ صنعت کے دیگر شعبوں کے سلسلے میں معیشت کی ترقی اور ترقی کے ساتھ ہمقدم ہے۔ گھریلو مالیاتی منڈیوں میں اتار چڑھاؤ اور ہنگامہ آرائی کے باوجود، انشورنس سیکٹر نے 2019 میں عمدہ کارکردگی کا مظاہرہ کیا، جس میں 12.8 فیصد کی مثبت ترقی ریکارڈ کی گئی۔

تاہم، موجودہ میکرو مالیاتی ماحول میں، خاص طور پر COVID-19 کے اثرات اور اس سے متعلق عالمی اور ممکنہ گھریلو لاک ڈاؤن کے اثرات، ہم سال 2020 کے دوران انشورنس سیکٹر کمیں پریشان حال نمو کا اندازہ لگایا جارہا ہے۔ سال 2019 AICL کے لئے نتیجہ خیز سال رہا ہے۔

سال 2020 کے دوران، بغور جانتے ہوئے اور ڈیجیٹل تبدیلی کی اہمیت کو تسلیم کیا، ہم توقع کرتے ہیں کہ ڈیجیٹل ٹکنالوجی کے بنیادی ڈھانچے میں ملازمت کے ذریعہ فوائد حاصل کیے جائیں گے۔

مزید برآں، ہم 62 ارب امریکی ڈالر مالیت کے پاکستان چین اقتصادی راہداری (سی پی ای سی) کے سرمایہ کاری منصوبوں اور مئی 2020 میں پاکستانیوں میں کل 10 ارب امریکی ڈالر کی سعودی سرمایہ کاری کے معاہدے کے بارے میں پوری طرح واقف ہیں۔ حالات کے تحت زیادہ سے زیادہ فائدہ اٹھانے کی AICL اہلیت رکھتا ہے۔

ڈائریکٹر

مندرجہ ذیل 8 منتخب ڈائریکٹرز پر مشتمل بورڈ آف ڈائریکٹرز نے، 28 مئی 2019 کو اپنی تین (3) سال کی مدت مکمل کی۔

1) ابراہیم شمسی
2) عمران مقبول
3) محمد علی زیب
4) محمد انیس
5) محمد عارف حمید
6) محمد عمرور ک
7) شیخ محمد جاوید
8) عمر منشا

بورڈ نے آئندہ میعاد کے لئے منتخب ڈائریکٹرز کی تعداد سات (7) مقرر کی ہے۔

مندرجہ ذیل افراد نے اپنے آپ کو ڈائریکٹرز کے انتخاب کیلئے اپنے آپ کو پیش کرنے کے ارادے پر نوٹس جمع کروائے ہیں۔

1) ابراہیم شمسی
2) عمران مقبول
3) محمد انیس
4) محمد عارف حمید
5) سعدیہ یونس منشا
6) شیخ محمد جاوید
7) عمر منشا

28 مئی 2019 کو منعقدہ کمپنی کی غیر معمولی اجلاس عام میں مذکورہ بالا سات افراد 29 مئی 2019 کو شروع ہونے والے 3 سالہ مدت کے لئے ڈائریکٹر منتخب ہوئے ہیں۔

چیف ایگزیکٹو آفیسر

بورڈ آف ڈائریکٹرز نے مورخہ 3 جون 2019 کو منعقدہ اپنے اجلاس میں محمد علی زیب کو 10 جون 2019 سے شروع ہونے والے 3 سالہ مدت کے لئے کمپنی کا چیف ایگزیکٹو آفیسر (سی ای او) مقرر کیا۔ بطور سی ای او ان کی میعاد مورخہ 10 جون 2019 کو ختم ہو گئی۔

انشورنس کمپنیز (ساؤنڈ اینڈ پروڈینٹ مینجمنٹ) ریگولیشنز، 2012 کے تحت، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے سا تمنتخب ڈائریکٹرز اور چیف ایگزیکٹو آفیسر کی تقرری کے لئے منظوری دی ہے۔

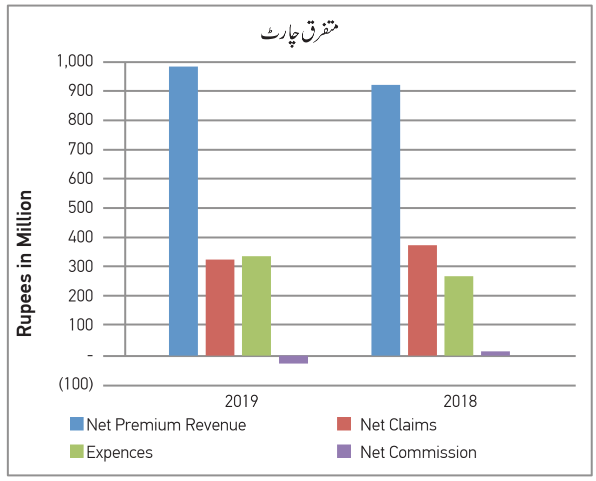
لسٹڈ کمپنیز (سی سی جی) ریگولیشنز 2019 کے ریگولیشن (2)34 کے تحت مندرجہ بالا تعداد کا اختصار حسب ذیل ہے۔

1-ڈائریکٹرز کی کل تعداد:

i.	مرد	7
ii.	خواتین	1

متفرق

متفرق کلاس کا کاروبار کل پورٹ فولیو کا9 فیصد ہے۔ مجموعی پریمیم میں گذشتہ سال کے مقابلے میں 20 فیصد کا اضافہ ہوا جس کا مجموعی پریمیم 1,952 ملین (2018: 1,633 ملین روپے) درج کیا گیا۔ خالص کلیم کے تناسب کا نیٹ پریمیم پر 33 فیصد رہا جبکہ پچھلے سال 40 فیصد تھا۔ پورٹ فولیو میں رواں سال کے دوران 359.6 ملین روپے کا انڈر رائٹنگ ظاہر ہوا جبکہ اس کے مقابلے میں 2018 کے 277.1 ملین روپے تھے۔



سرمایہ کاری کی آمدنی

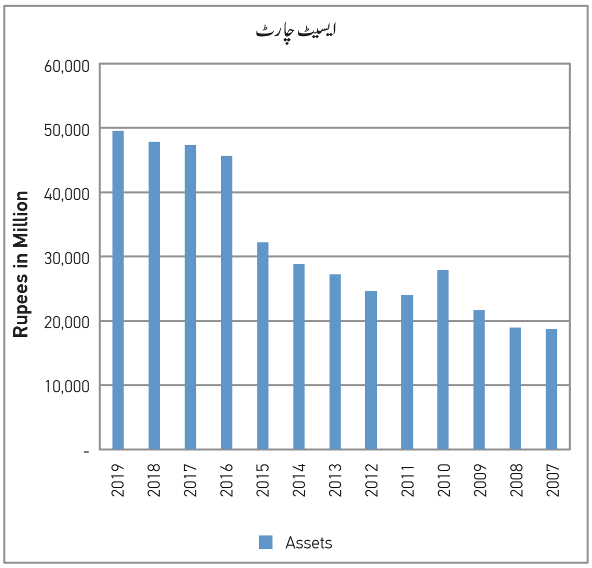
پاکستان اسٹاک مارکیٹ میں 2019 میں گرتا ہوا رجحان جاری رہا تاہم سال کے اختتام پر بحالی کے آثار نظر آئے۔ پاکستان اور متحدہ عرب امارات دونوں میں معیادی ڈیپازٹ آمدنی کی شرح بہت بہتر رہی۔ اس کے نتیجے میں، سرمایہ کاری سے حاصل ہونے والی مجموعی آمدنی 2018 میں 1,285 ملین روپے سے 6.8 فیصد اضافے سے رواں سال کے دوران 1,372 ملین روپے ہو گئی۔

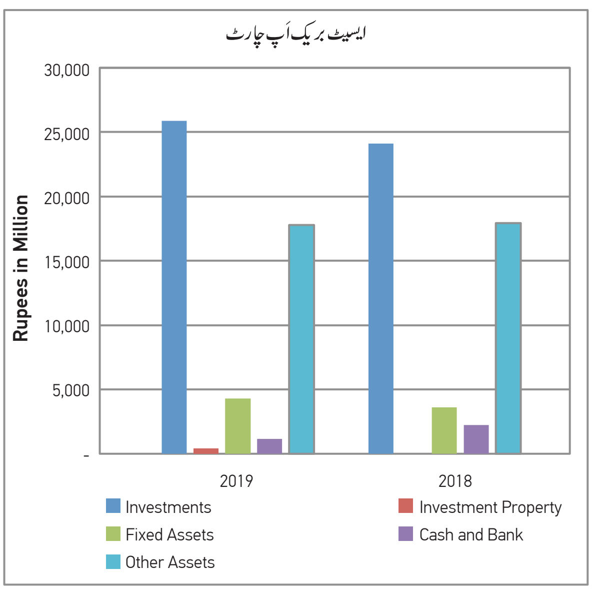
سرمایہ کاری آمدنی کا بریک اپ مندرجہ ذیل ہے:

	2019	2018
	(روپے ملین میں)	
شیئر پر آمدنی	1,407	1,295
فکسڈ انکم سیکیورٹیز پر منافع	48	31
ٹرم ڈیپازٹ پر آمدنی	170	82
"دستیاب برائے فروخت" کی فروخت پر منافع / (نقصان) (تخفیف کے بعد)	(253)	(123)
انویسٹمنٹ سے خالص انکم	1,372	1,285

کمپنی کے اثاثے

مورخہ 31 دسمبر 2019 کو کمپنی کے کل اثاثوں میں 3.42 فیصد کا اضافہ ہوا جو 49,538 ملین روپیہ ہے جو پچھلے سال 47,845 ملین روپے تھے۔ 2018 میں 24,114 ملین روپے کے مقابلے میں کل سرمایہ کاری میں 7.36 فیصد کا اضافہ ہوا ہے جو 25,888 ملین روپے ہے۔ انتظامیہ کی حکمت عملی سرمایہ کاری کے منافع کو زیادہ سے زیادہ اضافہ کے لئے طویل مدتی سرمایہ کاری کے افق پر فنڈز کے استعمال کو بہتر بنانا ہے۔





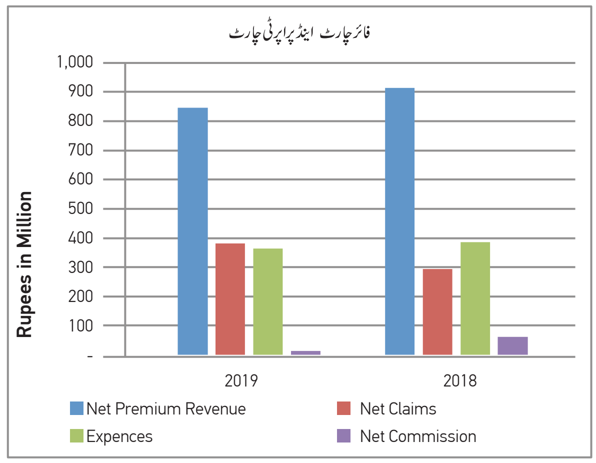
ونڈو تکافل امور

کمپنی کی ونڈو تکافل آپریشنز (ڈبلیو ٹی او) نے سال 2018 میں مجموعی تحریری شراکت میں 10 فیصد اضافے کے ساتھ 1,212.5 ملین روپے کی سطح پر بند کیا جبکہ اس سے سالانہ 2018 کے مقابلے میں 1101.5 ملین روپے کا اضافہ ہوا ہے اور بعد از ٹیکس منافع پچھلے سال 52.5 ملین روپے کے مقابلے میں 76.7 ملین روپے وصول ہوا ہے۔

پورٹ فولیو تجزیہ

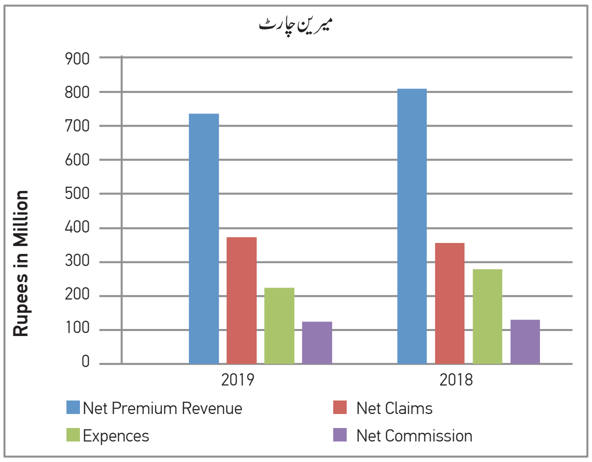
آگ اور املاک

آگ اور املاک کی کلاس کاروبار میں مجموعی پورٹ فولیو کا 33 فیصد پر مشتمل ہے۔ سال کے دوران، کمپنی نے 7,436.6 ملین روپے کا مجموعی پریمیم انڈر رائیٹ کیا ہے (2018 : 6,028.1 ملین روپے)۔ گزشتہ سال یہ شرح 32 فیصد کے مقابلے میں خالص کلیم کے تناسب کا نیٹ پریمیم اس سال بڑھ کر 45 فیصد ہو گیا۔ گزشتہ سال کے 175.5 ملین روپے منافع کے مقابلے میں انڈر رائیٹنگ منافع کم ہو کر 85.1 ملین ہوا۔



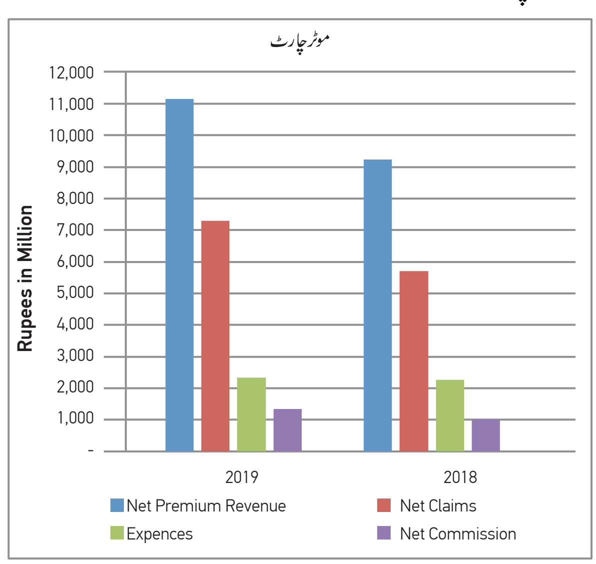
میرین، ہوابازی اور ٹرانسپورٹ

میرین، ہوابازی اور ٹرانسپورٹ کل پورٹ فولیو کا 4 فیصد پر مشتمل ہے۔ گزشتہ سال کے دوران 1,340.7 ملین روپے کے مقابلے میں کمپنی نے موجودہ مالی سال میں 903.9 ملین روپے کے مجموعی پریمیم انڈر رائیٹ کیے ہیں۔ خالص دعووں کا تناسب گزشتہ سال 44 فیصد کے مقابلے میں 51 فیصد تک بڑھ گیا ہے، جس کے نتیجے میں 2018 میں 41.4 ملین روپے کے مقابلے میں 13 ملین روپے کا انڈر رائیٹنگ منافع ہوا۔



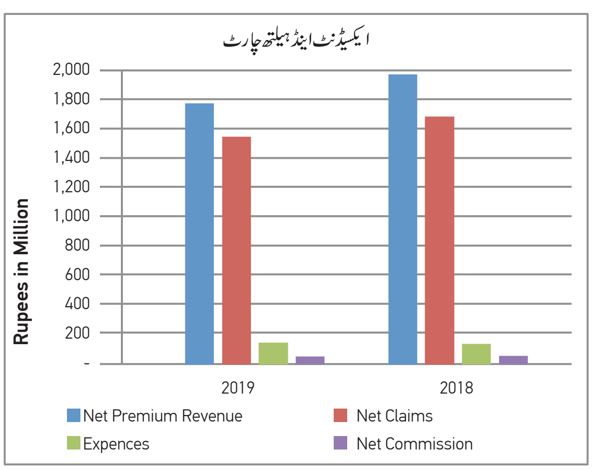
موٹر

اس کلاس کا کاروبار پورٹ فولیو کا 46 فیصد پر مشتمل ہے۔ سال کے دوران، کمپنی نے مجموعی طور پر 10,304 ملین روپے کا مجموعی پریمیم انڈر رائیٹ کیا ہے جبکہ اس کے مقابلے میں 2018 کے 9,727 ملین روپے تھے۔ 2018 میں 62 فیصد کے مقابلے میں رواں سال کے خالص کلیم کے تناسب کا نیٹ پریمیم 65 فیصد رہا۔ 2018 میں 237.9 ملین روپے کے مقابلے میں پورٹ فولیو میں 174.5 ملین روپے کا انڈر رائیٹنگ منافع ہوا۔



حادثہ اور صحت

حادثہ اور صحت کلاس کاروبار کے پورٹ فولیو کا 8 فیصد ہے۔ سال کے دوران، کمپنی نے 1,910 ملین روپے (2018 : 1,658 ملین روپے) کے مجموعی پریمیم کو انڈر رائیٹ کیا ہے۔ خالص کلیم کا نیٹ پریمیم کا تناسب 87 فیصد رہا جو گزشتہ سال 86 فیصد تھا۔ اس پورٹ فولیو میں رواں سال 21 ملین روپے کا انڈر رائیٹنگ منافع ظاہر ہوا جب کہ 2018 میں یہ 84 ملین روپیہ تھا۔



ڈائریکٹرز کی رپورٹ

غیر مجتمع مالیاتی گوشواروں پر ارکان کو ڈائریکٹر کی رپورٹ

بورڈ آف ڈائیریکٹرز کی جانب سے 31 دسمبر 2019ء کو ختم ہونے والے سال کے لیے کمپنی کی 59ویں سالانہ رپورٹ آڈٹ شدہ غیر حتمی مالیاتی گوشواروں کے ساتھ پیش کرنا ہمارے لئے باعثِ مسرت ہے۔

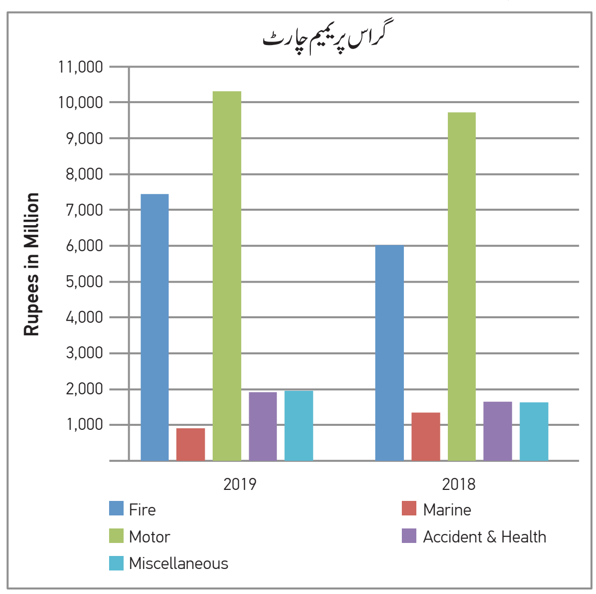
معاشی جائزہ

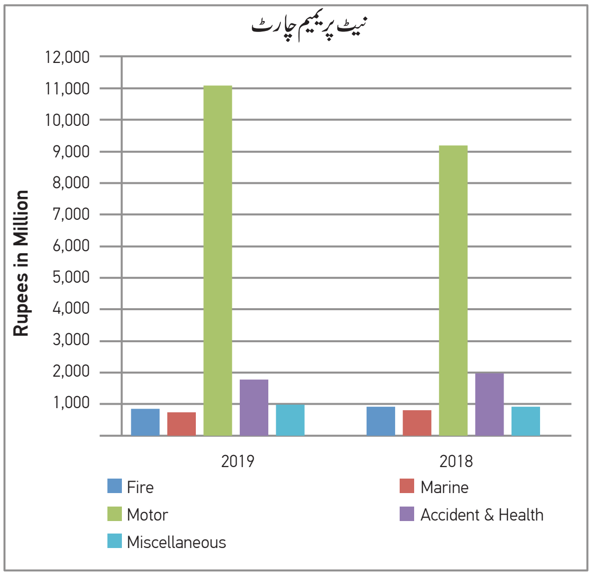
مالی سال 19-2018 کے دوران معیشت کی نمو 6.2 فیصد کے ابتدائی ہدف کے مقابلہ میں کم ہو کر 3.3 فیصد رہ گئی ہے۔ مہنگائی کے دباؤ کو کم کرنے اور مجموعی طلب کو روکنے کے لئے اسٹیٹ بینک آف پاکستان نے 2019 میں اپنی پالیسی کی شرح کو 13.25 فیصد تک بڑھادیا، جو سال کے دوران مجموعی طور پر 325 بیس پوائنٹس میں اضافہ ہوا ہے۔ سال کے دوران حکومت کی جانب سے کئے گئے ان تخفیفی اقدامات کے باوجود، مالی سال 2020 کے پہلے چھ ماہ کے دوران اوسطاً CPI افراط زر کی شرح 11.1 فیصد پر رہی۔ پاکستان اسٹاک ایکسچینج (پی ایس ایکس) کے بارے میں، کے ایس ای 100 انڈیکس میں 9.9 فیصد کی آمدنی ریکارڈ کی گئی جبکہ 2018 میں یہ 8.4 فیصد کی منفی آمدنی تھی، جو 2018 میں 37,067 کے مقابلے میں سال 2019 میں 40,735 پر اختتام ہوا تھا۔

اسٹینڈرڈ اینڈ پوور نے مستحکم آؤٹ لک کے ساتھ پاکستان کی طویل مدتی کریڈٹ ریٹنگ 'بی-منفی' تفویض کی ہے۔

کمپنی کی کارکردگی کا جائزہ

2019 کی کمپنی کی کارکردگی متاثر کن رہی کیونکہ ہم نے سالانہ 10 فیصد کی پریمیم نمو کے ساتھ اچھے مالی نتائج کی فراہمی کے ساتھ سال کا اختتام ہوا۔ ہم رسک اور کمپلائنز مینجمنٹ کو مزید موثر کرنے پر توجہ مرکوز کرتے ہوئے پائیدار نمو کی حکمت عملی پر عمل پیرا ہیں۔





2018 کے 20,387 ملین روپے کے مقابلے میں، 2019 میں مجموعی پریمیم بڑھ کر 22,507 ملین روپے ہو گیا (ونڈو تکافل آپریشنز کے ذریعے 1,212.5 ملین پریمیم کے علاوہ)۔ گزشتہ سال کے خالص پریمیم برقراری کے 68 فیصد (13,806 ملین روپے) کے مقابلے میں خالص پریمیم برقراری 69 فیصد (15,434 ملین روپے) تھی۔

خالص دعووں کا تناسب گزشتہ سال 61 فیصد سالانہ کے مقابلے میں 64 فیصد تک بڑھ گیا ہے جو بنیادی طور پر متحدہ عرب امارات کے آپریشنز کے نقصان کے تناسب میں اضافہ کی وجہ سے ہے۔

پچھلے سال 815.9 ملین روپے سے انڈر رائیٹنگ منافع 653.6 ملین روپے تک کمی واقع ہوئی۔ سرمایہ کاری کے پورٹ فولیو میں منافع کی شرح ٦ فیصد تک برقرار رہی ہے۔

منافع قبل از ٹیکس پچھلے سال کے 2,173.5 ملین روپے کے منافع کے مقابلے میں 16.54 فیصد اضافے سے 2,532.9 ملین روپے ہو گیا۔ جب کہ منافع بعد از ٹیکس پچھلے سال کے 1,239 ملین روپے کے منافع کے مقابلے میں 46.32 فیصد اضافے سے 1,812.9 ملین روپے ہو گیا۔

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF ADAMJEE INSURANCE COMPANY LIMITED

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

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

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.

Deloitte Yousuf Adil

Chartered Accountants

Place: Lahore
Date: 13 March 2020

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

(Code of Corporate Governance) Regulations, 2017, and Code of Corporate Governance for Insurers 2016

Adamjee Insurance Company Limited
For the year ended 31 December 2019

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

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

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

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

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

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

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

4. No casual vacancy occurred on the Board during the year 2019.

5. The company has prepared a statement of ethics and business practices and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, and the key officers, have been taken by the Board.

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

9. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.

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

11. The Board arranged one Orientation course(s)/training programs for its directors to apprise them of their duties and responsibilities. During the year, following director has completed the Director's Training Program.

    Mr. Muhammad Anees Khawaja (Independent director)

12. There was no change of Chief Financial Officer and Company Secretary during the year. The appointment of Head of Internal Audit has been approved by the Board. The Board had approved the remuneration of Chief Financial Officer, Company Secretary and Head of Internal Audit Department.

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

14. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

15. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.

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

17. The Board has formed the following Management Committees:

Underwriting Committee:

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

Claim Settlement Committee:

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

Reinsurance & Coinsurance Committee:

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

Risk Management & Compliance Committee:

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

18. The Board has formed the following Board Committees:

Ethics, Human Resources and Remuneration Committee:

Name of the Member	Category
Mr. Muhammad Anees	Chairman - Independent Director
Mr. Ibrahim Shamsi	Member - Non Executive Director
Mr. Muhammad Ali Zeb	Member - Executive Director
Mr. Umer Mansha	Member - Non Executive Director

Investment Committee:

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

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

Audit Committee:

Name of the Member	Category
Mr. Muhammad Anees	Chairman - Independent Director
Mr. Ibrahim Shamsi	Member - Non Executive Director
Mr. Shaikh Muhammad Jawed	Member - Non Executive Director
Mr. Umer Mansha	Member - Non Executive Director

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

21. The frequency of meetings of the committees were as per following;

a) Audit Committee: quarterly meetings;
b) Ethics, Human Resource and Remuneration Committee: Once a year;
c) Investment Committee: quarterly meetings
d) Risk Management Committee: quarterly meetings

22. The Board has outsourced the internal audit function to A.F. Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function on a full time basis.

23. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claims, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under Section 12 of the Insurance Ordinance, 2000 (Ordinance No XXXIX of 2000);

Name	Designation
Muhammad Ali Zeb	Chief Executive Officer
Muhammad Asim Nagi	Chief Financial Officer
Muhammad Waqas Mian	Compliance Officer
Shahraiz Hussain	Actuary
Tameez ul Haque	Company Secretary
Muhammad Waqas Mian	Head of Internal Audit
Asif Jabbar	Head of Underwriting
Syed Ameer Hassan Naqvi	Head of Claims
Muhammad Saleem Iqbal	Head of Reinsurance
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Grievance Dept.

24. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

26. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold shares of the Company.

27. The Board ensures that the appointed actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.

28. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.

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

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

31. The Board ensures that as part of the risk management system, the Company gets itself rated from the credit rating agency which is being used by its risk management function / department and the respective Committee as a risk monitoring tool. The rating assigned by PACRA and AMBest was 'AA +' and 'B' in March 2020 and February 2020 respectively.

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

33. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 and all the requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with.

By Order of the Board

Umer Mansha

Umer Mansha
Chairman

Date: 13 March 2020

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

The incharge of the management of the business was Muhammad Ali Zeb, Managing Director & Chief Executive Officer and the report on the affairs of business during the year 2019 signed by Muhammad Ali Zeb, Ibrahim Shamsi and approved by the Board of Directors is part of the Annual Report 2019 under the title of "Directors' Report to Members" and

a. In our opinion the annual statutory accounts of Adamjee Insurance Company Ltd set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 (Ordinance) and any rules made thereunder,

b. Adamjee Insurance Co. Ltd has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements; and

c. as at the date of the statement, the Adamjee Insurance Co. Ltd continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements.

Umer Mansha	Ibrahim Shamsi	Shaikh Muhammad Jawed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

UNCONSOLIDATED

Financial Statements
for the year ended
31 December 2019

adamjee insurance

Independent Auditors' Report

To the members of Adamjee Insurance Company Limited (the Company)
Report on the Audit of the Unconsolidated Financial Statements

We have audited the annexed unconsolidated financial statements of Adamjee Insurance Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matter(s):

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
1.	**Valuation and Impairment of Investments** Refer note 3.15, 9, 10 and 11 to the unconsolidated financial statements relating to classification, Valuation and Impairment of Investments. The Company's investment portfolio comprise of government debt securities, equity securities (quoted and unquoted), and term deposits receipts. Investments classified as available for sale represent 72.79% of the total investments while investments classified as held to maturity represent 24.53% of total investments.	Our audit procedures in respect of this matter included the following: • Tested, on a sample basis, specific investments buying and selling transactions and classification recorded with underlying documentation; • Assessed the methodology used and evaluated the valuation of equity securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of quoted equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange Limited and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; • Evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriation of methodology and assumptions used by the professional valuer engaged by the Company to estimate the fair value of unquoted investment;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		• Involved our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by the professional valuer in its discounted cash flow analysis used to derive the fair value of investment in unquoted equity; and • Assessed the appropriateness of impairment in the value of available for sale securities held by the Company in accordance with accounting and reporting standards as applicable in Pakistan.
2.	**Revenue Recognition Risk** Refer note 3.14 and 25 to the unconsolidated financial statements relating to revenue recognition. The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 91.30% of the total revenue. We identified revenue recognition from premium income as a key audit matter because it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures in respect of this matter included the following: • Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums; • Assessed the appropriateness of the Company's accounting policy for recording of premiums and that it is in line with the requirements of applicable law, accounting and reporting standards; • Tested the premium recorded on sample basis to test the accuracy from the underlying policies issued to insurance contract holders; • Tested the policies on sample basis where premium was recorded close to year end, and evaluated that these were recorded in the appropriate accounting period; and • Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.
3.	**Valuation of Claim Liabilities** Refer note 3.19 and 26 to the unconsolidated financial statements for accounting policies and details in respect of claim liabilities. . The Company's claim liabilities represents 36.82% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Company maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions. We have identified the valuation of claim liabilities as key audit matter because estimation of claims liabilities involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on a sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; • Assessed the sufficiency of reserving of claim liabilities, by testing calculations on a sample basis with the relevant data; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed on sample a basis that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Tested specific claims transactions on sample basis recorded close to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; • Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		• Assessed the data provided by the Company to its actuary for completeness and accuracy and ensured that the same has been provided to us; and • Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.

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

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

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

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

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The unconsolidated financial statements of the Company for the year ended December 31, 2018, were audited by another auditor who expressed a qualified opinion on those statements on April 03, 2019.

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

Deloitte Yousuf Adil

Chartered Accountants

Lahore : 13 March 2020

Unconsolidated Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019	31 December 2018
		Rupees in thousand	
ASSETS			
Property and equipment	5	**4,232,130**	3,514,313
Intangible assets	6	**68,927**	79,185
Investment properties	7	**401,896**	-
Investment in subsidiary	8	**694,895**	694,895
Investments			
Equity securities	9	**18,843,017**	18,685,087
Debt securities	10	**465,868**	378,029
Term deposits	11	**5,883,892**	4,356,113
Loans and other receivables	12	**477,264**	275,875
Insurance / reinsurance receivables	13	**5,810,164**	7,033,977
Reinsurance recoveries against outstanding claims		**5,931,928**	6,046,905
Salvage recoveries accrued		**301,420**	350,340
Deferred commission expense / acquisition cost	27	**1,190,146**	788,431
Prepayments	14	**3,633,739**	3,048,306
Cash and bank	15	**1,176,685**	2,211,444
		49,111,971	47,462,900
Total assets of Window Takaful Operations - Operator's Fund	16	**426,291**	382,194
Total Assets		**49,538,262**	47,845,094
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	17	**3,500,000**	3,500,000
Reserves	18	**4,555,491**	3,784,200
Unappropriated profit		**13,325,001**	12,379,158
Total Equity		**21,380,492**	19,663,358
LIABILITIES			
Underwriting provisions			
Outstanding claims including IBNR	26	**10,367,347**	10,461,975
Unearned premium reserves	25	**10,242,348**	10,100,901
Unearned reinsurance commission	27	**237,751**	221,371
Retirement benefit obligations	19	**225,177**	198,981
Deferred taxation	20	**1,329,898**	944,446
Premium received in advance		**363,002**	407,988
Insurance / reinsurance payables	21	**2,701,164**	2,709,714
Other creditors and accruals	22	**1,719,334**	2,205,732
Deposits and other liabilities	23	**723,618**	692,086
Taxation - provision less payments		**52,259**	8,723
		27,961,898	27,951,917
Total liabilities of Window Takaful Operations - Operator's Fund	16	**195,872**	229,819
Total Equity and Liabilities		**49,538,262**	47,845,094
Contingencies and commitments	24		

The annexed notes 1 to 47 form an integral part of these unconslidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Unconsolidated Profit and Loss Account

For the year ended 31 December 2019

	Note	31 December 2019	31 December 2018
		Rupees in thousand	
Net insurance premium	25	**15,433,989**	13,805,781
Net insurance claims	26	**(9,876,537)**	(8,385,752)
Net commission and other acquisition costs	27	**(1,507,205)**	(1,279,576)
Insurance claims and acquisition expenses		**(11,383,742)**	(9,665,328)
Management expenses	28	**(3,396,625)**	(3,324,548)
Underwriting results		**653,622**	815,905
Investment income	29	**1,372,373**	1,284,656
Rental income	30	**30,040**	6,906
Other income	31	**68,551**	100,443
Fair value adjustment to investment property	7	**12,298**	-
Other expenses	32	**(58,992)**	(72,550)
Workers' welfare fund reversal / (charge)	22.1	**355,761**	(40,809)
Results of operating activities		**2,433,653**	2,094,551
Finance cost under IFRS 16		**(8,352)**	-
Profit from Window Takaful Operations - Operator's fund	16	**107,693**	78,949
Profit before taxation		**2,532,994**	2,173,500
Income tax expense	33	**(720,019)**	(934,500)
Profit after taxation		**1,812,975**	1,239,000
		Rupees	
Earnings (after tax) per share - basic and diluted	34	**5.18**	3.54

The annexed notes 1 to 47 form an integral part of these unconslidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Unconsolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	31 December 2019	31 December 2018
	Rupees in thousand	
Profit after taxation	**1,812,975**	1,239,000
Other Comprehensive income		
Items that will not be subsequently reclassified to profit and loss account		
- Re-measurement of retirement benefit obligations	**7,868**	(23,806)
Items that may be subsequently reclassified to profit and loss account		
- Unrealized gain / (loss) on 'available-for-sale' investments - net of tax	**490,824**	(1,731,658)
- Reclassification adjustment relating to 'available for sale' investments disposed of in the year - net of tax	**218,255**	368,467
- Unrealized gain / (loss) on 'available for sale' investment from Window Takaful Operations - net of tax	**1,338**	(72)
- Net effect of translation of foreign branches	**60,874**	146,962
Other comprehensive income / (loss) for the year	**779,159**	(1,240,107)
Total comprehensive income / (loss) for the year	**2,592,134**	(1,107)

The annexed notes 1 to 47 form an integral part of these unconslidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Unconsolidated Cash Flow Statement

For the year ended 31 December 2019

	31 December 2019	31 December 2018
	Rupees in thousand	
Cash flows from operating activities		
Underwriting activities		
Insurance premiums received	**23,936,602**	20,433,978
Reinsurance premiums paid	**(8,174,534)**	(5,790,509)
Claims paid	**(14,686,699)**	(13,905,284)
Surrenders paid	**(68,640)**	(58,392)
Reinsurance and other recoveries received	**4,599,404**	5,810,485
Commissions paid	**(2,539,507)**	(1,936,132)
Commissions received	**622,744**	504,854
Other underwriting payments	**(3,192,498)**	(2,303,741)
Net cash inflow from underwriting activities	**496,872**	2,755,259
Other operating activities		
Income tax paid	**(549,667)**	(811,595)
Finance cost paid	**(8,352)**	-
Other operating payments	**(58,993)**	(72,550)
Loans advanced	**(69,345)**	(59,547)
Loans repayments received	**65,832**	57,827
Other operating receipts	**30,300**	22,783
Net cash outflow from other operating activities	**(590,225)**	(863,082)
Total cash (outflow) / inflow from operating activities	**(93,353)**	1,892,177
Cash flows from investing activities		
Profit received on bank deposits	**151,655**	105,440
Income received from Pakistan Investment Bonds	**383**	-
Income received from Term Finance Certificates	**-**	4,052
Income from Treasury Bills	**36,740**	33,690
Dividends received	**1,406,649**	1,375,813
Rentals received	**27,180**	9,050
Payments made for investments	**(9,561,029)**	(9,891,673)
Proceeds from disposal of investments	**9,065,908**	8,130,517
Fixed capital expenditure - operating assets	**(1,158,726)**	(1,007,336)
Fixed capital expenditure - intangible assets	**(8,933)**	(59,285)
Proceeds from disposal of operating assets	**42,948**	25,249
Total cash inflow / (outflow) from investing activities	**2,775**	(1,274,483)
Cash flows from financing activities		
Payments against lease liability - principal amount	**(73,660)**	-
Dividends paid	**(870,521)**	(684,864)
Net cash outflows from financing activities	**(944,181)**	(684,864)
Net cash outflow from all activities	**(1,034,759)**	(67,170)
Cash and cash equivalent at beginning of the year	**2,211,444**	2,278,614
Cash and cash equivalent at end of the year	**1,176,685**	2,211,444

Unconsolidated Cash Flow Statement

For the year ended 31 December 2019

	31 December 2019	31 December 2018
	Rupees in thousand	
Reconciliation to profit and loss account		
Operating cash flows	(93,353)	1,892,177
Depreciation expense	(226,400)	(126,232)
Provision for retirement benefit obligations	(48,934)	(34,495)
VAT receivable written off	-	(184,290)
Provision for doubtful balances against insurance / reinsurance receivables	(187,764)	(241,631)
Other income - bank & term deposits	215,103	151,005
(Loss) / gain on disposal of operating assets	(6,763)	8,516
Rental income	35,503	6,906
Fair value adjustment to investment property	12,298	-
Decrease in assets other than cash	(35,331)	(261,734)
Decrease in liabilities	1,171,838	79,605
Gain on disposal of investments	41,668	452,202
Amortization expense	(24,913)	(22,983)
Increase in unearned premium	(141,447)	(1,188,403)
Increase in loans	3,513	1,720
Income tax paid	549,667	811,595
Increase in tax liabilities	(720,019)	(934,500)
Provision for impairment of 'available-for-sale' investments	(294,179)	(575,296)
Dividend and other income	1,406,649	1,294,661
Income from Treasury Bills	46,263	27,446
Income from Pakistan Investment Bonds	1,883	-
Income from Term Finance Certificates	-	3,782
Profit for the year from Window Takaful Operations - Operator's fund	107,693	78,949
Profit after taxation	1,812,975	1,239,000

Cash and bank for the purposes of the cash flow statement consists of:

	31 December 2019	31 December 2018
Cash and cash equivalents	10,413	6,303
Current and saving accounts	1,166,272	2,205,141
Total cash and cash equivalents	1,176,685	2,211,444

The annexed notes 1 to 47 form an integral part of these unconslidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Unconsolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital	Capital reserves				Revenue reserves		Total
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair Value Reserve	General reserve	Unappropriated Profit	
	Rupees in thousand							
Balance as at January 01, 2018	3,500,000	22,859	3,764	467,100	3,570,278	936,500	11,863,964	**20,364,465**
Profit after taxation	-	-	-	-		-	1,239,000	**1,239,000**
Other comprehensive income	-	-	-	146,962	(1,363,263)	-	(23,806)	**(1,240,107)**
Total comprehensive income / (loss) for the year ended December 31, 2018	-	-	-	146,962	(1,363,263)	-	1,215,194	**(1,107)**
Transactions with owners of the company								
Final cash dividend at Rs. 1.0 per share - December 31, 2017	-	-	-	-	-	-	(350,000)	**(350,000)**
Interim cash dividend at Rs. 1.0 per share - June 30, 2018	-	-	-	-	-	-	(350,000)	**(350,000)**
	-	-	-	-	-	-	(700,000)	**(700,000)**
Balance as at December 31, 2018	3,500,000	22,859	3,764	614,062	2,207,015	936,500	12,379,158	**19,663,358**
Profit after taxation	-	-	-	-	-	-	1,812,975	**1,812,975**
Other comprehensive income	-	-	-	60,874	710,417	-	7,868	**779,159**
Total comprehensive income for the year ended December 31, 2019	-	-	-	60,874	710,417	-	1,820,843	**2,592,134**
Transactions with owners of the Company								
Final cash dividend at Rs. 1.5 per share - December 31, 2018	-	-	-	-	-	-	(525,000)	**(525,000)**
Interim cash dividend at Rs. 1.0 per share - June 30, 2019	-	-	-	-	-	-	(350,000)	**(350,000)**
	-	-	-	-	-	-	(875,000)	**(875,000)**
Balance as at December 31, 2019	3,500,000	22,859	3,764	674,936	2,917,432	936,500	13,325,001	**21,380,492**

The annexed notes 1 to 47 form an integral part of these unconslidated financial statements.

Umer Mansha	Ibrahim Shamsi	Shaikh Muhammad Jawed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2019

1 Legal status and nature of business

Adamjee Insurance Company Limited ('the Company') is a public limited Company incorporated in Pakistan on September 28, 1960 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on Pakistan Stock Exchange limited and is principally engaged in the general insurance business. The registered office of the Company is situated at Adamjee House Building, 80/A Block E-1, Main Boulevard Gulberg-III, Lahore. The Company operates 91 (2018: 90) branches within Pakistan.

The Company also operates 3 (2018: 3) branches in the United Arab Emirates (UAE) and 1 (2018: 1) branch in the Export Processing Zone, Karachi (EPZ).

The Company was granted authorization on December 23, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on January 01, 2016.

2 Basis of preparation and statement of compliance

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

- International Financial Reporting Standards 'IFRS' issued by the International Accounting Standards Board 'IASB' as are notified under the Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012.

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

These financial statements represent separate unconsolidated financial statements of the Company, prepared in accordance with the format of financial statements prescribed under Insurance Rules and Accounting Regulations, 2017. The consolidated financial statements of the group are issued separately.

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

Takaful accounting regulations 2019 will be effective from annual period beginning on or after January 01, 2020 and the Company is in the process of analysing the effect of these regulations.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on or after January 01, 2019:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 23 'Borrowing Costs' - Amendment regarding treatment of general borrowings made to develop an asset when the asset is ready for its intended use or sale.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Annual improvements to IFRS standards 2015-2017 cycle amendments to: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; and IAS 12 Income Taxes	January 01, 2019

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	January 01, 2020

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

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

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

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2020 but are considered either not to be relevant or do not have any significant impact on these financial statements.

Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after July 01, 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The Company has deferred the implementation of the same availing the temporary exemption.

3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below. Accounting policies relating to Window Takaful Operations are disclosed in a separate financial statements of Window Takaful Operations which have been annexed to these financial statements. These accounting policies have been consistently applied to all the years presented, expect for changes in accounting policies, as mentioned below in note 3.1 to these financial statements.

3.1 Change in accounting policies

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC - 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right of use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Company has adopted IFRS 16 from January 01, 2019, and has not restated comparatives for the 2018 reporting period, using modified retrospective approach.

On adoption of IFRS 16, the Company has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities are now measured as the present value of the remaining lease payments, discounted using the incremental borrowing rate. The associated right of use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The right of use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right of use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The change in accounting policy affected the following items in the statement of financial position as at January 01, 2019:

- Right of Use (RoU) assets recognized as property and equipment - increased by Rs 171,918 thousand. Lease liabilities recognized as Other liabilities - increased by Rs 171,918 thousand.

The impact on profit and loss account for the year ended December 31, 2019 is an increase in profit after tax by Rs. 3,242 thousand, accordingly earning per share increased by Rs 0.01.

3.2 Property and equipment

Owned operating assets, other than freehold land which is not depreciated are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

The carrying values of operating assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

3.3 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating assets as and when these are available for use.

3.4 Intangible assets

These are stated at cost less accumulated amortization and provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.5 Investment properties

Investment property is measured at purchase cost on initial recognition including directly attributable to the acquisition of the investment property and subsequently at fair value with any change therein recognized in profit and loss account. Subsequent costs are included in the carrying amount of the investment property, only when it is probable that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Other repair and maintenance cost are charged to profit and loss account as and when incurred.

3.6 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders on the occurrence of a specified uncertain future event i.e. insured event that adversely affects the policy holders.

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

Insurance contracts issued by the Company are generally classified in five basic categories i.e. Fire & property, Marine, aviation & transport, Motor, Accident & health and Miscellaneous, and are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc. according to term and conditions of the policy.

- Marine, aviation and transport insurance contracts generally provide cover against damages by cargo risk and damages occurring during transit between the points of origin and final destination including loss of or damage to carrying vessel etc. according to the terms and conditions of the policy.

- Motor insurance contracts provide indemnity for accidental damage to or total loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage etc. according to term and conditions of the policy.

- Accident and health insurance contracts mainly compensate hospitalization and out patient medical coverage to the insured according to term and conditions of the policy.

- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, mobilization and performance bond etc. according to term and conditions of the policy.

In addition to direct insurance, the Company also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the company. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above in direct and other lead insurance contracts.

3.7 Deferred commission expense / acquisition cost

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

3.8 Unearned premium

The unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. It is recognized as a liability. Such liability is calculated as a the ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

- for crop business, as a ratio of the unexpired crop period to the total expected crop period, both measured to the nearest day.

Policy for recognition of premium revenue is disclosed in detail in note 3.14 to these financial statements.

3.9 Premium deficiency

In order to comply with the requirements of section 34(2)(d) of the Insurance Ordinance, 2000, a premium deficiency reserve is maintained for each class of business, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after re-insurance, for claims and other expenses, including reinsurance expense, commissions, and other underwriting expenses, expected to be incurred after the reporting date in respect of the policies in force at the reporting date, in that class of business.

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

Based on actuary's advice the management creates a reserve for the same in these unconsolidated financial statements. The movement in the premium deficiency reserve on net basis is recorded as an expense / income in profit and loss account for the year.

3.10 Reinsurance contracts held

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance contracts includes treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Company.

Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

The risks undertaken by the Company under these contracts for each class of business are stated in note 3.6 to the financial statements.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies.

Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not off set against income or expenses from related insurance assets.

The Company assesses its reinsurance assets for impairment on reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the profit and loss account.

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Prepayment (i.e. premium ceded to reinsurers) is recognized as follows:

- for reinsurance contracts operating on a proportional basis, a liability to the reinsurer is recognized on attachment of the underlying policies reinsured, while an asset is recognized for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of underlying policies.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission and no claim bonus (if any), which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

3.11 Receivables and payables related to insurance contracts

Insurance / reinsurance receivable and payable including premium due but unpaid, relating to insurance contracts are recognized when due and carried at cost less provision for impairment (if any) . The cost is the fair value of the consideration to be received / paid in the future for services rendered / received. These amounts also include due to and from other insurance companies and brokers.

Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

An assessment is made at each reporting date to determine whether there is objective evidence from external as well as internal sources of information that a financial asset or group of assets may be impaired i.e. recoverable amount at the reporting date is less than the earning amount of the asset. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each reporting date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense, in the profit and loss account.

3.12 Segment reporting

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

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

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. It comprise cash in hand, policy stamps and bank balances.

3.14 Revenue recognition

3.14.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy are payable in installments, full premium for the duration of the policy is recognized as written, where the first such installment has been duly received by the Company, at the inception of the policy and related assets is recognized as premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability as explained in note 3.8.

Reinsurance premium is recognized as expense after taking into account the proportion of prepaid reinsurance premium which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The prepaid portion of premium is recognized as a prepayment as explained in note 3.8.

3.14.2 Commission Income

Commission income from other insurers / reinsurers is deferred and recognized as liability and recognized in the profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premiums.

3.14.3 Investment income

Following are recognized as investment income:

- Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.

- Dividend income is recognized when the Company's right to receive the dividend is established.

- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.

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

3.15 Investment in Subsidiary

Investment in subsidiary is measured at cost less any identified impairment loss in the Company's separate financial statements. Cost represents the fair value of the consideration given, including any transaction costs paid, by the Company at the time of purchase of such equity instruments. In case of an increase in the investment in a subsidiary the accumulated cost represents the carrying value of the investment.

At each statement of financial position date, the Company reviews the carrying amounts of the investments in subsidiary to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised as expense in the statement of profit or loss. Investment in subsidiary that suffered an impairment, are reviewed for possible reversal of impairment at each reporting date. Impairment losses recognised in the statement of profit or loss are reversed through the statement of profit or loss.

The carrying amount of an investment carried at cost is derecognised when it is sold or otherwise disposed of. The difference between the fair value of any consideration received on disposal and the carrying amount of the investment is recorded in the statement of profit or loss as a gain or loss on disposal.

The Company is required to issue consolidated financial statements along with its separate financial statements in accordance with the requirements of the approved accounting standards.

3.16 Investments

Investments are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired. The Company does not have any 'investment at fair value through profit and loss account' at the statement of financial position date.

3.16.1 Held to maturity

Investments with fixed determinable payments and fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment, if any.

Any premium paid or discount availed on government securities and term finance certificates is deferred and amortized over the period to maturity of investment using the effective yield.

3.16.2 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit or loss' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates.

These are initially measured at cost and subsequently re-measured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. The Company assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost. The valuation of unquoted investment as at December 31, 2019 has been carried out by independent valuer for determination of fair value of these investments.

3.16.3 Fair / market value measurements

For investments in Mutual funds, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

3.17 Date of recognition

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

3.18 Off setting of financial assets and financial liabilities

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

3.19 Provisions

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

3.20 Provision for outstanding claims including IBNR

The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

SECP through its circular 9 of 2016 dated March 09, 2016 issued 'SEC guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016' for non-life insurance Companies and required to comply with all provisions of these guidelines with effect from July 01, 2016.

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

The actuarial valuation as at December 31, 2019 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions as explained in preceding paragraph that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.21 Taxation

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

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

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

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

3.22 Retirement benefit obligations

The main feature of the scheme operated by the company for its employees are as follows:

3.22.1 Defined contribution plan

The Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 8.33% of basic salary. Contributions made by the company are recognized as expense. The Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

3.22.2 Defined benefit plans

The Company operates the following defined benefit plans:

(a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to gratuity fund in accordance with the actuary's recommendations based on the actuarial valuation of these funds as at December 31, 2019.

(b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at December 31, 2019.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.22.3 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

The Company provides annually for the expected cost of accumulating compensated absences on the basis of actuarial valuation. Regular employees of the Company are entitled to 30 days earned leaves in a calendar year and they can accumulate the unutilised privilege leaves upto 60 days (2018: 60). The most resent valuation is carried out as at December 31, 2019 using the LIFO method. The liabilities are presented as a current employees benefit obligations in the statement of financial position.

3.23 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.24 Dividend distribution

Dividend distribution to the Company's shareholders and other appropriations are recognized in the Company's financial statements in the period in which these are approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.25 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

3.26 Leases

As a lessee, the Company recognizes right of use asset and lease liability at the lease commencement date.

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and less any lease incentives received.

The right of use assets are subsequently depreciated using the straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for the certain remeasurement of the lease liability.

Lease liability

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments , including in-substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in Profit and loss account if the carrying amount of the right of use asset has been reduced to zero.

3.27 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Company net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.28 Financial instruments

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

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.29 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

4 Critical accounting estimates and judgments

4.1 Use of estimates and judgments

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

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

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

		Note
-	Premium deficiency	**3.9**
-	Provision for doubtful insurance / reinsurance receivables	**3.11**
-	Provision for outstanding claim including claims incurred but not reported (IBNR)	**3.20**
-	Retirement benefit obligation	**3.22**
-	Valuation of unquoted investments	**3.16.2**
-	Provision for taxation including the amount relating to tax contingency	**3.21**
-	Impairment of assets - Financials assets	**3.23**
-	Useful lives, pattern of economic benefits and impairments - Property and Equipment	**3.2**
-	Useful lives, pattern of economic benefits and impairments - Intangible assets	**3.4**
-	Segment Reporting	**3.12**

4.2 Change in accounting estimate

The Company has capitalised major portion of buildings in the current year as Operating assets. Upon consultation with the contractor, the management realized that the useful life of buildings have increased. Keeping in consideration the assessed useful life of these assets, the depreciation rates have been revised to 3% from 10%. Management believes that the said change in estimate more accurately reflects the pattern of consumption of economic benefits of the respective assets.

The aforesaid mentioned revision has been accounted for as change in accounting estimate in accordance with the requirement of IAS 08 (Accounting Policies, Change in Accounting Estimates and Errors). The effects of this change in accounting estimate has been recognised prospectively in the profit or loss account of the current year. Had there been no revision, profit before taxation for the current year would have been decreased by Rs. 35,818 thousands whereas the carrying value of operating assets would have been reduced by same amount. Accordingly, earnings per share for the year ended December 31, 2019 would have decreased by Rs. 0.07. Impact of change in accounting estimate on future period has not been disclosed because it can not be estimated reliably.

5 Property and Equipment

	Note	2019	2018
		Rupees in thousand	
Operating assets	5.1	**4,067,536**	2,332,540
Capital work in progress	5.2	**64,020**	1,181,773
Right of use asset	5.3	**100,574**	-
		4,232,130	3,514,313

5.1 Operating assets - owned

2019

	Cost						Depreciation						Net Book value	
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	On disposals	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	Rupees in thousand													%
Land	1,285,992	-	-	-	-	**1,285,992**	-	-	-	-	-	**-**	**1,285,992**	-
Building*	713,369	1,306,069	51,742	-	(45,455)	**2,025,725**	237,255	42,795	15,428	-	(7,889)	**287,589**	**1,738,136**	**3.0%**
Furniture and fixtures	273,780	57,971	8,949	(76,062)	-	**264,638**	143,190	20,234	2,988	(53,978)	-	**112,434**	**152,204**	**15.0%**
Motor vehicles	691,825	106,078	5,751	(52,521)	-	**751,133**	372,536	52,981	2,398	(32,058)	-	**395,857**	**355,276**	**15.0%**
Machinery and equipment	196,841	430,366	1,519	(23,616)	-	**605,110**	123,956	16,977	1,447	(16,451)	-	**125,929**	**479,181**	**15.0%**
Computer equipment	276,244	23,963	2,135	-	-	**302,342**	228,574	14,694	2,327	-	-	**245,595**	**56,747**	**30.0%**
Total	**3,438,051**	**1,924,447**	**70,096**	**(152,199)**	**(45,455)**	**5,234,940**	**1,105,511**	**147,681**	**24,588**	**(102,487)**	**(7,889)**	**1,167,404**	**4,067,536**	

2018

	Cost						Depreciation						Net Book value	
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	On disposals	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	Rupees in thousand													%
Land	1,285,992	-	-	-	-	1,285,992	-	-	-	-	-	-	1,285,992	-
Building*	485,387	170,852	57,130	-	-	713,369	183,185	28,476	25,594	-	-	237,255	476,114	**10.0%**
Furniture and fixtures	223,088	37,242	13,450	-	-	273,780	120,750	18,308	4,132	-	-	143,190	130,590	**15.0%**
Motor vehicles	656,283	70,594	10,592	(45,644)	-	691,825	349,360	49,022	3,394	(29,240)	-	372,536	319,289	**15.0%**
Machinery and equipment	188,388	4,619	4,627	(793)	-	196,841	109,837	12,474	2,129	(484)	-	123,956	72,885	**15.0%**
Computer equipment	263,953	7,802	4,600	(111)	-	276,244	207,606	17,952	3,107	(91)	-	228,574	47,670	**30.0%**
Total	3,103,091	291,109	90,399	(46,548)	-	3,438,051	970,738	126,232	38,356	(29,815)	-	1,105,511	2,332,540	

*** Refer notes 4.2 for change in the accounting estimate**

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Furnitures and fixtures						
Carpet	470	308	162	68	Auction	Khwaja Waqas Mehmood
Carpet	161	104	57	24	Auction	Khawaja Waqas Mehmood
Carpet	147	90	57	24	Auction	Khawaja Waqas Mehmood
Carpet	469	175	294	124	Auction	Khawaja Waqas Mehmood
Glass	920	631	289	122	Auction	Khawaja Waqas Mehmood
Iron grill	174	116	58	25	Auction	Khawaja Waqas Mehmood
Iron grill	450	277	173	74	Auction	Khawaja Waqas Mehmood
Iron grill	450	277	173	73	Auction	Khawaja Waqas Mehmood
Revolving Chair	350	181	169	71	Auction	Khawaja Waqas Mehmood
Steel Almirah	2,329	1,629	700	295	Auction	Khawaja Waqas Mehmood
Steel Almirah	1,013	708	305	128	Auction	Khawaja Waqas Mehmood
Steel Almirah	1,088	751	337	142	Auction	Khawaja Waqas Mehmood
Wall Mounted Cabinet	372	256	116	50	Auction	Khawaja Waqas Mehmood
Wall Mounted Cabinet	561	385	176	74	Auction	Khawaja Waqas Mehmood
Wall Mounted Cabinet	608	417	191	80	Auction	Khawaja Waqas Mehmood
Wall Mounted Cabinet	548	381	167	71	Auction	Khawaja Waqas Mehmood
Wall Mounted Cabinet	654	453	201	84	Auction	Khawaja Waqas Mehmood
Wooden almirah	652	427	225	95	Auction	Khawaja Waqas Mehmood
Wooden almirah	747	492	255	107	Auction	Khawaja Waqas Mehmood
Wooden almirah	586	387	199	84	Auction	Khawaja Waqas Mehmood
Wooden almirah	671	440	231	97	Auction	Khawaja Waqas Mehmood
Workstation	477	247	230	98	Auction	Khawaja Waqas Mehmood
Items having book value below Rs. 50,000	62,165	44,846	17,319	5,435	Auction	Various
	76,062	**53,978**	**22,084**	**7,445**		
Motor vehicles (Owned)						
Honda Civic Vti (AYZ-781)	1,982	1,290	692	1,541	Auction	Augmentech Business Solutions (Private) Limited
Toyota Corolla Gli (AVS-948)	1,379	1,024	355	1,153	Auction	Rizwan Hafeez Butt
Honda City (AWA-243)	1,490	1,100	390	1,185	Auction	Rizwan Hafeez Butt
Honda City (ART-746)	1,319	1,092	227	1,001	Auction	Augmentech Business Solutions (Private) Limited
Honda City I-Vtech (BBU-359)	1,522	893	629	1,370	Auction	Hussnain Younas
Honda City (BBL-764)	1,580	926	654	1,381	Auction	Syed Shahinshah Raza Hussain Rizvi
Toyota Corolla Gli (AZA-861)	1,709	1,109	600	1,305	Auction	Hussnain Younas
Honda City Automatic (AWJ-143)	1,515	1,040	475	1,172	Auction	Raja Murad Khan
Honda City (APZ-247)	879	732	147	807	Auction	Raja Murad Khan
Honda City (BBJ-572)	1,580	926	654	1,270	Auction	Hussnain Younas
Honda City (AYU-180)	1,710	1,040	670	1,255	Auction	Augmentech Business Solutions (Private) Limited
Honda City (AMK-547)	846	743	103	651	Auction	Naheed Arshad butt
Honda City Vario (ASU-426)	1,239	984	255	801	Auction	Sajjad Hussain
Honda Civic Exi (LEH-14-1491)	2,106	1,098	1,008	1,505	Auction	Augmentech Business Solutions (Private) Limited
Suzuki Cultus (ASG-619)	862	701	161	603	Auction	Augmentech Business Solutions (Private) Limited
Honda City (AYN-712)	1,648	968	680	1,121	Auction	Muhammad Awais
Honda Civic (AZM-497)	2,052	1,179	873	1,310	Auction	Raja Murad Khan
Honda Civic (BAZ-283)	2,474	1,348	1,126	1,500	Auction	Hafiz Zohaib Ayaz
Suzuki Cultus (ARZ-361)	834	655	179	522	Auction	Raja Murad Khan
Suzuki Cultus (AVA-738)	918	658	260	600	Auction	Raja Murad Khan
Suzuki Cultus (LEC-09-1951)	846	668	178	507	Auction	Muhammad Asif
Suzuki Cultus (AUE-417)	862	637	225	544	Auction	Raja Murad Khan
Suzuki Cultus (AUL-176)	905	693	212	528	Auction	Rizwan Hafeez Butt
Toyota Corolla Gli (BNA-664)	2,229	297	1,932	2,200	Insurance claim recovery	IGI General Insurance Limited
Suzuki Cultus (BBC-780)	1,049	627	422	675	Auction	Muhammad Younas Qamar
Suzuki Cultus (BBU-290)	1,039	592	447	651	Auction	Naheed Arshad butt
Honda Accord (19257)	1,612	1,267	345	245	Negotiation	Ms. Lisa - Employee
Ford Edge (66891)	2,039	911	1,128	557	Negotiation	JawanBakht - Employee
Ford Edge (64143)	2,041	837	1,204	837	Negotiation	Bilal Shahzad - Employee
Toyota Yaris (47784)	1,388	446	942	441	Negotiation	Rifat Ara - Employee
Items having book value below Rs. 50,000	8,867	5,577	3,290	96	Auction	Various
	52,521	**32,058**	**20,463**	**29,334**		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Machinery & equipment						
Acson Split AC	302	251	51	22	Auction	Khawaja Waqas Mehmood
Acson Split AC	544	478	66	28	Auction	Khawaja Waqas Mehmood
Acson Split AC	1,838	1,518	320	135	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	130	67	63	27	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	130	67	63	27	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	130	67	63	27	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	130	67	63	27	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	382	317	65	27	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khawaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khawaja Waqas Mehmood
General Split AC 4 Tonne	336	245	91	38	Auction	Khawaja Waqas Mehmood
GENERATOR	2,518	1,899	619	737	Auction	Asim Mehmood
GENERATOR	1,667	732	935	1,113	Auction	Asim Mehmood
GENERATOR	3,228	2,355	873	2,400	Auction	Dr. Shahida Tanveer
GENERATOR	1,310	937	373	90	Auction	Bolan Casting
Gree split 1.5 Tonne	57	7	50	21	Auction	Khawaja Waqas Mehmood
Gree split 1.5 Tonne	58	7	51	21	Auction	Khawaja Waqas Mehmood
Gree Split 2 tonne	108	18	90	38	Auction	Khawaja Waqas Mehmood
RICHO Photocopier	73	11	62	11	Auction	Nasir Mehmood
Split AC	1,707	1,207	500	211	Auction	Khawaja Waqas Mehmood
Items having book value below Rs. 50,000	7,294	5,271	2,023	858	Auction	Various
	23,616	**16,451**	**7,165**	**6,170**		
Grand Total	**152,199**	**102,487**	**49,712**	**42,949**		

	Note	2019	2018
		Rupees in thousand	
5.2 Capital work in progress			
Building		**32,859**	931,116
Mobilization advance		**10,810**	82,426
Civil & electrical works		**-**	155,976
Advance for ERP software's		**20,351**	12,255
		64,020	1,181,773
5.3 Right of use asset			
Effect of initial application of IFRS - 16 as at January 01	3.1	**171,918**	-
Additions during the year		**5,189**	-
Depreciation charge during the year	5.3.1	**(78,719)**	-
Exchange difference		**2,186**	-
Closing Net Book Value		**100,574**	-

5.3.1 All the right of use assets include premises obtained on rent for branch operations (inside and outside of Pakistan). Basis of depreciation on right of use assets is lease term as mentioned in the note 3.26.

6 Intangible assets	Note	2019	2018
		Rupees in thousand	
Cost			
As at January 01		**290,740**	214,505
Additions during the year		**8,933**	59,285
Exchange differences and other adjustments		**11,317**	16,950
As at December 31		**310,990**	290,740
Accumulated amortization			
As at January 01		**211,555**	180,263
Amortization charged during the year		**24,913**	22,983
Exchange differences and other adjustments		**5,595**	8,309
As at December 31		**242,063**	211,555
Net book value as at December 31		**68,927**	79,185
Rate of amortization		**20.00%**	20.00%

7 Investment Properties

	Note	2019	2018
Net book value as at January 01		**-**	-
Additions and capital improvements	**7.1**	**389,598**	-
Unrealized fair value gain		**12,298**	-
Net book value as at December 31		**401,896**	-

These consist of the following:

- 5 floors of Adamjee House, Karachi which are rented out to related parties. Rent received from these parties is disclosed in note 36.
- 2 floors of Adamjee House, Lahore which are not rented out as at December 31, 2019. The Company's management intends to rent it out subsequently.

Market value of these investment properties amounts to Rs. 402 million based on a valuation carried out by independent valuer, as at December 31, 2019 and unrealized fair value gain of Rs. 12 million has been recognized in the profit and loss account.

The fair value of investment properties was determined by external, independent property valuers having adequate qualifications and experience in the location and category of the property being valued. Investment properties of the Company are valued every year.

The fair value of the investment properties has been categorized as a Level 3 fair value.

The valuation has been carried out considering the segment and location of the property, size, utilization and current trends in price of real estate in close proximity and current market rents for similar properties including assumptions that ready buyers are available in the current market and analyzed through detailed market surveys and, the properties that have recently been sold or purchased or offered/quoted for sale into the same vicinity to determine the better estimates of the fair value.

7.1 These represents transfer from operating assets amounting to Rs. 37,566 (2018: Nil) and transfer from capital work in progress amounting to Rs. 352,032 (2018: Nil).

	Note	2019	2018
		Rupees in thousand	
8 Investment in subsidiary			
Adamjee Life Assurance Company Limited - At cost	**8.1, 8.2 & 8.3**	**694,895**	694,895
		694,895	694,895

8.1 Number of shares

2019	2018	Face value	Company's Name	2019	2018
No. of Shares		Rupees		Rupees in thousand	
69,489,545	69,489,545	10	Adamjee Life Assurance Company Limited [Equity held 74.28% (2018: 74.28%)]	**694,895**	694,895

8.2 The Company's interests in its subsidiary is as follow:

Name	Country of Incorporation	Total assets	Total liabilities	Total revenues	Total profit/ (loss)	% interest held
		Rupees in thousand				
Adamjee Life Assurance Company Limited	Pakistan	**40,376,444**	**39,057,153**	**13,002,853**	**217,106**	**74.28%**
Total at the end of 2019		**40,376,444**	**39,057,153**	**13,002,853**	**217,106**	**74.28%**
Adamjee Life Assurance Company Limited	Pakistan	33,912,292	32,789,403	13,323,759	56,088	74.28%
Total at the end of 2018		33,912,292	32,789,403	13,323,759	56,088	74.28%

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

9 Investment in equity securities

	Note	2019 Cost	2019 Impairment/ Provision	2019 Carrying value	2018 Cost	2018 Impairment/ Provision	2018 Carrying value
		Rupees in thousand					
Available-for-sale							
Related parties							
Listed shares	9.1	**7,962,628**	-	**7,962,628**	8,396,663	(164,863)	8,231,800
Unlisted shares	9.2	**698,226**	-	**698,226**	300,726	-	300,726
		8,660,854	-	**8,660,854**	8,697,389	(164,863)	8,532,526
Unrealized gain				**1,853,236**			1,295,559
				10,514,090			9,828,085
Others							
Listed shares	9.3	**6,789,795**	**(2,004,569)**	**4,785,226**	7,274,808	(1,545,527)	5,729,281
Unlisted shares	9.4	**925,360**	-	**925,360**	925,360	-	925,360
Mutual Funds	9.5	**364,265**	-	**364,265**	389,312	-	389,312
NIT Units	9.6	**161**	-	**161**	161	-	161
		8,079,581	**(2,004,569)**	**6,075,012**	8,589,641	(1,545,527)	7,044,114
Unrealized gain				**2,253,915**			1,812,888
				8,328,927			8,857,002
Total		**16,740,435**	**(2,004,569)**	**18,843,017**	**17,287,030**	**(1,710,390)**	**18,685,087**

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For the year ended 31 December 2019

9.1 Related Parties - Listed shares

2019	2018	Face value Rupees	Company's Name	Cost 2019	Cost 2018	Market value 2019	Market value 2018
No. of Shares				Rupees in thousand			
			Commercial Banks				
47,827,287	47,827,287	10	MCB Bank Limited [Equity held 4.036% (2018: 4.036%)]	**7,962,484**	7,962,484	**9,801,724**	9,257,929
			Textile Composite				
2,050	2,050	10	Nishat Mills Limited [Equity held 0.001% (2018: 0.001%)]	**144**	144	**218**	259
			Cement				
-	3,358,344	10	D.G. Khan Cement Company Limited* [Equity held (2018:0.767%)]	**-**	434,035	**-**	269,172
				7,962,628	8,396,663	**9,801,942**	9,527,360

* D.G Khan Cement Company Limited was a related company in the prior years but not a related party as at December 31, 2019.

9.1.1 3,716,710 (2018 : Nil) shares of MCB have been pledged against SBLC (Standby Letter of Credit) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited.

9.2 Related Parties - Unlisted shares

2019	2018	Face value Rupees	Company's Name	Cost 2019	Cost 2018	Market value 2019	Market value 2018
No. of Shares				Rupees in thousand			
			Automobile Assembler				
69,750,000	30,000,000	10	Hyundai Nishat Motor (Private) Limited	**698,226**	300,726	**712,148**	300,726

9.2.1 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited (HNMPL) which is principally engaged in vehicle assembling. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs. 10.21 per ordinary share as at December 31, 2019 through a valuation technique based on discounted cash flows. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 41 to these unconsolidated financial statements.

The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 17.77% per annum.
- Average annual growth rate in revenue of 27% per annum.
- Average annual growth rate in expenses is estimated @ 25% per annum.

9.2.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs. 124,541 thousand lower.

If the free cashflows increase by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs. 7,470 thousand higher.

9.3 Others - listed shares

2019	2018	Face value Rupees	Company's Name	Cost 2019	Cost 2018	Market value 2019	Market value 2018
No. of Shares				Rupees in thousand			
			Automobile Assembler				
731,701	459,929	10	Millat Tractors Limited	**591,172**	445,051	**515,425**	382,656
			Cable & Electrical Goods				
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	**116,770**	116,770	**120,771**	135,545

No. of Shares 2019	No. of Shares 2018	Face value Rupees	Company's Name	Cost 2019 (Rupees in thousand)	Cost 2018 (Rupees in thousand)	Market value 2019 (Rupees in thousand)	Market value 2018 (Rupees in thousand)
			Cement				
3,358,344	-	10	D.G. Khan Cement Company Limited	**434,035**	-	**249,424**	-
645,100	645,100	10	Fecto Cement Limited	**77,534**	77,534	**16,450**	20,159
-	-	10	Lucky Cement Limited	**-**	-	**-**	-
			Close - End Mutual Fund				
4,113,500	4,113,500	10	HBL Investment Fund 'A'	**27,235**	27,235	**16,865**	20,814
			Commercial Banks				
6,277,500	6,277,500	10	Allied Bank Limited	**641,638**	641,638	**600,129**	674,643
330,300	330,300	10	Habib Bank Limited	**88,086**	88,086	**51,996**	39,785
-	-	10	Habib Metropolitan Bank Limited	**-**	-	**-**	-
8,240,950	8,240,950	10	National Bank of Pakistan	**504,670**	504,670	**356,833**	346,367
1,250,000	1,250,000	10	United Bank Limited	**242,721**	242,721	**205,625**	153,300
			Engineering				
105,600	105,600	10	Aisha Steel Mills Limited	**282**	282	**1,013**	1,109
100,000	100,000	10	Crescent Steel & Allied Products Limited	**20,324**	20,324	**5,542**	5,556
300,000	300,000	10	International Steel Limited	**46,811**	46,811	**17,367**	19,731
1,298,500	1,298,500	10	Mughal Iron & Steel Industries Limited	**91,572**	91,572	**53,200**	52,524
			Fertilizer				
2,220,100	2,220,100	10	Dawood Hercules Corporation Limited	**324,933**	324,933	**342,362**	246,764
-	159,900	10	Engro Corporation Limited	**-**	47,462	**-**	46,544
2,477,000	2,708,500	10	Engro Fertilizers Limited	**177,179**	193,738	**181,886**	187,022
-	10,711,240	10	Fauji Fertilizer Company Limited	**-**	1,112,218	**-**	994,539
			Food & Personal Care Products				
-	-	10	Al Shaheer Corporation Limited	**-**	-	**-**	-
5,740	5,740	10	Nestle Pakistan Limited	**59,278**	59,278	**46,207**	51,660
70,304	70,304	10	Rafhan Maize Products Limited	**223,250**	223,250	**509,782**	474,552
			Insurance				
4,800	4,800	10	EFU General Insurance Company Limited	**211**	211	**529**	480
230,000	230,000	10	IGI Holdings Limited	**66,917**	66,917	**46,920**	46,271
286,843	286,843	10	Pakistan Reinsurance Company Limited	**6,326**	6,326	**8,436**	9,965
			Investment Companies				
5,462,000	5,462,000	10	MCB Arif Habib Savings & Investment Limited	**149,789**	149,789	**120,109**	136,550
			Oil & Gas Exploration Companies				
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	**245,134**	245,134	**216,938**	195,110
9,145,095	7,645,095	10	Sui Northern Gas Pipelines Limited	**496,542**	385,472	**696,582**	589,207
			Paper & Board				
11,750	11,750	10	Packages Limited	**6,144**	6,144	**4,685**	4,545
			Pharmaceuticals				
369,400	369,400	10	Abbott Laboratories Pakistan Limited	**320,902**	320,902	**165,041**	233,110
			Power Generation & Distribution				
5,731,000	5,731,000	10	Kot Addu Power Company Limited	**491,086**	491,086	**180,698**	283,971
27,348,388	27,348,388	10	Lalpir Power Limited	**371,516**	371,516	**396,825**	451,522
923,500	923,500	10	Nishat Power Limited	**42,001**	42,001	**25,165**	25,027
25,631,181	25,631,181	10	Pakgen Power Limited	**355,448**	355,448	**469,563**	436,755
4,935,882	4,935,882	10	Saif Power Limited	**163,072**	163,072	**103,456**	126,753
			Refinery				
37,500	37,500	10	Attock Refinery Limited	**13,133**	13,133	**4,188**	5,532
506,450	506,450	10	National Refinery Limited	**394,084**	394,084	**71,450**	144,733
				6,789,795	7,274,808	**5,801,462**	6,542,801

9.4 Others - Unlisted shares

No. of Shares 2019	No. of Shares 2018	Face value Rupees	Company's Name	Cost 2019 (Rupees in thousand)	Cost 2018 (Rupees in thousand)	Market value 2019 (Rupees in thousand)	Market value 2018 (Rupees in thousand)
9,681,374	9,681,374	10	Security General Insurance Company Limited [Equity held 14.224% (2018: 14.224%)]	**925,360**	925,360	**2,162,335**	1,926,884

9.4.1 This represents investment in the ordinary shares of Security General Insurance Company Limited ("SGI") which is principally engaged in general insurance business. Since SGI's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs. 223.35 per ordinary share as at December 31, 2019 (Rs. 199.03 per ordinary share as at December 31, 2018) through a valuation technique based on discounted cash flow analysis of SGI. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 41 to these unconsolidated financial statements.

The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 20% per annum.
- Average annual growth rate in premium revenue of 8% per annum.
- Average annual growth rate in expenses is estimated @ 4 % per annum.

9.4.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs. 3,347 thousand lower.

If the free cashflows increase by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs. 746.75 thousand higher.

9.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

2019	2018	Face value Rupees	Fund's Name	Cost		Market value	
No. of Units				2019	2018	2019	2018
				Rupees in thousand			
-	2,363,544	10	ABL Cash Fund	-	23,876	-	24,151
3,275,323	-	100	Alfalah GHP Money Market Fund	**321,448**	-	**321,410**	-
19,269	257,200	100	HBL Cash Fund	**1,941**	25,906	**1,963**	25,969
4,113,500	4,113,500	10	HBL Investment Fund - Class B	**40,876**	40,876	**40,961**	36,572
-	2,767,761	100	MCB Cash Management Optimizer	-	278,285	-	278,782
-	396,355	50	Meezan Islamic Income Fund	-	20,369	-	21,047
				364,265	389,312	**364,334**	386,521

9.6 Open-Ended Equity Funds

2019	2018	Fund's Name	Cost		Market value	
No. of Units			2019	2018	2019	2018
			Rupees in thousand			
12,540	12,540	National Investment Trust	**161**	161	**796**	795
		Grand Total	**16,740,435**	17,287,030	**18,843,017**	18,685,087

	2019	2018
	Rupees in thousand	
10 Investment in debt securities		
Held to maturity		
Treasury Bills	**370,491**	378,029
Pakistan Investment Bonds	**95,377**	-
Total	**465,868**	378,029

Treasury Bills

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	Cost 2019	Cost 2018	Carrying amount 2019	Carrying amount 2018
					Rupees in thousand			
382,000,000	13.83%	On maturity	6 Month Treasury Bills	26-Mar-20	**357,358**	-	**370,491**	-
132,000,000	8.80%	On maturity	3 Month Treasury Bills	14-Feb-19	-	129,380	-	130,628
250,000,000	8.80%	On maturity	3 Month Treasury Bills	14-Feb-19	-	245,039	-	247,401
					357,358	374,419	**370,491**	378,029

Pakistan Investment Bonds

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	Cost 2019	Cost 2018	Carrying amount 2019	Carrying amount 2018
					Rupees in thousand			
100,000,000	11.7130%	On maturity	3 Years Pakistan Investment Bonds	19-Sep-22	**93,877**	-	**95,377**	-
					93,877	-	**95,377**	-

	Note	2019	2018
		Rupees in thousand	
11 Investments in Term Deposits			
Held to maturity			
Deposits maturing within 12 months			
Inside Pakistan			
- related parties		**6,811**	6,811
- others		**175,066**	25,066
		181,877	31,877
Outside Pakistan			
- related parties		**1,264,698**	871,396
- others		**4,387,207**	3,411,149
		5,651,905	4,282,545
		5,833,782	4,314,422
Deposits maturing after 12 months			
Inside Pakistan			
- related parties		**2,000**	2,000
- others		**48,110**	39,691
		50,110	41,691
Outside Pakistan			
- related parties		**-**	-
- others		**-**	-
		-	-
		50,110	41,691
	11.1	**5,883,892**	4,356,113

11.1 These include fixed deposits amounting to Rs. 4,848,009 thousands (AED 115,000 thousands) [2018: Rs. 3,780,460 thousands (AED 100,000 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rs. 231,987 thousands (2018: Rs. 73,568 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Company for claims under litigation filed against the Company, bid bond guarantees and guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party.

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	Note	2019	2018
12 Loans and other receivables - considered good		Rupees in thousand	
Rent receivable		**14,313**	4,968
Receivable from related parties	**12.1**	**27,523**	16,508
Accrued income		**125,544**	62,096
Security deposits		**58,399**	53,759
Advances to employees and suppliers		**152,012**	58,542
Advance agent commission		**3,003**	24,085
Loans to employees		**49,484**	44,913
Other receivables		**46,986**	11,004
		477,264	275,875

12.1 This represents receivable from Adamjee Life Assurance Company Limited, subsidiary of the Company, in respect of cash value of life policies obtained for key management personnel of the Company. The Company is the beneficiary in respect of policies obtained for the employees.

	Note	2019	2018
		Rupees in thousand	
13 Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders	**13.1**	**5,730,843**	6,820,415
Provision for impairment of receivables from insurance contract holders	**13.2**	**(868,586)**	(629,668)
		4,862,257	6,190,747
Due from other insurers / reinsurers		**1,149,209**	1,044,532
Provision for impairment of due from other insurers / reinsurers	**13.3**	**(201,302)**	(201,302)
		947,907	843,230
		5,810,164	7,033,977

13.1 Due from insurance contact holders include an amount Rs. 212,014 thousands (2018: Rs. 349,886 thousands) held with related parties.

	Note	2019	2018
		Rupees in thousand	
13.2 Reconciliation of provision for impairment of receivables from insurance contract holders			
Balance as at January 01		**629,668**	375,801
Charge for the year		**187,764**	191,638
Exchange difference		**51,154**	62,229
Balance as at December 31		**868,586**	629,668
13.3 Reconciliation of provision for impairment of due from other insurers / reinsurers			
Balance as at January 01		**201,302**	151,302
Charge for the year		**-**	50,000
Write off against provision for the year		**-**	-
Balance as at December 31		**201,302**	201,302

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		2019	2018
		Rupees in thousand	
14	**Prepayments**		
	Prepaid reinsurance premium ceded	**3,500,512**	2,866,980
	Prepaid rent	**2,195**	8,367
	Prepaid miscellaneous expenses	**131,032**	172,959
		3,633,739	3,048,306
15	**Cash and bank**		
	Cash and cash equivalents		
	Inside Pakistan		
	Cash in hand	**476**	408
	Policy, revenue stamps and bond papers	**9,937**	5,895
		10,413	6,303
	Outside Pakistan	**-**	-
		10,413	6,303
	Cash at bank		
	Inside Pakistan		
	Current accounts	**133,822**	819,697
	Savings accounts	**967,605**	327,040
		1,101,427	1,146,737
	Outside Pakistan		
	Current accounts	**59,333**	1,053,464
	Savings accounts	**5,512**	4,940
		64,845	1,058,404
		1,166,272	2,205,141
		1,176,685	2,211,444

15.1 Cash at bank includes an amount of Rs. 433,504 thousands (2018: Rs. 401,990 thousands) held with MCB Bank Limited, a related party of the Company.

15.2 Lien of Rs. 291,000 thousands (2018 : Nil) is marked on cash deposits in saving accounts against SBLC (Standby Letter of Credit) issued in favor of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited.

15.3 Saving / Profit and loss accounts carry expected profit rates ranging from 6.50% to 12.50% (2018: 3.75% to 9.50%)

		2019	2018
16	**Window Takaful Operations - Operator's Fund**		
	Assets	Rupees in thousand	
	Cash and bank deposits	**91,895**	101,695
	Qard e Hasna to Participants' Takaful Fund	**146,460**	146,804
	Investments	**32,958**	29,930
	Intangible assets	**17,650**	20,633
	Property and equipment	**17,733**	16,185
	Current assets - others	**119,595**	66,947
	Total Assets	**426,291**	382,194
	Total liabilities	**195,872**	229,819
	Wakala income	**324,314**	252,798
	Commission expense	**(99,434)**	(68,284)
	Management expenses	**(131,872)**	(105,168)
	Investment income	**1,345**	(311)
	Other income	**15,856**	5,305
	Mudarib's share of PTF investment income	**1,323**	-
	Other expenses	**(3,839)**	(5,391)
	Profit before taxation	**107,693**	78,949
	Taxation	**(30,987)**	(26,401)
	Profit after taxation	**76,706**	52,548

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2019

17 Share capital

17.1 Authorized share capital

	2019	2018	2019	2018
	Number of shares		Rupees in thousand	
Ordinary shares of Rs. 10 each	**375,000,000**	375,000,000	**3,750,000**	3,750,000

17.2 Issued, subscribed and paid up capital

	2019	2018	2019	2018
	Number of shares		Rupees in thousand	
Ordinary shares of Rs. 10 each fully paid in cash	**250,000**	250,000	**2,500**	2,500
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**349,750,000**	349,750,000	**3,497,500**	3,497,500
	350,000,000	350,000,000	**3,500,000**	3,500,000

17.3 As at December 31, 2019, MCB Bank Limited and Nishat Mills Limited, associated undertakings held 70,861,241 (2018: 70,861,241) and 102,809 (2018: 102,809) ordinary shares of the Company of Rs. 10 each, respectively.

	Note	2019	2018
		Rupees in thousand	
18 Reserves			
Capital reserves			
Reserves for exceptional losses	18.1	**22,859**	22,859
Investment fluctuation reserves	18.2	**3,764**	3,764
Exchange translation reserves	18.3	**674,936**	614,062
Fair value reserves	18.4	**2,917,432**	2,207,015
		3,618,991	2,847,700
Revenue reserves			
General reserves		**936,500**	936,500
		936,500	936,500
		4,555,491	3,784,200

18.1 The reserve for exceptional losses represents the amount set aside by the Company in prior years up to December 31, 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit such deduction, the Company discontinued the setting aside of reserves for exceptional losses.

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

18.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of the Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

18.4 The fair value reserve represents the net cumulative unrealized gain / (loss) on available for sale investments held by the Company as at December 31, 2019.

	Note	2019	2018
		Rupees in thousand	
19 Retirement benefit obligations			
Unfunded gratuity scheme	19.1	**82,708**	65,854
Funded gratuity scheme	19.2	**142,469**	133,127
		225,177	198,981

19.1 Unfunded gratuity scheme

19.1.1 This provision relates to the Company's operations in UAE branches. The eligible employees under the scheme are 94 (2018 : 100). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2019 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

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

	2019	2018
	Rupees in thousand	
Present value of defined benefit obligation at January 01	**65,853**	69,953
Charge for the year	**13,689**	12,388
Benefits paid	**(12,744)**	(26,015)
Remeasurement (gain) / loss on obligation	**8,035**	(5,772)
Exchange loss	**7,875**	15,300
Present value of defined benefit obligation at December 31	**82,708**	65,854

19.1.3 Principal actuarial assumptions used are as follows:

	2019	2018
	(Percentages)	
- Valuation discount rate	**2.20**	2.20
- Expected rate of increase in salary level	**2.00**	2.00

19.1.4 The amount charged in profit and loss account is as follows:

	2019	2018
	Rupees in thousand	
Service cost	**12,265**	10,975
Interest cost	**1,424**	1,413
Expense for the year	**13,689**	12,388

19.1.5 The amounts charged to statement of comprehensive income are as follows:

	2019	2018
Remeasurement of the present value of defined benefit obligation due to:		
- Changes in financial assumptions	**-**	(7,380)
- Experience adjustment	**8,035**	1,608
	8,035	(5,772)

19.2 Funded gratuity scheme

19.2.1 The Company operates an approved funded gratuity scheme for all employees. The eligible employees under the scheme are 738 (2018 : 756). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2019 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

Principal actuarial assumptions used are as follows:

	2019	2018
	(Percentages)	
- Discount rate	**12.50**	12.25
- Expected rate of increase in salary level	**10.50**	10.25

	2019	2018
	Rupees in thousand	
Movement in the net liabilities recognized in the statement of financial position are as follows:		
Net liabilities at January 01	**133,127**	84,443
Expenses recognized	**35,245**	22,107
Contribution paid during the year	**(10,000)**	(3,000)
Remeasurement (loss) / gain recognized - net	**(15,903)**	29,577
Net liabilities at December 31	**142,469**	133,127
The amounts recognized in the profit and loss account are as follows:		
- Service cost	**19,550**	16,094
- Interest cost	**38,373**	20,171
- Interest income on plan assets	**(22,678)**	(14,158)
	35,245	22,107
The amounts recognized in statement of comprehensive income are as follows:		
Remeasurement of plan obligation from:		
- Experience on obligation	**(16,327)**	18,105
- Change in financial assumptions	**-**	-
Remeasurement of plan assets:		
- Investment return	**424**	11,472
	(15,903)	29,577

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

	2019	2018
Fair value of plan assets	**(198,745)**	(193,756)
Present value of defined benefit obligation	**341,214**	326,883
	142,469	133,127

19.2.3 Movement in fair value of plan assets

	2019	2018
Present value as at January 01	**193,756**	199,482
Interest income on plan assets	**22,678**	14,158
Actual benefits paid during the year	**(27,265)**	(11,412)
Contribution made during the year	**10,000**	3,000
Remeasurement loss due to investment return	**(424)**	(11,472)
Present value of defined benefit obligation as at December 31	**198,745**	193,756
Actual return on plan assets		
Expected return on plan assets	**22,678**	14,158
Remeasurement loss due to investment return	**(424)**	(11,472)
	22,254	2,686

19.2.4 Movement in present value of defined benefit obligation

	2019	2018
Present value of defined benefit obligation as at January 01	**326,883**	283,925
Current service cost	**19,550**	16,094
Interest cost	**38,373**	20,171
Actual benefits paid during the year	**(27,265)**	(11,412)
Remeasurement (loss) / gain on obligation	**(16,327)**	18,105
Present value of defined benefit obligation as at December 31	**341,214**	326,883

	2019	2018	2017	2016	2015
	Rupees in thousand				
19.2.5 Comparison for five years					
Funded gratuity scheme					
Present value of defined obligation	341,214	326,883	283,925	267,714	243,203
Fair value of plan assets	198,745	193,756	199,482	241,970	183,444
Deficit	142,469	133,127	84,443	25,744	59,759
Experience adjustments					
Gain / (loss) on plan assets (% age of plan assets)	(0.21)	(5.92)	(19.27)	5.48	4.13
Gain / (loss) on obligations (% age of obligation)	(4.78)	5.54	(1.26)	(4.91)	(3.35)
Unfunded gratuity schemes					
Present value of defined obligation	**82,708**	65,853	69,953	55,655	56,693
Experience adjustments					
Gain / (loss) on obligations (% age of obligation)	**(9.71)**	(2.44)	(3.10)	(10.89)	(2.51)

	2019	2018	2019	2018
	(Percentage)		Rupees in thousand	
19.2.6 Plan assets consist of the following:				
Mutual funds - Equity	**36.96**	35.04	**73,459**	67,894
Government Bonds - Debt	**40.26**	43.66	**80,024**	84,595
Shares, bank deposits & cash equivalents - Others	**22.78**	22.60	**45,262**	43,790
Benefits due	-	(1.30)	-	(2,523)
	100.00	100.00	**198,745**	193,756

19.2.7 Plan assets do not include any investment in the Company's ordinary shares as at 2019 (2018: Nil).

19.2.8 Expected cost to be recorded in the profit and loss account for the year ending December 31, 2020 is Rs. 36,127 thousands.

19.2.9 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at beginning of the year.

19.2.10 The weighted average duration of the defined benefit obligation for gratuity plan is 3.3 years (2018: 3.3 years).

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

19.2.12 The main features of the gratuity schemes are as follows:

- All confirmed employees are eligible to the scheme and the normal retirement age for all employees is 60 years.
- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules.

- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

19.2.13 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

19.2.14 Sensitivity analysis

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

	Change in assumptions	Impact on Gratuity plans			
		Unfunded		Funded	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		Rupees in thousand			
Discount rate	1%	(3,196)	3,483	(9,447)	10,051
Salary growth rate	1%	3,454	(3,232)	10,144	(9,698)

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

	2019	2018
	Rupees in thousand	
20 Deferred taxation		
Deferred tax debits arising in respect of:		
Provision for gratuity	**23,986**	19,098
Lease liability	**30,473**	-
	54,459	19,098
Deferred tax credits arising in respect of:		
Tax depreciation allowance	**(164,116)**	(62,092)
Right of use assets	**(29,166)**	-
Investments - Available for sale	**(1,191,075)**	(901,452)
	(1,384,357)	(963,544)
	(1,329,898)	(944,446)
20.1 Movement in deferred tax balances is as follows:		
As at January 01	**944,446**	1,567,383
Recognized in profit and loss account:		
- provision for gratuity	**(4,888)**	1,888
- lease liability against right of use asset	**(30,473)**	-
- right of use assets	**29,166**	-
- tax depreciation allowance	**102,024**	3,805
	95,829	5,693
Recognized in statement of comprehensive income:		
- investments - Available for sale	**289,623**	(628,630)
As at December 31	**1,329,898**	944,446
21 Insurance / reinsurance payables		
Due to other insurers / reinsurers	**2,701,164**	2,709,714

This amount represents amount payable to other insurers and reinsurers.

	Note	2019	2018
		Rupees in thousand	
22 Other creditors and accruals			
Agents commission payable		**630,736**	708,645
Federal excise duty / sales tax payable		**50,149**	200,803
Federal Insurance Fee payable		**33,785**	37,729
Workers' welfare fund payable	**22.1**	**76,485**	432,246
Tax deducted at source		**92,873**	58,052
Accrued expenses		**170,872**	191,541
Unpaid and unclaimed dividend		**125,829**	121,350
Payable to employees' provident fund		**2,676**	2,449
Sundry creditors		**535,929**	452,917
		1,719,334	2,205,732
22.1 Workers' welfare fund			
Balance as at 01 January		**432,246**	391,437
Provision for the year		**-**	52,571
Reversal during the year	**22.1.1**	**(355,761)**	(11,762)
Balance as at 31 December	**22.1.2**	**76,485**	432,246

22.1.1 Based on legal advice available with the Company, the management has reversed its provision of Rs. 355,761 thousands.

22.1.2 The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were passed by the Honorable Lahore High Court, the Honorable Sindh High Court and the Honorable Peshawar High Court.

The Honorable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Honorable Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

	Note	2019	2018
		Rupees in thousand	
23 Deposits and other liabilities			
Cash margin against performance bonds	**23.1**	**618,540**	692,086
Lease liability	**23.2**	**105,078**	-
		723,618	692,086

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

23.2 Maturity analysis

	2019	2018
Not later than 1 year	**34,163**	-
Later than 1 year and not later than 5 years	**70,915**	-
	105,078	-

24 Contingencies and commitments

24.1 Contingencies

The Company has filed appeals in respect of certain assessment years mainly on account of the following:

Income tax

(a) Deputy Commissioner Inland Revenue (DCIR) passed order u/s 161/205 of the Ordinance for tax year 2013 raising an income tax demand of Rs. 9,066 thousands. The Company agitated the order before Commissioner Inland Revenue -Appeals (CIR - Appeals). CIR - Appeals decided the case in the favor of the Company. Following the said order, the learned DCIR has passed an appeal effect order in which certain directions of the learned CIR-Appeals have not been followed for which a rectification appeal under section 221 of the Ordinance has been filed before learned DCIR which is still to be processed.

(b) The Company received a notice from Additional Commissioner Inland Revenue (ACIR) pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Company preferred to contest this matter by way of filing a constitutional petition before the Honorable Sindh High Court (the Court). The Court has ordered for stay of proceedings.

(c) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,360 thousands. An appeal was filed before the CIR - Appeals who upheld the order of the Taxation Officer. The Company has filed an appeal before the Additional Tribunal Inland Revenue (ATIR) which is yet to be heard.

(d) The Tax Authorities amended the assessments for tax years 2003 to 2005 on the ground that the Company has not apportioned management and general administration expenses against capital gain and dividend income. The Company filed constitutional petition in the Honorable Sindh High Court (the Court) against the amendment in the assessment order. The Company may be liable to pay Rs. 5,880 thousands in the event of decision against the Company, out of which Rs. 2,730 thousands have been provided resulting in a shortfall of Rs. 3,150 thousands.

(e) Learned DCIR has passed an order under section 161/205 of the Ordinance for tax year 2017 creating a demand of Rs. 22,105 thousands on account of Non-Deduction of Income Tax while making payments. The Company has paid partial payment of Rs. 9,065 thousands under protest and agitated the order before learned CIR - Appeals I and the appeal has not yet been fixed.

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rs. 72,681 thousands (2018: Rs. 72,681 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Company.

Others

The Company has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs. 841,000 thousands (2018: Nil).

The Company has issued letter of guarantees amounting to AED 449,000 (amounting to Rs.18,928 thousands) (2018: AED 501,000 amounting to Rs. 18,940 thousands) relating to UAE branch.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2019

	2019	2018
	Rupees in thousand	
25 Net insurance premium		
Written gross premium	**22,507,035**	20,387,059
Unearned premium reserve - opening	**10,100,901**	8,912,498
Unearned premium reserve - closing	**(10,242,348)**	(10,100,901)
Currency translation effect	**494,504**	952,608
Premium earned	**22,860,092**	20,151,264
Reinsurance premium ceded	**(8,055,014)**	(6,831,707)
Prepaid reinsurance premium - opening	**(2,866,980)**	(2,349,147)
Prepaid reinsurance premium - closing	**3,500,512**	2,866,980
Currency translation effect	**(4,621)**	(31,609)
Reinsurance expense	**(7,426,103)**	(6,345,483)
	15,433,989	13,805,781
25.1 Net insurance premium - Business underwritten inside Pakistan		
Written gross premium	**14,915,468**	13,413,513
Unearned premium reserve - opening	**5,508,453**	5,186,518
Unearned premium reserve - closing	**(6,197,501)**	(5,508,453)
Premium earned	**14,226,420**	13,091,578
Reinsurance premium ceded	**(7,716,041)**	(6,532,653)
Prepaid reinsurance premium - opening	**(2,838,973)**	(2,079,920)
Prepaid reinsurance premium - closing	**3,425,355**	2,838,973
Reinsurance expense	**(7,129,659)**	(5,773,600)
	7,096,761	7,317,978
25.2 Net insurance premium - Business underwritten outside Pakistan		
Written gross premium	**7,591,567**	6,973,546
Unearned premium reserve - opening	**4,592,448**	3,725,980
Unearned premium reserve - closing	**(4,044,847)**	(4,592,448)
Currency translation effect	**494,504**	952,608
Premium earned	**8,633,672**	7,059,686
Reinsurance premium ceded	**(338,973)**	(299,054)
Prepaid reinsurance premium - opening	**(28,007)**	(269,227)
Prepaid reinsurance premium - closing	**75,157**	28,007
Currency translation effect	**(4,621)**	(31,609)
Reinsurance expense	**(296,444)**	(571,883)
	8,337,228	6,487,803
26 Net insurance claims expense		
Claim paid	**14,686,699**	13,905,284
Outstanding claims including IBNR - closing	**10,367,347**	10,461,975
Outstanding claims including IBNR - opening	**(10,461,975)**	(11,485,744)
Currency translation effect	**(594,102)**	(1,082,517)
Claim expense	**13,997,969**	11,798,998
Reinsurance and other recoveries received	**(4,599,078)**	(5,651,171)
Reinsurance and other recoveries in respect of outstanding claims - closing	**(6,233,348)**	(6,397,245)
Reinsurance and other recoveries in respect of outstanding claims - opening	**6,397,245**	8,056,450
Currency translation effect	**313,749**	578,720
Reinsurance and other recoveries revenue	**(4,121,432)**	(3,413,246)
	9,876,537	8,385,752

	2019	2018
	Rupees in thousand	
26.1 Net insurance claims expense - Business underwritten inside Pakistan		
Claim paid	**6,413,550**	7,133,353
Outstanding claims including IBNR - closing	**4,398,967**	5,386,215
Outstanding claims including IBNR - opening	**(5,386,215)**	(7,084,282)
Claim expense	**5,426,302**	5,435,286
Reinsurance and other recoveries received	**(2,268,805)**	(3,212,418)
Reinsurance and other recoveries in respect of outstanding claims - closing	**(2,948,471)**	(3,769,658)
Reinsurance and other recoveries in respect of outstanding claims - opening	**3,769,658**	5,602,812
Reinsurance and other recoveries revenue	**(1,447,618)**	(1,379,264)
	3,978,684	4,056,022
26.2 Net insurance claims expense - Business underwritten outside Pakistan		
Claim paid	**8,273,149**	6,771,931
Outstanding claims including IBNR - closing	**5,968,380**	5,075,760
Outstanding claims including IBNR - opening	**(5,075,760)**	(4,401,462)
Currency translation effect	**(594,102)**	(1,082,517)
Claim expense	**8,571,667**	6,363,712
Reinsurance and other recoveries received	**(2,330,273)**	(2,438,753)
Reinsurance and other recoveries in respect of outstanding claims - closing	**(3,284,877)**	(2,627,587)
Reinsurance and other recoveries in respect of outstanding claims - opening	**2,627,587**	2,453,638
Currency translation effect	**313,749**	578,720
Reinsurance and other recoveries revenue	**(2,673,814)**	(2,033,982)
	5,897,853	4,329,730

26.3 Claim development table

The following table shows the development of the 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 claim payments.

	Accident year						
	2014 & Prior	2015	2016	2017	2018	2019	Total
	Rupees in thousand						
At the end of accident year	-	6,857,672	11,752,724	11,307,403	13,278,246	14,544,497	**57,740,542**
One year later	3,195,074	5,059,319	7,075,979	6,362,632	6,250,676	-	**27,943,680**
Two years later	861,957	1,255,685	2,369,539	1,978,478	-	-	**6,465,659**
Three years later	1,947,901	1,791,844	1,662,339	-	-	-	**5,402,084**
Four years later	163,472	132,679	-	-	-	-	**296,151**
Five years later	485,377	-	-	-	-	-	**485,377**
Current estimate of cumulative claims	485,377	132,679	1,662,339	1,978,478	6,250,676	14,544,497	**25,054,046**
Less: Cumulative payments to date	59,830	24,257	961,690	889,153	4,651,902	8,099,867	**14,686,699**
Liability recognized in statement of financial position	425,547	108,422	700,649	1,089,325	1,598,774	6,444,630	**10,367,347**

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	2019	2018
	Rupees in thousand	
27 Net commission and other acquisition costs		
Commission paid or payable	**2,449,810**	1,757,025
Deferred commission expense - opening	**788,431**	733,631
Deferred commission expense - closing	**(1,190,146)**	(788,431)
Currency translation effect	**65,731**	102,787
Net Commission	**2,113,826**	1,805,012
Commission received or recoverable	**(622,744)**	(504,854)
Unearned reinsurance commission - opening	**(221,371)**	(240,306)
Unearned reinsurance commission - closing	**237,751**	221,371
Currency translation effect	**(257)**	(1,647)
Commission from reinsurance	**(606,621)**	(525,436)
	1,507,205	1,279,576
27.1 Net commission and other acquisition costs - Business underwritten Inside Pakistan		
Commission paid or payable	**991,010**	971,496
Deferred commission expense - opening	**297,403**	326,325
Deferred commission expense - closing	**(352,673)**	(297,403)
Net Commission	**935,740**	1,000,418
Commission received or recoverable	**(597,710)**	(498,603)
Unearned reinsurance commission - opening	**(218,690)**	(227,726)
Unearned reinsurance commission - closing	**236,381**	218,690
Commission from reinsurance	**(580,019)**	(507,639)
	355,721	492,779
27.2 Net commission and other acquisition costs - Business underwritten Outside Pakistan		
Commission paid or payable	**1,458,800**	785,529
Deferred commission expense - opening	**491,028**	407,306
Deferred commission expense - closing	**(837,473)**	(491,028)
Currency translation effect	**65,731**	102,787
Net Commission	**1,178,086**	804,594
Commission received or recoverable	**(25,034)**	(6,251)
Unearned reinsurance commission - opening	**(2,681)**	(12,580)
Unearned reinsurance commission - closing	**1,370**	2,681
Currency translation effect	**(257)**	(1,647)
Commission from reinsurance	**(26,602)**	(17,797)
	1,151,484	786,797

	Note	2019	2018
		Rupees in thousand	
28 Management expenses			
Employee benefit costs	28.1	**1,805,120**	1,612,508
Travelling expenses		**71,711**	62,088
Advertisement & sales promotion		**64,044**	55,720
Printing & stationary		**32,720**	30,396
Depreciation		**226,400**	126,232
Amortization		**24,913**	22,983
Rent, rates & taxes		**17,252**	94,076
Legal & professional charges - business related		**111,414**	116,879
Electricity, gas & water		**58,633**	46,828
Entertainment		**25,940**	22,711
Vehicle running expenses		**110,261**	92,745
Office repairs & maintenance		**50,007**	42,205
Bank charges		**39,945**	30,560
Postages, telegrams & telephone		**37,528**	38,498
Supervision fee		**61,943**	55,920
IT related costs		**87,551**	101,733
Tracking and monitoring charges		**216,640**	220,592
VAT receivable written off		**-**	184,290
Provision for doubtful balances against due from insurance contract holders		**187,764**	191,631
Provision for doubtful balances against due from other insurers / reinsurers		**-**	50,000
Regulatory fee		**130,154**	90,559
Miscellaneous		**36,685**	35,394
		3,396,625	3,324,548
28.1 Employee benefit costs			
Salaries, allowances and other benefits		**1,719,336**	1,543,521
Charges for post employment benefit		**85,784**	68,987
		1,805,120	1,612,508

29 Investment Income

Business underwritten Inside Pakistan

Income from equity securities
Available-for-sale

	2019	2018
Dividend income		
- related parties	**768,603**	779,519
- others	**583,835**	513,019
	1,352,438	1,292,538
Income from debt securities		
Held to maturity		
Return on Term Finance Certificates	**-**	3,782
Return on Pakistan Investment Bonds	**1,883**	-
Profit on Treasury Bills	**46,263**	27,446
	48,146	31,228

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2019

	2019	2018
	Rupees in thousand	
Income from term deposits		
- related parties	-	27
- others	9,618	3,401
	9,618	3,428
Net realized gains on investments		
Available-for-sale		
Realized gains on equity securities		
- related parties	-	-
- others	34,370	452,202
	34,370	452,202
	1,444,572	1,779,396
Provision of impairment in value of 'available-for-sale' investments	(294,179)	(575,296)
	1,150,393	1,204,100
Business underwritten Outside Pakistan		
Income from equity securities		
Available-for-sale		
Dividend income		
- related parties	-	-
- others	54,211	2,123
	54,211	2,123
Net realized gains on investments		
- related parties	-	-
- others	7,298	-
	7,298	-
Return on term deposits		
- related parties	29,746	13,020
- others	130,725	65,413
	160,471	78,433
	221,980	80,556
Net investment income	1,372,373	1,284,656

30 Rental income

	2019	2018
Rental income	35,503	6,906
Expenses of investment property	(5,463)	-
	30,040	6,906

31 Other income

	2019	2018
Return on bank balances	45,014	69,144
(Loss) / gain on sale of operating assets	(6,763)	8,516
Return on loans to employee	263	340
Exchange gain	4,612	5,670
Shared expenses received	11,830	9,760
Miscellaneous	13,595	7,013
	68,551	100,443

	Note	2019	2018
		Rupees in thousand	
32 Other expenses			
Legal & professional charges other than business		**30,478**	46,244
Auditor's remuneration	32.1	**12,065**	11,351
Subscription Fee		**5,749**	4,817
Donations		**1,150**	2,700
Directors` fee		**220**	220
Central depository expense		**3,075**	3,106
Others		**6,255**	4,112
		58,992	72,550
32.1 Auditors' remuneration			
Inside Pakistan:			
Audit fee		**2,380**	2,380
Interim review fee		**469**	469
Special certifications and sundry advisory services		**520**	520
Out-of-pocket expenses		**463**	463
		3,832	3,832
Outside Pakistan			
Audit fee		**6,939**	6,355
Interim review fee		**490**	829
Out-of-pocket expenses		**804**	335
		8,233	7,519
		12,065	11,351
33 Taxation			
Current taxation			
For the year			
- General		**593,203**	811,280
- Window Takaful Operations - Operator's fund		**31,110**	26,393
Prior year		**-**	91,125
		624,313	928,798
Deferred taxation			
For the year			
- General		**95,829**	5,693
- Window Takaful Operations - Operator's fund		**(123)**	9
		95,706	5,702
		720,019	934,500

	(Effective tax rate) 2019	2018
	(Percentage)	
33.1 Tax Charge Reconciliation		
Tax at the applicable rate of 29% (2018: 29%)	**29.00**	29.00
Prior year	**-**	4.19
Effect of super tax	**-**	2.00
Tax effect of provision for impairment of investments	**3.37**	7.68
Others	**(3.94)**	0.13
	28.43	43.00

	2019	2018
	Rupees in thousand	
34 Earnings per share - basic and diluted		
There is no dilutive effect on the basic earnings per share which is based on:		
Profit after tax for the period attributable to ordinary shareholders	**1,812,975**	1,239,000
	Number of shares	
Weighted average number of ordinary shares outstanding	**350,000,000**	350,000,000
	(Rupees)	
Earnings per share - basic and diluted	**5.18**	3.54

35 Compensation of Directors and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive Officer, Directors and Executives of the Company are as follows:

	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Fees	**-**	-	**220**	220	**-**	-
Managerial remuneration	**24,614**	22,275	**-**	-	**866,422**	757,793
Leave encashment	**2,188**	1,454	**-**	-	**30,713**	27,707
Bonus	**4,000**	3,600	**-**	-	**81,119**	70,908
Charge of defined benefit plan	**246**	223	**-**	-	**35,000**	20,443
Contribution to defined contribution plan	**1,231**	1,114	**-**	-	**35,633**	31,414
House rent allowance	**-**	-	**-**	-	**122,499**	108,149
Utilities	**549**	209	**-**	-	**-**	-
Medical	**-**	-	**-**	-	**27,528**	24,497
Conveyance	**-**	-	**-**	-	**86,506**	73,936
Special allowance	**1,800**	1,800	**-**	-	**-**	-
Other allowance	**835**	417	**-**	-	**-**	-
	35,463	31,092	**220**	220	**1,285,420**	1,114,847
Number	**1**	1	**7**	7	**381**	360

35.1 In addition, the Chief Executive Officer (CEO) is also provided with Company maintained car (s), residence, certain household items, furniture and fixtures and equipment in accordance with the policy of the Company.

35.2 No remuneration was paid to non - executive directors of the Company except for meeting fees.

36 Transactions with related parties

The Company has related party relationships with its associates, subsidiary company, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment.

Investments and bank deposits with related parties have been disclosed in note 8, 9,11 & 15 to these unconsolidated financial statements. Other transactions with related parties are summarized as follows:

		Note	2019	2018
			Rupees in thousand	
i) Transactions	**Relationship with the Company**			
Premiums underwritten	Subsidiary company		**14,492**	12,546
Premiums received	Subsidiary company		**15,389**	13,060
Claims paid	Subsidiary company		**12,813**	9,036
Claims received	Subsidiary company		**7,000**	2,500
Premium paid	Subsidiary company		**5,153**	8,666
Rent paid / payable	Subsidiary company		**1,913**	2,000
Rent / service charges received	Subsidiary company		**1,360**	2,002
Premiums underwritten	Common directorship		**1,412,496**	1,247,337
Premiums received	Common directorship		**1,540,424**	1,338,158
Claims paid	Common directorship		**632,467**	793,510
Security deposit received	Common directorship		**3,050**	-
Commission Paid	Common directorship		**76,623**	47,296
Rent paid	Common directorship		**7,676**	4,254
Rent received	Common directorship		**28,887**	-
Dividends received	Common directorship		**653,313**	779,510
Dividends paid	Common directorship		**237,695**	141,722
Income on bank deposits	Common directorship		**43,682**	30,118
Investments made	Common directorship		**397,500**	443,093
Investments sold	Common directorship		**-**	-
Fixed assets sold	Common directorship		**2,347**	-
Purchases	Common directorship		**-**	20,800
Fee / service charges paid	Common directorship		**17,262**	2,855
Fee / service charges income	Common directorship		**3,982**	-
Payments made to provident fund	Employees' fund		**33,368**	31,052
ii) Period end balances				
Balances receivable	Subsidiary company		**35,962**	16,892
Balances payable	Subsidiary company		**2,048**	2,085
Balances receivable	Common directorship		**215,212**	349,502
Balances payable	Common directorship		**359,782**	761,866
Payable to provident fund	Employees' fund		**2,676**	2,449

36.1 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.

Name of Related Party	Basis of relationship	Aggregate % of Shareholding in the Company
Adamjee Life Assurance Company Limited	Subsidiary	74.280%
Hyundai Nishat Motor (Private) Limited	Common directorship	10.000%
MCB Bank Limited	Common directorship	4.036%
Nishat Mills Limited	Common directorship	0.001%
A. A. Joyland (Private) Limited	Common directorship	Nil
Cotton Web (Private) Limited	Common directorship	Nil
Dupak Developers Pakistan Private Limited	Common directorship	Nil
Dupak Properties (Private) Limited	Common directorship	Nil
Dupak Tameer Limited	Common directorship	Nil
Fortress Square Services (Private) Limited	Common directorship	Nil
Golf View Land (Private) Limited	Common directorship	Nil
Joyland Private Limited	Common directorship	Nil
Mahmood Textile Mills Limited	Common directorship	Nil
Masood Spinning Mills Limited	Common directorship	Nil
MCB Employees Foundation	Common directorship	Nil
MCB Financial Services Limited	Common directorship	Nil
MCB Islamic Bank Limited	Common directorship	Nil
Multan Solid Waste Management Co. Limited	Common directorship	Nil
Nishat (Aziz Avenue)Hotels & Properties Limited	Common directorship	Nil
Nishat (Chunian) Limited	Common directorship	Nil
Nishat (Gulberg)Hotels & Properties Limited	Common directorship	Nil
Nishat (Raiwind) Hotels & Properties Limited	Common directorship	Nil
Nishat Agriculture Farming (Private) Limited	Common directorship	Nil
Nishat Agrotech Farms (Private) Limited	Common directorship	Nil
Nishat Dairy (Private) Limited	Common directorship	Nil
Nishat Developers (Private) Limited	Common directorship	Nil
Nishat Hotels & Properties Limited	Common directorship	Nil
Nishat Sutas Dairy Limited	Common directorship	Nil
Punjab Industrial Estate Development Authority	Common directorship	Nil
Roomi Foods (Private) Limited	Common directorship	Nil
Roomi Poultry (Private) Limited	Common directorship	Nil
Siddiqsons Energy Limited	Common directorship	Nil
Siddiqsons Limited	Common directorship	Nil
Siddiqsons Tin Plate Limited	Common directorship	Nil
Soxlinks (Private) Limited	Common directorship	Nil
U&S Gulberg Filling Station	Common directorship	Nil

37 Segment Information

	2019												
	Fire and property damage		Marine, aviation and transport		Motor		Accident & health		Miscellaneous		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousands												
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	8,534,754	43,324	998,598	23,862	3,229,489	7,862,923	1,931,695	23,660	2,128,708	18,125	**16,823,244**	**7,971,894**	**24,795,138**
Federal excise duty / VAT	(1,065,951)	(2,961)	(109,294)	(352)	(384,924)	(374,829)	(25,442)	(1,127)	(174,476)	(904)	**(1,760,087)**	**(380,173)**	**(2,140,260)**
Federal insurance fee	(72,465)	(105)	(8,866)	(44)	(28,409)	-	(18,942)	-	(19,007)	(5)	**(147,689)**	**(154)**	**(147,843)**
	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,887,311	22,533	1,935,225	17,216	**14,915,468**	**7,591,567**	**22,507,035**
Gross written premium (inclusive of administrative surcharge)	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,887,311	22,533	1,935,225	17,216	**14,915,468**	**7,591,567**	**22,507,035**
Gross direct premium	7,343,446	40,067	857,397	23,404	2,714,540	7,483,357	1,887,211	22,533	1,890,507	17,108	**14,693,101**	**7,586,469**	**22,279,570**
Facultative inward premium	32,659	-	1,009	-	-	-	-	-	33,026	-	**66,694**	**-**	**66,694**
Administrative surcharge	20,233	191	22,032	62	101,616	4,737	100	-	11,692	108	**155,673**	**5,098**	**160,771**
	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,887,311	22,533	1,935,225	17,216	**14,915,468**	**7,591,567**	**22,507,035**
Insurance premium earned	6,942,436	42,735	890,285	32,086	2,860,723	8,506,268	1,773,880	36,446	1,759,096	16,137	**14,226,420**	**8,633,672**	**22,860,092**
Insurance premium ceded to reinsurers	(6,109,923)	(29,662)	(185,885)	-	(51,873)	(230,269)	-	(29,297)	(781,978)	(7,216)	**(7,129,659)**	**(296,444)**	**(7,426,103)**
Net insurance premium	832,513	13,073	704,400	32,086	2,808,850	8,275,999	1,773,880	7,149	977,118	8,921	**7,096,761**	**8,337,228**	**15,433,989**
Commission income	420,858	6,994	1,457	-	4,274	16,706	-	-	153,430	2,902	**580,019**	**26,602**	**606,621**
Net underwriting income	1,253,371	20,067	705,857	32,086	2,813,124	8,292,705	1,773,880	7,149	1,130,548	11,823	**7,676,780**	**8,363,830**	**16,040,610**
Insurance claims	(1,492,018)	(26,083)	(466,446)	(10,691)	(1,431,840)	(8,478,203)	(1,543,254)	(48,846)	(492,744)	(7,844)	**(5,426,302)**	**(8,571,667)**	**(13,997,969)**
Insurance claim recoveries from reinsurer	1,106,292	29,516	103,688	-	62,849	2,600,066	-	39,030	174,789	5,202	**1,447,618**	**2,673,814**	**4,121,432**
Net claims	(385,726)	3,433	(362,758)	(10,691)	(1,368,991)	(5,878,137)	(1,543,254)	(9,816)	(317,955)	(2,642)	**(3,978,684)**	**(5,897,853)**	**(9,876,537)**
Commission expense	(435,597)	(6,575)	(120,683)	(5,815)	(195,795)	(1,163,726)	(54,469)	(800)	(129,196)	(1,170)	**(935,740)**	**(1,178,086)**	**(2,113,826)**
Management expense	(362,535)	(1,317)	(213,527)	(11,420)	(1,094,632)	(1,230,054)	(138,262)	(13,046)	(331,095)	(737)	**(2,140,051)**	**(1,256,574)**	**(3,396,625)**
Net insurance claims and expenses	(1,183,858)	(4,459)	(696,968)	(27,926)	(2,659,418)	(8,271,917)	(1,735,985)	(23,662)	(778,246)	(4,549)	**(7,054,475)**	**(8,332,513)**	**(15,386,988)**
Underwriting result	69,513	15,608	8,889	4,160	153,706	20,788	37,895	(16,513)	352,302	7,274	**622,305**	**31,317**	**653,622**
Net investment income											**1,150,393**	**221,980**	**1,372,373**
Rental income											**28,203**	**1,837**	**30,040**
Other income											**61,744**	**6,807**	**68,551**
Change in fair value of investment property											**12,298**	**-**	**12,298**
Other expenses											**(46,407)**	**(12,585)**	**(58,992)**
Finance cost											**(3,660)**	**(4,692)**	**(8,352)**
Workers' welfare fund reversal											**355,761**	**-**	**355,761**
Profit from Window Takaful Operations - Operator's fund											**107,693**	**-**	**107,693**
Profit before taxation											**2,288,330**	**244,664**	**2,532,994**
Segment Assets	6,992,773	95,788	489,767	5,187	1,062,812	5,552,814	558,513	33,510	1,923,756	19,249	**11,027,621**	**5,706,548**	**16,734,169**
Unallocated assets											**26,257,955**	**6,546,138**	**32,804,093**
											37,285,576	**12,252,686**	**49,538,262**
Segment Liabilities	7,060,540	111,211	624,861	25,552	2,359,101	9,993,415	1,366,492	40,351	2,307,325	22,763	**13,718,319**	**10,193,292**	**23,911,611**
Unallocated Liabilities											**3,567,097**	**679,062**	**4,246,159**
											17,285,416	**10,872,354**	**28,157,770**

37.1 Segment Information

	2018												
	Fire and property damage		Marine, aviation and transport		Motor		Accident & health		Miscellaneous		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousands												
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	6,940,471	35,663	1,490,792	31,449	3,281,554	7,207,263	1,643,199	33,851	1,780,971	12,178	15,136,987	7,320,404	22,457,391
Federal excise duty / VAT	(886,210)	(1,728)	(167,431)	(922)	(391,797)	(341,873)	(810)	(1,612)	(143,381)	(643)	(1,589,629)	(346,778)	(1,936,407)
Federal insurance fee	(60,008)	(46)	(13,147)	(30)	(28,639)	-	(16,228)	-	(15,823)	(4)	(133,845)	(80)	(133,925)
	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059
Gross written premium (inclusive of administrative surcharge)	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059
Gross direct premium	5,957,126	33,783	1,288,633	30,388	2,765,253	6,862,060	1,625,567	32,239	1,548,787	11,467	13,185,366	6,969,937	20,155,303
Facultative inward premium	17,767	-	65	-	-	-	-	-	60,522	-	78,354	-	78,354
Administrative surcharge	19,360	106	21,516	109	95,865	3,330	594	-	12,458	64	149,793	3,609	153,402
	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059
Insurance premium earned	5,420,329	39,264	1,308,689	32,766	2,790,380	6,952,635	1,969,216	22,785	1,602,964	12,236	13,091,578	7,059,686	20,151,264
Insurance premium ceded to reinsurers	(4,520,946)	(23,687)	(533,850)	-	(39,388)	(524,903)	-	(12,881)	(679,416)	(10,412)	(5,773,600)	(571,883)	(6,345,483)
Net insurance premium	899,383	15,577	774,839	32,766	2,750,992	6,427,732	1,969,216	9,904	923,548	1,824	7,317,978	6,487,803	13,805,781
Commission income	374,752	6,101	1,569	-	98	9,355	-	-	131,220	2,341	507,639	17,797	525,436
Net underwriting income	1,274,135	21,678	776,408	32,766	2,751,090	6,437,087	1,969,216	9,904	1,054,768	4,165	7,825,617	6,505,600	14,331,217
Insurance claims	(1,358,371)	(57)	(328,110)	251	(1,405,573)	(6,343,374)	(1,691,131)	(19,670)	(652,101)	(862)	(5,435,286)	(6,363,712)	(11,798,998)
Insurance claim recoveries from reinsurer	1,069,180	(3,596)	(28,461)	-	55,226	2,018,912	-	17,608	283,319	1,058	1,379,264	2,033,982	3,413,246
Net claims	(289,191)	(3,653)	(356,571)	251	(1,350,347)	(4,324,462)	(1,691,131)	(2,062)	(368,782)	196	(4,056,022)	(4,329,730)	(8,385,752)
Commission expense	(436,623)	(4,857)	(127,750)	(4,869)	(229,755)	(792,842)	(60,412)	(800)	(145,878)	(1,226)	(1,000,418)	(804,594)	(1,805,012)
Management expense	(383,130)	(2,854)	(269,543)	(9,212)	(1,023,964)	(1,228,887)	(133,348)	(7,467)	(256,615)	(9,528)	(2,066,600)	(1,257,948)	(3,324,548)
Net insurance claims and expenses	(1,108,944)	(11,364)	(753,864)	(13,830)	(2,604,066)	(6,346,191)	(1,884,891)	(10,329)	(771,275)	(10,558)	(7,123,040)	(6,392,272)	(13,515,312)
Underwriting result	165,191	10,314	22,544	18,936	147,024	90,896	84,325	(425)	283,493	(6,393)	702,577	113,328	815,905
Net investment income											1,204,100	80,556	1,284,656
Rental income											6,906	-	6,906
Other income											66,004	34,439	100,443
Other expenses											(92,586)	(20,773)	(113,359)
Exchange gain / (loss)											-	-	-
Profit from Window Takaful Operations - Operator's fund											78,949	-	78,949
Profit before taxation											1,965,950	207,550	2,173,500
Segment Assets	7,344,826	70,585	652,691	12,632	1,210,746	5,236,105	596,098	43,884	1,906,664	12,403	11,711,025	5,375,609	17,086,634
Unallocated assets											24,802,217	5,956,243	30,758,460
											36,513,242	**11,331,852**	**47,845,094**
Segment Liabilities	7,287,011	89,828	695,068	21,940	2,592,722	9,514,021	1,341,301	46,326	2,301,540	12,191	14,217,642	9,684,306	23,901,948
Unallocated Liabilities											3,547,687	732,101	4,279,788
											17,765,329	**10,416,407**	**28,181,736**

38 Movement in investments

	Investment in subsidiary	Available for sale	Held to Maturity	Total
	Rupees in thousand			
As at January 01, 2018	694,895	20,582,109	2,472,450	23.749.454
Additions	-	2,344,810	7,546,863	9,891,673
Disposals (sales and redemptions)	-	(1,674,713)	(6,041,344)	(7,716,057)
Fair value net gains (excluding net realized gain)	-	(1,991,823)	-	(1,991,823)
Currency translation effect	-	-	724,945	724,945
Unwinding of discount on debt securities	-	-	31,228	31,228
Impairment losses	-	(575,296)	-	(575,296)
As at December 31, 2018	**694,895**	**18,685,087**	**4,734,142**	**24,114,124**
Additions	-	2,283,096	7,277,933	9,561,029
Disposals (sales and redemptions)	-	(2,829,689)	(6,194,544)	(9,024,233)
Fair value net gains (excluding net realized gain)	-	998,702	-	998,702
Discount on investment bonds	-	-	-	-
Currency translation effect	-	-	520,825	520,825
Unwinding of discount on debt securities	-	-	11,404	11,404
Impairment losses	-	(294,179)	-	(294,179)
As at December 31, 2019	**694,895**	**18,843,017**	**6,349,760**	**25,887,672**

39 Management of insurance and financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk).The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

The individual risk wise analysis is given below :

39.1 Insurance risk

The principal risk that the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policy holders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar reinsurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. Fire & property, Marine, aviation & transport, Motor, Accident & health and other Miscellaneous. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities . Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

39.1.1 Geographical concentration of insurance risk

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

39.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

	Gross sum insured		Reinsurance		Net	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Fire & property damage	**5,155,573,587**	4,503,179,839	**4,452,484,421**	4,011,048,508	**703,089,166**	492,131,331
Marine aviation & transport	**2,405,075,840**	2,759,928,878	**275,255,894**	1,099,158,184	**2,129,819,946**	1,660,770,694
Motor	**273,300,696**	249,655,070	**5,609,902**	6,407,111	**267,690,794**	243,247,959
Accident & health	**88,346,549**	85,326,684	**494,075**	665,285	**87,852,474**	84,661,399
Miscellaneous	**537,845,680**	433,454,724	**400,087,997**	192,962,334	**137,757,683**	240,492,390
	8,460,142,352	8,031,545,195	**5,133,932,289**	5,310,241,422	**3,326,210,063**	2,721,303,773

39.1.3 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policy holders arising from claims made under insurance contracts. Such estimates are necessary based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

39.1.4 Key assumptions for claim estimation

The process used to determine the assumptions for calculating the outstanding claim reserves is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed in separate, case to case basis, with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty that the estimation of the cost of settling claims already notified to the Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

39.1.5 Sensitivity analysis

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit / (loss) before tax, net of reinsurance.

	Pre tax profit/ (loss)	
	2019	2018
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire & property	**(38,229)**	(29,284)
Marine, aviation and transport	**(37,345)**	(35,632)
Motor	**(724,713)**	(567,481)
Accident & health	**(155,307)**	(169,319)
Miscellaneous	**(32,060)**	(36,859)
	(987,654)	(838,575)
10% decrease in claims liability		
Net:		
Fire & property	**38,229**	29,284
Marine, aviation and transport	**37,345**	35,632
Motor	**724,713**	567,481
Accident & health	**155,307**	169,319
Miscellaneous	**32,060**	36,859
	987,654	838,575

Statement of Age-wise breakup of unclaimed insurance benefits

Particulars	Total	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
	Rupees in thousand					
Claims not encashed	755,961	620,543	20,262	42,412	61,131	11,613

39.2 Financial Risk

Maturity profile of financial assets and liabilities:

	2019						
	Interest / markup bearing			Non - interest / markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Financial assets	Rupees in thousand						
Investment							
Equity securities- quoted	-	-	**-**	15,968,534	-	**15,968,534**	**15,968,534**
Equity securities- unquoted	-	-	**-**	2,874,483	-	**2,874,483**	**2,874,483**
Debt securities	370,491	95,377	**465,868**	-	-	**-**	**465,868**
Term deposits	5,833,782	50,110	**5,883,892**	-	-	**-**	**5,883,892**
Investment in subsidiary	-	-	**-**	-	694,895	**694,895**	**694,895**
Investments of Window Takaful Operations - Operator's Fund	-	-	**-**	32,958	-	**32,958**	**32,958**
Loans and other receivables	625	3,727	**4,352**	431,701	41,211	**472,912**	**477,264**
Insurance / reinsurance receivables - unsecured and considered good	-	-	**-**	5,810,164	-	**5,810,164**	**5,810,164**
Reinsurance recoveries against outstanding claims	-	-	**-**	5,931,928	-	**5,931,928**	**5,931,928**
Salvage recoveries accrued	-	-	**-**	301,420	-	**301,420**	**301,420**
Prepayments	-	-	**-**	3,633,739	-	**3,633,739**	**3,633,739**
Cash and bank	973,117	-	**973,117**	203,568	-	**203,568**	**1,176,685**
Other Assets of Window Takaful Operations - Operator's Fund	-	-	**-**	393,333	-	**393,333**	**393,333**
	7,178,015	149,214	**7,327,229**	35,581,828	736,106	**36,317,934**	**43,645,163**
Financial liabilities							
Outstanding claims	-	-	-	10,367,347	-	**10,367,347**	**10,367,347**
Insurance / reinsurance payables	-	-	-	2,701,164	-	**2,701,164**	**2,701,164**
Other creditors and accruals	-	-	-	2,177,455	-	**2,177,455**	**2,177,455**
Total liabilities of Window Takaful	-	-	-	195,872	-	**195,872**	**195,872**
	-	-	-	15,441,838	-	**15,441,838**	**15,441,838**
	7,178,015	**149,214**	**7,327,229**	**20,139,990**	**736,106**	**20,876,096**	**28,203,325**

	2018						
	Interest / markup bearing			Non - interest / markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	Rupees in thousand						
Financial assets							
Investment							
Equity securities- quoted	-	-	-	16,457,477	-	16,457,477	16,457,477
Equity securities- unquoted	-	-	-	2,227,610	-	2,227,610	2,227,610
Debt securities	378,029	-	378,029	-	-	-	378,029
Term deposits	4,314,422	41,691	4,356,113	-	-	-	4,356,113
Investment in subsidiary	-	-	-	-	694,895	694,895	694,895
Investments of Window Takaful Operations - Operator's Fund	-	-	-	29,930	-	29,930	29,930
Loans and other receivables	631	5,013	5,644	257,180	13,051	270,231	275,875
Insurance / reinsurance receivables - unsecured and considered good	-	-	-	7,033,977	-	7,033,977	7,033,977
Reinsurance recoveries against outstanding claims	-	-	-	6,046,905	-	6,046,905	6,046,905
Salvage recoveries accrued	-	-	-	350,340	-	350,340	350,340
Prepayments	-	-	-	3,048,306	-	3,048,306	3,048,306
Cash and bank	331,980	-	331,980	1,879,464	-	1,879,464	2,211,444
Other Assets of Window Takaful Operations - Operator's Fund	-	-	-	352,264	-	352,264	352,264
	5,025,062	46,704	5,071,766	37,683,453	707,946	38,391,399	43,463,165
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	10,461,975	-	10,461,975	10,461,975
Insurance / reinsurance payables	-	-	-	2,709,714	-	2,709,714	2,709,714
Other creditors and accruals	-	-	-	2,227,040	-	2,227,040	2,227,040
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	229,819	-	229,819	229,819
	-	-	-	15,628,548	-	15,628,548	15,628,548
	5,025,062	46,704	5,071,766	22,054,905	707,946	22,762,851	27,834,617

Interest / mark - up rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark - up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Company manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

	Effective interest rate		Carrying amounts	
	2019	2018	2019	2018
	%		Rupees in thousand	
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	**10.30% - 14.22%**	5.93% - 8.80%	**465,868**	378,029
Loans	**5%**	5%	**4,352**	5,644
Floating rate financial instruments				
Financial assets:				
Bank and term deposits	**6.50% - 12.50%**	3.75% - 9.50%	**6,857,009**	4,688,093
Investments - TFCs	**-**	-	**-**	-

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rate will not affect the fair value of any financial instruments. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on equity	
	Increase	Decrease	Increase	Decrease
	Rupees in thousand			
As at December 31, 2019 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	**-**	**-**	**-**	**-**
Cash flow sensitivity - variable rate financial assets	**68,570**	**(68,570)**	**48,685**	**(48,685)**
As at December 31, 2018 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	46,881	(46,881)	33,286	(33,286)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Assets and liabilities exposed to foreign exchange risk amounted to Rs. 12,262,552 thousands (2018: Rs. 11,331,852 thousands) and Rs. 10,882,221 thousands (2018: Rs. 10,416,407 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:	2019	2018
	Rupees in thousand	
Rupees per US Dollar		
Average rate	**149.9303**	121.8473
Reporting date rate	**154.8476**	138.8619
Rupees per AED		
Average rate	**40.8181**	33.1730
Reporting date rate	**42.1566**	37.8046

Price risk

Price risk represents the risk that the fair value of financial instruments will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is exposed to equity price risk that arises as a result of changes in the levels of PSE - Index and the value of individual shares. The equity price risk arises from the Company's investment in equity securities for which the prices in the future are uncertain. The Company policy is to manage price risk through selection of blue chip securities.

The Company's strategy is to hold its strategic equity investments on a long term basis. Thus, Company is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity volatility. The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Company has investments in quoted equity securities amounting to Rs. 15,968,534 thousands (2018: Rs. 16,457,477 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

As the entire equity investment portfolio except for investment in subsidiary has been classified in the 'available-for-sale' category, a 10% increase / (decrease) in redemption value and share prices at year end would have increased / (decreased) impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	Impact on equity
	Rupees in thousand	
2019		
Effect of increase in share price	**783,162**	**556,045**
Effect of decrease in share price	**(405,302)**	**(287,764)**
2018		
Effect of increase in share price	667,792	474,132
Effect of decrease in share price	(510,619)	(362,540)

39.3 Credit risk and concentration of credit risk

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

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company's credit risk exposure is not significantly different from that reflected in these unconsolidated financial statements. The management monitors and limits the Company's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2019

	2019	2018
	Rupees in thousand	
The carrying amount of financial assets represents the maximum credit exposure, as specified below:		
Investments	**25,887,672**	24,114,124
Loans and other receivable	**477,264**	275,875
Due from insurance contract holders	**4,862,257**	6,190,747
Due from other insurers / reinsurers	**947,907**	843,230
Reinsurance recoveries against outstanding claims	**5,931,928**	6,046,905
Salvage recoveries accrued	**301,420**	350,340
Bank deposits	**1,166,272**	2,205,141
	39,574,720	40,026,362

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. The movement in the provision for doubtful debt account is shown in note 13.2 and 13.3 to these unconsolidated financial statements.

	2019	2018
	Rupees in thousand	
Age analysis of due from insurance contact holders (net of provision) is as follows:		
Upto one year	**4,264,249**	5,477,499
Above one year	**1,466,594**	1,342,916
	5,730,843	6,820,415
Provision for doubtful balances	**(868,586)**	(629,668)
	4,862,257	6,190,747

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

	Rating		Rating Agency	2019	2018
	Short Term	Long Term		Rupees in thousand	
Abu Dhabi Commercial Bank	A1	A	S&P	**(161,781)**	193,688
Allied Bank Limited	A1+	AAA	PACRA	**3,805**	1,841
Askari Bank Limited	A1+	AA+	PACRA	**46**	46
Bank Alfalah Limited	A1+	AA+	PACRA	**403,391**	646,383
Bank Al Habib Limited	A1+	AA+	PACRA	**30,862**	19,841
Habib Bank Limited	A1+	AAA	JCR-VIS	**148,360**	52,267
Habib Metropolitan Bank	A1+	AA+	PACRA	**(149)**	6,826
FINCA Micro Finance Bank Limited	A1	A	PACRA	**11,963**	25,277
Khushhali Microfinance Bank Limited	A1	A+	JCR-VIS	**3,679**	7,049
MCB Bank Limited	A1+	AAA	PACRA	**433,504**	401,990
Mobilink Micro Finance Bank	A1	A	PACRA	**9,631**	21,502
National Bank of Pakistan	A1+	AAA	PACRA	**2,141**	304
The Punjab Provincial Cooperative Bank Limited	Not available	Not available	Not available	**3,425**	201,260
Samba Bank Limited	A1	AA	JCR-VIS	**20,950**	30,517
Soneri Bank Limited	A1+	AA-	PACRA	**1**	1
United Bank Limited	A1+	AAA	JCR-VIS	**129,427**	409,106
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	**127,017**	187,243
				1,166,272	2,205,141

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2019	2018
	Rupees in thousand			
A or Above (including PRCL)	**1,142,971**	**3,745,949**	**4,888,920**	5,037,221
BBB	**752**	**1,838,698**	**1,839,450**	1,193,004
Others	**5,486**	**347,281**	**352,767**	861,212
Total	**1,149,209**	**5,931,928**	**7,081,137**	7,091,437

39.4 Capital risk management

The Company's goals and objectives when managing capital are :

- To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers as at December 31, 2019 is Rs. 500,000 thousands. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain strong ratings and to protect the Company against unexpected events / losses; and
- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

	2019
	Rupees in thousand
40 Statement of Solvency	
Assets	
Property and equipment	4,232,130
Intangible assets	68,927
Investment properties	401,896
Investment in subsidiary	694,895
Investments	
Equity securities	18,843,017
Debt securities	465,868
Term deposits	5,883,892
Loans and other receivables	477,264
Insurance / reinsurance receivables	5,810,164
Reinsurance recoveries against outstanding claims	5,931,928
Salvage recoveries accrued	301,420
Deferred commission expense / acquisition cost	1,190,146
Prepayments	3,633,739
Cash and bank	1,176,685
	49,111,971
Total assets of Window Takaful Operations - Operator's Fund	**426,291**
Total assets	**49,538,262**

	2019
	Rupees in thousand
In-admissible assets as per following clauses of Section 32(2) of the Insurance Ordinance, 2000	
Loans to employees	45,131
Investment in subsidiary	694,895
Premium due from insurance contract holder	2,205,127
Due from other insurers / reinsurers	842,861
Intangible assets	189,852
Lien on term deposits	5,370,996
Other prepayments and sundry receivables	221,160
Bank balances subject to encumbrances	618,540
Equity investment	9,740,471
Movable properties	1,043,408
Inadmissible assets of Window Takaful Operations - Operator's Fund	38,551
Total of in-admissible assets	**(21,010,992)**
Total admissible assets	**28,527,270**
Liabilities	
Underwriting provisions:	
Outstanding claims including IBNR	5,519,338
Unearned premium reserve	10,242,348
Unearned reinsurance commission	237,751
Retirement benefits obligations	225,177
Deferred taxation	1,329,898
Premium received in advance	363,002
Insurance / reinsurance payables	2,701,164
Other creditors and accruals	1,719,334
Deposits and other liabilities	723,618
Taxation - provision less payment	52,259
	23,113,889
Total liabilities of Window Takaful Operations - Operator's Fund	**195,872**
Total liabilities	**23,309,761**
Total net admissible assets	**5,217,509**
Minimum solvency requirement (higher of following)	
- Method A - U/s 36(3)(a)	150,000
- Method B - U/s 36(3)(b)	3,086,798
- Method C - U/s 36(3)(c)	2,875,269
	3,086,798
Excess in Net Admissible Assets over minimum requirement	**2,130,711**

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 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.

		31 December 2019									
	Note	Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees in thousand									
Financial assets - measured at fair value											
Investment											
Equity securities- quoted	9	15,968,534	-	-	-	-	**15,968,534**	15,968,534	-	-	**15,968,534**
Equity securities- unquoted	9	2,874,483	-	-	-	-	**2,874,483**	-	-	2,874,483	**2,874,483**
Debt securities	10	-	465,868	-	-	-	**465,868**	-	465,868	-	**465,868**
Investment Properties	7	-	-	401,896	-	-	**401,896**	-	-	401,896	**401,896**
Investments of Window Takaful Operations - Operator's Fund	16	32,958	-	-	-	-	**32,958**	32,958	-	-	**32,958**
Financial assets - not measured at fair value											
Loans and other receivables *	12	-	-	477,264	-	-	**477,264**	-	-	-	-
Investment - Term deposits*	11	-	5,883,892	-	-	-	**5,883,892**	-	-	-	-
Investment in subsidiary*	8	-	-	694,895	-	-	**694,895**	-	-	-	-
Insurance / reinsurance receivables											
- unsecured and considered good *	13	-	-	5,810,164			**5,810,164**	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	5,931,928	-	-	**5,931,928**	-	-	-	-
Salvage recoveries accrued *		-	-	301,420	-	-	**301,420**	-	-	-	-
Prepayments *	14	-	-	3,633,739	-	-	**3,633,739**	-	-	-	-
Cash and bank *	15	-	-	-	1,176,685	-	**1,176,685**	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	16	-	-	301,438	91,895	-	**393,333**	-	-	-	-
		18,875,975	6,349,760	17,552,744	1,268,580	-	**44,047,059**	16,001,492	465,868	3,276,379	**19,743,739**
Financial liabilities - not measured at fair value											
Underwriting provisions:											
Outstanding claims (including IBNR)*	26	-	-	-	-	10,367,347	**10,367,347**	-	-	-	-
Insurance / reinsurance payables *	22	-	-	-	-	2,701,164	**2,701,164**	-	-	-	-
Other creditors and accruals*		-	-	-	-	2,177,455	**2,177,455**	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	16	-	-	-	-	195,872	**195,872**	-	-	-	-
		-	-	-	-	15,441,838	**15,441,838**	-	-	-	-

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

41.1

	Note	Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		31 December 2018									
		Rupees in thousand									
Financial assets - measured at fair value											
Investment											
Equity securities- quoted	9	16,457,477		-	-	-	16,457,477	16,457,477	-	-	16,457,477
Equity securities- unquoted	9	2,227,610	-	-	-	-	2,227,610	-	-	2,227,610	2,227,610
Debt securities	10	-	378,029	-	-	-	378,029	-	378,029	-	378,029
Investments of Window Takaful Operations - Operator's Fund	16	29,930	-	-	-	-	29,930	29,930	-	-	29,930
Financial assets - not measured at fair value											
Loans and other receivables *	12	-	-	275,875	-	-	275,875	-	-	-	-
Investment - Term deposits*	11	-	4,356,113	-	-	-	4,356,113	-	-	-	-
Investment in subsidiary*	8	-	-	694,895	-	-	694,895	-	-	-	-
Insurance / reinsurance receivables											
- unsecured and considered good *	13	-	-	7,033,977			7,033,977	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	6,046,905	-	-	6,046,905	-	-	-	-
Salvage recoveries accrued *		-	-	350,340	-	-	350,340	-	-	-	-
Prepayments *	14	-	-	3,048,306	-	-	3,048,306	-	-	-	-
Cash and bank *	15	-	-	-	2,211,444	-	2,211,444	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	16	-	-	250,569	101,695	-	352,264	-	-	-	-
		18,715,017	4,734,142	17,700,867	2,313,139	-	43,463,165	16,487,407	378,029	2,227,610	19,093,046
Financial liabilities - not measured at fair value											
Underwriting provisions:											
Outstanding claims (including IBNR)*	26	-	-	-	-	10,461,975	10,461,975	-	-	-	-
Insurance / reinsurance payables *	22	-	-	-	-	2,709,714	2,709,714	-	-	-	-
Other creditors and accruals*		-	-	-	-	2,227,040	2,227,040	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	16	-	-	-	-	229,819	229,819	-	-	-	-
		-	-	-	-	15,628,548	15,628,548	-	-	-	-

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2019

42 Provident fund related disclosure

The following information is based on unaudited financial statements for the year ended December 31, 2019 and audited financial statements for the year ended December 31, 2018.

	2019	2018
	Rupees in thousand	
Size of fund - Total assets	**1,141,359**	1,055,326
Cost of investments	**1,036,657**	967,248
Fair value of investments	**1,141,359**	1,055,326
Investments made (Percentage)	**100.00**	100.00

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

	2019	2018	2019	2018
	Percentage		Rupees in thousand	
Investment in Money Market Collective Investment Scheme	**8.99**	9.66	**93,194**	93,415
Investment in Equity Collective Investment Schemes	**7.01**	6.47	**72,678**	62,555
Investment in Debt Collective Investment Schemes	**4.98**	2.94	**51,619**	28,464
Investment in Listed Debt Securities	**4.78**	0.47	**49,581**	4,583
Investment in Listed Equity Securities	**7.34**	10.60	**76,132**	102,517
Investment in Government Securities	**61.05**	65.85	**632,906**	636,944
Bank balances	**3.03**	1.53	**31,321**	14,769
Others	**2.82**	2.48	**29,226**	24,001
	100.00	100.00	**1,036,657**	967,248

The above investments / placement of funds in special bank account has been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

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

43.1 The Board of Directors of the Company in their meeting held on 13 March 2020 proposed a final cash dividend for the year ended December 31, 2019 @ 15% i.e. Rupees1.5/- per share (2018: 15% i.e. Rupees 1.5/- per share). This is in addition to the interim cash dividend @ 10% i.e. Rupee 1/- per share (2018: 10% i.e. Rupee 1/- per share) resulting in a total cash dividend for the year ended December 31, 2019 of Rupees 2.5/- per share (2018: Rupees 2.5/- per share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2019 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending December 31, 2020.

43.2 The shareholders of the Company in their Extra Ordinary General Meeting (EOGM) held on February 25, 2019 had approved acquisition of 24,059,855 ordinary shares at par value of Rs. 10 each of Adamjee Life Assurance company Limited (ALACL) from IVM intersurer B.V. at share price of Rs. 16.68 (approx.) per share, for an aggregate price of Rs. 401,200 thousands.

The Company after obtaining the approval for payment of State Bank of Pakistan credited the sum to IVM's bank account on February 25, 2020. After the acquisition of aforementioned shares (representing 25.72%) ALACL has become a wholly owned subsidiary of the Company.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2019

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

44 Number of employees

The total average number of employees during the year and as at December 31, 2019 and 2018, are as follows:

	2019	2018
	Numbers	
At December 31	**944**	968
Average during the year	**956**	962

45 Corresponding figures

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

46 Date of authorization for issue

These unconsolidated financial statements were authorized for issue on 13 March 2020 by the Board of Directors of the Company.

47 General

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

Umer Mansha	Ibrahim Shamsi	Shaikh Muhammad Jawed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

CONSOLIDATED

Financial Statements for the year ended 31 December 2019

adamjee insurance

Directors' Report to the Members on Consolidated Financial Statements

For the Year Ended 31 December 2019

On behalf of the Board, We are pleased to present the consolidated financial statements of Adamjee Insurance Company Limited and its subsidiary, Adamjee Life Assurance Company Limited, for the year ended 31 December 2019.

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

	31 December 2019	31 December 2018
	Rupees in thousand	
Profit before tax	**2,814,175**	2,246,063
Taxation	**(784,094)**	(950,975)
Profit after tax	**2,030,081**	1,295,088
Less: Profit attributable to non-controlling interest	**(58,036)**	(14,426)
Profit attributable to ordinary shareholders	**1,972,045**	1,280,662
Unappropriated profit brought forward	**12,521,272**	11,955,927
Profit available for appropriation	**14,493,317**	13,236,589
Final dividend for the year ended 31 December 2018 @ 15% (Rupees 1.5/- per share) [31 December 2017 @ 10% (Rupee 1/- per share)]	**(525,000)**	(350,000)
Interim dividend for the half year ended 30 June 2019 @ 10% (Rupee 1/- per share) [30 June 2018 @ 10% (Rupee 1/- per share)]	**(350,000)**	(350,000)
Other Comprehensive Loss – remeasurement of defined benefit obligation	**(7,783)**	(15,317)
Profit after appropriation	**13,610,534**	12,521,272

	31 December 2019	31 December 2018
	Rupees	
Earnings per share - Basic and diluted	**5.63**	3.66

For and on behalf of the Board

Lahore: 13 March 2020

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Independent Auditors' Report

To the Members of Adamjee Insurance Company Limited

Opinion

We have audited the annexed consolidated financial statements of Adamjee Insurance Company Limited and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matter(s):

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
1.	**Valuation and Impairment of Investments** Refer note 3.15, 8, 9 and 10 to the consolidated financial statements relating to classification, Valuation and Impairment of Investments. The Group's investment portfolio comprise of government debt securities, equity securities (quoted and unquoted), and term deposits receipts. Investments classified as available for sale represent 35% of the total investments while investments classified as held to maturity represent 28% of total investments.	Our audit procedures in respect of this matter included the following: • Tested, on a sample basis, specific investments buying and selling transactions and classification recorded with underlying documentation; • Assessed the methodology used and evaluated the valuation of equity securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of quoted equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange Limited and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; • Evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriation of methodology and assumptions used by the professional valuer engaged by the Group to estimate the fair value of unquoted investment;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
	We identified the valuation and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in, valuation (for unquoted investment only) and impairment.	• Involved our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by the professional valuer in its discounted cash flow analysis used to derive the fair value of investment in unquoted equity; and • Assessed the appropriateness of impairment in the value of available for sale securities held by the Group in accordance with accounting and reporting standards as applicable in Pakistan.
2.	**Revenue Recognition Risk** Refer note 3.3, 3.4 and 26 to the consolidated financial statements relating to revenue recognition. The Group receives its revenue primarily from two main sources, namely; premiums and investments income. Premiums from insurance policies comprise of 85% of the total revenue. We identified revenue recognition from premium income as a key audit matter because it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures in respect of this matter included the following: • Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums; • Assessed the appropriateness of the Group's accounting policy for recording of premiums and that it is in line with the requirements of applicable law, accounting and reporting standards; • Tested the premium recorded on sample basis to test the accuracy from the underlying policies issued to insurance contract holders; • n Tested the policies on sample basis where premium was recorded close to year end, and evaluated that these were recorded in the appropriate accounting period; and • Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.
3.	**Valuation of Claim Liabilities** Refer note 3.3.7 and 27 to the consolidated financial statements for accounting policies and details in respect of claim liabilities. The Group's claim liabilities represents 16% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Group maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions. We have identified the valuation of claim liabilities as key audit matter because estimation of claims liabilities involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Assessed the appropriateness of the Group's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on a sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Group's policy and insurance regulations; • Assessed the sufficiency of reserving of claim liabilities, by testing calculations on a sample basis with the relevant data; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed on sample a basis that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Tested specific claims transactions on sample basis recorded close to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; • Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Group for determination of IBNR;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
		• Assessed the data provided by the Group to its actuary for completeness and accuracy and ensured that the same has been provided to us; and • Considered the adequacy of Group's disclosures about the estimates used and the sensitivity to key assumptions
4.	**Valuation of Insurance Liabilities** Refer notes 3.4 and 19 to the consolidated financial statements relating to insurance liabilities. The Group's insurance liabilities relating to life insurance business represent 55% of its total liabilities. Approximately 96% of these liabilities are for unit linked business. Valuation of insurance / takaful contract liabilities involve significant judgment, actuarial assumptions such as; mortality, persistency, morbidity, investment returns, expense levels and inflation, and the use of methods adopted for actuarial valuations	Our audit procedures in respect of this matter included the following: • Obtained an understanding, assessed the design and tested the operating effectiveness of controls established for non-participating policies for their occurrence and accuracy; • Assessed the adequacy of reserving of various components of Insurance liabilities, other than bid value reserves including reserves of non-linked businesses, by testing calculations on the relevant data obtained from system generated reports; • Obtained an understanding, evaluated the design and tested the controls related to reinsurance arrangements; • Obtained understanding of the work performed by the appointed actuary; • Used an external actuarial specialist to assist us in challenging the general principles, actuarial assumptions and methods adopted for actuarial valuations by the appointed actuary of the Subsidiary Company; and • Assessed the appropriateness of assumptions used for incurred but not reported claims and technical reserves by engaging auditor's expert and where fully credible experience is not available with the Group's historical data of claims.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2018, were audited by another auditor who expressed a qualified opinion on those statements on April 03, 2019.

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

Deloitte Yousuf Adil

Chartered Accountants

Lahore: 13 March 2020

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019	31 December 2018
		Rupees in thousand	
ASSETS			
Property and equipment	5	4,626,364	3,673,804
Intangible assets	6	131,236	160,602
Investment properties	7	1,204,026	855,394
Investments			
Equity securities	8	32,184,555	32,359,408
Debt securities	9	8,617,474	4,416,804
Term deposits	10	15,468,892	15,426,113
Loan secured against life insurance policies		32,785	34,556
Loans and other receivables	11	716,839	552,070
Insurance / reinsurance receivables	12	5,865,967	7,162,077
Reinsurance recoveries against outstanding claims		5,931,928	6,046,905
Salvage recoveries accrued		301,420	350,340
Deferred commission expense / acquisition cost	28	1,190,146	788,431
Taxation - payment less provisions		198,833	172,124
Prepayments	13	3,671,070	3,116,455
Cash and bank	14	8,437,244	5,523,097
		88,578,779	80,638,180
Total assets of Window Takaful Operations - Operator's Fund (Parent Company)	15	426,291	382,194
Total Assets		89,005,070	81,020,374
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	16	3,500,000	3,500,000
Reserves	17	4,552,846	3,781,282
Unappropriated profit		13,610,534	12,521,272
Equity attributable to equity holders of the parent		21,663,380	19,802,554
Non-controlling interest	18	341,508	288,797
Total Equity		22,004,888	20,091,351
LIABILITIES			
Insurance liabilities	19	36,708,430	31,730,169
Underwriting provisions:			
Outstanding claims including IBNR	27	10,367,347	10,461,975
Unearned premium reserves	26	10,242,348	10,100,901
Premium deficiency reserve		-	-
Unearned reinsurance commission	28	237,751	221,371
Retirement benefits obligations	20	262,203	184,560
Deferred taxation	21	1,425,938	985,157
Premium received in advance		623,336	801,168
Insurance / reinsurance payables	22	2,826,429	2,709,714
Other creditors and accruals	23	3,212,270	2,812,103
Deposits and other liabilities	24	898,258	692,086
		30,095,880	28,969,035
Total liabilities of Window Takaful Operations - Operator's Fund (Parent Company)	15	195,872	229,819
Total Equity and Liabilities		89,005,070	81,020,374
Contingencies and commitments	25		

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Consolidated Profit and Loss Account

For the year ended 31 December 2019

	Note	31 December 2019	31 December 2018
		Rupees in thousand	
Net insurance premium	26	**27,800,508**	26,517,035
Net insurance claims	27	**(16,600,419)**	(14,701,338)
Net commission and other acquisition costs	28	**(4,207,683)**	(3,419,564)
Insurance claims and acquisition expenses		**(20,808,102)**	(18,120,902)
Management expenses	29	**(4,422,568)**	(4,134,615)
Net change in insurance liabilities (other than outstanding claims)		**(5,125,588)**	(3,703,340)
Underwriting results		**(2,555,750)**	558,178
Investment income	30	**4,031,643**	3,215,720
Net fair value gain / (loss) on financial assets at fair value through profit or loss	31	**435,397**	(1,850,952)
Net unrealized gains on investment property	7	**33,298**	125,900
Rental income	32	**28,604**	8,906
Other income	33	**460,351**	226,606
Other expenses	34	**(67,448)**	(76,435)
Workers' welfare fund reversal / (charge)	23	**355,761**	(40,809)
Results of operating activities		**2,721,856**	2,167,114
Finance cost under IFRS 16		**(15,374)**	-
Profit from Window Takaful Operations - Operator's Fund (Parent Company)	15	**107,693**	78,949
Profit before taxation		**2,814,175**	2,246,063
Income tax expense	35	**(784,094)**	(950,975)
Profit after taxation		**2,030,081**	1,295,088
Profit attributable to:			
Equity holders of the parent		**1,972,045**	1,280,662
Non-controlling interest		**58,036**	14,426
		2,030,081	1,295,088
		Rupees	
Earnings per share - Basic and diluted	36	**5.63**	3.66

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	31 December 2019	31 December 2018
	Rupees in thousand	
Profit after taxation	**2,030,081**	1,295,088
Items that will not be subsequently reclassified to profit and loss account		
Re-measurement of retirement benefit obligations	**(13,202)**	(12,378)
Items that may be subsequently reclassified to profit and loss account		
Unrealized gain / (loss) on 'available-for-sale' investments- net of tax	**495,035**	(1,742,294)
Reclassification adjustment relating to 'available for sale' investments disposed of in the year - net of tax	**214,411**	370,536
Unrealized gain / (loss) on 'available for sale' investment from Window Takaful Operations - net of tax	**1,338**	(72)
Net effect of translation of foreign branches	**60,874**	146,962
Other comprehensive income / (loss) for the year	**758,456**	(1,237,246)
Total comprehensive income for the year	**2,788,537**	57,842
Total comprehensive income attributable to:		
Equity holders of the parent	**2,735,826**	42,680
Non-controlling interest	**52,711**	15,162
	2,788,537	57,842

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	31 December 2019	31 December 2018
	Rupees in thousand	
Cash flows from operating activities		
Underwriting activities		
Insurance premiums received	**36,750,870**	33,924,326
Reinsurance premiums paid	**(8,188,954)**	(5,901,528)
Claims paid	**(21,896,201)**	(20,229,346)
Surrenders paid	**(68,640)**	(58,392)
Reinsurance and other recoveries received	**4,599,404**	5,810,485
Commissions paid	**(4,832,917)**	(3,888,022)
Commissions received	**622,744**	504,854
Other underwriting payments	**(3,515,219)**	(3,226,348)
Net cash inflow from underwriting activities	**3,471,087**	6,936,029
Other operating activities		
Income tax paid	**(658,499)**	(932,613)
Finance cost paid	**(8,352)**	-
Other operating payments	**(58,992)**	(72,552)
Loans advanced	**(69,345)**	(59,547)
Loans repayments received	**65,832**	57,827
Other operating receipts	**30,300**	22,783
Net cash outflow from other operating activities	**(699,056)**	(984,102)
Total cash inflow from operating activities	**2,772,031**	5,951,927
Cash flows from investing activities		
Profit / return received from bank deposits	**1,612,245**	1,308,134
Income received from Pakistan Investment Bonds	**383**	-
Income received from Term Finance Certificates	**-**	4,052
Income from Treasury Bills	**36,740**	33,690
Dividends received	**1,966,075**	1,860,190
Rentals received	**29,430**	11,050
Payments made for investments	**(142,382,975)**	(92,208,188)
Payments made for investment properties	**-**	(91,513)
Loan to policy holder	**1,710**	(546)
Proceeds from disposal of investments	**139,573,363**	88,760,289
Fixed capital expenditure - operating assets	**(1,224,548)**	(1,112,100)
Fixed capital expenditure - intangible assets	**(8,933)**	(59,285)
Proceeds from disposal of operating assets	**47,807**	30,012
Total cash outflow from investing activities	**(348,703)**	(1,464,215)
Cash flows from financing activities		
Payments against lease liability - principal amount	**(73,660)**	-
Dividends paid	**(870,521)**	(684,864)
Total cash outflow from financing activities	**(944,181)**	(684,864)
Net cash inflow from all activities	**1,479,147**	3,802,848
Cash and cash equivalents at beginning of year	**16,543,097**	12,740,249
Cash and cash equivalents at end of the year	**18,022,244**	16,543,097

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	31 December 2019	31 December 2018
	Rupees in thousand	
Reconciliation to profit and loss account		
Operating cash flows	**2,772,031**	5,951,929
Depreciation and amortization expense	**(366,571)**	(214,775)
Financial charge expense	**(19,840)**	-
Provision for retirement benefit obligations	**(70,705)**	(34,495)
VAT receivable written off	**-**	(184,290)
Provision for doubtful balances against insurance / reinsurance receivables	**(187,764)**	(241,631)
Other income - bank & term deposits	**215,103**	151,005
(Loss) / gain on disposal of operating assets	**(19,836)**	11,398
Rental income	**28,604**	8,906
Revaluation of investment	**366**	-
Fair value adjustment to investment property	**12,298**	-
Increase in assets other than cash	**(227,678)**	(83,233)
Decrease in liabilities	**(4,681,724)**	(4,403,429)
Gain on disposal of investments	**161,320**	797,710
Increase in unearned premium	**(141,447)**	(1,188,403)
Increase in loans	**3,513**	1,720
Income tax paid	**658,499**	811,595
Increase in tax liabilities	**(720,019)**	(934,500)
Provision for impairment of 'available-for-sale' investments	**(294,179)**	(575,296)
Dividend and other income	**4,755,511**	1,310,700
Capital contribution from Shareholders' Fund	**(3,240)**	-
Income from Treasury Bills	**46,263**	27,446
Income from Pakistan Investment Bonds	**1,883**	-
Income from Term Finance Certificates	**-**	3,782
Profit for the year from Window Takaful Operations - Operator's fund (Parent Company)	**107,693**	78,949
Profit after taxation	**2,030,081**	1,295,088
Cash and bank for the purposes of the cash flow statement consists of:		
Cash and other equivalents	**25,812**	16,406
Current and other accounts	**8,411,432**	5,506,691
Term deposit maturing within three months	**9,585,000**	11,020,000
	18,022,244	16,543,097

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital	Capital reserves				Revenue reserves		Equity attributable to equity holders of the parent	Non-controlling interest	Total Equity
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair Value Reserve	General reserve	Unappropriated profits			
	Rupees in thousands									
Balance as at January 01, 2018	3,500,000	22,859	3,764	467,100	3,573,724	936,500	11,955,927	**20,459,874**	273,635	**20,733,509**
Profit after taxation	-	-	-	-	-	-	1,280,662	**1,280,662**	14,426	**1,295,088**
Other comprehensive income	-	-	-	146,962	(1,369,627)	-	(15,317)	**(1,237,982)**	736	**(1,237,246)**
Total comprehensive income for the year ended December 31, 2018	-	-	-	146,962	(1,369,627)	-	1,265,345	**42,680**	15,162	**57,842**
Transactions with owners, recognized directly in equity										
Final cash dividend at Rs. 1.0 per share - December 31, 2017	-	-	-	-	-	-	(350,000)	**(350,000)**	-	**(350,000)**
Interim cash dividend at Rs. 1.0 per share - June 30, 2018	-	-	-	-	-	-	(350,000)	**(350,000)**	-	**(350,000)**
	-	-	-	-	-	-	(700,000)	**(700,000)**	-	**(700,000)**
Balance as at December 31, 2018	3,500,000	22,859	3,764	614,062	2,204,097	936,500	12,521,272	**19,802,554**	288,797	**20,091,351**
Profit after taxation	-	-	-	-	-	-	1,972,045	**1,972,045**	58,036	**2,030,081**
Other comprehensive income	-	-	-	60,874	710,690	-	(7,783)	**763,781**	(5,325)	**758,456**
Total comprehensive income for the year ended December 31, 2019	-	-	-	60,874	710,690	-	1,964,262	**2,735,826**	52,711	**2,788,537**
	3,500,000	22,859	3,764	674,936	2,914,787	936,500	14,485,534	**22,538,380**	341,508	**22,879,888**
Transactions with owners, recognized directly in equity										
Final cash dividend at Rs. 1.5 per share - December 31, 2018	-	-	-	-	-	-	(525,000)	**(525,000)**	-	**(525,000)**
Interim cash dividend at Rs. 1.0 per share - June 30, 2019	-	-	-	-	-	-	(350,000)	**(350,000)**	-	**(350,000)**
	-	-	-	-	-	-	(875,000)	**(875,000)**	-	**(875,000)**
Balance as at December 31, 2019	**3,500,000**	**22,859**	**3,764**	**674,936**	**2,914,787**	**936,500**	**13,610,534**	**21,663,380**	**341,508**	**22,004,888**

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Umer Mansha	**Ibrahim Shamsi**	**Shaikh Muhammad Jawed**	**Muhammad Asim Nagi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1 The Group and its operations:

These consolidated financials statements comprises of Adamjee Insurance Company Limited ('the Parent Company') and Adamjee Life Assurance Company Limited ('the Subsidiary Company'), together referred to as 'the Group'. Equity of the Subsidiary Company held by the Parent Company is 74.28% (2018: 74.28%). The operations of the Group are described below:

Adamjee Insurance Company Limited

The Parent Company is a public limited company incorporated in Pakistan on September 28, 1960 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Parent Company is listed on Pakistan Stock Exchange Limited and is principally engaged in the general insurance business. The registered office of the Parent Company is situated at Adamjee House Building, 80/A Block E-1, Main Boulevard Gulberg-III, Lahore. The Parent Company operates 91 (2018: 90) branches within Pakistan.

The Parent Company also operates 3 (2018: 3) branches in the United Arab Emirates (UAE) and 1 (2018: 1) branch in the Export Processing Zone, Karachi (EPZ).

The Parent Company was granted authorization on December 23, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan ('SECP') and commenced Window Takaful Operations on January 01, 2016.

Adamjee Life Assurance Company Limited

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

The Subsidiary Company is an associate of IVM Intersurer B.V having a holding of 25.72% (2018: 25.72%) in the share capital of the Subsidiary Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Company Limited ('HLA'), an associate company of IVM Intersurer B.V. to act on its behalf in respect of matters relating to the Subsidiary Company. HLA is South Africa's largest private sector insurance company.

IVM Intersurer B.V has sold its holdings to the Parent Company subsequent to the year end December 2019. Refer Note 43.2.

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

- Conventional Business
- Accident and Health Business
- Individual Life Non-unitized Investment Linked Business
- Individual Life Unit Linked Business
- Individual Family Takaful Business

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

2 Basis of preparation and statement of compliance

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

- International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as are notified under the Companies Act, 2017; 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 and the Takaful Rules, 2012.

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 and the Takaful Rules, 2012 shall prevail.

As per the requirements of the SECP Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss account of the Operator's Fund of the General Takaful Operations of the Parent Company have been presented as a single line item in the consolidated statement of financial position and profit and loss account respectively.

2.2 Consolidation

2.2.1 Subsidiary Company

The Subsidiary Company is the entity in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date the control commences until the date that control ceases.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and carrying value of investments held by the Parent Company is eliminated against the Parent Company's share in paid up capital of the Subsidiary Company. Intra group balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Parent Company. Non-controlling interests are presented as separate line item in the consolidated financial statements.

2.3 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, and retirement benefit obligations under employee benefits carried at present value.

2.4 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

2.5 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on or after January 01, 2019:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 23 'Borrowing Costs' - Amendment regarding treatment of general borrowings made to develop an asset when the asset is ready for its intended use or sale.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Annual improvements to IFRS standards 2015-2017 cycle amendments to: - IFRS 3 Business Combinations; - IFRS 11 Joint Arrangements; and - IAS 12 Income Taxes	January 01, 2019

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	January 01, 2020

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

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

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

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2020 but are considered either not to be relevant or do not have any significant impact on these consolidated financial statements.

Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after July 01, 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The Parent Company has deferred the implementation of the same availing the temporary exemption.

3 Summary of significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for change in accounting policies as disclosed in notes below.

3.1 Change in accounting policies

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right of use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Parent Company has adopted IFRS 16 from January 01, 2019, and has not restated comparatives for the 2018 reporting period, using modified retrospective approach.

On adoption of IFRS 16, the Parent Company has recognized liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities are now measured as the present value of the remaining lease payments, discounted using the incremental borrowing rate. The associated right of use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The right of- use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right of use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The change in accounting policy affected the following items in the statement of financial position as at January 01, 2019:

Right of Use (RoU) assets recognized as property and equipment - increased by Rs 373,801 thousand. Lease liabilities recognized as Other liabilities - increased by Rs 373,801 thousand.

The impact on profit and loss account for the year ended December 31, 2019 is an increase in profit after tax by Rs. 3,414 thousand, accordingly earning per share increased by Rs 0.01.

3.2 Insurance contracts

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders.

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

Insurance contracts issued by the Group are generally classified in ten basic categories among them five categories are covered by the Parent Company i.e. Fire & property, Marine, aviation & transport, Motor, Health and Miscellaneous and five categories i.e. Conventional Business, Accident and Health Business, Individual Life Non-unitized Investment Linked Business, Individual Life Unit Linked Business and Individual Family Takaful Business are covered by the Subsidiary Company. These are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services & trading sectors and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

Parent Company - General Insurance

The non life general insurance business consist of the following categories:

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc.

- Marine aviation and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel, etc.

- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.

- Accident and health insurance contracts mainly compensate hospitalization and out patient medical coverage to the insured.

- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, etc.

Subsidiary Company - Life Insurance

The life insurance business consist of the following categories:

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

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

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

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

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

In addition to direct insurance, the Group also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Group. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Since, the nature of insurance contracts entered in to by the Parent Company and its Subsidiary Company are different, the respective accounting policies have separately been disclosed here under:

3.3 Parent Company - General Insurance

3.3.1 Revenue recognition

3.3.1.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy are payable in installments, full premium for the duration of the policy is recognized as written, where the first such installment has been duly received by the Parent Company, at the inception of the policy and related assets is recognized as premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as an expense after taking into account the proportion of prepaid reinsurance premium which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The prepaid portion of premium is recognized as a prepayment.

3.3.1.2 Commission Income

Commission income from other insurers / reinsurers is deferred and recognized as a liability and recognized in the profit and loss account as a commission income in accordance with the pattern of recognition of the reinsurance premiums.

3.3.2 Deferred commission expense / acquisition cost

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of the premium revenue.

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

3.3.3 Unearned premium

The unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. It is recognized as a liability. Such liability is calculated as a the ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

- for crop business, as a ratio of the unexpired crop period to the total expected crop period, both measured to the nearest day.

Administrative surcharge is recognized as the premium reserve at the time the policies are written and is included in above mentioned calculations.

3.3.4 Premium deficiency

In order to comply with the requirements of section 34(2)(d) of the Insurance Ordinance, 2000, a premium deficiency reserve is maintained for each class of business, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after re-insurance, for claims and other expenses, including reinsurance expense, commissions, and other underwriting expenses, expected to be incurred after the reporting date in respect of the policies in force at the reporting date, in that class of business.

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

Based on actuary's advice the management creates a reserve for the same in these consolidated financial statements. The movement in the premium deficiency reserve on net basis is recorded as an expense / income in profit and loss account for the year.

3.3.5 Reinsurance contracts held

The Parent Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance contracts includes treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Parent Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Parent Company.

Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

The risks undertaken by the Parent Company under these contracts for each class of business are stated in note 3.2 to the financial statements.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not off set against income or expenses from related insurance assets.

The Parent Company assesses its reinsurance assets for impairment on reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Parent Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the profit and loss account.

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Prepayment (i.e. premium ceded to reinsurers) is recognized as follows:

- for reinsurance contracts operating on a proportional basis, a liability to the reinsurer is recognized on attachment of the underlying policies reinsured, while an asset is recognized for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of underlying policies.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Parent Company. This income is deferred and brought to profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission and no claim bonus (if any), which the Parent Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

3.3.6 Receivables and payables related to insurance contracts

Insurance / reinsurance receivable and payable including premium due but unpaid, relating to insurance contracts are recognized when due and carried at cost less provision for impairment (if any). The cost is the fair value of the consideration to be received / paid in the future for services rendered / received. These amounts also include due to and from other insurance companies and brokers.

Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

An assessment is made at each reporting date to determine whether there is objective evidence from external as well as internal sources of information that a financial asset or group of assets may be impaired i.e. recoverable amount at the reporting date is less than the earning amount of the asset. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each reporting date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense, in the profit and loss account.

3.3.7 Provision for outstanding claims including IBNR

The Parent Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported ('IBNR'), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

SECP through its circular 9 of 2016 dated March 09, 2016 issued 'SEC guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016' for non-life insurance companies and required to comply with all provisions of these guidelines with effect from July 01, 2016.

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

The actuarial valuation as at December 31, 2019 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions as explained in preceding paragraph that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.4 Subsidiary Company - Life Insurance

3.4.1 Conventional Business

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

3.4.1.1 Individual life

The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Subsidiary Company. Additional riders (Accidental death, family income benefits etc.) are included on the discretion of the policy holder. The business is written through bancassurance, tele-sales and direct sales made by head office.

Revenue recognition

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

Recognition of policy holders' liabilities

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

Claim expenses

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

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

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.1.2 Group life and group credit life

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

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

Revenue recognition

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

Recognition of policy holders' liabilities

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

Claim expenses

Claims expenses are recognized on the date the insured event is intimated.

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

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of premium

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

3.4.2 Accident and Health Business

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

Revenue recognition

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

Recognition of policy holders' liabilities

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

Claim expenses

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

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

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.3 Non-unitized Investment Linked Business

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

Revenue recognition

Premiums (including first year, renewal and single premium) are recognized once the related policies have been issued and the premiums have been received.

Recognition of policy holders' liabilities

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

Claim expense

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

Surrender of non-unitized investment linked business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

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

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.4 Unit Linked Business

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

Revenue recognition

Premiums (including first year, renewal and single premiums) are recognized once the resulted policies have been issued / renewed against receipt and realization of premiums.

Recognition of policy holders' liabilities

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

Claim expenses

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

Surrender of unit linked business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

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

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.5 Individual Family Takaful Unit Linked Business

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

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

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

Revenue recognition

Contribution (including first year, renewal and single contributions) are recognized once the related policies are issued against receipt of contribution.

Recognition of policy holders' liabilities

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

Claim expenses

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

Surrender of unit linked business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

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

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.6 Reinsurance / Retakaful contracts held

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

3.4.6.1 Conventional

Reinsurance premium

Reinsurance premium expense is recognized at the same time when the related premium income is recognized. It is measured in line with the terms and conditions of the reinsurance treaties.

Claim Recoveries

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

Experience Refund

Experience refund receivable for re-insurance is included in the re-insurance recoveries of claims.

Amount due from / to reinsurer

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

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

3.4.6.2 Takaful

Retakaful Contribution

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

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognized in the revenue account.

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

Retakaful Expense

Retakaful expenses are recognized as a liability.

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

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

3.4.7 Receivables and payables relating to insurance contracts

These include amounts due to and from agents and policy holders' which are recognized when due.

3.4.8 Statutory funds

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

3.4.9 Policy holders' liabilities

3.4.9.1 Conventional Business

Individual Life

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

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

Incurred But Not Reported' (IBNR) reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

Group Life and Group Credit Life

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for IBNR. The provision for IBNR claims as included in policy holders' liability is estimated as 10% of the unearned premium for the year. Once sufficient experience of claim reporting patterns have built up in the Subsidiary Company's books, the appointed actuary of the Subsidiary Company will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

3.4.9.2 Accident and Health Business

Currently there are no policy holders' liabilities to consider in this statutory fund.

3.4.9.3 Non-unitized Investment Linked Business

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

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

3.4.9.4 Unit Linked Business

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

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

3.4.9.5 Individual Family Takaful Unit Linked Business

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

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

3.5 Acquisition costs - Subsidiary Company

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

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

3.6 Takaful operator fee - Subsidiary Company

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

3.7 Investment Properties

Investment properties are the properties which is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in supply of services or for administrative purposes. Investment properties are measured at purchase cost on initial recognition including directly attributable to the acquisition of the investment property and subsequently at fair value with any change therein recognized in profit and loss account. Subsequent costs are included in the carrying amount of the respective investment properties, only when it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance cost are charged to profit and loss account as and when incurred.

The fair value of investment properties is determined by external, independent property valuers having appropriate recognized professional qualifications.

3.8 Property and equipment

Operating assets, other than freehold land which is not depreciated are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

The carrying values of operating assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

3.9 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating assets as and when these are available for use.

3.10 Leases

As a lessee, the Group recognizes right of use asset and lease liability at the lease commencement date.

3.10.1 Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and less any lease incentives received.

The right of use assets are subsequently depreciated using the straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for the certain remeasurement of the lease liability.

3.10.2 Lease liability

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments , including in-substance fixed payments;

- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;

- amount expected to be payable under a residual guarantee; and

- the exercise under purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit and loss account if the carrying amount of the right of use asset has been reduced to zero.

3.11 Intangible assets

These are stated at cost less accumulated amortization and provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Group.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.12 Segment reporting

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

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

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. It comprise cash in hand, policy stamps and bank balances.

3.14 Investment income

Following are recognized as investment income:

- Income on investments designated at fair value through profit or loss account are included in profit and loss account.
- Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.
- Dividend income is recognized when the Group's right to receive the dividend is established.
- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.
- Return on fixed income and government securities are recognized on time proportion basis using the effective interest rate method.

3.15 Investments

Investments are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

3.15.1 Investment at fair value through profit and loss account

Financial assets that are designated upon initial recognition as one to be measured at fair value through profit or loss include those group of financial assets which are managed and their performance is evaluated on fair value basis and were held for active trading.

3.15.2 Held to maturity

Investments with fixed determinable payments and fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment, if any.

Any premium paid or discount availed on government securities and term finance certificates is deferred and amortized over the period to maturity of investment using the effective yield.

3.15.3 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit or loss' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates.

These are initially measured at cost and subsequently re-measured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. The Group assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost. The valuation of unquoted investments as at December 31, 2019 has been carried out by independent valuer for determination of fair value of these investments.

3.15.4 Fair / market value measurements

For investments in Mutual funds, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan ('MUFAP'). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the MUFAP.

3.16 Date of recognition

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

3.17 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.18 Provisions

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

3.19 Taxation

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

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

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

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

3.20 Retirement benefit obligations

3.20.1 Parent Company

Defined contribution plan

The Parent Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Parent Company and the employees at the rate of 8.33% of basic salary. Contributions made by the Parent Company are recognized as expense. The Parent Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

Defined benefit plans

The Parent Company operates the following defined benefit plans:

- An approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Parent Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to gratuity fund in accordance with the actuary's recommendations based on the actuarial valuation of these funds as at December 31, 2019.

- An unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these consolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at December 31, 2019.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Parent Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Parent Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Parent Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Parent Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Employees' compensated absences

The Parent Company accounts for these benefits in the period in which the absences are earned.

The Parent Company provides annually for the expected cost of accumulating compensated absences on the basis of actuarial valuation. Regular employees of the Parent Company are entitled to 30 days earned leaves in a calendar year and they can accumulate the unutilized privilege leaves upto 60 days (2018: 60). The most resent valuation is carried out as at December 31, 2019 using the LIFO method. The liabilities are presented as a current employees benefit obligations in the statement of financial position.

3.20.2 Subsidiary Company

Defined benefit plan

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

The Subsidiary Company's obligation under the gratuity schemes are determined through actuarial valuations. Actuarial valuations are conducted annually and the latest valuation was conducted as at December 31, 2019. Service costs are recognized in profit and loss in the year in which they occur. Net interest on net defined benefit liability is also recognized in profit and loss. Net of tax remeasurement comprising actuarial gain / loss , the return on plan assets excluding interest are recognized in other comprehensive income.

Employees accumulated compensated absences

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

3.21 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount.

Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.22 Dividend distribution

Dividend distribution to the Parent Company's shareholders and other appropriations are recognized in the Group's financial statements in the period in which these are approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.23 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

3.24 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.25 Financial instruments

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

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.26 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Group's reported net profits.

3.27 Window Takaful Operations - Parent Company

The accounting policies followed by Window Takaful Operations of the Parent Company are stated in the annexed financial statements of Window Takaful Operations for the year ended December 31, 2019.

4 Critical accounting estimates and judgments

4.1 Use of estimates and judgments

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

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

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

	Note
- Provision for doubtful receivables	**3.3.6**
- Provision for outstanding claim including claims incurred but not reported (IBNR)	**3.3.7**
- Premium deficiency	**3.3.4**
- Retirement benefit obligations	**3.20**
- Valuation of unquoted investments	**3.15.3**
- Provision for taxation including the amount relating to tax contingency	**3.19**
- Useful lives, pattern of economic benefits and impairments - Property and Equipment	**3.8**
- Useful lives, pattern of economic benefits and impairments - Intangible Assets	**3.11**
- Policy holders' liabilities and underlying actuarial assumptions	**3.4.9**
- Provision for outstanding claims	**3.4**
- Impairment of assets - financial assets	**3.21**
- Segment Reporting	**3.12**

4.2 Change in accounting estimate

The Parent Company has capitalized major portion of buildings in the current year as an operating assets. Upon consultation with the contractor, management of the Parent Company realized that the useful life of buildings have increased. Keeping in consideration the assessed useful life of these assets, the depreciation rates have been revised to 3% from 10%. Management of the Parent Company believes that the said change in estimate more accurately reflects the pattern of consumption of economic benefits of the respective assets.

The aforesaid mentioned revision has been accounted for as change in accounting estimate in accordance with the requirement of IAS 8 (Accounting Policies, Change in Accounting Estimates and Errors). The effects of this change in accounting estimate has been recognized prospectively in the profit and loss account of the current year. Had there been no revision, profit before taxation for the current year would have been decreased by Rs. 35,818 thousands whereas the carrying value of operating assets would have been reduced by same amount. Accordingly, earnings per share for the year ended December 31, 2019 would have decreased by Rs. 0.07. Impact of change in accounting estimate on future period has not been disclosed because it can not be estimated reliably.

	Note	2019	2018
		Rupees in thousand	
5 Property and equipment			
Operating assets	5.1	**4,288,446**	2,481,588
Capital work in progress	5.2	**65,422**	1,192,216
Right of use asset	5.3	**272,496**	-
		4,626,364	3,673,804

5.1 Operating assets

	2019													
	Cost						Depreciation						Net Book value	
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	On disposals	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	Rupees in thousand													%
Land - Freehold	1,285,992	-	-	-	-	**1,285,992**	-	-	-	-	-	**-**	**1,285,992**	-
Building - Freehold*	713,369	1,364,391	51,742	-	(27,273)	**2,102,229**	237,255	43,077	15,428	-	(4,055)	**291,705**	**1,810,524**	3.0%
Furniture and fixtures	349,463	78,175	8,949	(116,323)	-	**320,264**	183,043	29,086	2,988	(86,686)	-	**128,431**	**191,833**	14.3% - 15.0%
Motor vehicles	710,343	113,408	5,751	(57,751)	-	**771,751**	379,456	57,199	2,398	(34,803)	-	**404,250**	**367,501**	15.0% - 20.0%
Machinery and equipment	233,644	437,606	1,519	(29,959)	-	**642,810**	143,043	23,669	1,447	(21,205)	-	**146,954**	**495,856**	15.0% - 20.0%
Computer equipment	401,989	30,814	2,135	-	-	**434,938**	305,633	39,014	2,327	-	-	**346,974**	**87,964**	30.0% - 33.3%
Leasehold Improvements	43,778	27,173	-	(10,240)	-	**60,711**	8,560	7,309	-	(3,934)		**11,935**	**48,776**	14.3%
Total	**3,738,578**	**2,051,567**	**70,096**	**(214,273)**	**(27,273)**	**5,618,695**	**1,256,990**	**199,354**	**24,588**	**(146,628)**	**(4,055)**	**1,330,249**	**4,288,446**	

	2018													
	Cost						Depreciation						Net Book value	
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	On disposals	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	Rupees in thousand													%
Land - Freehold	1,285,992	-	-	-	-	1,285,992	-	-	-	-	-	-	1,285,992	-
Building - Freehold*	485,387	170,852	57,130	-	-	713,369	183,185	28,476	25,594	-	-	237,255	476,114	10.0%
Furniture and fixtures	298,045	38,889	13,450	(921)	-	349,463	152,332	27,461	4,132	(882)	-	183,043	166,420	14.3% - 15.0%
Motor vehicles	679,771	70,594	10,592	(50,614)	-	710,343	355,893	52,723	3,394	(32,554)	-	379,456	330,887	15.0% - 20.0%
Machinery and equipment	225,196	6,171	4,627	(2,350)	-	233,644	123,819	19,074	2,129	(1,979)	-	143,043	90,601	15.0% - 20.0%
Computer equipment	339,578	59,474	4,600	(1,663)	-	401,989	264,159	39,846	3,107	(1,479)	-	305,633	96,356	30.0% - 33.3%
Leasehold Improvements	41,007	2,771	-	-	-	43,778	2,504	6,056	-	-	-	8,560	35,218	14.3%
Total	3,354,976	348,751	90,399	(55,548)	-	3,738,578	1,081,892	173,636	38,356	(36,894)	-	1,256,990	2,481,588	

* Refer notes 4.2 for change in the accounting estimate

** Fully depreciated assets having cost of Rs.72.08 (2018: 72.49) million are still in use.

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Furniture and fixtures						
Carpet	470	308	162	68	Auction	Khwaja Waqas Mehmood
Carpet	161	104	57	24	Auction	Khwaja Waqas Mehmood
Carpet	147	90	57	24	Auction	Khwaja Waqas Mehmood
Carpet	469	175	294	124	Auction	Khwaja Waqas Mehmood
Glass	920	631	289	122	Auction	Khwaja Waqas Mehmood
Iron grill	174	116	58	25	Auction	Khwaja Waqas Mehmood
Iron grill	450	277	173	74	Auction	Khwaja Waqas Mehmood
Iron grill	450	277	173	73	Auction	Khwaja Waqas Mehmood
Revolving Chair	350	181	169	71	Auction	Khwaja Waqas Mehmood
Steel Almirah	2,329	1,629	700	295	Auction	Khwaja Waqas Mehmood
Steel Almirah	1,013	708	305	128	Auction	Khwaja Waqas Mehmood
Steel Almirah	1,088	751	337	142	Auction	Khwaja Waqas Mehmood
Wall Mounted Cabinet	372	256	116	50	Auction	Khwaja Waqas Mehmood
Wall Mounted Cabinet	561	385	176	74	Auction	Khwaja Waqas Mehmood
Wall Mounted Cabinet	608	417	191	80	Auction	Khwaja Waqas Mehmood
Wall Mounted Cabinet	548	381	167	71	Auction	Khwaja Waqas Mehmood
Wall Mounted Cabinet	654	453	201	84	Auction	Khwaja Waqas Mehmood
Wooden almirah	652	427	225	95	Auction	Khwaja Waqas Mehmood
Wooden almirah	747	492	255	107	Auction	Khwaja Waqas Mehmood
Wooden almirah	586	387	199	84	Auction	Khwaja Waqas Mehmood
Wooden almirah	671	440	231	98	Auction	Khwaja Waqas Mehmood
Workstation	477	247	230	98	Auction	Khwaja Waqas Mehmood
Fixtures - Rented Building	14,155	9,713	4,442	300	Negotiation	Abdul Rashid
Fixtures - Rented Building	3,760	1,680	2,080	1,642	Negotiation	Anatolia Travel Services
Fixtures - Rented Building	22,345	21,315	1,030	209	Negotiation	Abdul Rehman
Items having book value below Rs. 50,000	62,166	44,846	17,320	5,434	Auction	Various
	116,323	**86,686**	**29,637**	**9,596**		
Motor vehicles (Owned)						
Honda Civic Vti (AYZ-781)	1,982	1,290	692	1,541	Auction	Augmentech Business Solutions (Private) Limited
Toyota Corolla Gli (AVS-948)	1,379	1,024	355	1,153	Auction	Rizwan Hafeez Butt
Honda City (AWA-243)	1,490	1,100	390	1,185	Auction	Rizwan Hafeez Butt
Honda City (ART-746)	1,319	1,092	227	1,001	Auction	Augmentech Business Solutions (Private) Limited
Honda City I-Vtec (BBU-359)	1,522	893	629	1,370	Auction	Hussnain Younas
Honda City (BBL-764)	1,580	926	654	1,381	Auction	Syed Shahinshah Raza Hussain Rizvi
Toyota Corolla Gli (AZA-861)	1,709	1,109	600	1,305	Auction	Hussnain Younas
Honda City Automatic (AWJ-143)	1,515	1,040	475	1,172	Auction	Raja Murad Khan
Honda City (APZ-247)	879	732	147	807	Auction	Raja Murad Khan
Honda City (BBJ-572)	1,580	926	654	1,270	Auction	Hussnain Younas
Honda City (AYU-180)	1,710	1,040	670	1,255	Auction	Augmentech Business Solutions (Private) Limited
Honda City (AMK-547)	846	743	103	651	Auction	Naheed Arshad butt
Honda City Vario (ASU-426)	1,239	984	255	801	Auction	Sajjad Hussain
Honda Civic Exi (LEH-14-1491)	2,106	1,098	1,008	1,505	Auction	Augmentech Business Solutions (Private) Limited
Suzuki Cultus (ASG-619)	862	701	161	603	Auction	Augmentech Business Solutions (Private) Limited
Honda City (AYN-712)	1,648	968	680	1,121	Auction	Muhammad Awais
Honda Civic (AZM-497)	2,052	1,179	873	1,310	Auction	Raja Murad Khan
Honda Civic (BAZ-283)	2,474	1,348	1,126	1,500	Auction	Hafiz Zohaib Ayaz
Suzuki Cultus (ARZ-361)	834	655	179	522	Auction	Raja Murad Khan
Suzuki Cultus (AVA-738)	918	658	260	600	Auction	Raja Murad Khan
Suzuki Cultus (LEC-09-1951)	846	668	178	507	Auction	Muhammad Asif
Suzuki Cultus (AUE-417)	862	637	225	544	Auction	Raja Murad Khan
Suzuki Cultus (AUL-176)	905	693	212	528	Auction	Rizwan Hafeez Butt
Toyota Corolla Gli (BNA-664)	2,229	297	1,932	2,200	Insurance claim recovery	IGI General Insurance Limited
Suzuki Cultus (BBC-780)	1,049	627	422	675	Auction	Muhammad Younas Qamar
Suzuki Cultus (BBU-290)	1,039	592	447	651	Auction	Naheed Arshad butt
Honda Accord (19257)	1,612	1,267	345	245	Negotiation	Ms. Lisa - Employee
Ford Edge (66891)	2,039	911	1,128	557	Negotiation	Jawan Bakht - Employee
Ford Edge (64143)	2,041	837	1,204	837	Negotiation	Bilal Shahzad - Employee
Toyota Yaris (47784)	1,388	446	942	441	Negotiation	Rifat Ara - Employee
Suzuki Cultus (BJG-580)	1,129	1,076	52	1,011	Negotiation	Muhammad Rafique
Toyota Corolla (AZH-236)	1,693	720	973	-	Negotiation	Kaleem Abbas
Honda Civic (BKA-360)	2,363	905	1,458	-	Negotiation	Noman Noor
Items having book value below Rs. 50,000	8,912	5,621	3,291	113	Auction / Negotiation	Various
	57,751	**34,803**	**22,948**	**30,362**		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Machinery & equipment						
Acson Split AC	302	251	51	22	Auction	Khwaja Waqas Mehmood
Acson Split AC	544	478	66	28	Auction	Khwaja Waqas Mehmood
Acson Split AC	1,838	1,518	320	135	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	130	67	63	27	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	130	67	63	27	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	130	67	63	27	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	130	67	63	27	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	382	317	65	27	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	139	83	56	24	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khwaja Waqas Mehmood
General Split 2 Tonne	140	72	68	28	Auction	Khwaja Waqas Mehmood
General Split AC 4 Tonne	336	245	91	38	Auction	Khwaja Waqas Mehmood
GENERATOR	2,518	1,899	619	737	Auction	Asim Mehmood
GENERATOR	1,667	732	935	1,113	Auction	Asim Mehmood
GENERATOR	3,228	2,355	873	2,400	Auction	Dr. Shahida Tanveer
GENERATOR	1,310	937	373	90	Auction	Bolan Casting
Gree split 1.5 Tonne	57	7	50	21	Auction	Khwaja Waqas Mehmood
Gree split 1.5 Tonne	58	7	51	21	Auction	Khwaja Waqas Mehmood
Gree Split 2 tonne	108	18	90	38	Auction	Khwaja Waqas Mehmood
RICHO Photocopier	73	11	62	11	Auction	Nasir Mehmood
Split AC	1,707	1,207	500	211	Auction	Khwaja Waqas Mehmood
Mitsubishi Units	146	95	51	65	Negotiation	Anatolia
HVAC Works	568	359	209	-	Negotiation	Anatolia
General Split 1.5 Tonne	83	25	58	1	Negotiation	Abdul Rehman
General Split 1.5 Tonne	83	25	58	1	Negotiation	Abdul Rehman
General Split 2 Tonne	101	25	76	-	Negotiation	Abdul Rehman
General Split 2 Tonne	101	25	76	-	Negotiation	Abdul Rehman
General Split 2 Tonne	96	21	75	21	Negotiation	Abdul Rashid
General Split 2 Tonne	76	16	60	-	Negotiation	Abdul Rashid
Items having book value below Rs. 50,000	12,383	9,434	2,949	1,602	Auction / Negotiation	Various
	29,959	**21,205**	**8,754**	**7,002**		
Leasehold improvements						
Miscellaneous	3,098	717	2,381	128	Negotiation	Abdul Rashid
Miscellaneous	7,142	3,217	3,925	720	Negotiation	Anatolia Travel Services
	10,240	**3,934**	**6,306**	**848**		
Grand Total	**214,273**	**146,628**	**67,645**	**47,808**		

	Note	2019	2018
		Rupees in thousand	
5.2 Capital work in progress			
Building		**32,859**	931,116
Mobilization advance		**10,810**	82,426
Civil & electrical works		**-**	155,976
Advance for ERP softwares		**20,351**	12,255
Leasehold improvements		**1,402**	2,270
Advance for purchase of vehicle		**-**	8,173
		65,422	1,192,216
5.3 Right of use asset			
Effect of initial application of IFRS - 16 as at January 01		**373,801**	-
Additions during the year		**5,189**	-
Depreciation charge during the year	5.3.1	**(108,680)**	-
Exchange difference		**2,186**	-
Closing Net Book Value		**272,496**	-

5.3.1 All the right of use assets include premises obtained on rent for branch Operations (inside and outside of Pakistan) Basis of depreciation on right of use assets is lease term as mentioned in the note 3.10

	Note	2019	2018
		Rupees in thousand	
6 Intangible assets			
Cost			
As at January 01		**451,755**	339,478
Additions during the year		**14,998**	95,327
Exchange differences and other adjustments		**11,317**	16,950
As at December 31		**478,070**	451,755
Accumulated amortization			
As at January 01		**(291,153)**	(241,718)
Amortization charged during the year		**(50,086)**	(41,126)
Exchange differences and other adjustments		**(5,595)**	(8,309)
As at December 31		**(346,834)**	(291,153)
Net book value as at December 31		**131,236**	160,602
Rate of amortization (%)		**20**	20
7 Investment Properties			
Net book value as at January 01		**855,394**	637,981
Additions and capital improvements	**7.1**	**315,334**	91,513
Unrealized fair value gain		**33,298**	125,900
Net book value as at December 31		**1,204,026**	855,394

These consist of the following:

- 3 floor of Adamjee House, Karachi which are rented out to related parties. Rent received from these parties is disclosed in note 38.
- 2 floors of Adamjee House, Lahore which are not rented out as at December 31, 2019. The Parent Company's management intends to rent it out subsequently.
- piece of land situated at 1-A, Main Gulberg, Jail Road, Lahore, measuring 8 Kanal 8 Marla 203 Sq. ft. of a land bought by the Subsidiary Company for the Unit Linked investment business.

Market value of these investment properties amounts to Rs. 1,204,026 thousands based on a valuation carried out by independent valuers, as at December 31, 2019 and unrealized fair value gain of Rs. 33,298 thousands has been recognized in the profit and loss account.

The fair value of investment properties was determined by external, independent property valuers having adequate qualifications and experience in the location and category of the property being valued.

The fair value of the investment properties has been categorized as a Level 3 fair value.

The valuation has been carried out considering the segment and location of the property, size, utilization and current trends in price of real estate in close proximity and current market rents for similar properties including assumptions that ready buyers are available in the current market and analyzed through detailed market surveys and, the properties that have recently been sold or purchased or offered/quoted for sale into the same vicinity to determine the better estimates of the fair value.

7.1 These represents transfer from operating assets amounting to Rs. 23,218 thousands (2018: Nil) and transfer from capital work in progress amounting to Rs. 292,116 thousands (2018: Nil).

	Note	2019	2018
		Rupees in thousand	
8 Investments in equity securities			
Available-for-sale	8.1	**18,866,173**	18,705,547
Fair value through profit and loss (designated upon initial recognition)	8.2	**13,318,382**	13,653,861
		32,184,555	32,359,408

	Note	2019 Cost	2019 Impairment / provision	2019 Unrealized Gain / (loss)	2019 Carrying value	2018 Cost	2018 Impairment / provision	2018 Unrealized Gain / (loss)	2018 Carrying value
		Rupees in thousand							
8.1 Available-for-sale									
Related parties									
Listed shares	8.1.1	9,086,355	(290,808)	2,098,765	10,894,312	8,423,580	(164,863)	1,294,754	9,553,471
Unlisted shares	8.1.2	698,226	-	13,922	712,148	300,726	-	-	300,726
		9,784,581	(290,808)	2,112,687	11,606,460	8,724,306	(164,863)	1,294,754	9,854,197
Others									
Listed shares	8.1.3	5,686,610	(1,713,761)	759,400	4,732,249	7,268,843	(1,545,527)	813,835	6,537,151
Unlisted shared	8.1.4	925,360	-	1,236,975	2,162,335	925,360	-	1,001,524	1,926,884
Mutual Funds	8.1.5	364,265	-	68	364,333	389,312	-	(2,791)	386,521
NIT Units	8.1.6	161	-	635	796	161	-	633	794
		6,976,396	(1,713,761)	1,997,078	7,259,713	8,583,676	(1,545,527)	1,813,201	8,851,350
		16,760,977	(2,004,569)	4,109,765	18,866,173	17,307,982	(1,710,390)	3,107,955	18,705,547

8.1.1 Related parties- Listed Shares

No. of Shares 2019	No. of Shares 2018	Face value Rupees	Company's Name	Market value 2019	Market value 2018
				Rupees in thousand	
			Commercial Banks		
47,867,287	47,827,287	10	MCB Bank Limited	**9,802,814**	9,257,929
			Textile Composite		
2,050	2,050	10	Nishat Mills Limited	**218**	259
			Cement		
3,358,344	3,358,344	10	D.G. Khan Cement Company Limited	**249,424**	269,172
			Power Generation & Distribution		
923,500	963,500	10	Nishat Power Limited	**25,165**	26,111
			Investment Companies		
5,462,000	-	10	MCB Arif Habib Savings & Investment Limited	**120,109**	-
			Oil & Gas Exploration Companies		
9,145,095	-	10	Sui Northern Gas Pipelines Limited	**696,582**	-
				10,894,312	9,553,471

8.1.1.1 3,716,710 (2018 : Nil) shares of MCB have been pledged by Parent Company against SBLC (Standby Letter of Credit) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited.

8.1.2 Related Parties - Unlisted shares

No. of Shares		Face value	Company's Name	Market value	
2019	2018	Rupees		2019	2018
				Rupees in thousand	
			Automobile Assembler		
69,750,000	30,000,000	10	Hyundai Nishat Motor (Private) Limited	**712,148**	300,726

8.1.2.1 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited (HNMPL) which is principally engaged in vehicle assembling. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Parent Company has estimated a fair value of Rs. 10.21 per ordinary share as at December 31, 2019 through a valuation technique based on discounted cash flows. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 42 to these consolidated financial statements.

The main level 3 inputs used by the Parent Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model.

  The significant assumptions used in this valuation technique are as follows:

- Discount rate of 17.77% per annum.
- Average annual growth rate in revenue of 27% per annum.
- Average annual growth rate in expenses is estimated @ 25 % per annum.

8.1.2.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs. 124,541 thousand lower.

If the free cashflows increase by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs. 7,470 thousand higher.

8.1.3 Others - listed shares

No. of Shares		Face value	Company's Name	Market value	
2019	2018	Rupees		2019	2018
				Rupees in thousand	
			Automobile Assembler		
731,701	459,929	10	Millat Tractors Limited	**515,425**	382,656
			Cable & Electrical Goods		
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	**120,771**	135,545
			Cement		
24,000	20,000	10	Attock Cement	**2,481**	2,717
645,100	645,100	10	Fecto Cement Limited	**16,450**	20,159
			Close - End Mutual Fund		
4,113,500	4,113,500	10	HBL Investment Fund 'A'	**16,865**	20,814
			Commercial Banks		
6,277,500	6,277,500	10	Allied Bank Limited	**600,129**	674,643
389,107	389,107	10	Habib Bank Limited	**61,295**	46,868
8,320,012	8,320,012	10	National Bank of Pakistan	**360,256**	349,692
1,279,400	1,279,400	10	United Bank Limited	**210,461**	156,906
			Engineering		
109,560	109,560	10	Aisha Steel Mills Limited	**1,056**	1,155
100,000	100,000	10	Crescent Steel & Allied Products Limited	**5,542**	5,556
300,000	300,000	10	International Steel Limited	**17,367**	19,731
1,298,500	1,298,500	10	Mughal Iron & Steel Industries Limited	**53,200**	52,524

No. of Shares		Face value	Company's Name	Market value	
2019	2018	Rupees		2019	2018
				Rupees in thousand	
			Fertilizer		
2,220,100	2,220,100	10	Dawood Hercules Corporation Limited	**342,362**	246,764
-	159,900	10	Engro Corporation Limited	**-**	46,544
2,477,000	2,708,500	10	Engro Fertilizers Limited	**181,886**	187,022
-	9,000	10	Fatima Fertilizer Limited	**-**	328
-	10,711,240	10	Fauji Fertilizer Company Limited	**-**	994,539
			Food & Personal Care Products		
5,740	5,740	10	Nestle Pakistan Limited	**46,207**	51,660
70,304	70,304	10	Rafhan Maize Products Limited	**509,782**	474,552
9,000	-	10	Fauji Foods Limited	**239**	-
			Insurance		
4,800	4,800	10	EFU General Insurance Company Limited	**529**	480
230,000	230,000	10	IGI Holdings Limited	**46,920**	46,271
286,843	286,843	10	Pakistan Reinsurance Company Limited	**8,436**	9,965
			Investment Companies		
-	5,462,000	10	MCB Arif Habib Savings & Investment Limited	**-**	136,550
			Oil & Gas Exploration Companies		
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	**216,938**	195,110
600	500	10	Pakistan Oilfields Limited	**268**	255
-	7,645,095	10	Sui Northern Gas Pipelines Limited	**-**	589,207
			Paper & Board		
11,750	11,750	10	Packages Limited	**4,685**	4,545
			Pharmaceuticals		
369,400	369,400	10	Abbott Laboratories Pakistan Limited	**165,041**	233,110
			Power Generation & Distribution		
5,743,000	5,743,000	10	Kot Addu Power Company Limited	**181,076**	284,566
130,000	130,000	10	K-Electric Limited	**568**	772
27,348,388	27,348,388	10	Lalpir Power Limited	**396,825**	451,522
25,631,181	25,631,181	10	Pakgen Power Limited	**469,564**	436,755
4,960,882	4,960,882	10	Saif Power Limited	**103,980**	127,394
			Refinery		
37,500	37,500	10	Attock Refinery Limited	**4,188**	5,532
49	36	10	Pakistan Petroleum Limited	**7**	7
506,450	506,450	10	National Refinery Limited	**71,450**	144,735
				4,732,249	6,537,151

8.1.4 Others - Unlisted shares

No. of Shares		Face value	Company's Name	Market value	
2019	2018	Rupees		2019	2018
				Rupees in thousand	
9,681,374	9,681,374	10	Security General Insurance Company Limited [Equity held 14.224% (2018: 14.224%)]	**2,162,335**	1,926,884

8.1.4.1 This represents investment in the ordinary shares of Security General Insurance Company Limited ("SGI") which is principally engaged in general insurance business. Since SGI's ordinary shares are not listed, an independent valuer engaged by the Parent Company has estimated a fair value of Rs. 223.35 per ordinary share as at December 31, 2019 (Rs. 199.03 per ordinary share as at December 31, 2018) through a valuation technique based on discounted cash flow analysis of SGI. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 42 to these consolidated financial statements. The fair value increase of Rs. 235.45 million is included in the fair value reserve (net of deferred tax) recognized during the year in other comprehensive income.

The main level 3 inputs used by the Parent Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 20% per annum.
- Average annual growth rate in premium revenue of 8% per annum.
- Average annual growth rate in expenses is estimated @ 4 % per annum.

8.1.4.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs. 3,347 thousand lower.

If the free cashflows increase by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs. 746.75 thousand higher.

8.1.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units 2019	No. of units 2018	Face value Rupees	Fund Name	Market value 2019 (Rupees in thousand)	Market value 2018 (Rupees in thousand)
-	2,363,544	10	ABL Cash Fund	-	24,151
3,596,733	-	100	Alfalah GHP Money Market Fund	**321,410**	-
21,232	257,200	100	HBL Cash Fund	**1,963**	25,969
4,154,460	4,113,500	10	HBL Investment Fund - Class B	**40,960**	36,572
-	2,767,761	100	MCB Cash Management Optimizer	-	278,782
-	396,355	50	Meezan Islamic Income Fund	-	21,047
				364,333	386,521

8.1.6 Open-Ended Equity Funds

No. of units 2019	No. of units 2018	Face value Rupees	Fund Name	Market value 2019 (Rupees in thousand)	Market value 2018 (Rupees in thousand)
13,336	12,540		National Investment Trust	**796**	794

8.2 Fair value through profit and loss

	Note	2019 Cost	2019 Impairment / provision	2019 Unrealized Gain / (loss)	2019 Carrying value	2018 Cost	2018 Impairment / provision	2018 Unrealized Gain / (loss)	2018 Carrying value
		Rupees in thousand							
Related Party									
Listed shares	8.2.1	**1,913,657**	-	**(279,886)**	**1,633,771**	1,250,208	-	(85,708)	1,164,500
Mutual Funds	8.2.2	**4,638,276**	-	**375,950**	**5,014,226**	3,651,823	-	(289,078)	3,362,745
		6,551,933	-	**96,064**	**6,647,997**	4,902,031	-	(374,786)	4,527,245
Others									
Listed shares	8.2.3	**7,672,526**	-	**(1,843,541)**	**5,828,985**	10,864,063	-	(2,190,642)	8,673,421
Mutual Funds	8.2.4	**934,567**	-	**(93,167)**	**841,400**	286,805	-	166,390	453,195
		8,607,093	-	**(1,936,708)**	**6,670,385**	11,150,868	-	(2,024,252)	9,126,616
		15,159,026	-	**(1,840,644)**	**13,318,382**	16,052,899	-	(2,399,038)	13,653,861

8.2.1 Related parties- Listed Shares

No. of Shares		Face value	Company's Name	Market value	
2019	2018	Rupees		2019	2018
				Rupees in thousand	
			Commercial Banks		
5,721,100	4,616,500	10	MCB Bank Limited	**1,172,482**	893,616
			Textile Composite		
-	2,252,500	10	Nishat Chunian Limited	**-**	109,426
800	1,039,200	10	Nishat Mills Limited	**85**	131,490
			Cement		
363,900	373,900	10	D.G. Khan Cement Company Limited	**27,027**	29,968
			Oil & Gas Exploration Companies		
5,700,100	-	10	Sui Northern Gas Pipelines Limited	**434,177**	-
				1,633,771	1,164,500

8.2.2 Related parties- Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of Units		Face value	Company's Name	Market value	
2019	2018	Rupees		2019	2018
				Rupees in thousand	
51,565	-	100	Alhamra Daily Dividend Fund	**5,156**	-
141,740,527	73,523,568	10	Alhamra Islamic Stock Fund	**1,451,376**	756,836
373,227	-	100	Alhamra Islamic Income Fund	**40,059**	-
1,609,181	-	50	Alhamra Islamic Asset Allocation Fund	**119,071**	-
5,839,914	5,456,390	50	MCB Dynamic Allocation Fund	**466,301**	401,835
31,957,244	26,079,928	50	MCB Pakistan Stock Market Fund	**2,932,263**	2,204,074
				5,014,226	3,362,745

8.2.3 Others - listed shares

No. of Shares		Face value	Company's Name	Market value	
2019	2018	Rupees		2019	2018
				Rupees in thousand	
			Automobile Assembler		
341,900	-	5	Agriauto Industries Limited	**68,380**	-
100,626	3,600	10	Millat Tractors Limited	**70,883**	2,997
-	8,400	10	Indus Motor Company Limited	**-**	10,246
-	1,000	10	Ghandhara Industries Limited	**-**	275
900	4,400	10	Honda Atlas Cars (Pakistan) Limited	**197**	777
150	150	10	Pak Suzuki Motor Company Limited	**35**	26
			Automobile Part & Accessories		
-	126,500	10	Loads Limited	**-**	2,682
507,600	-	5	Thal Limited	**171,686**	-
			Vanaspati & Allied Industries		
-	107,000	10	Unity Foods Limited	**-**	2,753
			Transport		
-	4,000	10	Pakistan National Shipping Corporation	**-**	230

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No. of Shares 2019	No. of Shares 2018	Face value Rupees	Company's Name	Market value 2019 (Rupees in thousand)	Market value 2018 (Rupees in thousand)
			Leasing Companies		
600	600	10	Orix Leasing Pakistan Limited	**16**	16
			Cable & Electrical Goods		
3,000	5,312,200	10	Pak Elektron Limited	**81**	132,274
			Cement		
88,101	2,016,592	10	Cherat Cement Company Limited	**4,674**	140,456
13,500	2,663,500	10	Dewan Cement Limited	**104**	30,977
-	39,000	10	Kohat Cement Company	**-**	3,313
910,100	1,246,750	10	Lucky Cement Limited	**389,887**	541,925
1,454,125	2,607,625	10	Maple Leaf Cement Factory Ltd	**33,648**	106,000
600	106,000	10	Pioneer Cement Limited	**18**	4,442
			Leather & Tanneries		
81,738	39,960	10	Service Industries Limited	**63,495**	28,977
			Commercial Banks		
2,046,900	-	10	Allied Bank Limited	**195,684**	-
5,329,964	6,595,964	10	Askari Bank Limited	**98,818**	157,775
4,818,000	3,149,000	10	Bank Al Habib Limited	**366,939**	216,620
2,697,900	12,750,850	10	Bank Alfalah Limited	**123,294**	517,557
3,476,500	28,598,500	10	The Bank of Punjab	**39,389**	342,324
-	9,974,250	10	Faysal Bank Limited	**-**	240,080
377,100	2,117,100	10	Habib Bank Limited	**59,363**	255,005
1,487,000	-	10	Habib Metropolitan Bank Limited	**54,052**	-
25	2,750	10	Meezan Bank Limited	**2**	254
1,250,000	1,005,000	10	National Bank of Pakistan	**54,125**	42,240
-	50,000	10	Summit Bank Limited	**-**	41
875,900	7,654,900	10	United Bank Limited	**144,086**	938,797
			Engineering		
-	2,000,000	10	Aisha Steel Mills Limited	**-**	21,000
200	35,200	10	Amreli Steels Limited	**7**	1,685
900	397,700	10	Crescent Steel & Allied Products Limited	**50**	22,096
300,000	140,000	10	Descon Engineering Services & Technology Limited	**7,056**	4,033
-	14,000	10	Dost Steels Limited	**-**	78
74,811	894,800	10	International Industries Limited	**8,292**	137,844
-	89,500	10	International Steel Limited	**-**	5,886
200	821,700	10	Ittefaq Iron Industries Limited	**2**	8,217
-	1,820,500	10	Mughal Iron & Steel Industries Limited	**-**	73,639
			Chemical		
7,585,169	14,360,735	10	Engro Polymer and Chemicals Limited	**251,903**	533,358
-	7,080	10	ICI Pakistan Limited	**-**	5,624
1,000	-	10	Ittehad Chemicals Limited	**23**	-
-	140,000	10	Lotte Chemical Pakistan Limited	**-**	2,365
277,200	-	10	Sitara Peroxide Limited	**9,674**	-

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No. of Shares		Face value	Company's Name	Market value	
2019	2018	Rupees		2019	2018
				Rupees in thousand	
			Fertilizer		
-	1,338,900	10	Arif Habib Corporation Limited	**-**	55,222
-	100,000	10	Dawood Hercules Corporation Limited	**-**	11,115
268,730	1,193,400	10	Engro Corporation Limited	**92,779**	347,375
2,000,000	3,698,000	10	Engro Fertilizers Limited	**146,860**	255,347
-	1,500	10	Fatima Fertilizer Limited	**-**	55
-	57,000	10	Fauji Fertilizer Bin Qasim Limited	**-**	2,124
4,004,000	500,000	10	Fauji Fertilizer Company Limited	**406,132**	46,425
			Food & Personal Care Products		
150,000	-	10	At-Tahur Limited	**3,143**	-
6,974,250	268,000	10	Fauji Foods Limited	**132,650**	8,115
-	47,000	10	Matco Foods Limited	**-**	1,305
1,300	1,300	10	Nestle Pakistan Limited	**10,465**	11,700
1,272,980	1,622,400	5	National Foods Limited	**282,614**	317,179
1,210	1,210	10	Shezan International Limited	**606**	560
-	-	10	Rafhan Maize Products Limited	**-**	-
			Insurance		
-	5,980	10	IGI Holdings Limited	**-**	1,203
7,500	64,000	10	Pakistan Reinsurance Company Limited	**221**	2,223
			Textile Composite		
-	11,500	10	Gadoon Textile Mills Limited	**-**	3,083
7,982,300	2,796,500	10	Gul Ahmed Textile Mills Limited	**344,117**	129,114
8,774	-	10	Interloop Limited	**509**	-
337,824	1,401,824	10	Kohinoor Textile Mills Limited	**13,199**	63,194
			Technology & Communication		
8,119,500	10,384,000	1	Hum Network Limited	**26,064**	45,690
1,000	584,100	10	Netsol Technologies Limited	**66**	40,554
11,500	1,954,500	10	Pakistan Telecommunication Company Limited	**108**	18,783
64,790	980,500	10	Systems Limited	**8,053**	107,728
-	40,000	10	TRG Pakistan Limited	**-**	892
			Investment Companies		
37,386	-	10	Arif Habib Limited	**1,277**	-
			Oil & Gas Exploration Companies		
239,197	104,671	10	Mari Petroleum Company Limited	**313,372**	129,359
3,780,200	3,751,400	10	Oil & Gas Development Company Limited	**537,998**	480,179
575,870	955,480	10	Pakistan Oilfields Limited	**257,253**	405,907
-	4,222,400	10	Sui Northern Gas Pipelines Limited	**-**	325,418
-	560,000	10	Sui Southern Gas Company Limited	**-**	12,936
			Paper & Board		
750	99,250	10	Packages Limited	**299**	38,392
262	239	10	Cherat Packaging Limited	**32**	41

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No. of Shares		Face value Rupees	Company's Name	Market value	
2019	2018			2019	2018
				Rupees in thousand	
			Pharmaceuticals		
151,800	100,000	10	Abbott Laboratories Pakistan Limited	**67,821**	63,105
6	33,006	10	AGP Limited	**1**	2,886
-	3,500	10	GlaxoSmithKline Consumer Healthcare Pakistan Limited	**-**	932
970	81,194	10	The Searle Company Limited	**183**	19,940
			Power Generation & Distribution		
1,821,000	2,690,000	10	Kot Addu Power Company Limited	**57,416**	133,290
10,169,500	5,961,500	10	K-Electric Limited	**44,441**	35,411
-	-	10	Lalpir Power Limited	**-**	-
2,565,061	1,295,600	10	Hub Power Company Limited	**239,448**	111,150
			Glass & Ceramics		
102,500	95,000	10	Tariq Glass Industries Limited	**10,968**	8,283
			Miscellaneous		
1,564,540	2,743,500	10	Synthetic Products Limited	**54,602**	91,661
			Oil & Gas Marketing Companies		
100	58,775	10	Attock Petroleum Limited	**37**	24,303
-	9,375	10	Hascol Petroleum Limited	**-**	1,391
1,704,300	3,161,800	10	Hi-Tech Lubricants Limited	**53,072**	208,995
7,980	859,684	10	Pakistan State Oil Company Limited	**1,529**	193,798
			Refinery		
375	-	10	Attock Refinery Limited	**42**	-
500	848,000	10	Byco Petroleum Pakistan Limited	**3**	7,361
-	3,000	10	National Refinery Limited	**-**	857
3,687,796	2,498,715	10	Pakistan Petroleum Limited	**505,744**	373,956
				5,828,985	8,673,421

8.2.4 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units		Face value Rupees	Fund Name	Market value	
2019	2018			2019	2018
				Rupees in thousand	
1,134	1,033	100	Alfalah GHP Money Market Fund	**111**	101
475,513	-	100	Alfalah GHP Islamic Income Fund	**50,020**	-
779	732	100	Faysal Income & Growth Fund	**87**	80
3,423,470	3,219,548	100	Faysal Saving Growth Fund	**369,695**	338,407
2,029,159	-	100	Faysal Money Market Fund	**219,622**	-
261,883	-	100	Faysal Financial Value Fund	**26,222**	-
119,617	-	100	Faysal Financial Sector Opportunity Fund	**13,005**	
508,765	508,765	10	Meezan Balanced Fund	**7,885**	7,326
10,439,355	10,439,355	10	NAFA Islamic Stock Fund	**114,753**	107,281
3,789,458	-	10	NBP Islamic Mahana Amdani Fund	**40,000**	-
				841,400	453,195

	Note	2019	2018
		Rupees in thousand	
9 Investments in debt securities			
Held to maturity			
Treasury Bills	9.1.1	**370,491**	378,029
Pakistan Investment Bonds	9.1.2	**95,377**	-
		465,868	378,029
Available for sale			
Treasury Bills	9.2.1	**558,153**	189,911
Pakistan Investment Bonds	9.2.2	**93,684**	244,884
		651,837	434,795
Deficit on revaluation		**-**	(7,535)
		651,837	427,260
Fair value through profit and loss			
Term Finance Certificate	9.3.1	**1,588,848**	1,441,778
Advance against purchase of term finance certificate		**50,000**	350,000
Corporate sukuks	9.3.2	**1,135,121**	1,032,170
Ijarah sukuks		**-**	32,053
Treasury Bills	9.3.3	**3,828,677**	411,254
Pakistan Investment Bonds	9.3.4	**897,123**	352,204
		7,499,769	3,619,459
Deficit on revaluation		**-**	(7,944)
		7,499,769	3,611,515
		8,617,474	4,416,804

9.1 Held to maturity

9.1.1 Treasury Bills

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	2019	2018
					Rupees in thousand	
382,000,000	13.83	On maturity	6 Month Treasury Bills	2020	**370,491**	-
132,000,000	8.80	On maturity	3 Month Treasury Bills	2019	**-**	130,628
250,000,000	8.80	On maturity	3 Month Treasury Bills	2019	**-**	247,401
					370,491	378,029

9.1.2 Pakistan Investment Bonds

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	2019	2018
					Rupees in thousand	
100,000,000	11.71	On maturity	3 Years Pakistan Investment Bonds	2022	**95,377**	-
					95,377	-

9.2 Available for sale

9.2.1 Treasury Bills

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	2019	2018
					Rupees in thousand	
375,000	12.9 -13.25	On maturity	3 Month Treasury Bills	2020	**371,167**	-
150,000	13.73	On maturity	6 Month Treasury Bills	2020	**145,410**	-
45,000	12.95	On maturity	12 Month Treasury Bills	2020	**41,576**	-
190,000	7.825	On maturity	3 Month Treasury Bills	2019	**-**	189,911
					558,153	189,911

9.2.2 Pakistan Investment Bonds

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	2019	2018
					Rupees in thousand	
220,000.00	**7.00**	On maturity	3 Years Pakistan Investment Bonds	**2019**	**-**	220,073
25,000.00	**11.50**	On maturity	5 Years Pakistan Investment Bonds	**2019**	**-**	24,811
100,000.00	**9.00**	On maturity	3 Years Pakistan Investment Bonds	**2022**	**93,684**	-
					93,684	244,884

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

9.3 Fair value through profit and loss

9.3.1 Term Finance Certificates

Face value Rupees	Yield Rate%	2019	2018	Company's Name	2019	2018
		No. of Certificates			Rupees in thousand	
5	**14**	**41,100**	41,000	Askari Bank Limited	**299,979**	203,649
5	**14.76**	**39,680**	39,680	Bank Al Habib Limited	**194,655**	225,885
5	**13.19**	**33,510**	33,510	Bank Al Falah Limited	**167,114**	165,545
100	**15.79**	**5,980**	5,980	Bank of Punjab	**580,430**	589,347
300	**13.89**	**300**	-	Engro Polymer & Chemicals Limited	**91,238**	-
100	**15**	**590**	590	Habib Bank Limited	**56,810**	57,208
5	**15.4**	**30,000**	30,000	Jahangir Siddiqui Limited	**148,802**	150,000
5	**14.76**	**10,000**	10,000	Soneri Bank Limited	**49,820**	50,144
					1,588,848	1,441,778

9.3.2 Corporate sukuks

Face value Rupees	Yield Rate%	2019	2018	Company's Name	2019	2018
		No. of Certificates			Rupees in thousand	
100	15.69	**820**	820	Aspin Pharma Pvt Limited	**65,600**	82,000
100	14.64 - 14.75	**6,780**	6,780	Dawood Hercules Limited	**584,617**	678,013
1000	13.83	**58**	58	Dubai Islamic Bank Pakistan	**58,058**	59,085
71	22	**600**	600	Ghani Glass Limited	**29,250**	42,489
100	24.53	**1,000**	1,000	International Brands Limited	**84,458**	98,721
1000	14.63	**290**	40	Meezan Bank Limited	**289,786**	40,004
1000	11	**30**	30	TPL Tracker Limited	**23,352**	31,858
					1,135,121	1,032,170

9.3.3 Treasury Bills

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	2019	2018
					Rupees in thousand	
4,273,000	13.10	On maturity	12 Month Treasury Bills	2020	**3,828,677**	-
233,500	8.70 - 10.27	On maturity	3 Month Treasury Bills	2019	**-**	**231,383**
180,000	8.70 - 9.20	On maturity	1.3 Year Treasury Bills	2019	**-**	**179,871**
					3,828,677	**411,254**

9.3.4 Pakistan Investment Bond

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	2019	2018
					Rupees in thousand	
301	12.00	On maturity	10 year Pakistan Investment Bonds	2020	**300**	**305**
50,000	11.25	On maturity	10 year Pakistan Investment Bonds	2028	**50,370**	-
50,000	6.85	On maturity	10 year Pakistan Investment Bonds	2028	**-**	**50,169**
150,000	9.50	On maturity	10 year Pakistan Investment Bonds	2029	**141,132**	-
300,000	8.55	On maturity	10 year Pakistan Investment Bonds	2028	**-**	**301,730**
300,000	9.50 - 10.00	On maturity	5 year Pakistan Investment Bonds	2024	**283,748**	**-**
450,000	9.00	On maturity	3 year Pakistan Investment Bonds	2022	**421,573**	-
					897,123	**352,204**

10 Investments in Term Deposits

	Note	2019	2018
		Rupees in thousand	
Deposits maturing within 12 months			
Inside Pakistan			
- related parties		**156,811**	366,811
- others		**9,610,066**	10,735,066
		9,766,877	11,101,877
Outside Pakistan			
- related parties		**1,264,698**	871,396
- others		**4,387,207**	3,411,149
		5,651,905	4,282,545
		15,418,782	15,384,422
Deposits maturing after 12 months			
Inside Pakistan			
- related parties		**2,000**	2,000
- others		**48,110**	39,691
		50,110	41,691
Outside Pakistan			
- related parties		**-**	-
- others		**-**	-
		-	-
		50,110	41,691
	10.1	**15,468,892**	15,426,113

10.1 These include fixed deposits amounting to Rs. 4,848,009 thousands (AED 115,000 thousands) [2018: Rs. 3,780,460 thousands (AED 100,000 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches of the Parent Company for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rs. 231,987 thousands (2018: Rs. 73,568 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Parent Company for claims under litigation filed against the Parent Company, bid bond guarantees and guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party of the Parent Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

		Note	2019	2018
			Rupees in thousand	
11	**Loans and other receivables - considered good**			
	Rent receivable		**7,295**	4,968
	Receivable from related parties		**5**	2,500
	Accrued investment income		**351,017**	205,130
	Security deposits		**92,526**	79,222
	Advances to employees and suppliers		**152,012**	70,835
	Advance agent commission		**3,003**	24,085
	Loans to employees		**56,318**	55,724
	Receivable against the sale of investment		**-**	98,754
	Other receivables		**54,663**	10,852
			716,839	552,070

11.1 This represents receivable from Hollard Life Assurance Company Limited for exchanging technical support.

		Note	2019	2018
12	**Insurance / reinsurance receivables - unsecured and considered good**			
	Due from insurance contract holders	12.1	**5,786,646**	6,854,237
	Provision for impairment of receivables from insurance contract holders	12.2	**(868,586)**	(629,668)
			4,918,060	6,224,569
	Due from other insurers / reinsurers		**1,149,209**	1,138,810
	Provision for impairment of due from other insurers / reinsurers	12.3	**(201,302)**	(201,302)
			947,907	937,508
			5,865,967	7,162,077

12.1 Due from insurance contact holders include an amount Rs. 221,567 thousands (2018: Rs. 349,886 thousands) held with related parties.

		Note	2019	2018
			Rupees in thousand	
12.2	**Reconciliation of provision for impairment of receivables from insurance contract holders**			
	Balance as at 01 January		**629,668**	375,801
	Charge for the year		**187,764**	191,638
	Exchange difference		**51,154**	62,229
	Balance as at 31 December		**868,586**	629,668
12.3	**Reconciliation of provision for impairment of due from other insurers / reinsurers**			
	Balance as at 01 January		**201,302**	151,302
	Charge for the year		**-**	50,000
	Write off against provision for the year		**-**	-
	Balance as at 31 December		**201,302**	201,302
13	**Prepayments**			
	Prepaid reinsurance premium ceded	26	**3,500,512**	2,866,980
	Prepaid rent		**12,488**	56,540
	Prepaid miscellaneous expenses		**158,070**	192,935
			3,671,070	3,116,455

14 Cash and bank	2019	2018
	Rupees in thousand	
Cash and cash equivalents		
Inside Pakistan		
Cash in hand	**819**	693
Policy and revenue stamps, bond papers	**24,993**	15,713
	25,812	16,406
Outside Pakistan	**-**	-
	25,812	16,406
Cash at bank		
Inside Pakistan		
Current accounts	**289,356**	929,837
Savings accounts	**8,057,231**	3,518,450
	8,346,587	4,448,287
Outside Pakistan		
Current accounts	**59,333**	1,053,464
Savings accounts	**5,512**	4,940
	64,845	1,058,404
	8,411,432	5,506,691
	8,437,244	5,523,097

14.1 Cash at bank includes an amount of Rs. 1,835,434 thousands (2018: Rs. 2,203,566 thousands) held with MCB Bank Limited, a related party of the Group.

14.2 Lien of Rs. 291,000 thousands (2018 : Nil) is marked on cash deposits in saving accounts against SBLC (Standby Letter of Credit) issued in favor of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited by the Parent Company.

14.3 Saving / Profit and loss accounts carry expected profit rates ranging from 6.50% to 14.00% (2018: 3.75% to 9.50%).

	2019	2018
	Rupees in thousand	
14.4 Cash and bank for the purposes of the cash flow statement consists of:		
Cash and other equivalents	**25,812**	16,406
Current and other accounts	**8,411,432**	5,506,691
Term deposit maturing within three months	**9,585,000**	11,020,000
	18,022,244	16,543,097

15 Window Takaful Operations - Parent Company

	2019	2018
	Rupees in thousand	
Operator's Fund		
Assets:		
Cash and bank deposits	**91,895**	101,695
Qard e Hasna to Participant Takaful Fund	**146,460**	146,804
Investments	**32,958**	29,930
Intangible assets	**17,650**	20,633
Property and equipment	**17,733**	16,185
Current assets - Others	**119,595**	66,947
Total Assets	**426,291**	382,194
Total Liabilities	**195,872**	229,819
Profit and loss account		
Wakala income	**324,314**	252,798
Commission expense	**(99,434)**	(68,284)
Management expenses	**(131,872)**	(105,168)
Investment income	**1,345**	(311)
Other income	**15,856**	5,305
Mudarib's share of PTF investment income	**1,323**	-
Other expenses	**(3,839)**	(5,391)
Profit before taxation	**107,693**	78,949
Taxation	**(30,987)**	(26,401)
Profit after tax	**76,706**	52,548

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

16 Share capital

16.1 Authorized share capital

	2019	2018	2019	2018
	Number of shares		Rupees in thousand	
Ordinary shares of Rs. 10 each	**375,000,000**	375,000,000	**3,750,000**	3,750,000

16.2 Issued, subscribed and paid up capital

	2019	2018	2019	2018
	Number of shares		Rupees in thousand	
Ordinary shares of Rs. 10 each fully paid in cash	**250,000**	250,000	**2,500**	2,500
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**349,750,000**	349,750,000	**3,497,500**	3,497,500
	350,000,000	350,000,000	**3,500,000**	3,500,000

16.3 As at December 31, 2019, MCB Bank Limited, Nishat Mills Limited and D.G. Khan Cement Company Limited, associated undertakings held 70,861,241 (2018: 70,861,241), 102,809 (2018: 102,809) and 27,877,735 (2018: 27,229,235) ordinary shares of the Parent Company of Rs. 10 each, respectively.

	Note	2019	2018
		Rupees in thousand	
17 Reserves			
Capital reserves			
Reserves for exceptional losses	17.1	22,859	22,859
Investment fluctuation reserves	17.2	3,764	3,764
Exchange translation reserves	17.3	674,936	614,062
Fair value reserves	17.4	2,914,787	2,204,097
		3,616,346	2,844,782
Revenue reserves			
General reserves		936,500	936,500
		4,552,846	3,781,282

17.1 The reserve for exceptional losses represents the amount set aside by the Parent Company in prior years up to December 31, 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit such deduction, the Parent Company discontinued the setting aside of reserves for exceptional losses.

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

17.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of the Parent Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

17.4 The fair value reserve represents the net cumulative unrealized gain / (loss) on available for sale investments held by the Group as at December 31, 2019.

	Note	2019	2018
		Rupees in thousand	
18 Non-controlling interest			
Share capital		240,599	240,599
Profit for the year		52,711	15,162
Opening retained earnings		48,198	33,036
		341,508	288,797
19 Insurance liabilities			
Subsidiary Company			
Reported outstanding claims (including claims in payment)	19.1	814,331	950,643
Incurred but not reported claims	19.2	54,874	48,012
Investment component of unit-linked and account value policies	19.3	35,287,614	30,438,624
Liabilities under individual conventional insurance contracts	19.4	29,217	22,061
Liabilities under group insurance contracts (other than investment linked)	19.5	128,872	91,027
Other insurance liabilities	19.6	406,242	194,002
Gross insurance liabilities		36,721,150	31,744,369
Deficit of Participant Takaful Fund		(12,720)	(14,200)
Total Insurance Liabilities		36,708,430	31,730,169
19.1 Reported outstanding claims			
Gross of reinsurance			
Payable within one year		883,486	1,145,569
Recoverable from reinsurers		(69,155)	(194,926)
Net reported outstanding claims		814,331	950,643

	Note	2019	2018
		Rupees in thousand	
19.2 Incurred but not reported claims			
Individual Life			
Gross of reinsurance		**42,243**	14,608
Reinsurance recoveries		**(19,624)**	(58)
Net of Reinsurance		**22,619**	14,550
Group Life			
Gross of reinsurance		**94,645**	106,046
Reinsurance recoveries		**(62,390)**	(72,584)
Net of Reinsurance		**32,255**	33,462
		54,874	48,012
19.3 Investment component of unit linked and account value policies			
Investment component of unit linked policies		**32,552,155**	30,324,794
Investment component of account value policies		**2,735,459**	113,830
		35,287,614	30,438,624
19.4 Liabilities under individual conventional insurance contracts			
Gross of reinsurance		**31,759**	24,621
Reinsurance credit		**(2,542)**	(2,560)
Net of reinsurance		**29,217**	22,061
19.5 Liabilities under group insurance contracts (other than investment linked)			
Gross of reinsurance		**312,417**	189,102
Reinsurance credit		**(183,545)**	(98,075)
Net of reinsurance		**128,872**	91,027
19.6 Other insurance liabilities			
Gross of reinsurance		**535,217**	225,231
Reinsurance credit		**(128,975)**	(31,229)
Net of reinsurance		**406,242**	194,002
20 Retirement benefit obligations			
Parent Company			
Unfunded gratuity scheme	**20.1**	**82,708**	65,854
Funded gratuity scheme	**20.2**	**142,469**	133,127
Subsidiary Company			
Funded gratuity scheme	**20.3**	**37,026**	(14,421)
		262,203	184,560

20.1 Unfunded gratuity scheme

20.1.1 This provision relates to the Parent Company's operations in UAE branches. The eligible employees under the scheme are 94 (2018 : 100). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2019 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

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

	2019	2018
	Rupees in thousand	
Present value of defined benefit obligation at January 01	**65,854**	69,953
Charge for the year	**13,689**	12,388
Benefits paid	**(12,745)**	(26,015)
Remeasurement (gain) / loss on obligation	**8,035**	(5,771)
Exchange loss	**7,875**	15,299
Present value of defined benefit obligation at December 31	**82,708**	65,854

20.1.3 The following significant assumptions have been used for the valuation of this scheme:

	2019	2018
	(Percentages)	
- Valuation discount rate	**2.20**	2.20
- Expected rate of increase in salary level	**2.00**	2.00

20.1.4 The amount charged in profit and loss is as follows:

	2019	2018
	Rupees in thousand	
Service cost	**12,265**	10,975
Interest cost	**1,424**	1,413
Expense for the year	**13,689**	12,388

20.1.5 The amounts charged to other comprehensive income are as follows:

Remeasurement of the present value of defined benefit obligation due to:

	2019	2018
- Changes in financial assumptions	**-**	(7,380)
- Experience adjustments	**8,035**	1,609
	8,035	(5,771)

20.2 Funded gratuity scheme

20.2.1 The Parent Company operates an approved funded gratuity scheme for all employees. The eligible employees under the scheme are 738 (2018 : 756). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2019 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

20.2.2 The following significant assumptions have been used for valuation of this scheme:

	2019	2018
	(Percentages)	
- Discount rate	**12.50**	12.25
- Expected rate of increase in salary level	**10.50**	10.25

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

	2019	2018
	Rupees in thousand	
Net liabilities at January 01	**133,127**	84,443
Expenses recognized	**35,245**	22,107
Contribution paid during the year	**(10,000)**	(3,000)
Remeasurement (loss) / gain recognized - net	**(15,903)**	29,577
Net liabilities at December 31	**142,469**	133,127

20.2.4 The amounts recognized in the profit and loss account are as follows:

- Service cost	**19,550**	16,094
- Interest cost	**38,373**	20,171
- Interest income on plan assets	**(22,678)**	(14,158)
	35,245	22,107

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

Remeasurement of plan obligation from:		
- Experience on obligation	**(16,327)**	18,105
- Change in financial assumptions	**-**	-
Remeasurement of plan assets:		
- Investment return	**424**	11,472
	(15,903)	29,577

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

Fair value of plan assets	**(198,745)**	(193,756)
Present value of the obligation	**341,214**	326,883
Net asset	**142,469**	133,127

20.2.7 Movement in present value of defined benefit obligation

Present value of defined benefit obligation as at January 01	**326,883**	283,925
Current service cost	**19,550**	16,094
Interest cost	**38,373**	20,171
Actual benefits paid during the year	**(27,265)**	(11,412)
Remeasurement (loss) / gain on obligation	**(16,327)**	18,105
Present value of defined benefit obligation as at December 31	**341,214**	326,883

20.2.8 Movement in fair value of plan assets

Fair value as at January 01	**193,756**	199,482
Interest income on plan assets	**22,678**	14,158
Actual benefits paid during the year	**(27,265)**	(11,412)
Contributions made during the year	**10,000**	3,000
Net return on plan assets over interest income	**(424)**	(11,472)
Fair value of plan assets as at December 31	**198,745**	193,756

20.2.9 Actual return on plan assets

Expected return on plan assets	**22,678**	14,158
Net return on plan assets over interest income	**(424)**	(11,472)
	22,254	2,686

	2019	2018	2017	2016	2015
	Rupees in thousand				
20.2.10 Comparison for five years					
Funded gratuity scheme					
Present value of defined obligation	**341,214**	326,883	283,925	267,714	243,203
Fair value of plan assets	**198,745**	193,756	199,482	241,970	183,444
Deficit	**142,469**	133,127	84,443	25,744	59,759
Experience adjustments					
Gain / (loss) on plan assets (% age of plan assets)	(0.21)	(5.92)	(19.27)	5.48	4.13
Gain / (loss) on obligations (% age of obligation)	(4.78)	5.54	(1.26)	(4.91)	(3.35)

	2019	2018	2017	2016	2015
	Rupees in thousand				
Unfunded gratuity schemes					
Present value of defined obligation	**82,708**	65,854	69,953	55,655	56,693
Deficit	**82,708**	65,854	69,953	55,655	56,693
Experience adjustments					
Gain / (loss) on obligations (% age of obligation)	**(9.71)**	(2.44)	(3.10)	(10.89)	(2.51)

20.2.11 Plan assets consist of the following:

	2019	2018	2019	2018
	(Percentage)		Rupees in thousand	
Mutual funds - Equity	**36.96**	35.04	**73,459**	67,894
Government Bonds - Debt	**40.26**	43.66	**80,024**	84,595
Shares, bank deposits & cash equivalents - Others	**22.77**	22.60	**45,262**	43,790
Benefits due	**-**	(1.30)	**-**	(2,523)
	100.00	100.00	**198,745**	193,756

20.2.12 Plan assets do not include any investment in the Parent Company's ordinary shares as at 2019 (2018: Nil).

20.2.13 Expected cost to be recorded in the profit and loss account for the year ending December 31, 2020 is Rs. 36,127 thousands.

20.2.14 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at beginning of the year.

20.2.15 The weighted average duration of the defined benefit obligation for gratuity plan is 3.3 years (2018: 3.3 years).

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

20.2.16 The main features of the gratuity schemes are as follows:

- All confirmed employees are eligible to the scheme and the normal retirement age for all employees is 60 years.

- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules.

- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

20.2.17 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

20.2.18 Sensitivity analysis

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

	Impact on Gratuity plans				
	Change in assumptions	Unfunded		Funded	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		Rupees in thousand			
Discount rate	1%	(3,196)	3,483	**(9,447)**	**10,051**
Salary growth rate	1%	3,454	(3,232)	**10,144**	**(9,698)**

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

20.3 Funded gratuity scheme- Subsidiary Company

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

20.3.2 Responsibility for the governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Subsidiary Company appoints the Trustees and all trustees are employees of the Subsidiary Company. Details of the Subsidiary Company's obligation under the staff gratuity scheme determined on the basis of an actuarial valuation carried out by an independent actuary as at December 31, 2019 under the Projected Unit Credit Method are as follows:

	Note	2019	2018
		Rupees in thousand	
Present value of defined benefit obligations at December 31	**20.3.3**	**107,094**	65,465
Fair value of plan assets at December 31	**20.3.4**	**(70,068)**	(79,886)
Net liability at end of the year		**37,026**	(14,421)

		Note	2019	2018
			Rupees in thousand	
20.3.3	**Movement in present value of defined benefit obligations**			
	Present value of defined benefit obligations at Jan 01		**65,465**	90,586
	Current service cost	**20.3.5**	**23,330**	28,752
	Interest cost on defined benefit obligation	**20.3.5**	**10,579**	11,970
	Benefits paid during the year		**(14,106)**	(42,601)
	Remeasurement loss / (gain) on obligation:			
	- due to changes in financial assumptions	**20.3.5**	**21,826**	(23,242)
	Present value of defined benefit obligations at Dec 31		**107,094**	65,465
20.3.4	**Movement in fair value of plan assets**			
	Fair value of plan assets at Jan 01		**79,886**	59,080
	Contributions made by the Subsidiary Company to the Fund		**-**	64,000
	Interest income on plan assets		**12,138**	7,413
	Benefits paid during the year		**(14,106)**	(42,601)
	Remeasurement gain on plan assets		**(7,850)**	(8,006)
	Fair value of plan assets at Dec 31		**70,068**	79,886
20.3.5	**Expense recognized in profit and loss and other comprehensive income**			
	Current service cost		**23,330**	28,752
	Net interest cost		**10,579**	11,970
	Interest income on plan assets		**(12,138)**	(7,413)
	Expense for the year recognized in the profit and loss account		**21,771**	33,309
	Remeasurement losses on defined benefit obligation		**21,826**	(23,242)
	Remeasurement gain on fair value of plan assets		**7,850**	8,006
	Amount recognized in the statement of other comprehensive income		**29,676**	(15,236)
20.3.6	**Net recognized liability**			
	Net liability at Jan 01		**(14,421)**	31,506
	Expense recognized in profit and loss account		**21,771**	33,309
	Expense recognized in other comprehensive income		**29,676**	(15,236)
	Contributions made to the fund during the year		**-**	(64,000)
	Net liability at Dec 31		**37,026**	(14,421)

20.3.7 Estimated Gratuity Cost for the year ending December 31, 2020, is as follows:

	2020
	(Rupees in thousand)
Current service cost	**35,925**
Net interest cost	**6,140**
Total expense to be recognized in profit and loss account	**42,065**

20.3.8 Plan assets comprise of following:

	Note	2019 Rupees in thousand	2019 %age	2018 Rupees in thousand	2018 %age
Bank balance	**20.3.9**	**46,604**	**66.51**	39,356	49.27
Mutual Funds	**20.3.9**	**23,463**	**33.49**	40,529	50.73
Fair value of plan assets at end of the year		**70,067**	**100.00**	79,885	100.00

20.3.9 The assets are represented by cash in the scheme's bank deposit account with Standard Chartered Bank and mutual funds with MCB Arif Habib, MCB, Al Meezan Investments, and ABL.

20.3.10 The principal assumptions used in the actuarial valuations carried out as of December 31, 2019, using the 'Projected Unit Credit' method, are as follows:

	2019	2018
	Gratuity fund	
	Percentage	
Discount rate per annum	11.75	13.75
Expected per annum rate of return on plan assets	11.75	13.75
Expected per annum rate of increase in salary level	11.00	11.00
Expected mortality rate	LIC 94-96 Mortality table for males (rated down by 3 years for females)	LIC 94-96 Mortality table for males (rated down by 3 years for females)
Expected withdrawal rate	Age dependent	Age dependent

20.3.11 The plans expose the Subsidiary Company to actuarial risks such as:

Salary risks

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

Discount risks

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

Mortality / withdrawal risks

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

Investment risks

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

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

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

20.3.12 Sensitivity analysis - Subsidiary Company

Sensitivity analysis for actuarial assumptions

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

	2019	2018
	Rupees in thousand	
Discount rate (1% increase)	**(9,817)**	(5,382)
Discount rate (1% decrease)	**11,674**	6,340
Future salary increase rate (1% increase)	**12,445**	6,883
Future salary increase rate (1% decrease)	**(10,597)**	(5,907)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. 335.

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

The weighted average duration of the defined benefit obligation is 10.79 years. Besides the number of employees covered in the scheme at December 31, 2019 were 1,083 (2018: 765).

The expected maturity analysis of undiscounted retirement benefit plan is between 3-4 & 4-5 years and the amount involved is Rs. 21.654 million and Rs. 6.426 million respectively.

20.3.13 Historical Information

	2019	2018	2017	2016	2015
	Rupees in thousand				
Present value of defined benefit obligation	**107,094**	65,465	90,586	61,604	41,888
Fair value of plan assets	**(70,068)**	(79,886)	(59,079)	(47,057)	(32,558)
(Surplus) / deficit	**37,026**	(14,421)	31,507	14,547	9,330

20.3.14 Experience adjustment

	2019	2018	2017	2016	2015
	(Percentage)				
Experience adjustments on obligation	**20.00**	(36.00)	8.00	18.00	14.00
Experience adjustments on asset	**(11.00)**	(10.00)	(18.00)	4.00	(4.00)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

		Note	2019	2018
			Rupees in thousand	
21	**Deferred taxation**			
	Deferred tax debits arising in respect of:			
	Provision for gratuity		**23,986**	19,217
	Lease liability		**30,473**	-
	Unused tax losses		**17,743**	7,846
	Accelerated accounting amortization		**275**	67
			72,477	27,130
	Deferred tax credits arising in respect of:			
	Tax depreciation allowance		**(166,282)**	(65,853)
	Right of use assets		**(29,166)**	-
	Provision for leave encashment & bonus		**21,080**	-
	Business attributable to shareholders (Ledger Account D)		**(132,965)**	(46,508)
	Investments - Available for sale		**(1,191,082)**	(899,926)
			(1,498,415)	(1,012,287)
			(1,425,938)	(985,157)
21.1	**Movement in deferred tax balances is as follows:**			
	At beginning of the year		**985,157**	1,591,757
	Recognized in profit and loss account:			
	- Provision for gratuity		**(4,888)**	5,768
	- Lease liability against right of use asset		**(30,473)**	-
	- Right of use assets		**29,166**	-
	- Provision for leave encashment & bonus		**(21,080)**	-
	- Unused tax losses		**(10,087)**	(2,136)
	- Business attributable to shareholders (Ledger Account D)		**96,754**	13,421
	- Accelerated accounting amortization		**(208)**	(2)
	- Tax depreciation allowance		**100,428**	4,686
			159,612	21,737
	Recognized in other comprehensive income:			
	- Investments - Available for sale		**289,773**	(632,145)
	- Unused tax losses		**-**	190
	- Remeasurement of post retirement defined benefits		**(8,604)**	-
	- Business attributable to shareholders (Ledger Account D)		**-**	3,618
			281,169	(628,337)
			1,425,938	985,157
22	**Insurance/reinsurance payables**			
	Due to other insurers / reinsurers	22.1	**2,826,429**	2,709,714

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

	Note	2019	2018
23 Other creditors and accruals		Rupees in thousand	
Agents commission payable		**1,039,000**	1,066,503
Payable against the purchase of investment		**847,474**	138,863
Federal excise duty / sales tax		**50,149**	200,803
Federal Insurance Fee		**33,785**	37,729
Workers' welfare fund	**23.2**	**76,485**	432,246
Tax deducted at source		**104,056**	66,492
Accrued expenses		**386,051**	283,375
Unpaid and unclaimed dividend		**125,829**	121,350
Payable to employees' provident fund		**2,676**	2,449
Payable to related parties	**23.1**	**7,131**	6,833
Sundry creditors		**539,634**	455,460
		3,212,270	2,812,103

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

	Note	2019	2018
		Rupees in thousand	
23.2 Workers' welfare fund			
Balance as at 01 January		**432,246**	391,437
Provision for the year		**-**	52,571
Reversal during the year	**23.2.1**	**(355,761)**	(11,762)
Balance as at 31 December	**23.2.2**	**76,485**	432,246

23.2.1 Based on legal advice available with the Group, the management has reversed its provision of Rs. 355,761 thousands.

23.2.2 The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were passed by the Honorable Lahore High Court, the Honorable Sindh High Court and the Honorable Peshawar High Court.

The Honorable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Honorable Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

	Note	2019	2018
		Rupees in thousand	
24 Deposits and other liabilities			
Cash margin against performance bonds	**24.1**	**618,540**	692,086
Lease liability	**24.2**	**279,718**	-
		898,258	692,086

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

	2019	2018
	Rupees in thousand	
24.2 Maturity analysis		
Not later than 1 year	**87,549**	-
Later than 1 year and not later than 5 years	**192,169**	-
	279,718	-

25 Contingencies and commitments

25.1 Contingencies

Parent Company:

The Parent Company has filed appeals in respect of certain assessment years mainly on account of the following:

Income tax

(a) Deputy Commissioner Inland Revenue (DCIR) passed order u/s 161/205 of the Ordinance for tax year 2013 raising an income tax demand of Rs. 9,066 thousands. The Parent Company agitated the order before Commissioner Inland Revenue -Appeals (CIR - Appeals). CIR - Appeals decided the case in the favor of the Parent Company. Following the said order, the learned DCIR has passed an appeal effect order in which certain directions of the learned CIR-Appeals have not been followed for which a rectification appeal under section 221 of the Ordinance has been filed before learned DCIR which is still to be processed.

(b) The Parent Company received a notice from Additional Commissioner Inland Revenue (ACIR) pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Parent Company preferred to contest this matter by way of filing a constitutional petition before the Honorable Sindh High Court (the Court). The Court has ordered for stay of proceedings.

(c) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,360 thousands. An appeal was filed before the CIR - Appeals who upheld the order of the Taxation Officer. The Parent Company has filed an appeal before the Additional Tribunal Inland Revenue (ATIR) which is yet to be heard.

(d) The Tax Authorities amended the assessments for tax years 2003 to 2005 on the ground that the Parent Company has not apportioned management and general administration expenses against capital gain and dividend income. The Parent Company filed constitutional petition in the Honorable Sindh High Court (the Court) against the amendment in the assessment order. The Parent Company may be liable to pay Rs. 5,880 thousands in the event of decision against the Parent Company, out of which Rs. 2,730 thousands have been provided resulting in a shortfall of Rs. 3,150 thousands.

(e) Learned DCIR has passed an order under section 161/205 of the Ordinance for tax year 2017 creating a demand of Rs. 22,105 thousands on account of Non-Deduction of Income Tax while making payments. The Parent Company has paid partial payment of Rs. 9,065 thousands under protest and agitated the order before learned CIR - Appeals I and the appeal has not yet been fixed.

Pending resolution of the above-mentioned appeals filed by the Parent Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rs. 72,681 thousands (2018: Rs. 72,681 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Parent Company.

Others

The Parent Company has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs. 841,000 thousands (2018: Nil).

The Parent Company has issued letter of guarantees amounting to AED 449,000 (amounting to Rs.18,928 thousands) (2018: AED 501,000 amounting to Rs. 18,940 thousands) relating to UAE branch.

	2019	2018
Subsidiary Company:	Rupees in thousand	
(f) Claims against the Subsidiary Company not acknowledged as debt	**67,197**	26,014

	2019	2018
	Number	
Number of cases	**45**	43

This represents various cases initiated against the Subsidiary Company concerning policyholder claims referred to Court, Federal Insurance Mohtasib and Small Dispute Resolution Committee rejected by the Subsidiary Company on different grounds. However, the management believes that no significant liability is likely to occur in these cases.

Sales tax on life insurance premium

(g) The exemption from the Sindh sales tax on life insurance premium has expired on June 30, 2019 and subsequently the sales tax has become applicable on the life insurance premium from July 01, 2019. The matter for renewal of the exemption has been taken-up at the collective level of Insurance Association of Pakistan with the SRB through its consultants. However, as the effort remained unconcluded, the Subsidiary Company, along with the other companies within the industry, through the consultant of Insurance Association of Pakistan (IAP) had filed a Constitution Petition bearing No. D-7677 of 2019, titled 'EFU Life Assurance Limited & Others vs The Province of Sindh & Another' with Sindh High Court. However, High Court in its order issued on December 2, 2019, stated that the Sindh Revenue Board ought to consider approving the exemption on the levy of this tax under Section 10 of Sindh Sales Tax on Services Act, 2011.

In view of the fact that the exemption is still pending, the Subsidiary Company and other life insurance companies have not yet billed their customers for SST for the period commencing from July 01, 2019 on the Premium of life insurance coverage.

The aggregate amount of Sindh Sales Tax not yet billed, based on the risk premium, during the period from July 2019 to December 2019 is Rs.21.49 million."

(h) Punjab Revenue Authority had levied Punjab Sales Tax on life insurance companies on October 2018. Afterwards in 2019 PRA had registered all insurance companies on compulsory basis. In September 2019, PRA had sent a notice demanding sales tax on gross premium received. However, Lahore High Court, in its order dated January 14, 2020 put a stay on such notice.

In this connection, Insurance industry on collective basis, has also filed a writ Petition with Lahore High Court, bearing No. 55421 of 2019, titled 'Jubilee Life Insurance Subsidiary Company Limited and others vs The Province of Punjab and others'.

In light of the fact that the decision against such petition is pending, the Subsidiary Company and other life insurance companies in the industry have not billed their customers for PST. The aggregate amount of PST for the period from November 2018 to December 2019, based on the risk premium is Rs. 164 million."

25.2 Commitments

Subsidiary Company:

There were no commitments in respect of capital expenditure (2018: Rs.7.20 million) & operating expenditure (2018: Rs.4.50 million).

Commitments in respect of Ijarah rentals payable in future period as at December 31, 2019 amounted to Rs. 80.59 million (December 31, 2018: Rs. 40.61 million) for vehicles.

	Note	2019	2018
		Rupees in thousand	
Not later than one year		22,543	12,071
Later than one year and not later than five years		58,045	28,542
		80,588	40,613

26 Net insurance premium

Parent Company

	Note	2019	2018
Written gross premium		22,492,543	20,387,059
Unearned premium reserve - opening		10,100,901	8,912,498
Unearned premium reserve - closing		(10,242,348)	(10,100,901)
Currency translation effect		494,504	952,608
Premium earned		22,845,600	20,151,264
Reinsurance premium ceded		(8,055,014)	(6,831,707)
Prepaid reinsurance premium - opening		(2,866,980)	(2,349,147)
Prepaid reinsurance premium - closing	13	3,500,512	2,866,980
Currency translation effect		(4,621)	(31,609)
Reinsurance expense		(7,426,103)	(6,345,483)
Net insurance premium - Parent Company	26.1 & 26.2	15,419,497	13,805,781

Subsidiary Company

	Note	2019	2018
Regular premium / contributions individual policies	26.3		
- first year		3,638,303	2,792,041
- second year renewal		2,195,775	1,872,151
- subsequent years renewal		4,898,480	3,809,229
Single premium / contributions individual policies	26.3	1,599,794	4,228,194
Group policies without cash values		665,362	622,144
Experience refund		(33,432)	(76,505)
Total gross premiums / contributions		12,964,282	13,247,254
Reinsurance premiums / retakaful contributions ceded			
On individual life first year business		(45,530)	(46,210)
On individual life second year business		(46,577)	(41,202)
On individual life subsequent renewal business		(114,825)	(103,849)
On single premium individual policies		-	-
On group policies		(412,104)	(344,739)
Profit commission on reinsurance		35,765	-
		(583,271)	(536,000)
Net premiums / contributions - Subsidiary Company		12,381,011	12,711,254
		27,800,508	26,517,035

26.1 Net insurance premium - Business underwritten inside Pakistan

	Note	2019	2018
Written gross premium		14,900,976	13,413,513
Unearned premium reserve - opening		5,508,453	5,186,518
Unearned premium reserve - closing		(6,197,501)	(5,508,453)
Premium earned		14,211,928	13,091,578
Reinsurance premium ceded		(7,716,041)	(6,532,653)
Prepaid reinsurance premium - opening		(2,838,973)	(2,079,920)
Prepaid reinsurance premium - closing		3,425,355	2,838,973
Reinsurance expense		(7,129,659)	(5,773,600)
		7,082,269	7,317,978

	Note	2019	2018
		Rupees in thousand	
26.2 Net insurance premium - Business underwritten outside Pakistan			
Written gross premium		**7,591,567**	6,973,546
Unearned premium reserve - opening		**4,592,448**	3,725,980
Unearned premium reserve - closing		**(4,044,847)**	(4,592,448)
Currency translation effect		**494,504**	952,608
Premium earned		**8,633,672**	7,059,686
Reinsurance premium ceded		**(338,973)**	(299,054)
Prepaid reinsurance premium - opening		**(28,007)**	(269,227)
Prepaid reinsurance premium - closing		**75,157**	28,007
Currency translation effect		**(4,621)**	(31,609)
Reinsurance expense		**(296,444)**	(571,883)
		8,337,228	6,487,803

26.3 Individual policies are those underwritten on an individual basis.

27 Net insurance claims expense

	Note	2019	2018
Parent Company			
Claim paid		**14,686,699**	13,905,284
Outstanding claims including IBNR - closing	**27.3**	**10,367,347**	10,461,975
Outstanding claims including IBNR - opening		**(10,461,975)**	(11,485,744)
Currency translation effect		**(594,102)**	(1,082,517)
Claim expense		**13,997,969**	11,798,998
Reinsurance and other recoveries received / receivable		**(4,599,078)**	(5,651,171)
Reinsurance and other recoveries in respect of outstanding claims - closing		**(6,233,348)**	(6,397,245)
Reinsurance and other recoveries in respect of outstanding claims - opening		**6,397,245**	8,056,450
Currency translation effect		**313,749**	578,720
Reinsurance and other recoveries revenue		**(4,121,432)**	(3,413,246)
Net insurance claims expense - Parent Company	**27.1 & 27.2**	**9,876,537**	8,385,752
Subsidiary Company			
Gross claims			
Claims under individual policies			
- by death		**296,294**	279,018
- by insured event other than death		**2,924**	2,600
- by maturity		**1,347,025**	1,717,972
- by surrender		**4,986,784**	4,247,653
Total gross individual policy claims		**6,633,027**	6,247,243
Claims under group policies			
- by death		**451,369**	547,547
- by insured event other than death		**(18,914)**	33,099
Total gross group policy claims		**432,455**	580,646
Claim related expenses		**7,708**	11,242
Total gross claims		**7,073,190**	6,839,131
Reinsurance recoveries			
- on individual claims		**(71,781)**	(106,998)
- on group claims		**(277,527)**	(416,547)
		(349,308)	(523,545)
Net insurance claims expense - Subsidiary Company		**6,723,882**	6,315,586
		16,600,419	14,701,338

	2019	2018
	Rupees in thousand	
27.1 Net insurance claims expense - Business underwritten inside Pakistan		
Claim paid	**6,413,550**	7,133,353
Outstanding claims including IBNR - closing	**4,398,967**	5,386,215
Outstanding claims including IBNR - opening	**(5,386,215)**	(7,084,282)
Claims expense	**5,426,302**	5,435,286
Reinsurance and other recoveries received / receivable	**(2,268,805)**	(3,212,418)
Reinsurance and other recoveries in respect of outstanding claims - closing	**(2,948,471)**	(3,769,658)
Reinsurance and other recoveries in respect of outstanding claims - opening	**3,769,658**	5,602,812
Reinsurance and other recoveries revenue	**(1,447,618)**	(1,379,264)
	3,978,684	4,056,022
27.2 Net insurance claims expense - Business underwritten outside Pakistan		
Claim paid	**8,273,149**	6,771,931
Outstanding claims including IBNR - closing	**5,968,380**	5,075,760
Outstanding claims including IBNR - opening	**(5,075,760)**	(4,401,462)
Currency translation effect	**(594,102)**	(1,082,517)
Claims expense	**8,571,667**	6,363,712
Reinsurance and other recoveries received / receivable	**(2,330,273)**	(2,438,753)
Reinsurance and other recoveries in respect of outstanding claims - closing	**(3,284,877)**	(2,627,587)
Reinsurance and other recoveries in respect of outstanding claims - opening	**2,627,587**	2,453,638
Currency translation effect	**313,749**	578,720
Reinsurance and other recoveries revenue	**(2,673,814)**	(2,033,982)
	5,897,853	4,329,730

27.3 Claims development tables

The following tables shows the development of the claims over a period of time of the Group. 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.

	Accident year						
	2014 & Prior	2015	2016	2017	2018	2019	Total
	Rupees in thousand						
27.3.1 Parent Company:							
Estimate of the ultimate claim cost:							
At the end of accident year	-	6,857,672	11,752,724	11,307,403	13,278,246	14,544,497	**57,740,542**
One year later	3,195,074	5,059,319	7,075,979	6,362,632	6,250,676	-	**27,943,680**
Two years later	861,957	1,255,685	2,369,539	1,978,478	-	-	**6,465,659**
Three years later	1,947,901	1,791,844	1,662,339	-	-	-	**5,402,084**
Four years later	163,472	132,679	-	-	-	-	**296,151**
Five years later	485,377	-	-	-	-	-	**485,377**
Current estimate of cumulative claims	485,377	132,679	1,662,339	1,978,478	6,250,676	14,544,497	**25,054,046**
Less: Cumulative payments to date	59,830	24,257	961,690	889,153	4,651,902	8,099,867	**14,686,699**
Liability recognized in statement of financial position	425,547	108,422	700,649	1,089,325	1,598,774	6,444,630	**10,367,347**

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27.3.2 Subsidiary Company:

27.3.2.1 Individual life claims

	Accident year					
	2015	2016	2017	2018	2019	Total
	Rupees in thousand					
Estimate of the ultimate claim cost:						
At the end of accident year	87,678	137,326	182,730	174,125	255,185	**837,045**
One year later	128,786	207,118	284,371	253,932	-	**874,207**
Two years later	133,754	213,344	295,962	-	-	**643,060**
Three years later	134,004	215,008	-	-	-	**349,012**
Four years later	134,004	-	-	-	-	**134,004**
Current estimate of cumulative claims	134,004	215,008	295,962	253,932	255,185	**1,154,091**
Less: Cumulative payments to date	132,234	209,111	275,984	238,612	176,324	**1,032,265**
Liability recognized in statement of financial position	1,770	5,897	19,977	15,320	78,861	**121,826**

27.3.2.2 Group life claims

	2015	2016	2017	2018	2019	Total
Estimate of the ultimate claim cost:						
At the end of accident year	151,607	283,306	413,991	419,348	352,888	**1,621,140**
One year later	193,667	325,000	549,012	534,512	-	**1,602,191**
Two years later	194,953	325,487	557,617	-	-	**1,078,058**
Three years later	194,953	325,487	-	-	-	**520,441**
Four years later	194,953	-	-	-	-	**194,953**
Current estimate of cumulative claims	194,953	325,487	557,617	534,512	352,888	**1,965,458**
Less: Cumulative payments to date	132,234	209,111	275,984	238,612	176,324	**1,032,265**
Liability recognized in statement of financial position	62,719	116,377	281,633	295,900	176,564	**933,193**

	Note	2019	2018
		Rupees in thousand	
28 Net commission and other acquisition costs			
Parent Company			
Commission paid or payable		**2,449,810**	1,757,025
Deferred commission expense - opening		**788,431**	733,631
Deferred commission expense - closing		**(1,190,146)**	(788,431)
Currency translation effect		**65,731**	102,787
Net commission		**2,113,826**	1,805,012
Commission received or recoverable		**(622,744)**	(504,854)
Unearned reinsurance commission - opening		**(221,371)**	(240,306)
Unearned reinsurance commission - closing		**237,751**	221,371
Currency translation effect		**(257)**	(1,647)
Commission from reinsurance		**(606,621)**	(525,436)
Net commission and other acquisition costs - Parent Company	28.1 & 28.2	**1,507,205**	1,279,576

Subsidiary Company	2019	2018
	Rupees in thousand	
Remuneration to insurance / takaful intermediaries on individual policies:		
Commission on first year contribution / premium	1,627,575	1,255,234
Commission on second year contribution / premium	123,105	99,621
Commission on subsequent years renewal contribution / premium	118,629	89,043
Commission on single contribution premium	33,735	91,068
Other benefits to insurance intermediaries	373,272	318,417
	2,276,316	1,853,383
Remuneration to insurance intermediaries on group policies:		
Commission	36,345	36,057
Other benefits to insurance intermediaries	4,423	4,523
	40,768	40,580
Other acquisition costs		
Employee benefit cost	179,504	105,278
Traveling expenses	1,366	2,259
Information technology expense	4,449	2,383
Printing & stationary	1,400	2,100
Depreciation	39,294	14,913
Amortization	193	97
Rentals expense	8,560	24,477
Insurance cost	292	124
Car fuel & maintenance	23,632	15,815
Postage	3,978	1,213
Utility cost	7,594	6,523
Office maintenance	19,800	12,576
Entertainment	4,907	3,556
Training & development	4,988	2,116
Marketing cost	24,382	16,140
Financial charges	11,963	311
Brokerage charges	403	-
Legal & professional charges	176	-
Policy stamps	44,759	34,120
Medical examination fee	1,754	2,024
	383,394	246,025
Net commission and other acquisition costs - Subsidiary Company	2,700,478	2,139,988
	4,207,683	3,419,564

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

	2019	2018
Commission paid or payable	991,010	971,496
Deferred commission expense - opening	297,403	326,325
Deferred commission expense - closing	(352,673)	(297,403)
Net commission	935,740	1,000,418
Commission received or recoverable	(597,710)	(498,603)
Unearned reinsurance commission - opening	(218,690)	(227,726)
Unearned reinsurance commission - closing	236,381	218,690
Commission from reinsurance	(580,019)	(507,639)
	355,721	492,779

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	Note	2019	2018
		Rupees in thousand	
28.2 Net commission and other acquisition costs - Business underwritten outside Pakistan			
Commission paid or payable		1,458,800	785,529
Deferred commission expense - opening		491,028	407,306
Deferred commission expense - closing		(837,473)	(491,028)
Currency translation effect		65,731	102,787
Net commission		1,178,086	804,594
Commission received or recoverable		(25,034)	(6,251)
Unearned reinsurance commission - opening		(2,681)	(12,580)
Unearned reinsurance commission - closing		1,370	2,681
Currency translation effect		(257)	(1,647)
Commission from reinsurance		(26,602)	(17,797)
		1,151,484	786,797
29 Management expenses			
Employees benefit cost	29.1	2,257,945	1,982,736
Travelling expenses		84,299	71,537
Advertisement & sales promotion		234,889	147,082
Printing & stationary		53,752	53,753
Depreciation		268,740	158,723
Amortization		49,893	41,029
Rent, rates & taxes		78,866	163,238
Legal & professional charges - business related		145,225	142,745
Electricity, gas & water		72,390	58,125
Entertainment		31,783	27,256
Vehicle running expenses		146,289	119,489
Office repairs & maintenance		71,166	58,774
Bank charges		42,896	33,296
Postages, telegrams & telephone		61,976	70,777
Supervision fee		89,507	78,523
IT related costs		138,687	134,694
Tracking and monitoring charges		216,640	220,592
VAT receivable written-off		-	184,290
Provision for doubtful balances against due from insurance contract holders		187,764	191,638
Provision for doubtful balances against due from other insurers / reinsurers		-	50,000
Regulatory fee		130,154	90,559
Miscellaneous		59,707	55,759
		4,422,568	4,134,615
29.1 Employee benefit cost			
Salaries, allowances and other benefits		2,155,529	1,880,440
Charges for post employment benefit		102,416	102,296
		2,257,945	1,982,736
30 Investment income			
Statutory Funds	30.1	2,641,627	1,914,797
Shareholders' Fund	30.2	1,390,016	1,300,923
		4,031,643	3,215,720

	2019	2018
	Rupees in thousand	
30.1 Statutory Funds		
Income from equity securities		
Dividend Income		
- Available for sale	-	-
- Held for trading	559,167	431,630
	559,167	431,630
Income from debt securities		
Return on debt securities		
- Fair value through profit or loss	385,510	197,424
Return on government securities		
- Available for Sale	25,100	15,223
- Held for trading	818,123	491,703
	843,223	506,926
Income from term deposit receipts		
- Held to maturity	772,662	508,518
Total investment income - Statutory Funds	2,560,562	1,644,498
Tax on dividend under final tax regime	(38,587)	(70,401)
	2,521,975	1,574,097
Net realized fair value gains on investments		
Available for sale		
- Mutual Funds	-	1,594
- Listed equities	-	(3,248)
- Government securities	81	49
	81	(1,605)
Held for trading		
- Mutual Funds	(6,806)	23,745
- Listed equities	13,639	327,581
- Fixed income securities	-	1,878
- Government securities	112,738	(10,899)
	119,571	342,305
	119,652	340,700
	2,641,627	1,914,797

30.2 Shareholders' Fund

Business underwritten Inside Pakistan - Parent Company

Income from equity securities

	2019	2018
Dividend Income		
- Available for sale	1,352,438	1,292,538

This includes dividend income of Rs. 768,603 thousands (2018: 779,519 thousands) from the related parties.

Income from debt securities

	2019	2018
Return on debt securities		
- Held to maturity	48,146	31,228

	2019	2018
	Rupees in thousand	
Income from term deposits		
- Held to maturity	**9,618**	3,428
This includes income of Rs. Nil (2018: 27 thousands) from the related parties.		
Net realized fair value gains on investments		
Available for sale		
- Listed equities	**34,370**	452,202
	1,444,572	1,779,396
Provision of impairment in value of 'available-for-sale' investments	**(294,179)**	(575,296)
	1,150,393	1,204,100
Business underwritten Inside Pakistan - Subsidiary Company		
Income from equity securities		
Dividend Income		
- Available for sale	**735**	1,101
Income from debt securities		
Return on government securities		
- Available for sale	**10,362**	10,358
- Held for trading	**6,546**	-
	16,908	10,358
	17,643	11,459
Net realized fair value gains on investments		
Available for sale		
- Mutual Funds	**-**	3,186
- Listed equities	**-**	1,622
	-	4,808
	17,643	16,267
Business underwritten Outside Pakistan		
Income from equity securities		
Available-for-sale		
Dividend income		
- related parties	**-**	-
- others	**54,211**	2,123
	54,211	2,123
Net realized gains on investments		
- related parties	**-**	-
- others	**7,298**	-
	7,298	-
Return on term deposits		
- related parties	**29,746**	13,020
- others	**130,725**	65,413
	160,471	78,433
	221,980	80,556

	Note	2019	2018
		Rupees in thousand	
31 Net fair value gain / (loss) on financial assets at fair value through profit or loss			
Held for trading			
Statutory Funds			
Net unrealized gains / (losses) on:			
- Mutual Funds		**405,471**	(300,318)
- Listed equities		**151,488**	(1,441,256)
- Fixed income securities		**(50,242)**	12,597
- Government securities		**(147)**	(9,892)
Investment related expenses		**(72,606)**	(111,969)
		433,964	(1,850,838)
Shareholders' Fund			
Net unrealized gains / (losses) on:			
- Listed equities		**1,436**	(114)
Investment related expenses		**(3)**	-
		1,433	(114)
		435,397	(1,850,952)
32 Rental income			
Rental income		**33,217**	8,906
Expenses of investment property		**(4,613)**	-
		28,604	8,906
33 Other income			
Return on bank balances		**440,943**	172,588
Mark-up on policy loans		**3,028**	2,840
(Loss) / gain on sale of operating assets		**(19,836)**	11,398
Return on loans to employees		**263**	340
Exchange gain		**4,612**	5,670
Shared expenses received		**11,830**	9,760
Liabilities written back		**-**	16,997
Miscellaneous		**19,511**	7,013
		460,351	226,606
34 Other expenses			
Legal & professional charges other than business		**30,478**	46,244
Auditor's remuneration	34.1	**16,255**	15,113
Subscription fee		**9,406**	4,931
Donations	34.2	**1,759**	2,709
Directors' fee		**220**	220
Central depository expense		**3,075**	3,106
Others		**6,255**	4,112
		67,448	76,435

	2019	2018
	Rupees in thousand	
34.1 Auditor's remuneration		
34.1.1 Parent Company		
Inside Pakistan:		
Audit fee	**2,380**	2,380
Interim review fee	**469**	469
Special certifications and sundry advisory services	**520**	520
Out of pocket expenses including government levy	**463**	463
	3,832	3,832
Outside Pakistan:		
Audit fee	**6,939**	6,355
Interim review fee	**490**	829
Out of pocket expenses including government levy	**804**	335
	8,233	7,519
34.1.2 Subsidiary Company		
Annual audit fee	**1,907**	1,379
Half yearly review	**473**	473
Gratuity fund audit	**43**	55
Other certifications	**1,254**	1,389
Out of pocket	**513**	466
	4,190	3,762
	16,255	15,113

34.2 None of the directors or their spouses have any interest in the donee.

	2019	2018
35 Taxation - net		
Current tax		
For the year		
- Parent Company	**593,203**	811,280
- Subsidiary Company	**292**	431
- Window Takaful Operations	**31,110**	26,393
Prior year		
- Parent Company	**-**	91,125
- Subsidiary Company	**-**	-
	624,605	929,229
Deferred tax		
For the year		
- Parent Company	**95,829**	5,693
- Subsidiary Company	**63,783**	16,044
- Window Takaful Operations	**(123)**	9
	159,489	21,746
	784,094	950,975

35.1 Tax charge reconciliation

	(Effective tax rate) 2019	2018
	Percentage	
Tax at the applicable rate of 29 (2018: 29)	**29.00**	29.00
Prior year	**-**	4.19
Effect of super tax	**-**	2.00
Tax effect of provision for impairment of investments	**3.37**	7.68
Others	**(4.51)**	(0.53)
	27.86	42.34

36 Earnings per share

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

	2019	2018
	Rupees in thousand	
Net profit after tax for the year attributable to owners of the parent	**1,972,045**	1,280,662
	Number of shares	
Weighted average number of ordinary shares	**350,000,000**	350,000,000

	2019	2018
	Rupees	
Earning per share - basic and diluted	**5.63**	3.66

37 Compensation of Directors and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Group are as follows:

	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Fees	**-**	-	**220**	220	**-**	-
Managerial remuneration	**24,614**	22,275	**-**	13,025	**992,556**	858,020
Leave encashment	**2,188**	1,454	**-**	-	**37,078**	39,594
Bonus	**4,000**	3,600	**-**	-	**101,165**	90,933
Charge of defined benefit plan	**246**	223	**-**	-	**35,000**	20,443
Contribution to defined contribution plan	**1,231**	1,114	**-**	-	**35,633**	31,414
House rent allowance	**-**	-	**-**	3,233	**172,953**	148,240
Utilities	**549**	209	**-**	2,766	**12,613**	10,023
Medical	**-**	-	**-**	-	**38,242**	32,461
Conveyance	**-**	-	**-**	1,280	**138,755**	123,481
Special allowance	**1,800**	1,800	**-**	-	**-**	-
Other allowance	**835**	417	**-**	8,514	**-**	-
	35,463	31,092	**220**	29,038	**1,563,995**	1,354,610
Number	**2**	2	**8**	8	**494**	455

37.1 In addition, the Chief Executive Officer (CEO) of the Parent Company is also provided with Parent Company maintained car (s), residence, certain household items, furniture and fixtures and equipment in accordance with the policy of the Parent Company. Whereas, no remuneration was paid to CEO of the Subsidiary Company.

37.2 No remuneration was paid to non - executive directors of the Parent Company except for meeting fees.

38 Transactions with related parties

The Group has related party relationships with its associates, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment.

Investments and bank deposits with related parties have been disclosed in note 8, 10 and 14 to the consolidated financial statements. Other transactions with related parties are summarized as follows:

Parent Company

		Note	2019	2018
			Rupees in thousand	
i) Transactions	**Relationship with the Company**			
Premiums underwritten	Common directorship		**1,412,496**	1,247,337
Premiums received	Common directorship		**1,540,424**	1,338,158
Claims paid	Common directorship		**632,467**	793,510
Security deposit received	Common directorship		**3,050**	-
Commission Paid	Common directorship		**76,623**	47,296
Rent paid	Common directorship		**7,676**	4,254
Rent received	Common directorship		**28,887**	-
Dividends received	Common directorship		**653,313**	779,510
Dividends paid	Common directorship		**237,695**	141,722
Income on bank deposits	Common directorship		**43,682**	30,118
Investments made	Common directorship		**397,500**	443,093
Investments sold	Common directorship		**-**	-
Fixed assets sold	Common directorship		**2,347**	-
Purchases	Common directorship		**-**	20,800
Fee / service charges paid	Common directorship		**17,262**	2,855
Fee / service charges income	Common directorship		**3,982**	-
Expense in relation to provident fund	Employees' fund		**33,368**	31,052
ii) Period end balances				
Balances receivable	Common directorship		**215,212**	349,502
Balances payable	Common directorship		**359,782**	761,866
Payable to provident fund	Employees' fund		**2,676**	2,449

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			Note	2019	2018
				Rupees in thousand	
Subsidiary Company					
i)	**Transactions**	**Relationship with the Company**			
	Premium written	Common directorship		**247,682**	180,538
	Claims expense	Common directorship		**75,763**	136,849
	Commission and other incentives in respect of Bancassurance	Common directorship		**1,770,676**	1,349,732
	Profit on bank deposits	Common directorship		**269,079**	63,414
	Bank charges	Common directorship		**1,646**	1,607
	Investments purchased	Common directorship		**5,669,281**	2,369,322
	Investments sold	Common directorship		**4,667,827**	1,740,865
	Investment advisor fee	Common directorship		**16,477**	18,407
	Dividend income	Common directorship		**159,273**	52,273
	Reinsurance claim recoveries	Common directorship		**10,680**	15,674
	Reinsurance premium ceded	Common directorship		**1,906**	22,591
	Trustee fee	Common directorship		**9,530**	10,701
	Expense in relation to gratuity fund	Employees' fund		**51,447**	18,073
ii)	**Period end balances**	**Relationship with the Company**			
	Premium due but unpaid	Common directorship		**9,553**	4,690
	Premium received in advance	Common directorship		**-**	12,978
	Bank deposits	Common directorship		**1,475,870**	1,801,576
	Investments held	Common directorship		**6,731,531**	4,888,330
	Dividend receivables	Common directorship		**22,814**	-
	Accrued Income	Common directorship		**101**	62,903
	Commission payable	Common directorship		**337,441** `	294,210
	Claims payable	Common directorship		**2,370**	7,198
	Reinsurance receivable/ (payable)	Common directorship		**1,874**	(6,916)
	Remuneration payable for the management of discretionary investment portfolio	Common directorship		**3,792**	1,719
	Remuneration payable to Trustee	Common directorship		**486**	512
	Other payable/(receivables)	Common directorship		**(892)**	2,500
	Retirement Benefit Obligation Plan (Gratuity Fund)				
	Contributions made to Gratuity fund	Employees' fund		**-**	64,000
	(Payable to)/ receivable from Gratuity fund	Employees' fund		**(37,026)**	14,421

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38.1 Following are the related parties with whom the Group had entered into transactions or have arrangements / agreements in place.

Name of Related Party	Basis of relationship	Aggregate % of Shareholding in the Group
Hyundai Nishat Motor (Private) Limited	Common directorship	10.000%
MCB Bank Limited	Common directorship	4.036%
Nishat Mills Limited	Common directorship	0.001%
A. A. Joyland (Private) Limited	Common directorship	N/A
Cotton Web (Private) Limited	Common directorship	N/A
D.G. Khan Cement Company Limited	Common directorship	N/A
Dupak Developers Pakistan Private Limited	Common directorship	N/A
Dupak Properties (Private) Limited	Common directorship	N/A
Dupak Tameer Limited	Common directorship	N/A
Fortress Square Services (Private) Limited	Common directorship	N/A
Golf View Land (Private) Limited	Common directorship	N/A
Hollard Life Assurance Company Limited	Common directorship	N/A
IVM Intersurer B.V.	Common directorship	N/A
Joyland Private Limited	Common directorship	N/A
Mahmood Textile Mills Limited	Common directorship	N/A
Masood Spinning Mills Limited	Common directorship	N/A
MCB Arif Habib Savings & Investment Limited	Common directorship	N/A
MCB Employees Foundation	Common directorship	N/A
MCB Financial Services Limited	Common directorship	N/A
MCB Islamic Bank Limited	Common directorship	N/A
Multan Solid Waste Management Co. Limited	Common directorship	N/A
Nishat (Aziz Avenue)Hotels & Properties Limited	Common directorship	N/A
Nishat (Chunian) Limited	Common directorship	N/A
Nishat (Gulberg)Hotels & Properties Limited	Common directorship	N/A
Nishat (Raiwind) Hotels & Properties Limited	Common directorship	N/A
Nishat Agriculture Farming (Private) Limited	Common directorship	N/A
Nishat Agrotech Farms (Private) Limited	Common directorship	N/A
Nishat Dairy (Private) Limited	Common directorship	N/A
Nishat Developers (Private) Limited	Common directorship	N/A
Nishat Hotels & Properties Limited	Common directorship	N/A
Nishat Power Limited	Common directorship	N/A
Nishat Sutas Dairy Limited	Common directorship	N/A
Punjab Industrial Estate Development Authority	Common directorship	N/A
Roomi Foods (Private) Limited	Common directorship	N/A
Roomi Poultry (Private) Limited	Common directorship	N/A
Siddiqsons Energy Limited	Common directorship	N/A
Siddiqsons Limited	Common directorship	N/A
Siddiqsons Tin Plate Limited	Common directorship	N/A
Soxlinks (Private) Limited	Common directorship	N/A
Sui Northern Gas Pipelines Limited	Common directorship	N/A
U&S Gulberg Filling Station	Common directorship	N/A

39 Segment Information

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

	2019														
	Fire and property damage		Marine, aviation and transport		Motor		Accident & health		Miscellaneous		Total		Aggregate General Insurance	Life Insurance	Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan			
	Rupees in thousands														
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	8,534,754	43,324	998,598	23,862	3,229,489	7,862,923	1,917,203	23,660	2,128,708	18,125	16,808,752	7,971,894	24,780,646	12,964,282	37,744,928
Federal excise duty / VAT	(1,065,951)	(2,961)	(109,294)	(352)	(384,924)	(374,829)	(25,442)	(1,127)	(174,476)	(904)	(1,760,087)	(380,173)	(2,140,260)	-	(2,140,260)
Federal insurance fee	(72,465)	(105)	(8,866)	(44)	(28,409)	-	(18,942)	-	(19,007)	(5)	(147,689)	(154)	(147,843)	-	(147,843)
	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,872,819	22,533	1,935,225	17,216	14,900,976	7,591,567	22,492,543	12,964,282	35,456,825
Gross written premium (inclusive of administrative surcharge)	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,872,819	22,533	1,935,225	17,216	14,900,976	7,591,567	22,492,543	12,964,282	35,456,825
Gross direct premium	7,343,446	40,067	857,397	23,404	2,714,540	7,483,357	1,872,719	22,533	1,890,507	17,108	14,678,609	7,586,469	22,265,078	12,964,282	35,229,360
Facultative inward premium	32,659	-	1,009	-	-	-	-	-	33,026	-	66,694	-	66,694	-	66,694
Administrative surcharge	20,233	191	22,032	62	101,616	4,737	100	-	11,692	108	155,673	5,098	160,771	-	160,771
	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,872,819	22,533	1,935,225	17,216	14,900,976	7,591,567	22,492,543	12,964,282	35,456,825
Insurance premium earned	6,942,436	42,735	890,285	32,086	2,860,723	8,506,268	1,759,388	36,446	1,759,096	16,137	14,211,928	8,633,672	22,845,600	12,964,282	35,809,882
Insurance premium ceded to reinsurers	(6,109,923)	(29,662)	(185,885)	-	(51,873)	(230,269)	-	(29,297)	(781,978)	(7,216)	(7,129,659)	(296,444)	(7,426,103)	(583,271)	(8,009,374)
Net insurance premium	832,513	13,073	704,400	32,086	2,808,850	8,275,999	1,759,388	7,149	977,118	8,921	7,082,269	8,337,228	15,419,497	12,381,011	27,800,508
Commission income	420,858	6,994	1,457	-	4,274	16,706	-	-	153,430	2,902	580,019	26,602	606,621	-	606,621
Net underwriting income	1,253,371	20,067	705,857	32,086	2,813,124	8,292,705	1,759,388	7,149	1,130,548	11,823	7,662,288	8,363,830	16,026,118	12,381,011	28,407,129
Insurance claims	(1,492,018)	(26,083)	(466,446)	(10,691)	(1,431,840)	(8,478,203)	(1,543,254)	(48,846)	(492,744)	(7,844)	(5,426,302)	(8,571,667)	(13,997,969)	(7,073,190)	(21,071,159)
Insurance claim recoveries from reinsurer	1,106,292	29,516	103,688	-	62,849	2,600,066	-	39,030	174,789	5,202	1,447,618	2,673,814	4,121,432	349,308	4,470,740
Net claims	(385,726)	3,433	(362,758)	(10,691)	(1,368,991)	(5,878,137)	(1,543,254)	(9,816)	(317,955)	(2,642)	(3,978,684)	(5,897,853)	(9,876,537)	(6,723,882)	(16,600,419)
Commission expense	(435,597)	(6,575)	(120,683)	(5,815)	(195,795)	(1,163,726)	(54,469)	(800)	(129,196)	(1,170)	(935,740)	(1,178,086)	(2,113,826)	(2,700,478)	(4,814,304)
Management expense	(362,535)	(1,317)	(213,527)	(11,420)	(1,094,632)	(1,230,054)	(138,262)	(13,046)	(324,561)	(737)	(2,133,517)	(1,256,574)	(3,390,091)	(1,032,477)	(4,422,568)
Net insurance claims and expenses	(1,183,858)	(4,459)	(696,968)	(27,926)	(2,659,418)	(8,271,917)	(1,735,985)	(23,662)	(771,712)	(4,549)	(7,047,941)	(8,332,513)	(15,380,454)	(10,456,837)	(25,837,291)
Net change in insurance liabilities (other than outstanding claims)	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,125,588)	(5,125,588)
Underwriting result	69,513	15,608	8,889	4,160	153,706	20,788	23,403	(16,513)	358,836	7,274	614,347	31,317	645,664	(3,201,414)	(2,555,750)
Investment income											1,150,393	221,980	1,372,373	2,659,270	4,031,643
Net fair value unrealized gain on financial assets at fair value through profit or loss											-	-	-	435,397	435,397
Net unrealized gains on investment property											12,298	-	12,298	21,000	33,298
Rental income											26,767	1,837	28,604	-	28,604
Other income											61,744	6,807	68,551	391,800	460,351
Other expenses											(46,407)	(12,585)	(58,992)	(8,456)	(67,448)
Workers' welfare fund reversal											355,761	-	355,761	-	355,761
Results of operating activities											2,174,903	249,356	2,424,259	297,597	2,721,856
Finance cost under IFRS - 16											(2,805)	(4,692)	(7,497)	(7,877)	(15,374)
Profit from Window Takaful Operations - Operators Fund (Parent Company)											107,693	-	107,693	-	107,693
Profit before taxation											2,279,791	244,664	2,524,455	289,720	2,814,175
Segment Assets	6,992,773	95,788	489,767	5,187	1,062,812	5,552,814	558,513	33,510	1,923,756	19,249	11,027,621	5,706,548	16,734,169	39,189,702	55,923,871
Unallocated assets											25,463,418	6,546,138	32,009,556	1,071,643	33,081,199
											36,491,039	12,252,686	48,743,725	40,261,345	89,005,070
Segment Liabilities	7,060,540	111,211	624,861	25,552	2,359,101	9,993,415	1,366,492	40,351	2,307,325	22,763	13,718,319	10,193,292	23,911,611	37,970,494	61,882,105
Unallocated Liabilities											3,509,258	679,062	4,188,320	929,757	5,118,077
											17,227,577	10,872,354	28,099,931	38,900,251	67,000,182

39.1 Segment Information

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

	2018														
	Fire and property damage		Marine, aviation and transport		Motor		Accident & health		Miscellaneous		Total		Aggregate General Insurance	Life Insurance	Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan			
	Rupees in thousands														
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	6,940,471	35,663	1,490,792	31,449	3,281,554	7,207,263	1,643,199	33,851	1,780,971	12,178	15,136,987	7,320,404	22,457,391	13,247,254	35,704,645
Federal excise duty / VAT	(886,210)	(1,728)	(167,431)	(922)	(391,797)	(341,873)	(810)	(1,612)	(143,381)	(643)	(1,589,629)	(346,778)	(1,936,407)	-	(1,936,407)
Federal insurance fee	(60,008)	(46)	(13,147)	(30)	(28,639)	-	(16,228)	-	(15,823)	(4)	(133,845)	(80)	(133,925)	-	(133,925)
	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059	13,247,254	33,634,313
Gross written premium (inclusive of administrative surcharge)	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059	13,247,254	33,634,313
Gross direct premium	5,957,126	33,783	1,288,633	30,388	2,765,253	6,862,060	1,625,567	32,239	1,548,787	11,467	13,185,366	6,969,937	20,155,303	13,247,254	33,402,557
Facultative inward premium	17,767	-	65	-	-	-	-	-	60,522	-	78,354	-	78,354	-	78,354
Administrative surcharge	19,360	106	21,516	109	95,865	3,330	594	-	12,458	64	149,793	3,609	153,402	-	153,402
	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059	13,247,254	33,634,313
Insurance premium earned	5,420,329	39,264	1,308,689	32,766	2,790,380	6,952,635	1,969,216	22,785	1,602,964	12,236	13,091,578	7,059,686	20,151,264	13,247,254	33,398,518
Insurance premium ceded to reinsurers	(4,520,946)	(23,687)	(533,850)	-	(39,388)	(524,903)	-	(12,881)	(679,416)	(10,412)	(5,773,600)	(571,883)	(6,345,483)	(536,000)	(6,881,483)
Net insurance premium	899,383	15,577	774,839	32,766	2,750,992	6,427,732	1,969,216	9,904	923,548	1,824	7,317,978	6,487,803	13,805,781	12,711,254	26,517,035
Commission income	374,752	6,101	1,569	-	98	9,355	-	-	131,220	2,341	507,639	17,797	525,436	-	525,436
Net underwriting income	1,274,135	21,678	776,408	32,766	2,751,090	6,437,087	1,969,216	9,904	1,054,768	4,165	7,825,617	6,505,600	14,331,217	12,711,254	27,042,471
Insurance claims	(1,358,371)	(57)	(328,110)	251	(1,405,573)	(6,343,374)	(1,691,131)	(19,670)	(652,101)	(862)	(5,435,286)	(6,363,712)	(11,798,998)	(6,839,131)	(18,638,129)
Insurance claim recoveries from reinsurer	1,069,180	(3,596)	(28,461)	-	55,226	2,018,912	-	17,608	283,319	1,058	1,379,264	2,033,982	3,413,246	523,545	3,936,791
Net claims	(289,191)	(3,653)	(356,571)	251	(1,350,347)	(4,324,462)	(1,691,131)	(2,062)	(368,782)	196	(4,056,022)	(4,329,730)	(8,385,752)	(6,315,586)	(14,701,338)
Commission expense	(436,623)	(4,857)	(127,750)	(4,869)	(229,755)	(792,842)	(60,412)	(800)	(145,878)	(1,226)	(1,000,418)	(804,594)	(1,805,012)	(2,139,988)	(3,945,000)
Management expense	(383,130)	(2,854)	(269,543)	(9,212)	(1,023,964)	(1,228,887)	(133,348)	(7,467)	(256,615)	(9,528)	(2,066,600)	(1,257,948)	(3,324,548)	(810,067)	(4,134,615)
Net insurance claims and expenses	(1,108,944)	(11,364)	(753,864)	(13,830)	(2,604,066)	(6,346,191)	(1,884,891)	(10,329)	(771,275)	(10,558)	(7,123,040)	(6,392,272)	(13,515,312)	(9,265,641)	(22,780,953)
Net change in insurance liabilities (other than outstanding claims)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,703,340)	(3,703,340)
Underwriting result	165,191	10,314	22,544	18,936	147,024	90,896	84,325	(425)	283,493	(6,393)	702,577	113,328	815,905	(257,727)	558,178
Investment income											1,204,100	80,556	1,284,656	1,931,064	3,215,720
Net fair value unrealized gain on financial assets at fair value through profit or loss											-	-	-	(1,850,952)	(1,850,952)
Net unrealized gains on investment property											-	-	-	125,900	125,900
Rental income											6,906	-	6,906	2,000	8,906
Other income											66,004	34,439	100,443	126,163	226,606
Other expenses											(51,777)	(20,773)	(72,550)	(3,885)	(76,435)
Workers' welfare fund charge											(40,809)	-	(40,809)	-	(40,809)
Results of operating activities											1,887,001	207,550	2,094,551	72,563	2,167,114
Profit from Window Takaful Operations - Operators Fund (Parent Company)											78,949	-	78,949	-	78,949
Profit before tax											1,965,950	207,550	2,173,500	72,563	2,246,063
Segment Assets	7,344,826	70,585	652,691	12,632	1,210,746	5,236,105	596,098	43,884	1,906,664	12,403	11,711,025	5,375,609	17,086,634	33,131,991	50,218,625
Unallocated assets											24,081,711	5,956,243	30,037,954	763,795	30,801,749
											35,792,736	11,331,852	47,124,588	33,895,786	81,020,374
Segment Liabilities	7,287,011	89,828	695,068	21,940	2,592,722	9,514,021	1,341,301	46,326	2,301,540	12,191	14,217,642	9,684,306	23,901,948	32,649,527	56,551,475
Unallocated Liabilities											3,536,884	732,101	4,268,985	108,563	4,377,548
											17,754,526	10,416,407	28,170,933	32,758,090	60,929,023

40 Movement in investments

	Available for sale	Held to Maturity	Fair value through profit or loss	Total
	Rupees in thousand			
As at January 01, 2018	**21,462,422**	**13,097,450**	**15,204,938**	**49,764,810**
Additions	2,916,958	104,700,162	83,962,509	191,579,629
Disposals (sales and redemptions)	(2,667,372)	(102,749,643)	(80,629,773)	(186,046,788)
Fair value net gains (excluding net realized gain)	(2,003,905)	-	(1,272,298)	(3,276,203)
Currency translation effect	-	724,945	-	724,945
Unwinding of discount on debt securities	-	31,228	-	31,228
Impairment losses	(575,296)	-	-	(575,296)
As at December 31, 2018	**19,132,807**	**15,804,142**	**17,265,376**	**52,202,325**
Additions	3,742,112	106,125,409	132,200,278	242,067,799
Disposals (sales and redemptions)	(4,061,948)	(106,527,020)	(129,155,509)	(239,744,477)
Fair value net gains (excluding net realized gain)	999,218	-	508,006	1,507,224
Discount on investment bonds	-	-	-	-
Currency translation effect	-	520,825	-	520,825
Unwinding of discount on debt securities	-	11,404	-	11,404
Impairment losses	(294,179)	-	-	(294,179)
As at December 31, 2019	**19,518,010**	**15,934,760**	**20,818,151**	**56,270,921**

41 Management of insurance and financial risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk).The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Group's financial assets and liabilities are limited. The Group consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing the Group's risk management policies.

The individual risk wise analysis is given below :

Parent Company

41.1 Insurance risk

The principal risk that the Parent Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Parent Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Parent Company. The Parent Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Parent Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Parent Company has reinsurance arrangements, it is not relieved of its direct obligations to its policy holders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Parent Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Parent Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar reinsurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Parent Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Parent Company principally issues the general insurance contracts e.g. Fire & property, Marine, aviation & transport, Motor, Accident & health and other Miscellaneous. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities . Insurance contracts at times also cover risk for single incidents that expose the Parent Company to multiple insurance risks.

41.1.1 Geographical concentration of insurance risk

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

41.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Parent Company.

	Gross sum insured		Reinsurance		Net	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Fire & property damage	**5,155,573,587**	4,503,179,839	**4,452,484,421**	4,011,048,508	**703,089,166**	492,131,331
Marine aviation & transport	**2,405,075,840**	2,759,928,878	**275,255,894**	1,099,158,184	**2,129,819,946**	1,660,770,694
Motor	**273,300,696**	249,655,070	**5,609,902**	6,407,111	**267,690,794**	243,247,959
Accident & health	**88,346,549**	85,326,684	**494,075**	665,285	**87,852,474**	84,661,399
Miscellaneous	**537,845,680**	433,454,724	**400,087,997**	192,962,334	**137,757,683**	240,492,390
	8,460,142,352	8,031,545,195	**5,133,932,289**	5,310,241,422	**3,326,210,063**	2,721,303,773

41.1.3 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policy holders arising from claims made under insurance contracts. Such estimates are necessary based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

41.1.4 Key assumptions for claim estimation

The process used to determine the assumptions for calculating the outstanding claim reserves is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed in separate, case to case basis, with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty that the estimation of the cost of settling claims already notified to the Parent Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

41.1.5 Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Parent 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 Parent Company considers that the liability for insurance claims recognized in the statement of financial position is adequate. However, actual experience may differ from the expected outcome.

As the Parent Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit / (loss) before tax, net of reinsurance.

	Pre tax profit/ (loss) 2019	Pre tax profit/ (loss) 2018
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire & property	**(38,229)**	(29,284)
Marine, aviation and transport	**(37,345)**	(35,632)
Motor	**(724,713)**	(567,481)
Accident & health	**(155,307)**	(169,319)
Miscellaneous	**(32,060)**	(36,859)
	(987,654)	(838,575)
10% decrease in claims liability		
Net:		
Fire & property	**38,229**	29,284
Marine, aviation and transport	**37,345**	35,632
Motor	**724,713**	567,481
Accident & health	**155,307**	169,319
Miscellaneous	**32,060**	36,859
	987,654	838,575

Statement of Age-wise breakup of unclaimed insurance benefits

Particulars	Total	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
	Rupees in thousand					
Claims not encashed	755,961	620,543	20,262	42,412	61,131	11,613

Subsidiary Company

41.2 Conventional business

41.2.1 Individual Life

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

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

a) Frequency and severity of claims

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

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

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

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

Benefits assured per life	Sum assured at the end of 2019			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	**14,013**	**39.57**	**3,807**	**39.57**
200,000 - 400,000	**5,605**	**15.83**	**1,523**	**15.83**
400,001 - 800,000	**4,841**	**13.67**	**1,315**	**13.67**
800,001 - 1,000,000	**510**	**1.44**	**138**	**1.44**
More than 1,000,000	**10,446**	**29.50**	**2,838**	**29.50**
Total	**35,415**	**100.00**	**9,623**	**100.00**

Benefits assured per life	Sum assured at the end of 2018			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	7,272	15.38	2,140	18.10
200,000 - 400,000	4,939	10.45	1,510	12.77
400,001 - 800,000	2,783	5.88	835	7.07
800,001 - 1,000,000	-	-	-	-
More than 1,000,000	32,286	68.29	7,336	62.06
Total	47,280	100.00	11,821	100.00

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

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

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

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

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

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

- Morbidity incidence rates for morbidity are taken as a percentage of reinsurer's risk premium rate.

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

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

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

d) **Changes in assumptions**

There have been no changes in assumptions since the last valuation carried out a year ago.

e) **Sensitivity analysis**

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

41.2.2 Group Life

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

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

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk arising from geographical area is not a factor of concern as the Subsidiary Company aims to achieve a spread of risks across various parts of the country.

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

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

Benefits assured per client	Sum assured at the end of 2019			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	-	-	-	-
200,000 - 400,000	-	-	-	-
400,001 - 800,000	-	-	-	-
800,001 - 1,000,000	-	-	-	-
More than 1,000,000	**592,761,889**	**100.00**	**204,301,760**	**100.00**
Total	**592,761,889**	**100.00**	**204,301,760**	**100.00**

Benefits assured per client	Sum assured at the end of 2018			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	-	-	-	-
200,000 - 400,000	-	-	-	-
400,001 - 800,000	-	-	-	-
800,001 - 1,000,000	-	-	-	-
More than 1,000,000	492,953,829	100.00	183,729,461	100.00
Total	492,953,829	100.00	183,729,461	100.00

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

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

c) Process used to decide on assumptions

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

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

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

41.2.3 Non unitized Investment Linked Business

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

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

a) Frequency and severity of claims

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

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

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

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2019			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	**227,510**	**8.91**	**69,243**	**10.13**
200,000 - 400,000	**297,182**	**11.64**	**91,405**	**13.37**
400,001 - 800,000	**718,533**	**28.14**	**217,492**	**31.81**
800,001 - 1,000,000	**740,372**	**29.00**	**223,161**	**32.64**
More than 1,000,000	**569,440**	**22.30**	**82,441**	**12.06**
Total	**2,553,037**	**100.00**	**683,742**	**100.00**

Benefits assured per life	Sum assured at the end of 2018			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	224,053	7.91	66,725	8.81
200,000 - 400,000	349,389	12.33	105,897	13.98
400,001 - 800,000	814,346	28.73	245,885	32.47
800,001 - 1,000,000	792,624	27.97	238,334	31.48
More than 1,000,000	653,748	23.07	100,451	13.26
Total	2,834,160	100.00	757,292	100.00

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

Uncertainty in the estimation of future benefit payments and premium receipts for long-term Non-unitized Investment Linked assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policy holders' behavior.

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

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

- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

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

c) Process used to decide on assumptions

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

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

- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

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

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

- Investment returns: The investment returns are based on the historic performance of different types of assets underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

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

41.2.4 Unit Linked Business

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

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

Frequency and severity of claims

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

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

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

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Subsidiary Company.

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

Benefits assured per life	Sum assured at the end of 2019			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	**9,153,325**	**8.29**	**5,636,878**	**10.00**
200,000 - 400,000	**12,522,371**	**11.34**	**9,121,989**	**16.20**
400,001 - 800,000	**27,073,353**	**24.50**	**18,911,051**	**33.70**
800,001 - 1,000,000	**27,210,735**	**24.63**	**14,001,825**	**24.90**
More than 1,000,000	**34,506,808**	**31.24**	**8,560,398**	**15.20**
Total	**110,466,592**	**100.00**	**56,232,141**	**100.00**

Benefits assured per life	Sum assured at the end of 2018			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	8,360,048	8.42	4,452,501	10.60
200,000 - 400,000	10,538,075	10.61	6,495,624	15.46
400,001 - 800,000	22,708,111	22.86	13,295,470	31.64
800,001 - 1,000,000	23,308,916	23.46	10,364,512	24.65
More than 1,000,000	34,425,288	34.65	7,415,325	17.65
Total	99,340,438	100.0	42,023,432	100.00

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

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

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

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

Persistency: The business is developing and eventually the Subsidiary Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

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

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

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

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

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

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

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

41.2.5 Individual Family Takaful Unit Linked Business

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

The Subsidiary Company manages these risks through its underwriting, retakaful, claims handling policy and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of contribution charged. Retakaful contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one participant. The Subsidiary Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to participants and has placed checks to curb mis-selling and improve standards of service provided to the participants. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

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

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

Benefits covered per life	Sum covered at the end of 2019			
	Total benefits covered			
	Before retakaful		After retakaful	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	**1,517,959**	**7.36**	**1,143,889**	**8.53**
200,000 - 400,000	**2,072,722**	**10.05**	**1,967,329**	**14.66**
400,001 - 800,000	**4,998,950**	**24.23**	**4,725,553**	**35.22**
800,001 - 1,000,000	**5,431,737**	**26.33**	**3,616,272**	**26.95**
More than 1,000,000	**6,606,294**	**32.03**	**1,964,029**	**14.64**
Total	**20,627,662**	**100.00**	**13,417,072**	**100.00**

Benefits covered per life	Sum covered at the end of 2018			
	Total benefits covered			
	Before retakaful		After retakaful	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	828,522	7.73	585,668	9.03
200,000 - 400,000	998,139	9.32	920,793	14.19
400,001 - 800,000	2,325,676	21.71	2,128,015	32.79
800,001 - 1,000,000	2,703,219	25.23	1,747,685	26.93
More than 1,000,000	3,858,403	36.01	1,107,048	17.06
Total	10,713,959	100.00	6,489,209	100.00

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

Persistency: The business is developing and eventually the Subsidiary Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

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

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

Persistency: Since the Subsidiary Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Subsidiary Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

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

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

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

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

41.3 Liability Adequacy Test

Liability adequacy test is applied to all long term contracts where necessary, especially those products where actuarial liability estimation is based on conservative assumptions. Liability adequacy test is carried out using current best estimates of assumptions and future net cash flows, including premiums receivable, benefits payable and investment income from related assets.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. We have compared our valuation mortality assumption (SLIC mortality table) with the mortality of developing Asian countries, namely: India and Malaysia. The comparison suggests that the best estimate assumption is better than the experience reflected in SLIC mortality table.

The investment return assumed for valuation is 3.75% per annum. This rate is prescribed by law. We have valued our liabilities based on the 10-Year PIB rate of 10% to determine adequacy.

The table below compares total policyholder liabilities under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

Assumptions	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
	Rupees in thousand	
Mortality	35,934,341	35,913,470
Investment Returns	35,934,341	35,933,336

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

41.4 Financial Risk

Maturity profile of financial assets and liabilities:

	2019						
	Interest / markup bearing			Non - interest / markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	Rupees in thousand						
Financial assets							
Investment							
Equity securities- quoted	-	-	**-**	29,310,072	-	**29,310,072**	**29,310,072**
Equity securities- unquoted	-	-	**-**	2,874,483	-	**2,874,483**	**2,874,483**
Debt securities	7,625,274	992,200	**8,617,474**	-	-	**-**	**8,617,474**
Term deposits	15,418,782	50,110	**15,468,892**	-	-	**-**	**15,468,892**
Investments of Window Takaful							
Operations - Operator's Fund	-	-	**-**	32,958	-	**32,958**	**32,958**
Loans and other receivables	625	3,727	**4,352**	671,276	41,211	**712,487**	**716,839**
Loan secured against life insurance policies	32,785	-	**32,785**	-	-	**-**	**32,785**
Insurance / reinsurance receivables							
- unsecured and considered good	-	-	**-**	5,865,967	-	**5,865,967**	**5,865,967**
Reinsurance recoveries against							
outstanding claims	-	-	**-**	5,931,928	-	**5,931,928**	**5,931,928**
Salvage recoveries accrued	-	-	**-**	301,420	-	**301,420**	**301,420**
Cash and bank	8,062,743	-	**8,062,743**	374,501	-	**374,501**	**8,437,244**
Other Assets of Window Takaful							
Operations - Operator's Fund	-	-	**-**	357,950	-	**357,950**	**357,950**
	31,140,209	1,046,037	**32,186,246**	45,720,555	41,211	**45,761,766**	**77,948,012**
Financial liabilities							
Outstanding claims							
(including IBNR)	-	-	-	10,367,347	-	**10,367,347**	**10,367,347**
Insurance / reinsurance payables	-	-	-	2,826,429	-	**2,826,429**	**2,826,429**
Other creditors and accruals	-	-	-	3,566,335	-	**3,566,335**	**3,566,335**
Deposits and other liabilities	-	-	-	898,258	-	**898,258**	**898,258**
Total liabilities of Window Takaful							
Operations- Operator's Fund	-	-	-	195,872	-	**195,872**	**195,872**
	-	-	**-**	17,854,241	-	**17,854,241**	**17,854,241**
	31,140,209	**1,046,037**	**32,186,246**	**27,866,314**	**41,211**	**27,907,525**	**60,093,771**

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	2018						
	Interest / markup bearing			Non - interest / markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	Rupees in thousand						
Financial assets							
Investment							
Equity securities - quoted	-	-	-	30,131,798	-	30,131,798	30,131,798
Equity securities - unquoted	-	-	-	2,227,610	-	2,227,610	2,227,610
Debt securities	4,064,600	352,204	4,416,804	-	-	-	4,416,804
Term deposits	15,384,422	41,691	15,426,113	-	-	-	15,426,113
Investments of Window Takaful Operations - Operator's Fund	-	-	-	29,930	-	29,930	29,930
Loans and other receivables	631	5,017	5,648	533,371	13,051	546,422	552,070
Loan secured against life insurance policies	34,556	-	34,556	-	-	-	34,556
Insurance / reinsurance receivables - unsecured and considered good	-	-	-	7,162,077	-	7,162,077	7,162,077
Reinsurance recoveries against outstanding claims	-	-	-	6,046,905	-	6,046,905	6,046,905
Salvage recoveries accrued	-	-	-	350,340	-	350,340	350,340
Cash and bank	3,523,390	-	3,523,390	1,999,707	-	1,999,707	5,523,097
Other Assets of Window Takaful Operations - Operator's Fund	-	-	-	315,446	-	315,446	315,446
	23,007,599	398,912	23,406,511	48,797,184	13,051	48,810,235	72,216,746
Financial liabilities							
Outstanding claims	-	-	-	10,461,975	-	10,461,975	10,461,975
Insurance / reinsurance payables	-	-	-	2,709,714	-	2,709,714	2,709,714
Other creditors and accruals	-	-	-	2,766,919	-	2,766,919	2,766,919
Deposits and other liabilities	-	-	-	692,086	-	692,086	692,086
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	229,819	-	229,819	229,819
	-	-	-	16,860,513	-	16,860,513	16,860,513
	23,007,599	398,912	23,406,511	31,936,671	13,051	31,949,722	55,356,233

41.4.1 Interest / mark - up rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark - up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Group manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Group's significant interest / mark-up bearing financial instruments was as follows:

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For the year ended 31 December 2019

	Effective interest rate		Carrying amounts	
	2019	2018	2019	2018
	Percentage		Rupees in thousand	
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	**9.00 - 14.22**	5.93 - 12.00	**5,843,505**	1,560,803
Loans	**5.00**	5.00	**4,352**	5,648
Floating rate of financial instruments				
Financial assets:				
Bank and term deposits	**8.00 - 14.5**	3.75 - 11.75	**23,531,635**	18,949,503
Investments - TFCs & Sukuks	**11.00 - 22.00**	11.55 - 12.30	**2,773,969**	2,856,001

Sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect the fair value of any financial instruments. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on equity	
	Increase	Decrease	Increase	Decrease
	Rupees in thousand			
As at 31 December 2019 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	235,316	(235,316)	167,075	(167,075)
As at 31 December 2018 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	189,495	(189,495)	134,541	(134,541)

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Assets and liabilities exposed to foreign exchange risk amounted to Rs. 12,262,552 thousands (2018: Rs. 11,331,852 thousands) and Rs. 10,882,221 thousands (2018: Rs. 10,416,407 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2019	2018
	Rupees	
Rupees per US Dollar		
Average rate	149.9303	121.8473
Reporting date rate	154.8476	138.8619
Rupees per AED		
Average rate	40.8181	33.1730
Reporting date rate	42.1566	37.8046

Price risk

Price risk represents the risk that the fair value of financial instruments will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Group is exposed to equity price risk that arises as a result of changes in the levels of PSE - Index and the value of individual shares. The equity price risk arises from the Group's investment in equity securities for which the prices in the future are uncertain. The Group policy is to manage price risk through selection of blue chip securities.

The Group's strategy is to hold its strategic equity investments on a long term basis. Thus, Group is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Group strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity volatility. The Group manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Group has investments in quoted equity securities amounting to Rs. 29,310,072 thousands (2018: Rs. 30,131,798 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

As the entire investment portfolio has been classified in the 'available-for-sale' category, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	Impact on equity
	Rupees in thousand	
2019		
Effect of increase in share price	785,478	557,689
Effect of decrease in share price	(407,618)	(289,408)
2018		
Effect of increase in share price	669,838	475,585
Effect of decrease in share price	(512,665)	(363,992)

41.5 Credit risk and concentration of credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposure by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Group's credit risk exposure is not significantly different from that reflected in these unconsolidated financial statements. The management monitors and limits the Group's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

	2019	2018
	Rupees in thousand	
Investments	**56,270,921**	52,202,325
Loan secured against life insurance policies	**32,785**	34,556
Loans and other receivable	**716,839**	552,070
Due from insurance contract holders	**4,918,060**	6,224,569
Due from other insurers / other reinsurers	**947,907**	937,508
Reinsurance recoveries against outstanding claims	**5,931,928**	6,046,905
Salvage recoveries accrued	**301,420**	350,340
Bank deposits	**8,437,244**	5,523,097
	77,557,104	71,871,370

Provision for impairment is made for doubtful receivables according to the Group's policy. The impairment provision is written off when the Group expects that it cannot recover the balance due. The movement in the provision for doubtful debt account is shown in note 12.2 and 12.3 to these consolidated financial statements.

	2019	2018
	Rupees in thousand	
Age analysis of due from insurance contact holders (net of provision) is as follows:		
Upto one year	**4,316,502**	5,510,386
Above one year	**1,470,144**	1,343,851
	5,786,646	6,854,237
Less: provision for doubtful balances	**(868,586)**	(629,668)
	4,918,060	6,224,569

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

	Rating		Rating Agency	2019	2018
	Short Term	Long Term		Rupees in thousand	
Abu Dhabi Commercial Bank	A1	A	S&P	**(161,781)**	193,688
Al Baraka Limited	A1	A		**13,682**	-
Allied Bank Limited	A1+	AAA	PACRA	**3,805**	1,841
Askari Bank Limited	A1+	AA+	PACRA	**3,574**	1,468
Bank Al Habib Limited	A1+	AA+	PACRA	**30,862**	7,674
Bank Al Habib Limited - Islamic	Not available	Not available	Not available	**-**	12,167
Bank Alfalah Limited	A1+	AA+	PACRA	**726,662**	669,989
Bank Islami Pakistan Limited	A1	A+	PACRA	**340,223**	165,450
Dubai Islamic Bank Pakistan Limited	A1+	AA	JCR-VIS	**3,131**	10,971
Faysal Bank Limited	A1+	AA	PACRA	**769,161**	1,001,773
FINCA Micro Finance Bank Limited	A1	A	PACRA	**12,353**	25,699
Habib Bank Limited	A1+	AAA	JCR-VIS	**4,032,240**	52,267
Habib Metropolitan Bank	A1+	AA+	PACRA	**(149)**	6,826
Khushhali Microfinance Bank Limited	A1	A+	JCR-VIS	**6,390**	7,515
MCB Bank Limited	A1+	AAA	PACRA	**1,835,435**	2,203,566

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	Rating		Rating Agency	2019	2018
	Short Term	Long Term		Rupees in thousand	
MCB Islamic Bank Limited	A1	A	PACRA	**73,939**	-
Mobilink Microfinance Bank	A1	A	PACRA	**11,997**	28,699
National Bank of Pakistan	A1+	AAA	PACRA	**2,141**	304
NRSP Microfinance Bank Limited	A1	A	PACRA	**76,021**	148,947
Samba Bank Limited	A1	AA	JCR-VIS	**21,196**	31,380
Silk Bank Limited	A2	A-	JCR-VIS	**878**	18,165
Soneri Bank Limited	A1+	AA-	PACRA	**1**	1
Standard Chartered Bank	A1+	AAA	PACRA	**71,250**	111,061
Telenor Microfinance Bank Limited	A1	A+	PACRA	**1,755**	281
The Punjab Provincial Cooperative Bank Limited	Not available	Not available	Not available	**3,425**	201,260
United Bank Limited	A1+	AAA	JCR-VIS	**132,599**	418,456
U Microfinance Bank Limited	Not available	Not available	Not available	**273,625**	-
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	**127,017**	187,243
				8,411,432	5,506,691

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2019	2018
	Rupees in thousand			
A or Above (including PRCL)	**1,142,971**	**3,745,949**	**4,888,920**	5,131,499
BBB	**752**	**1,838,698**	**1,839,450**	1,193,004
Others	**5,486**	**347,281**	**352,767**	861,212
Total	**1,149,209**	**5,931,928**	**7,081,137**	7,185,715

41.6 Capital risk management

The Group's goals and objectives when managing capital are :

- To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers as at 31 December 2019 is Rs. 500,000 thousands whereas for life insurers as at 31 December 2019 is Rs. 700,000 thousands. The Group's current paid-up capital is well in excess of the limit prescribed by the SECP;

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;

- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;

- To maintain strong ratings and to protect the Group against unexpected events / losses; and

- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

41.7 Expense risk

The risk that the Group faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Group mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the Group to adjust its pricing in time to account for higher than expected expenses.

The Group closely monitors its expenses by regularly carrying out an expense analysis for its business. The assumptions for future policy expense levels are determined from the Group's most recent annual expense analysis, with an extra margin built-in to account for variability in future expenses. A review of product pricing is carried out each year based on the latest available expense factors. Constant monitoring of expenses enables the Group to take corrective actions in time.

Based on the results of expense analysis, the Group apportions its management expenses to different lines of business.

42 Fair value measurement of financial instruments

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

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

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

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

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

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

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	Note	31 December 2019										
		Available for sale	Held to maturity	Fair value through P&L	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees in thousand										
Financial assets - measured at fair value												
Investment												
Equity securities- quoted	8	15,991,690	-	13,318,382	-	-	-	**29,310,072**	29,310,072	-	-	**29,310,072**
Equity securities- unquoted	8	2,874,483	-	-	-	-	-	**2,874,483**	-	-	2,874,483	**2,874,483**
Debt securities	9	651,837	465,868	7,499,769	-	-	-	**8,617,474**	-	8,617,474	-	**8,617,474**
Investments of Window Takaful Operations - Operator's Fund	15	32,958	-	-	-	-	-	**32,958**	32,958	-	-	**32,958**
Financial assets - not measured at fair value												
Loans and other receivables *	11	-	-	-	716,839	-	-	**716,839**	-	-	-	**-**
Loan secured against life insurance policies*		-	-	-	32,785	-	-	**32,785**	-	-	-	**-**
Investment - Term deposits*	10	-	15,468,892	-	-	-	-	**15,468,892**	-	-	-	**-**
Insurance / reinsurance receivables												
- unsecured and considered good *	12	-	-	-	5,865,967			**5,865,967**	-	-	-	**-**
Reinsurance recoveries against outstanding claims *		-	-	-	5,931,928	-	-	**5,931,928**	-	-	-	**-**
Salvage recoveries accrued *		-	-	-	301,420	-	-	**301,420**	-	-	-	**-**
Cash and bank *	14	-	-	-	-	8,437,244	-	**8,437,244**	-	-	-	**-**
Other Assets of Window Takaful Operations - Operator's Fund*	15	-	-	-	266,055	91,895	-	**357,950**	-	-	-	**-**
		19,550,968	15,934,760	20,818,151	13,114,994	8,529,139	-	**77,948,012**	29,343,030	8,617,474	2,874,483	**40,834,987**
Financial liabilities - not measured at fair value												
Underwriting provisions:												
Outstanding claims (including IBNR)*	27	-	-	-	-	-	10,367,347	**10,367,347**	-	-	-	**-**
Insurance / reinsurance payables *		-	-	-	-	-	2,826,429	**2,826,429**	-	-	-	**-**
Other creditors and accruals*	23	-	-	-	-	-	3,566,335	**3,566,335**	-	-	-	**-**
Deposits and other liabilities	24	-	-	-	-	-	898,258	**898,258**	-	-	-	**-**
Total liabilities of Window Takaful Operations- Operator's Fund*	15	-	-	-	-	-	195,872	**195,872**	-	-	-	**-**
		-	-	-	-	-	17,854,241	**17,854,241**	-	-	-	**-**

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

42.1 Fair value measurement of financial instruments

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

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

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

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

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

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

	Note	31 December 2018										
		Available for sale	Held to maturity	Fair value through P&L	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees in thousand										
Financial assets - measured at fair value												
Investment												
Equity securities- quoted	8	16,477,937	-	13,653,861	-	-	-	23,594,648	30,131,798	-	-	30,131,798
Equity securities- unquoted	8	2,227,610	-	-	-	-	-	2,227,610	-	-	2,227,610	2,227,610
Debt securities	9	427,260	378,029	3,611,515	-	-	-	4,416,804	-	4,416,804	-	4,416,804
Investments of Window Takaful Operations - Operator's Fund	15	29,930	-	-	-	-	-	29,930	29,930	-	-	29,930
Financial assets - not measured at fair value												
Loans and other receivables *	11	-	-	-	552,070	-	-	552,070	-	-	-	-
Loan secured against life insurance policies*		-	-	-	34,556	-	-	34,556	-	-	-	-
Investment - Term deposits*	10	-	15,426,113	-	-	-	-	15,426,113	-	-	-	-
Insurance / reinsurance receivables												
- unsecured and considered good *	12	-	-	-	7,162,077	-	-	7,162,077	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	-	6,046,905	-	-	6,046,905	-	-	-	-
Salvage recoveries accrued *		-	-	-	350,340	-	-	350,340	-	-	-	-
Cash and bank *	14	-	-	-	-	5,523,097	-	5,523,097	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund	15	-	-	-	213,751	101,695	-	315,446	-	-	-	-
		19,162,737	15,804,142	17,265,376	17,476,154	5,624,792	-	72,216,746	30,161,728	4,416,804	2,227,610	36,806,142
Financial liabilities - not measured at fair value												
Underwriting provisions:												
Outstanding claims (including IBNR)*	27	-	-	-	-	-	10,461,975	10,461,975	-	-	-	-
Insurance / reinsurance payables *		-	-	-	-	-	2,709,714	2,709,714	-	-	-	-
Other creditors and accruals*	23	-	-	-	-	-	2,766,919	2,766,919	-	-	-	-
Deposits and other liabilities	24	-	-	-	-	-	692,086	692,086	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	15	-	-	-	-	229,819	-	229,819	-	-	-	-
		-	-	-	-	229,819	16,630,694	16,860,513	-	-	-	-

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

43 Non-adjusting subsequent events

43.1 The Board of Directors of the Parent Company in their meeting held on March 13, 2020 proposed a final cash dividend for the year ended December 31, 2019 @ 15% i.e. Rupees 1.5/- share (2018: 15% i.e. Rupees 1.5/- share). This is in addition to the interim cash dividend @ 10% i.e. Rupee 1/- per share (2018: 10% i.e. Rupee 1/- per share) resulting in a total cash dividend for the year ended December 31, 2019 of Rupees 2.5/- per share (2018: Rupees 2.5/- share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2019 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending December 31, 2020.

43.2 The shareholders of the Parent Company in their Extra Ordinary General Meeting (EOGM) held on February 25, 2019 had approved acquisition of 24,059,855 ordinary shares at par value of Rs. 10 each of Non controlling interest of the Subsidiary Company from IVM intersurer B.V. at share price of Rs. approx. 16.68 per share, for an aggregate price of Rs. 401,200 thousands.

43.3 The Parent Company after obtaining the approval for payment of State Bank of Pakistan credited the sum to IVM's bank account on February 25, 2020. After the acquisition of aforementioned shares (representing 25.72%) Adamjee Life Assurance Company Limited has become a wholly owned subsidiary of the Parent Company.

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

44 Number of employees

The total average number of employees during the year and as at December 31, 2019 and 2018, are as follows:

	2019	2018
	Number	
At year end		
Parent Company	**944**	968
Subsidiary Company	**1,144**	765
Average during the year		
Parent Company	**956**	962
Subsidiary Company	**955**	677

45 Corresponding figures

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

Reclassification

As per IAS 7 'Statement of Cash Flows' term deposits having maturity less than three months with intention to readily use for operating activities have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

There will be no impact on consolidated statement of financial position and consolidated profit and loss account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

	Rupees in thousand
Impact on consolidated cash flow statement:	
Increase in cash and cash equivalents at beginning of the year as on January 01, 2018	**9,110,000**
Increase in Underwriting activities - Other underwriting payments	**(6,577)**
Decrease in other operating activities - Other operating payments	**232,870**
Decrease in other operating activities - Other operating receipts	**(208,798)**
Decrease in payment made for investments	**1,892,505**
Increase in cash and cash equivalents at end the of year as on December 31, 2019	**11,020,000**

46 Date of authorization for issue

These consolidated financial statements were authorized for issue on March 13, 2020 by the Board of Directors of the Group.

47 General

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

Umer Mansha	Ibrahim Shamsi	Shaikh Muhammad Jawed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

WINDOW TAKAFUL OPERATIONS

Financial Statements
for the year ended
31 December 2019

adamjee
TAKAFUL

Statement of Compliance with the Shariah Principles

For the year ended 31 December 2019

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the Adamjee Insurance Company Limited ('the Company') for the year ended 31 December 2019 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

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

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

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

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

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

Lahore: 13 March 2020

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director and
Chief Executive Officer

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

We were engaged by the Board of Directors of Adamjee Insurance Company Limited ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2019, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

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

Responsibilities of the management

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

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, the Board of Directors, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

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

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

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

- Evaluating the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shariah Advisor and the board of directors;
- Testing for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended December 31, 2019 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 31 December 2019, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Deloitte Yousuf Adil

Chartered Accountants
Engagement Partner: Rana M. Usman Khan

Lahore: 13 March 2020

Shariah Advisor's Report to the Board of Directors

For the year ended 31 December 2019

الحمد لله رب العالمين والصلوة والسلام على سيد الانبياء والمرسلين و بعد !

I have reviewed Takaful products, details of underwriting and other related documents, as well as, the Participant Takaful Fund (PTF) Policy, PTF pool position, Investment Policy, Re-Takaful arrangements, claims details and the related transactions of Adamjee Insurance – Window Takaful Operations (hereafter referred to as “Takaful Operator”).

I acknowledge that as Shariah Advisor of Takaful Operator, it is my responsibility to approve the above mentioned document and ensure that the financial arrangements, contracts and transactions entered into by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles.

It is the responsibility of the Takaful Operator to ensure that the rules, principles and guidelines set by the Shariah Advisor are complied with, and that all policies and services being offered are duly approved by the Shariah Advisor.

The Takaful Operator’s activities, operations are periodically checked and monitored by Shariah Advisor.

In my opinion and to the best of my understanding based on the provided information and explanations:

i. Transactions undertaken by the Takaful Operator were in accordance with guidelines issued by Shariah Advisor as well as requirements of Takaful Rules 2012;

ii. The investments have been done from the Participant’s Takaful Fund and Operator’s Fund into Shariah Compliant avenues with Shariah Approval. Further, all bank accounts related to Window Takaful Operations have been opened in Islamic Banking Institutions (IBIs) with Shariah Approval; and

iii. The transactions and activities of Window Takaful Operations are in accordance with the Shariah principles in respect of the Participant's Takaful Fund (Waqf Fund) and Operator's Fund.

And Allah knows best

Mufti Muhammad Hassaan Kaleem
Shariah Advisor

Date: 13 March 2020

Independent Auditors' Report

To the members of Adamjee Insurance Company Limited (the Company)
Report on the Audit of the Window Takaful Operations

Opinion

We have audited the annexed financial statements of **Adamjee Insurance Company Limited – Window Takaful Operations (the "Operator"),** which comprise the statement of financial position as at December 31, 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in funds, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit or loss account, statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Operator's affairs as at December 31, 2019 and of the profit, total comprehensive income, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000,the Takaful Rules, 2012 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000, the Takaful Rules, 2012 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;

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

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

Other Matter

The financial statements of the Operator for the year ended December 31, 2018, were audited by another auditor who expressed a qualified opinion on those statements on April 03, 2019.

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

Deloitte Yousuf Adil

Chartered Accountants

Lahore: 13 March 2020

Window Takaful Operations

Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019			31 December 2018
		Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
		Rupees in thousand			
ASSETS					
Qard-e-Hasna to Participants' Takaful Fund		146,460	-	**146,460**	146,460
Property and equipment	5	17,733	-	**17,733**	16,185
Intangible assets	6	17,650	-	**17,650**	20,633
Investments					
Equity security	7	32,958	-	**32,958**	29,930
Debt securities	8	-	125,000	**125,000**	-
Loans and other receivables	9	6,731	21,655	**28,386**	13,008
Takaful / re-takaful receivables	10	-	261,580	**261,580**	230,423
Re-takaful recoveries against outstanding claims		-	88,706	**88,706**	46,654
Salvage recoveries accrued		-	13,631	**13,631**	15,881
Wakala and mudarib fee receivable		70,933	-	**70,933**	23,342
Deferred wakala fee		-	139,979	**139,979**	134,721
Deferred commission expense	21	41,931	-	**41,931**	39,148
Prepayments	11	-	105,379	**105,379**	83,260
Cash and bank	12	91,895	434,658	**526,553**	534,528
		279,831	1,190,588	**1,470,419**	1,187,713
TOTAL ASSETS		426,291	1,190,588	**1,616,879**	1,334,173
FUNDS AND LIABILITIES					
Funds attributable to Operator and Participants					
Operator's Fund					
Statutory fund		50,000	-	**50,000**	50,000
Fair value reserve - available for sale investments		1,356	-	**1,356**	18
Unappropriated profit		179,063	-	**179,063**	102,357
		230,419	-	**230,419**	152,375
Waqf / Participants' Takaful Fund					
Ceded money		-	500	**500**	500
Accumulated surplus / (deficit)		-	80,786	**80,786**	(28,849)
		-	81,286	**81,286**	(28,349)
Qard-e-Hasna from Operator's Fund		-	146,460	**146,460**	146,460
LIABILITIES					
Underwriting provisions					
Outstanding claims including IBNR	17	-	257,810	**257,810**	220,606
Unearned contribution reserve	16	-	517,565	**517,565**	500,111
Unearned re-takaful rebate	20	-	15,979	**15,979**	12,735
Contribution deficiency reserve		-	30,071	**30,071**	24,103
Retirement benefit obligation		3,878	-	**3,878**	1,883
Deferred taxation		987	-	**987**	530
Contribution received in advance		-	13,109	**13,109**	10,158
Takaful / re-takaful payables	13	-	38,513	**38,513**	24,303
Wakala and mudarib fee payable		-	70,933	**70,933**	23,342
Unearned wakala fee	18	139,979	-	**139,979**	134,721
Other creditors and accruals	14	51,028	18,862	**69,890**	111,195
Total Liabilities		195,872	962,842	**1,158,714**	1,063,687
TOTAL FUND AND LIABILITIES		426,291	1,190,588	**1,616,879**	1,334,173
Contingencies and commitments	15				

The annexed notes from 1 to 38 form an integral part of these financial statements.

Umer Mansha	Ibrahim Shamsi	Shaikh Muhammad Jawed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Window Takaful Operations

Profit and Loss Account

For the year ended 31 December 2019

	Note	31 December 2019	31 December 2018
		Rupees in thousand	
PARTICIPANTS' TAKAFUL FUND (PTF)			
Net contribution revenue	16	940,980	669,092
Net takaful claims	17	(525,191)	(401,550)
Wakala expense	18	(324,314)	(252,798)
Direct expenses	19	(57,808)	(41,182)
Re-takaful rebate earned	20	44,350	40,674
Contribution deficiency reserve		(5,969)	(22,183)
Takaful claims and acquisition expenses		(868,932)	(677,039)
Underwriting surplus / (deficit)		72,048	(7,947)
Other income	22	31,845	15,277
Investment income	23	7,065	-
Mudarib fee		(1,323)	-
Surplus for the year		109,635	7,330
OPERATOR'S TAKAFUL FUND (OPF)			
Wakala income	18	324,314	252,798
Commission expense	21	(99,434)	(68,284)
Management expenses	24	(131,872)	(105,168)
		93,008	79,346
Other income	22	15,856	5,305
Investment income	23	1,345	(311)
Mudarib's share of PTF investment income		1,323	-
Other expenses	25	(3,839)	(5,391)
Profit before taxation		107,693	78,949
Provision for taxation	26	(30,987)	(26,401)
Profit after taxation		76,706	52,548

The annexed notes from 1 to 38 form an integral part of these financial statements.

Umer Mansha	Ibrahim Shamsi	Shaikh Muhammad Jawed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Window Takaful Operations

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	31 December 2019	31 December 2018
		Rupees in thousand	
PARTICIPANTS' TAKAFUL FUND			
Surplus for the year		**109,635**	7,330
Other comprehensive surplus for the year		**-**	-
Total comprehensive surplus for the year		**109,635**	7,330
OPERATOR`S TAKAFUL FUND			
Profit after taxation		**76,706**	52,548
Other comprehensive income for the year		**-**	-
Unrealized gains on available-for-sale investment - net of tax		**1,338**	(72)
Total comprehensive income for the year		**78,044**	52,476

The annexed notes from 1 to 38 form an integral part of these financial statements.

Umer Mansha	Ibrahim Shamsi	Shaikh Muhammad Jawed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Window Takaful Operations

Cash Flow Statement

For the year ended 31 December 2019

	31 December 2019			31 December 2018		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
	Rupees in thousand					
Operating cash flows						
(a) Takaful activities						
Contributions received	-	1,193,624	**1,193,624**	-	1,052,160	1,052,160
Wakala fee received / (paid)	283,304	(283,304)	**-**	283,540	(283,540)	-
Re-takaful / co-takaful paid	-	(202,365)	**(202,365)**	-	(255,653)	(255,653)
Claims paid	-	(649,201)	**(649,201)**	-	(409,606)	(409,606)
Re-takaful and other recoveries received	-	57,396	**57,396**	-	54,023	54,023
Commissions paid	(101,306)	-	**(101,306)**	(84,861)	-	(84,861)
Re-takaful rebate received	-	47,594	**47,594**	-	43,253	43,253
Management expenses paid	(168,176)	-	**(168,176)**	(41,634)	-	(41,634)
Other underwriting payments	-	(58,732)	**(58,732)**	-	(46,728)	(46,728)
Net cash inflow from takaful activities	13,822	105,012	**118,834**	157,045	153,909	310,954
(b) Other operating activities						
Income tax paid	(33,510)	-	**(33,510)**	(45,896)	-	(45,896)
Other operating payments	-	-	**-**	(6,791)	-	(6,791)
Other payments	-	(16,416)	**(16,416)**	-	-	-
Other operating receipts - net	-	-	**-**	-	4,905	4,905
Net cash (outflow) / inflow from other operating activities	(33,510)	(16,416)	**(49,926)**	(52,687)	4,905	(47,782)
Total cash (outflow) / inflow from operating activities	(19,688)	88,596	**68,908**	104,358	158,814	263,172
Investment activities						
Profit received on bank deposits and investments	17,686	38,573	**56,259**	4,066	13,343	17,409
Qard-e-Hasna paid to Participants' Takaful Fund	-	-	**-**	(29,460)	-	(29,460)
Payment for investments	(1,144)	(125,000)	**(126,144)**	(119,195)	-	(119,195)
Proceeds from disposal of investments	-	-	**-**	119,195	-	119,195
Fixed capital expenditures	(6,998)	-	**(6,998)**	(18,044)	-	(18,044)
Total cash inflow / (outflow) from investing activities	9,544	(86,427)	**(76,883)**	(43,438)	13,343	(30,095)
Financing activities						
Contribution to Operator's Fund	-	-	**-**	-	-	-
Qard-e-Hasna paid from Operator's Fund	-	-	**-**	-	29,460	29,460
Ceded money	-	-	**-**	-	-	-
Total cash inflow from financing activities	-	-	**-**	-	29,460	29,460
Net Cash (outflows) / inflows from all activities	(10,144)	2,169	**(7,975)**	60,920	201,617	262,537
Cash and cash equivalents at beginning of the year	102,039	432,489	**534,528**	41,119	230,872	271,991
Cash and cash equivalents at end of the year	91,895	434,658	**526,553**	102,039	432,489	534,528
Reconciliation to profit and loss account						
Operating cash flows	(19,688)	88,596	**68,908**	104,358	158,814	263,172
Depreciation expense	(2,451)	-	**(2,451)**	(2,041)	-	(2,041)
Amortization expense	(5,983)	-	**(5,983)**	(1,367)	-	(1,367)
Contribution deficiency	-	-	**-**	-	(22,183)	(22,183)
Provision for retirement benefit	(1,995)	-	**(1,995)**	-	-	-
Provision for impairment in value of 'available-for-sale' investment	-	-	**-**	-	-	-
Increase in assets other than cash	53,133	108,153	**161,286**	35,103	128,773	163,876
Decrease / (increase) in liabilities	36,489	(126,024)	**(89,535)**	(88,499)	(273,351)	(361,850)
Investment income	1,345	-	**1,345**	-	-	-
Loss on disposal of investments	-	-	**-**	(311)	-	(311)
Other income	15,856	38,910	**54,766**	5,305	15,277	20,582
Net profit / surplus for the year	76,706	109,635	**186,341**	52,548	7,330	59,878

Definition of cash

Cash comprises of cash in hand, policy stamps, bond papers, bank balances and other deposits which are readily convertible to cash in hand and which are used in cash management function on a day-to-day basis.

Window Takaful Operations

Cash Flow Statement

For the year ended 31 December 2019

	31 December 2019			31 December 2018		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
	Rupees in thousand					
Attributed to						
Cash	-	68	**68**	52,548	-	52,548
Bank balances	91,895	434,590	**526,485**	-	7,330	7,330
Total cash and cash equivalents	91,895	434,658	**526,553**	52,548	7,330	59,878

The annexed notes from 1 to 38 form an integral part of these financial statements.

Umer Mansha	Ibrahim Shamsi	Shaikh Muhammad Jawed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Statement of Changes in Funds

For the year ended 31 December 2019

	Operator's Fund			
	Statutory Fund	Unappropriated Profit	Fair value Reserve	Total
	Rupees in thousand			
Balance as at January 01, 2018	50,000	49,809	90	99,899
Profit after taxation	-	52,548	-	52,548
Other comprehensive loss for the year	-	-	(72)	(72)
Total comprehensive income / (loss) for the year	-	52,548	(72)	52,476
Balance as at December 31, 2018	50,000	102,357	18	152,375
Profit after taxation	-	76,706	-	**76,706**
Other comprehensive income for the year	-	-	1,338	**1,338**
Total comprehensive income for the year	-	76,706	1,338	**78,044**
Balance as at December 31, 2019	50,000	179,063	1,356	**230,419**

	Participants' Takaful Fund			
	Ceded Money	Accumulated Surplus / (Deficit)	Fair value Reserve	Total
	Rupees in thousand			
Balance as at January 01, 2018	500	(36,179)	-	(35,679)
Surplus for the year	-	7,330	-	7,330
Other comprehensive surplus for the Year	-	-	-	-
Total comprehensive surplus for the year	-	7,330	-	7,330
Balance as at December 31, 2018	500	(28,849)	-	(28,349)
Surplus for the year	-	109,635	-	**109,635**
Other comprehensive surplus for the Year	-	-	-	**-**
Total comprehensive surplus for the year	-	109,635	-	**109,635**
Balance as at December 31, 2019	500	80,786	-	**81,286**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Umer Mansha Chairman	**Ibrahim Shamsi** Director	**Shaikh Muhammad Jawed** Director	**Muhammad Asim Nagi** Chief Financial Officer	**Muhammad Ali Zeb** Managing Director & Chief Executive Officer

Notes to the Financial Statements

For the year ended 31 December 2019

1 Legal status and nature of business

Adamjee Insurance Company Limited ("the Operator") is a public limited company incorporated in Pakistan on September 28, 1960 under the Companies Act, 1913 (now the Companies Act, 2017). The Operator is listed on Pakistan Stock Exchange Limited and is engaged in general takaful business comprising Fire & property, marine aviation & transport, motor, accident & health and miscellaneous. The registered office of the Operator is situated at Adamjee House, 80/A, Block E-1, Main Boulevard, Gulberg-III, Lahore.

The Operator was granted authorization on December 23, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations ("WTO") in respect of general takaful products by the Securities and Exchange Commission of Pakistan ("SECP").

For the purpose of carrying on the takaful business, the Operator has formed a Waqf / Participants' Takaful Fund (PTF) on January 01, 2016 under the Waqf deed with a ceded money of Rs.500,000. The Waqf deed governs the relationship of Operator and Participants for management of takaful operations.

2 Basis of preparation and statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; 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 and the Takaful Rules, 2012.

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 and the Takaful Rules, 2012 shall prevail.

Takaful accounting regulations 2019 will be effective from annual period beginning on or after January 01, 2020 and the Operator is in the process of analysing the effect of these regulations.

2.1 Basis of measurement

These financial statements have been prepared under historical cost convention except for available for sale investments carried at fair value and retirement benefit obligation under employees' benefits carried at present value. All transaction reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.2 Functional and presentation currency

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

2.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on or after January 01, 2019:

Standards or Interpretations	Effective from annualperiod beginning on or after:
Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 23 'Borrowing Costs' - Amendment regarding treatment of general borrowings made to develop an asset when the asset is ready for its intended use or sale.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Annual improvements to IFRS standards 2015-2017 cycle amendments to: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; and IAS 12 Income Taxes	January 01, 2019

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

Standards or Interpretations	Effective from accounting period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	January 01, 2020

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

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

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

There are certain other new and amended standards and interpretations that are mandatory for the takaful accounting periods beginning on or after January 01, 2020 but are considered either not to be relevant or do not have any significant impact on these financial statements.

Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after July 01, 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The Operator has deferred the implementation of the same availing the temporary exemption.

3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements except for change in accounting policies as disclosed in below mentioned note 3.1 of these financial statements.

3.1 Property and equipment

Owned operating assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment.

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

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

Depreciation is charged to profit and loss applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

The carrying values of tangible operating assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

An item of equipment is derecognized upon disposals when no future economic benefits are expected from its use or disposals. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

3.2 Intangible Assets

These are stated at cost less accumulated amortization and any provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Operator. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each statement of financial position date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Operator.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.3 Takaful contracts

Takaful contracts are based on the principles of Wakala. Takaful contracts so agreed usually inspire concept of tabarru (to donate benefits to others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Takaful contracts are those contracts whereby the PTF has accepted significant takaful risk from the participants' by agreeing to compensate the participants' if a specified uncertain future event (the takaful event) adversely affects the participants. Once a contract has been classified as a takaful contract, it remains a Takaful contract for the remainder of its lifetime, even if takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

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

Takaful contracts issued by the PTF are generally classified in five basic categories i.e. Fire & property, Marine aviation and transport, Motor, Accident & health and Miscellaneous.

- Fire & property Takaful contracts generally cover the assets of the participants against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful properties in their business activities.

- Marine aviation and transport Takaful contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel, etc.

- Motor Takaful contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.

- Accident & health Takaful contracts mainly compensate hospitalization and out-patient medical coverage to the participant.

- Miscellaneous Takaful contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, etc.

In addition to direct takaful, the PTF also participates in risks under co-takaful contracts from other takaful funds and also accepts risks through re-takaful inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Operator. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

3.4 Deferred commission expense/ acquisition cost

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

3.5 Unearned contributions

Unearned contribution is determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day except for marine cargo, where unearned contribution is determined as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

Administrative surcharge is recognized as a contribution at the time the policies are written and is included in above mentioned calculations.

3.6 Contribution deficiency reserve

The Operator maintains a provision in respect of contribution deficiency (also called unexpired risk reserve) for the class of business where the unearned contribution liability is not adequate to meet the expected future liability, after re-takaful, from claims and other supplementary expenses expected to be incurred after the date of financial statements in respect of the unexpired takaful policies in that class of business at the statement of financial position date.

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

Based on actuary's advice, the management has created a reserve for the same in these financial statements. The movement in the contribution deficiency reserve is recorded as an expense / income in profit and loss account for the year.

3.7 Re-Takaful contracts held

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

Re-takaful Contribution is recognized as an expense at the time the re-takaful is ceded. Rebate from re-takaful is recognized in accordance with the policy of recognizing contribution revenue. The portion of re-takaful contribution not recognized as an expense is shown as a prepayment.

Re-takaful assets represent balances due from re-takaful operators and re-takaful recoveries against outstanding claims. Due from re-takaful operators are carried at cost less any provision for impairment (if any). Cost represents the fair value of the consideration to be received. Re-takaful recoveries against outstanding claims are measured at the amount expected to be received.

Re-takaful liabilities represent balances due to re-takaful operators and are primarily re-takaful contributions payable for re-takaful contracts and are recognized at the same time when re-takaful contributions are recognized as an expense.

Re-takaful assets are not offset against related takaful liabilities. Income or expense from re-takaful contracts are not offset against expenses or income from related Takaful contracts.

Re-takaful assets/liabilities are derecognized when the contractual rights are extinguished or expired.

An impairment review of re-takaful assets is performed at each statement of financial position date. If there is an objective evidence that the asset is impaired, the Operator reduces the carrying amount of that re-takaful asset to its receivable amount and recognize the impairment loss in profit and loss account.

3.8 Receivables and payables related to Takaful contracts

Receivables and payables, other than claim payables, relating to Takaful contracts are recognized when due. The claim payable is recorded when an intimation is received. These include contributions due but unpaid, contribution received in advance, contributions due and claims payable to participants. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any contribution due but unpaid is impaired, the Operator reduces the carrying amount of that contribution receivable and recognize the loss in profit and loss account.

3.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

A business segment is a distinguishable component of the Operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of insurance contracts issued, the Operator has five primary business segments for reporting purposes namely fire & property, marine aviation & transport, motor, accident & health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 3.3 of these financial statements. Since the operation of the Operator are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

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

Assets, liabilities and capital expenditure that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of Cash Flow Statement, cash and cash equivalents comprise of cash in hand, policy stamps and bank balances.

3.11 Revenue recognition

3.11.1 Contribution

Contribution including administrative surcharge under a Takaful contracts is recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where contributions for a policy are payable in installments, full contribution for the duration of the policy is recognized as written, where the first such installment has been duly received by the Takaful operator, at the inception of the policy and related assets is recognized for contribution receivable.

Revenue from contribution(s) is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognized as a liability.

Re-takaful contribution is recognized as expense after taking into account the proportion of deferred contribution expense which is recognized as a proportion of the gross re-takaful contribution of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The deferred portion of contribution expense is recognized as a prepayment.

3.11.2 Rebate from re-takaful operators

Rebate from re-takaful operators is deferred and recognized as revenue in accordance with the pattern of recognition of the re-takaful contribution ceded to which it relates.

3.11.3 Investment income

- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.

- Dividend income is recognized when the Operator's right to receive the dividend is established.

- Profit on saving accounts is recognized on accrual basis.

3.12 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are recognized and classified as follows:

- Investment at fair value through profit and loss account

- Held to maturity

- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired. The Operator does not have any 'investment at fair value through profit and loss account' at the statement of financial position date.

3.12.1 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit and loss account' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost.

3.12.2 Fair / market value measurements

For investments in Mutual funds fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to the Pakistan Stock Exchange limited quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the MUFAP.

3.12.3 Date of recognition

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

3.13 Offsetting of financial assets and financial liabilities

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

3.14 Creditors, accruals, provisions and contingencies

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

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

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

3.15 Provision for outstanding claims including incurred but not reported (IBNR)

The Operator recognizes liability in respect of all claims incurred up to the statement of financial position date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the Takaful contract(s). The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, and any adjustments to claims outstanding from previous years.

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

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

As required under the guidelines, the Operator uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at December 31, 2019 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.16 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred 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 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 Statement of Comprehensive Income in which case it is included in Statement of Comprehensive Income.

3.17 Employees' benefit

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

3.17.1 Defined contribution plan

The Operator operates an approved contributory provident fund scheme for all its eligible employees at entity level. Equal monthly contributions to the fund are made by the WTO and its employees at the rate of 8.33% of basic salary.

3.17.2 Defined benefit plans

The Operator operates a funded gratuity scheme for its employees at end of service benefits. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

3.17.3 Employees' compensated absences

The Operator accounts for these benefits in the period in which the absences are earned.

The Company provides annualy for the expected cost of accumulating compensated absences on the basis of acturial valuation. Regular employees of the Company are entitled to 30 days earned leaves in a calendar year and they can accumulate the unutilised privilege leaves upto 60 days (2018: 60 days). The most resent valuation is carried out as at December 31, 2019 using the LIFO method. The liabilites are presented as a current employees benefit obligations in the statement of financial position.

3.18 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of Operator's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.19 Claims expense

Claims are charged against PTF income as incurred based on estimated liability for compensation owed under the Takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

3.20 Takaful surplus

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

3.21 Management expenses

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

3.22 Financial instruments

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

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, contribution due but unpaid, amount due from other takaful / re-takaful, contribution and claim reserves retained by cedants, accrued investment income, re-takaful recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other takaful / re-takaful, accrued expenses, other creditors and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.23 Commission expense / acquisition cost

Commission expenses incurred in obtaining and recording takaful policies is deferred and recognized in Operator's Takaful Fund as an expense in accordance with pattern of recognition of contribution revenue.

3.24 Wakala fees

The Operator manages the general takaful operations for the participants and charge wakala fee to PTF on gross contribution written including administrative surcharge to meet the general and administrative expenses of the operator including commission to agents at following rates:

Class	Percentage	
	2019	2018
Fire & property	**28.0%**	28.0%
Marine aviation & transport	**35.0%**	35.0%
Motor	**27.5%**	27.5%
Accident & health	**25.0%**	25.0%
Miscellaneous	**25.0%**	25.0%

Wakala fee is recognized on issuance of takaful contract. Wakala fee is recognized as income in OTF on the same basis on which the related contribution revenue is recognized in PTF. Unearned portion of Wakala fee is recognized as a liability in OTF and accordingly deferred Wakala fee expense is recognized as an asset in PTF.

Notes to the Financial Statements

For the year ended 31 December 2019

3.25 Qard-e-Hasna

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

Qard-e-Hasna from PTF can be recovered by the Operator over any period of time without charging any profit.

3.26 Mudarib's fee

The Operator manages the participants' investment as Mudarib and charges 20% of the investment income earned by the PTF as Mudarib's fee. It is recognized on the same basis on which related revenue is recognized.

4 Critical accounting estimates and judgements

4.1 Use of estimates and judgments

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

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

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

	Note
- Employee benefit	3.17
- Provision for outstanding claims (including IBNR) and re-takaful recoveries there against	3.15
- Residual values and useful lives of property and equipment	3.1
- Residual values and useful lives of intangible assets	3.2
- Taxation	3.16
- Segment reporting	3.9

	Note	2019	2018
		Rupees in thousand	
5 Property and equipment			
Operating assets	5.1	**16,433**	12,506
Capital work in progress	5.2	**1,300**	3,679
		17,733	16,185

Notes to the Financial Statements

For the year ended 31 December 2019

5.1 Operating assets

	2019									
	Cost				Depreciation				Book value	Rate
	As at Jan 01, 2019	Additions	Disposals	As at Dec 31, 2019	As at Jan 01, 2019	Charge for the year	Disposals	As at Dec 31, 2019	As at Dec 31, 2019	
	Rupees in thousand									
Motor vehicles	13,026	6,292	-	**19,318**	2,456	2,000	-	**4,456**	**14,862**	15%
Office equipment	965	260	(832)	**393**	199	50	(177)	**72**	**321**	15%
Computer equipment	1,359	133	-	**1,492**	489	283	-	**772**	**720**	30%
Furniture and fixtures	337	534	(239)	**632**	37	118	(53)	**102**	**530**	15%
Total	**15,687**	**7,219**	**(1,071)**	**21,835**	**3,181**	**2,451**	**(230)**	**5,402**	**16,433**	

	2018									
	Cost				Depreciation				Book value	Rate
	As at Jan 01, 2018	Additions	Disposals	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year	Disposals	As at Dec 31, 2018	As at Dec 31, 2018	
	Rupees in thousand									
Motor vehicles	11,283	1,743	-	13,026	873	1,583	-	2,456	10,570	15%
Office equipment	943	22	-	965	66	133	-	199	766	15%
Computer equipment	961	398	-	1,359	197	292	-	489	870	30%
Furniture and fixtures	135	202	-	337	4	33	-	37	300	15%
Total	13,322	2,365	-	15,687	1,140	2,041	-	3,181	12,506	

5.2 Capital work in progress

	Note	2019	2018
		Rupees in thousand	
As at January 01		**3,679**	10,000
Additions during the year		**750**	15,679
Transfer to Property and equipment		**(2,379)**	-
Transfer to intangible assets		**(750)**	(22,000)
As at December 31	**5.2.1**	**1,300**	3,679

5.2.1 This represents amount advanced to Analytics (Private) Limited for development of Web portal for Takaful Operations.

	Note	2019			2018
		Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
		Rupees in thousand			
6 Intangible assets					
Intangible assets	**6.1**	17,650	-	**17,650**	20,633
		17,650	-	**17,650**	20,633
6.1 Operating Assets-Intangible					
Opening balance- net book value		20,633	-	**20,633**	-
Transfer from capital work-in-progress		750	-	**750**	22,000
Additions during the year		2,250	-	**2,250**	-
Book value of disposal during the year		-	-	**-**	-
Amortization charged during the year		(5,983)	-	**(5,983)**	(1,367)
		(5,983)	-	**(5,983)**	(1,367)
		17,650	-	**17,650**	20,633

Notes to the Financial Statements

For the year ended 31 December 2019

7 Investment in equity security

	2019			2018		
	Cost	Impairment/ provision	Carrying Value	Cost	Impairment/ provision	Carrying Value
	Rupees in thousand					
Available-for-sale						
Mutual Fund						
Meezan Islamic Income Fund *[604,139 units (2018: 563,675 units)]*	31,048	-	**31,048**	29,904	-	29,904
Unrealized gain on revaluation			**1,910**			26
			32,958			29,930

8 Investment in debt securities

Held-to-maturity

	No. of Certificates 31 December 2019	No. of Certificates 31 December 2018	Face Value	Value of Certificates 31 December 2019	Value of Certificates 31 December 2018
				Rupees in thousand	
Sukuk certificates					
Engro Polymer & Chemicals Limited	500	-	100,000	**50,000**	-
The Hub Power Company Limited (HUBCO)	750	-	100,000	**75,000**	-
				125,000	-

9 Loans and other receivables - Considered good

	2019 Operator's Fund	2019 Participants' Takaful Fund	2019 Aggregate	2018 Aggregate
	Rupees in thousand			
Sales tax recoverable	-	-	**-**	658
Advance tax	2,432	-	**2,432**	-
Federal excise duty	-	1,750	**1,750**	-
Accrued income	1,131	2,848	**3,979**	4,127
Loan to employees	1,555	-	**1,555**	505
Security deposits	525	-	**525**	1,125
Bid money for tenders	-	17,057	**17,057**	6,040
Advances	1,088	-	**1,088**	553
	6,731	21,655	**28,386**	13,008

Notes to the Financial Statements

For the year ended 31 December 2019

	2019	2018
	Rupees in thousand	
10 Takaful/ re-takaful receivables- Unsecured and considered good		
Due from takaful policy holders	**230,238**	208,389
Provision for impairment of receivable from takaful policy holders	**-**	-
	230,238	208,389
Due from other takaful/ re-takaful operators	**31,342**	22,034
Provision for impairment of due from other takaful/ re-takaful operators	**-**	-
	31,342	22,034
	261,580	230,423

	Note	2019			2018
		Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
		Rupees in thousand			
11 Prepayments					
Prepaid re-takaful contribution ceded		-	81,686	**81,686**	64,493
Prepaid monitoring charges (tracking device)		-	23,693	**23,693**	18,767
		-	105,379	**105,379**	83,260
12 Cash and Bank					
Cash and cash equivalents:					
Policy stamps in hand		-	68	**68**	154
Current and other accounts:					
Saving / Profit and loss accounts	**12.1**	91,895	434,590	**526,485**	534,374
		91,895	434,658	**526,553**	534,528

12.1 Saving / Profit and loss accounts carry expected profit rates ranging from 5% to 11% (2018: 3.5% to 7%).

	2019			2018
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	Rupees in thousand			
13 Takaful / re-takaful payables				
Due to takaful contract holders	-	3,311	**3,311**	263
Due to other takaful / re-takaful operators	-	35,202	**35,202**	24,040
	-	38,513	**38,513**	24,303

Notes to the Financial Statements

For the year ended 31 December 2019

	2019			2018
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	Rupees in thousand			
14 Other creditors and accruals				
Agents commission payable	26,812	-	**26,812**	25,901
Federal excise duty	-	-	**-**	5,145
Federal insurance fee	-	2,570	**2,570**	2,845
Sales tax Payables	937	-	**937**	-
Withholding tax payable	5,427	11,355	**16,782**	12,006
Accrued expenses	7,186	-	**7,186**	5,340
Others	10,666	4,937	**15,603**	59,958
	51,028	18,862	**69,890**	111,195

15 Contingencies and commitments

There has been no contingencies and commitments as at December 31, 2019.

	Note	2019	2018
		Rupees in thousand	
16 Net contribution revenue			
Gross contribution written		**1,212,523**	1,101,526
Unearned contribution revenue - opening		**500,111**	284,406
Unearned contribution revenue - closing		**(517,565)**	(500,111)
Contribution earned		**1,195,069**	885,821
Re-takaful contribution ceded		**271,282**	228,978
Prepaid re-takaful contribution ceded - opening		**64,493**	52,244
Prepaid re-takaful contribution ceded - closing		**(81,686)**	(64,493)
Re-takaful expense		**254,089**	216,729
Net contribution revenue		**940,980**	669,092
17 Net Takaful Claims			
Claims Paid		**649,201**	409,606
Outstanding claims including IBNR - closing	17.1	**257,810**	220,606
Outstanding claims including IBNR - opening		**(220,606)**	(153,116)
Claim expense		**686,405**	477,096
Re-takaful and other recoveries received		**(121,411)**	(54,023)
Re-takaful and other recoveries in respect of outstanding claims - closing		**(102,337)**	(62,534)
Re-takaful and other recoveries in respect of outstanding claims - opening		**62,534**	41,011
Re-takaful and other recoveries revenue		**(161,214)**	(75,546)
Net claim expense		**525,191**	401,550

17.1 Claims Development

The following table shows the development of fire & property, marine aviation & transport, motor, accident & health and miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2019.

Notes to the Financial Statements

For the year ended 31 December 2019

	Accident year				
	2016	2017	2018	2019	Total
	Rupees in thousand				
Estimate of ultimate claims cost					
At end of accident year	40,025	352,789	510,467	760,439	**1,663,721**
One year later	27,080	114,902	141,659	-	**283,640**
Two years later	4,843	4,268	-	-	**9,111**
Three years later	645	-	-	-	**645**
Current estimate of cumulative claims	645	4,268	141,659	760,439	**907,011**
Cumulative payments to date	(228)	(2,527)	(124,720)	(521,726)	**(649,201)**
Liability recognized in the Statement of Financial Position	417	1,741	16,939	238,713	**257,810**

	2019	2018
	Rupees in thousand	
18 Wakala Fee		
Gross Wakala fee	**329,572**	298,067
Unearned Wakala fee - opening	**134,721**	89,452
Unearned Wakala fee - closing	**(139,979)**	(134,721)
Net Wakala Fee	**324,314**	252,798
19 Direct Expenses		
Monitoring charges	**49,718**	37,479
Non refundable taxes	**4,003**	2,416
Inspection charges	**2,568**	1,083
Bank charges	**264**	166
Others	**1,255**	38
	57,808	41,182
20 Re-takaful rebate		
Re-takaful rebate received	**47,594**	43,253
Unearned re-takaful rebate - opening	**12,735**	10,156
Unearned re-takaful rebate - closing	**(15,979)**	(12,735)
Net re-takaful rebate	**44,350**	40,674
21 Commission Expense		
Commission paid or payable	**102,217**	87,219
Deferred commission expense - opening	**39,148**	20,213
Deferred commission expense - closing	**(41,931)**	(39,148)
Net commission	**99,434**	68,284

	2019			2018
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	Rupees in thousand			
22 Other income				
Profit on bank deposits	14,274	31,845	**46,119**	20,582
Other Income	1,582	-	**1,582**	-
	15,856	31,845	**47,701**	20,582
23 Investment income				
Sukuks				
Profit	-	7,065	**7,065**	-
Mutual funds				
Loss on mutual funds	-	-	**-**	(311)
Dividend income	1,345	-	**1,345**	-
	1,345	7,065	**8,410**	(311)

	Note	2019	2018
		Rupees in thousand	
24 Management Expenses			
Employee benefit	**24.1**	**78,226**	65,968
Depreciation		**2,450**	2,041
Amortization		**5,983**	1,367
Advertisement and sales promotion		**8,215**	4,877
Rent, rates and taxes		**2,539**	3,840
Communication		**1,472**	1,738
Legal and professional charges - business related		**900**	1,340
Travelling and conveyance expenses		**2,066**	2,189
Shared expenses		**17,999**	14,103
Entertainment		**1,948**	2,573
Printing, stationery and postage		**706**	333
Annual supervision fee - SECP		**1,483**	374
Bank charges		**41**	23
Others		**7,844**	4,402
		131,872	105,168

	Note	2019	2018
		Rupees in thousand	
24.1 Employee benefit			
Salaries allowances and other benefits		**76,530**	64,233
Charges for post employment benefits		**1,696**	1,735
		78,226	65,968
25 Other expenses			
Shariah advisor's fee		**3,080**	3,081
Workers welfare fund	**25.1**	**-**	1,577
Auditors remuneration	**25.2**	**740**	673
Others		**19**	60
		3,839	5,391

Notes to the Financial Statements

For the year ended 31 December 2019

25.1 The Provincial Assembly of the Punjab on November 20, 2019 has passed The Punjab Workers Welfare Fund Act, 2019 (the PWWF Act) effective from December 10, 2019. The Operator has not recognized the any further provision.

	2019	2018
	Rupees in thousand	
25.2 Auditors' remuneration		
Annual audit fee	**385**	350
Half year review fee	**152**	138
Sariah's compliance report	**165**	150
Out of pocket expense	**39**	35
	740	673
26 Taxation		
Current taxation:		
- for the year	**31,110**	24,446
- for prior year	**-**	1,946
Deferred taxation:		
- for the year	**(123)**	9
	30,987	26,401

	Effective Tax Rate	
	2019	2018
	Percentage	
26.1 Tax Charge Reconciliation		
Applicable tax rate	**29.00**	29.00
Tax effects of:		
-super tax	**-**	2.00
-prior year tax adjustment	**-**	2.47
-tax rate and others	**0.11**	(0.03)
Average effective tax rate charged to profit and loss account	**29.11**	33.44

	2019	2018
	Rupees in thousand	
27 Executives remuneration		
Managerial remuneration	**18,627**	15,447
Leave encashment	**624**	719
Bonus	**2,180**	1,339
Rent and house maintenance	**6,533**	5,178
Medical	**1,452**	1,151
Conveyance	**3,674**	4,215
Charge for defined benefit plan	**-**	254
Contribution to defined contribution plan	**1,108**	932
Other perquisites and allowances	**1,386**	1,363
	35,584	30,598
Number of persons	**13**	11

There has been no payments made to the directors / chief executive officer during the year 2019 (2018 : nil) from OPF .

28 Number of employees

Total number of employees at the end and average number of employees during the year ended 2019 and 2018 are as follows:

	2019	2018
	Rupees in thousand	
As at December, 31	**61**	50
Average during the year	**55**	49

29 Transactions with related parties

The Operator has related party relationships with its associates, subsidiary company, entities with common directorship, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

	2019	2018
	Rupees in thousand	
i) Transactions		
Subsidiary Company		
Contribution written	**1,187**	135
Contribution received	**1,260**	135
Claims paid	**302**	47
Other related parties		
Contribution written	**148,061**	128,899
Contribution received	**160,919**	141,892
Claims paid	**58,617**	21,762
Income on bank deposits	**2,944**	1,792
ii) Period end balances		
Subsidiary Company		
Balances payable	**104**	-
Balances receivable	**1**	-
Other related parties		
Balances receivable	**14,896**	16,613
Balances payable	**18,594**	8,343
Contribution received in advance	**343**	301
Bank balances	**108,591**	77,808

Notes to the Financial Statements

For the year ended 31 December 2019

30 Segment Information

	Participants' Takaful Fund					
	2019					
	Fire & property	Marine aviation & transport	Motor	Accident & health	Miscellaneous	Total
	Rupees in thousand					
Participants' Takaful Fund						
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	202,470	38,372	815,604	207,411	100,083	**1,363,940**
Federal Excise Duty	(25,535)	(4,962)	(96,939)	(2,735)	(12,201)	**(142,372)**
Federal Insurance Fee	(1,766)	(328)	(7,146)	(2,028)	(940)	**(12,208)**
Gross direct written contribution (inclusive of Administrative Surcharge)	175,169	33,082	711,519	202,648	86,942	**1,209,360**
Facultative inward contribution	2,627	116	-	-	420	**3,163**
Gross Contribution written	177,796	33,198	711,519	202,648	87,362	**1,212,523**
Contribution earned	161,435	32,395	698,636	218,885	83,718	**1,195,069**
Re-takaful expense	(132,551)	(25,314)	(22,168)	-	(74,056)	**(254,089)**
Net contribution revenue	28,884	7,081	676,468	218,885	9,662	**940,980**
Net rebate on re-takaful	26,400	5,383	-	-	12,567	**44,350**
Net Underwriting Income	55,284	12,464	676,468	218,885	22,229	**985,330**
Takaful claims	(81,687)	(16,791)	(365,599)	(192,443)	(29,885)	**(686,405)**
Re-takaful and other recoveries	71,558	13,445	49,438	-	26,773	**161,214**
Net claims	(10,129)	(3,346)	(316,161)	(192,443)	(3,112)	**(525,191)**
Wakala fee	(45,202)	(11,337)	(192,125)	(54,721)	(20,929)	**(324,314)**
Direct expense	(1,257)	(135)	(54,930)	(751)	(735)	**(57,808)**
Contribution deficiency reserve	-	-	-	(5,969)	-	**(5,969)**
Net Takaful Claims and Expenses	(56,588)	(14,818)	(563,216)	(253,884)	(24,776)	**(913,282)**
Underwriting results	(1,304)	(2,354)	113,252	(34,999)	(2,547)	**72,048**
Other Income						**31,845**
Investment income						**7,065**
Mudarib Fee						**(1,323)**
Surplus for the year						**109,635**
Segment assets	168,093	14,798	259,075	65,903	77,713	**585,582**
Unallocated assets	-	-	-	-	-	**605,006**
Total assets						**1,190,588**
Segment liabilities	160,639	12,411	526,003	172,859	72,068	**943,980**
Unallocated liabilities	-	-	-	-	-	**165,322**
Total liabilities						**1,109,302**

Notes to the Financial Statements

For the year ended 31 December 2019

	Participants' Takaful Fund					
	2018					
	Fire & property	Marine aviation & transport	Motor	Accident & health	Miscellaneous	Total
	Rupees in thousand					
Participants' Takaful Fund						
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	162,445	28,374	752,286	236,438	108,480	1,288,023
Federal Excise Duty	(22,215)	(3,880)	(102,877)	(32,333)	(14,835)	(176,140)
Federal Insurance Fee	(1,388)	(243)	(6,430)	(2,021)	(927)	(11,009)
Gross direct written contribution (inclusive of Administrative Surcharge)	138,842	24,251	642,979	202,084	92,718	1,100,874
Facultative inward contribution	563	16	73	-	-	652
Gross Contribution written	139,405	24,267	643,052	202,084	92,718	1,101,526
Contribution earned	125,333	23,688	501,146	141,546	94,108	885,821
Re-takaful expense	(102,932)	(18,011)	(12,726)	-	(83,060)	(216,729)
Net contribution revenue	22,401	5,677	488,420	141,546	11,048	669,092
Net rebate on re-takaful	20,583	3,838	-	-	16,253	40,674
Net Underwriting Income	42,984	9,515	488,420	141,546	27,301	709,766
Takaful claims	(11,136)	(4,592)	(294,713)	(129,726)	(36,929)	(477,096)
Re-takaful and other recoveries	10,286	3,768	27,908	-	33,584	75,546
Net claims	(850)	(824)	(266,805)	(129,726)	(3,345)	(401,550)
Wakala fee	(36,717)	(8,291)	(146,636)	(36,497)	(24,657)	(252,798)
Direct expense	(295)	(76)	(39,980)	(442)	(388)	(41,182)
Contribution deficiency reserve	-	-	-	(22,183)	-	(22,183)
Net Takaful Claims and Expenses	(37,862)	(9,191)	(453,421)	(188,848)	(28,390)	(717,713)
Underwriting results	5,122	324	34,999	(47,302)	(1,089)	(7,947)
Other Income						15,277
Investment income						-
Mudarib Fee						-
Surplus for the year						7,330
Segment assets	107,033	8,886	236,843	68,175	69,368	490,305
Unallocated assets	-	-	-	-	-	461,674
Total assets						951,979
Segment liabilities	91,054	5,907	488,533	170,589	59,356	815,439
Unallocated liabilities	-	-	-	-	-	164,889
Total liabilities						980,328

Notes to the Financial Statements

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	Operator's Fund					
	2019					
	Fire & property	Marine aviation & transport	Motor	Accident & health	Miscellaneous	Total
	Rupees in thousand					
Operator's Fund						
Wakala fee income	45,202	11,337	192,125	54,721	20,929	**324,314**
Commission expense	(23,558)	(5,324)	(50,124)	(13,141)	(7,287)	**(99,434)**
Management expenses	(31,243)	(7,061)	(66,476)	(17,428)	(9,664)	**(131,872)**
	(9,599)	(1,048)	75,525	24,152	3,978	**93,008**
Other Income						**15,856**
Investment income						**1,345**
Mudarib's share of PTF's investment income						**1,323**
Other expenses						**(3,839)**
Profit before tax						**107,693**
Segment assets	21,854	2,216	63,741	16,738	8,315	**112,864**
Unallocated assets	-	-	-	-	-	**313,427**
Total assets						**426,291**
Segment liabilities	19,884	620	91,079	22,185	6,211	**139,979**
Unallocated liabilities	-	-	-	-	-	**55,893**
Total liabilities						**195,872**

	2018					
	Fire & property	Marine aviation & transport	Motor	Accident & health	Miscellaneous	Total
	Rupees in thousand					
Operator's Fund						
Wakala fee income	36,717	8,291	146,636	36,497	24,657	252,798
Commission expense	(16,849)	(3,375)	(33,058)	(8,437)	(6,565)	(68,284)
Management expenses	(25,950)	(5,197)	(50,915)	(12,995)	(10,111)	(105,168)
	(6,082)	(281)	62,663	15,065	7,981	79,346
Other Income						5,305
Investment income						(311)
Mudarib's share of PTF investment income						-
Other Expenses						(5,391)
Profit before tax						78,949
Segment assets	10,478	663	37,012	9,690	4,647	62,490
Unallocated assets	-	-	-	-	-	319,704
Total assets						382,194
Segment liabilities	15,303	338	87,536	26,244	5,300	134,721
Unallocated liabilities	-	-	-	-	-	95,098
Total liabilities						229,819

31 Management of takaful and financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk).The Operator's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Operator's financial assets and liabilities are limited. The Operator consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Operator's risk management framework. The Board is also responsible for developing the Operator's risk management policies. The individual risk wise analysis is given below :

31.1 Takaful risk

The principal risk that the Operator faces under Takaful contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Operator is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of Takaful contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of re-takaful arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Operator. The Operator further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Operator.

Amounts recoverable from re-takaful are estimated in a manner consistent with the outstanding claims provision and are in accordance with the Re-takaful contracts.

Although the Operator has re-takaful 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 re-takaful operator is unable to meet its obligations assumed under such re-takaful agreements. The Operator's placement of re-takaful is diversified such that it is neither dependent on a single re-takaful operator nor are the operations of the Operator substantially dependent upon any single re-takaful contract. Re-takaful contracts are written with approved re-takaful operators on either a proportionate basis or non-proportionate basis. The re-takaful operators are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar re-Takaful contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the Board by a change in any subset of the portfolio. The Operator has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Operator principally issues the general Takaful contracts e.g. fire & property damage, marine, aviation & transport, motor, accident & health and other miscellaneous. Risks under general Takaful contracts usually cover twelve month or lesser duration. For general Takaful contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities . Takaful contracts at times also cover risk for single incidents that expose the Operator to multiple takaful risks.

31.1.1 Geographical concentration of takaful risk

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

31.1.2 Re-takaful arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, a number of proportional and non-proportional re-takaful arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Operator.

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	Participants' Takaful Fund					
	Gross sum covered		Re-takaful		Net	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Class						
Fire & property	**224,859,121**	158,661,616	**179,490,118**	129,320,489	**45,369,003**	29,341,127
Marine aviation & transport	**58,061,664**	39,044,999	**47,122,443**	31,142,081	**10,939,221**	7,902,918
Motor	**32,326,306**	28,612,875	**1,041,591**	585,072	**31,284,715**	28,027,803
Accident & health	**11,377,027**	11,458,475	**-**	-	**11,377,027**	11,458,475
Miscellaneous	**2,847,097**	3,374,633	**2,450,782**	2,983,883	**396,315**	390,750
	329,471,215	241,152,598	**230,104,934**	164,031,525	**99,366,281**	77,121,073

31.1.3 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to participants arising from claims made under Takaful contracts. Such estimates are necessary based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

31.1.4 Neutral assumptions for claim estimation

The process used to determine the assumptions for calculating the outstanding claim reserves is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed in separate, case to case basis, with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty that the estimation of the cost of settling claims already notified to the Operator, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the re-takaful recoveries.

The estimation process takes into account the past claims reporting pattern and details of re-takaful programs. The contribution liabilities have been determined such that the total contribution liability provisions (unearned contribution reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

31.1.5 Sensitivity analysis

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

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As the Operator enters into short term Takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on surplus/(deficit), net of re-takaful.

	Surplus/ (deficit) 2019	Surplus/ (deficit) 2018
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire & property	**(1,013)**	(85)
Marine aviation & transport	**(335)**	(82)
Motor	**(31,616)**	(26,681)
Accident & health	**(19,244)**	(12,973)
Miscellaneous	**(311)**	(335)
	(52,519)	(40,156)
10% decrease in claims liability		
Net:		
Fire & property	**1,013**	85
Marine aviation & transport	**335**	82
Motor	**31,616**	26,681
Accident & health	**19,244**	12,973
Miscellaneous	**311**	335
	52,519	40,156

31.2 Financial Risk

Maturity profile of financial assets and liabilities:

	Participants' Takaful Fund 2019						
	Markup bearing			Non-markup bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
	Rupees in thousand						
Financial assets							
Investments - Debt Securities	-	125,000	**125,000**	-	-	-	**125,000**
Loans and other receivables	-	-	-	21,655	-	**21,655**	**21,655**
Takaful / re-takaful receivables- unsecured and considered good	-	-	-	261,580	-	**261,580**	**261,580**
Re-takaful recoveries against outstanding claims	-	-	-	88,706	-	**88,706**	**88,706**
Salvage recoveries accrued	-	-	-	13,631	-	**13,631**	**13,631**
Bank balances	434,658	-	**434,658**	-	-	-	**434,658**
	434,658	125,000	**559,658**	385,572	-	**385,572**	**945,230**
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	257,810	-	**257,810**	**257,810**
Takaful / re-takaful payables	-	-	-	38,513	-	**38,513**	**38,513**
Wakala and mudarib fee payable	-	-	-	70,933	-	**70,933**	**70,933**
Other creditors and accruals	-	-	-	4,937	-	**4,937**	**4,937**
	-	-	-	372,193	-	**372,193**	**372,193**
	434,658	**125,000**	**559,658**	**13,379**	-	**13,379**	**573,037**

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	Participants' Takaful Fund						
	2018						
	Markup bearing			Non-markup bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
	Rupees in thousand						
Financial assets							
Investments - Debt Securities	-	-	-	-	-	-	-
Loans and other receivables	-	-	-	8,551	-	8,551	8,551
Takaful / re-takaful receivables- unsecured and considered good	-	-	-	230,423	-	230,423	230,423
Re-takaful recoveries against outstanding claims	-	-	-	46,654	-	46,654	46,654
Salvage recoveries accrued	-	-	-	15,881	-	15,881	15,881
Bank balances	432,489	-	432,489	-	-	-	432,489
	432,489	-	432,489	301,509	-	301,509	733,998
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	220,606	-	220,606	220,606
Takaful / re-takaful payables	-	-	-	24,303	-	24,303	24,303
Wakala and mudarib fee payable	-	-	-	23,342	-	23,342	23,342
Other creditors and accruals	-	-	-	937	-	937	937
	-	-	-	269,188	-	269,188	269,188
	432,489	-	432,489	32,321	-	32,321	464,810

	Operator's Takaful Fund						
	2019						
	Markup bearing			Non-markup bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
	Rupees in thousand						
Financial assets							
Investment - Equity securities	-	-	-	32,958	-	32,958	32,958
Loans and other receivables	-	-	-	3,211	-	3,211	3,211
Wakala and mudarib fee receivable				70,933		70,933	70,933
Bank balances	91,895	-	91,895	-	-	-	91,895
	91,895	-	91,895	107,102	-	107,102	198,997
Financial liabilities							
Other creditors and accruals	-	-	-	44,664	-	44,664	44,664
	-	-	-	44,664	-	44,664	44,664
	91,895	-	91,895	62,438	-	62,438	154,333

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	Operator's Takaful Fund						
	2018						
	Markup bearing			Non-markup bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
	Rupees in thousand						
Financial assets							
Investment - Equity securities	-	-	-	29,930	-	29,930	29,930
Loans and other receivables	-	-	-	3,246	-	3,246	3,246
Wakala and mudarib fee receivable				23,342		23,342	23,342
Bank balances	101,885	-	101,885	154	-	154	102,039
	101,885	-	101,885	56,672	-	56,672	158,557
Financial liabilities							
Other creditors and accruals	-	-	-	90,262	-	90,262	90,262
	-	-	-	90,262	-	90,262	90,262
	101,885	-	101,885	(33,590)	-	(33,590)	68,295

31.2.1 Mark - up rate risk

Mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market mark - up rates. Sensitivity to mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Operator manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the statement of financial position date the mark-up rate profile of the Operator's significant interest / mark-up bearing financial instruments was as follows:

	Effective interest rate (%)		Carrying amounts	
	2019	2018	2019	2018
			Rupees in thousand	
Floating rate financial instruments				
Financial assets:				
Cash at bank - saving account	**5.00% - 11.00%**	3.50% - 7.00%	**526,485**	534,374

31.2.2 Sensitivity analysis

The Operator does not have any fixed rate financial assets and liabilities. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in mark-up rates at the statement of financial position date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

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	Effect on profit before taxation		Effect on funds	
	Increase	Decrease	Increase	Decrease
	Rupees in thousand			
As at December 31, 2019 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities				
Cash flow sensitivity - variable rate financial assets	**52,649**	**(52,649)**	**36,854**	**(36,854)**
As at December 31, 2018 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities				
Cash flow sensitivity - variable rate financial assets	53,437	(53,437)	37,941	(37,941)

Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Operator, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

Price risk

Price risk represents the risk that the fair value of financial instruments will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Operator is exposed to equity price risk that arises as a result of changes in the net asset value of mutual funds. The equity price risk arises from the Operator's investment in equity securities of mutual funds.

The Operator's strategy is to hold its strategic equity investments on a long term basis. Thus, Operator is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Operator strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity volatility. The Operator manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Operator has investments in quoted equity securities amounting to Rs. 32,958 thousands (2018: Rs. 29,930 thousands) at the statement of financial position date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the statement of financial position date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

31.2.3 Sensitivity analysis

As the entire investment portfolio has been classified in the 'available-for-sale' category, a 10% increase / decrease in unit prices at year end would have increased / decreased Operator's fund as follows:

	Effect on profit before taxation		Effect on funds	
	Increase	Decrease	Increase	Decrease
	Rupees in thousand			
Effect of increase in unit price	**-**	**2,307**	-	2,125
Effect of decrease in unit price	**-**	**(2,307)**	-	(2,125)

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

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31.3 Credit risk and concentration of credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Operator attempts to control credit risk by monitoring credit exposure by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Operator's credit risk exposure is not significantly different from that reflected in these financial statements. The management monitors and limits the Operator's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

	2019			2018
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	Rupees in thousand			
Investment in equity securities	32,958	-	**32,958**	29,930
Investment in debt securities	-	125,000	**125,000**	-
Loans and other receivable	3,211	21,655	**24,866**	11,797
Due from takaful contract holders	-	230,238	**230,238**	208,389
Due from other takaful / other re-takaful	-	31,342	**31,342**	22,034
Re-takaful recoveries against outstanding claims	-	88,706	**88,706**	46,654
Salvage recoveries accrued	-	13,631	**13,631**	15,881
Wakala and mudarib fee receivable	70,933	-	**70,933**	23,342
Bank deposits	91,895	434,590	**526,485**	534,374
	198,997	**945,162**	**1,144,159**	892,401

Provision for impairment is made for doubtful receivables according to the Operator's policy. The impairment provision is written off when the Operator expects that it cannot recover the balance due.

Age analysis of due from takaful contact holders (net of provision) other than related parties is as follows:

	2019	2018
	Rupees in thousand	
Up to one year	**182,713**	175,881
Above one year	**32,626**	15,895
	215,339	191,776
Less: provision for doubtful balances	**-**	-
	215,339	191,776

Age analysis of due from related parties against Takaful contracts is as follows:

	2019	2018
Up to one year	**13,852**	16,611
Above one year	**1,046**	2
	14,898	16,613
Less: provision for doubtful balances	**-**	-
	14,898	16,613

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

	Rating		Rating Agency	2019	2018
	Short Term	Long Term		Rupees in thousand	
Dubai Islamic Bank Limited	A-1+	AA	JCR-VIS	**227,172**	403,477
MCB Islamic Bank Limited	A-1	A	PACRA	**108,592**	77,783
Meezan Bank Limited	A-1+	AA+	JCR-VIS	**50,398**	28,297
Bank Islami Pakistan Limited	A-1	A+	PACRA	**140,323**	24,816
				526,485	534,373

The credit quality of amount due from other co-takaful/re-takaful operators (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other co-takaful / retakaful operators	Re-takaful and other recoveries against outstanding claims	December 31, 2019	Amounts due from other co-takaful / re-takaful operators	Re-takaful and other recoveries against outstanding claims	December 31, 2018
	Rupees in thousand					
A or Above (including PRCL)	31,142	67,507	**98,649**	22,034	26,263	48,297
BBB	-	5,870	**5,870**	-	4,635	4,635
Others	-	15,329	**15,329**	-	15,756	15,756
Total	31,142	88,706	119,848	22,034	46,654	68,688

31.4 Capital adequacy risk

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

32 Fair values of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)

- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

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

	Note	Participants' Takaful Fund								
		2019								
		Carrying amount					Fair value			
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees in thousand								
Financial assets not measured at fair value										
Investments - Debt securities	8	125,000	-	-	-	**125,000**	-	-	-	-
Loan and other receivables	9	-	21,655	-	-	**21,655**	-	-	-	-
Takaful / re-takaful receivables	10	-	261,580	-	-	**261,580**	-	-	-	-
Re-takaful recoveries against outstanding claims		-	88,706	-	-	**88,706**	-	-	-	-
Salvage recoveries accrued		-	13,631	-	-	**13,631**	-	-	-	-
Cash and bank deposits	12	-	-	434,658	-	**434,658**	-	-	-	-
		125,000	385,572	434,658	-	**945,230**	-	-	-	-
Financial liabilities not measured at fair value										-
Outstanding claims including IBNR	17	-	-	-	257,810	**257,810**	-	-	-	-
Takaful / re-takaful payables		-	-	-	38,513	**38,513**	-	-	-	-
Wakala and mudarib fee payable		-	-	-	70,933	**70,933**	-	-	-	-
Other creditors and accruals	14	-	-	-	4,937	**4,937**	-	-	-	-
		-	-	-	372,193	**372,193**	-	-	-	-

	Note	Participants' Takaful Fund								
		2018								
		Carrying amount					Fair value			
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees in thousand								
Financial assets not measured at fair value										
Investments - Debt Securities	8	-	-	-	-	-	-	-	-	-
Loan and other receivables	9	-	8,551	-	-	8,551	-	-	-	-
Takaful / re-takaful receivables	10	-	230,423	-	-	230,423	-	-	-	-
Re-takaful recoveries against outstanding claims		-	46,654	-	-	46,654	-	-	-	-
Salvage recoveries accrued		-	15,881	-	-	15,881	-	-	-	
Cash and bank deposits	12	-	-	432,489	-	432,489	-	-	-	-
		-		-	-					-
		-	301,509	432,489	-	733,998	-	-	-	-
Financial liabilities not measured at fair value										
Outstanding claims including IBNR	17	-	-	-	220,606	220,606	-	-	-	-
Takaful / re-takaful payables		-	-	-	24,303	24,303	-	-	-	-
Wakala and mudarib fee payable		-	-	-	23,342	23,342	-	-	-	-
Other creditors and accruals	14	-	-	-	937	937	-	-	-	-
		-	-	-	269,188	269,188	-	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2019

	Note	Operator's Takaful Fund								
		2019								
		Carrying amount					Fair value			
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees in thousand								
Financial assets measured at fair value										
Investments - Equity securities	7	32,958	-	-	-	**32,958**	32,958	-	-	**32,958**
Financial assets not measured at fair value										
Loan and other receivables	9	-	3,211	-	-	**3,211**	-	-	-	**-**
Wakala and mudarib fee receivable		-	70,933	-	-	**70,933**	-	-	-	**-**
Cash and bank deposits	12	-	-	91,895	-	**91,895**	-	-	-	**-**
		32,958	74,144	91,895	-	**198,997**	32,958	-	-	**32,958**
Financial liabilities not measured at fair value										
Other creditors and accruals	14	-	-	-	44,664	**44,664**	-	-	-	-
		-	-	-	44,664	**44,664**	-	-	-	-

	Note	Operator's Takaful Fund								
		2018								
		Carrying amount					Fair value			
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees in thousand								
Financial assets measured at fair value										
Investments - Equity securities	7	29,930	-	-	-	29,930	29,930	-	-	29,930
Financial assets not measured at fair value										
Loan and other receivables	9	-	3,246	-	-	3,246	-	-	-	-
Wakala and mudarib fee receivable		-	23,342	-	-	23,342	-	-	-	-
Cash and bank deposits	12	-	-	102,039	-	102,039	-	-	-	-
		29,930	26,588	102,039	-	158,557	29,930	-	-	29,930
Financial liabilities not measured at fair value										-
Other creditors and accruals	14	-	-	-	90,262	90,262	-	-	-	-
		-	-	-	90,262	90,262	-	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2019

33 Statement of solvency - Participants' Takaful Fund

	2019
	Rupees in thousand
Assets	
Investments	125,000
Loans and other receivables	21,655
Takaful / Retakaful receivables	261,580
Retakaful Recoveries against O/S benefits	88,706
Salvage recoveries accrued	13,631
Deferred wakala fee	139,979
Prepayments	105,379
Cash and Bank	434,658
Total Assets	**1,190,588**
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000	
Contribution due but unpaid more than 3 months Direct	133,487
Co-Takaful balances more than 3 months	32,407
Prepaid Monitoring charges	23,693
Loans and other receivables	18,807
Total of In-admissible assets	**208,394**
Total Admissible Assets	**982,194**
Total Liabilities	
Outstanding benefits including IBNR	257,810
Unearned contribution reserves	517,565
Unearned commission income	15,979
Contribution deficiency reserves	30,071
Contributions received in advance	13,109
Takaful / Retakaful Payables	38,513
Wakala and mudarib fee payable	70,933
Other Creditors and Accruals	18,862
Total Liabilities	**962,842**
Total Net Admissible Assets	**19,352**

The law is silent with regard to the inadmissibility of the "Prepaid re-takaful contribution ceded" and "Deferred commission expense" in Section 32(2) of the Insurance Ordinance, 2000 and, hence, these have been treated as admissible assets for the purpose of this statement.

34 Movement in Investment - Available for sale

	2019	2018
	Rupees in thousand	
As at January 01	**29,930**	30,343
Additions	**1,144**	119,195
Disposals (sales and redemptions)	**-**	(119,506)
Fair value on gains (excluding net realized gain)	**1,884**	(102)
As at December 31	**32,958**	29,930

Notes to the Financial Statements

For the year ended 31 December 2019

35 Corresponding figures

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

36 Subsequent events - non adjusting event

There are no significant events that need to be disclosed for the year ended December 31, 2019.

37 Date of authorization for issue

These financial statements were authorized for issue on 13 March 2020 by the Board of Directors of the Operator.

38 General

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

Umer Mansha Chairman	**Ibrahim Shamsi** Director	**Shaikh Muhammad Jawed** Director	**Muhammad Asim Nagi** Chief Financial Officer	**Muhammad Ali Zeb** Managing Director & Chief Executive Officer

Form 34
The Companies Act 2017
The Companies (General Provisions & Forms) Regulation, 2019 [Section 227(2)(f)] Pattern of Shareholding

1.1 Name of the Company ADAMJEE INSURANCE COMPANY LIMITED.

2.1 Pattern of holding of the shares held by the shareholders as at 31-12-2019

2.2

No. of Shareholders	Shareholdings				Total Shares Held
1,036	Shareholding From	1	To	100	27,590
995	Shareholding From	101	To	500	313,791
570	Shareholding From	501	To	1000	478,878
2,180	Shareholding From	1001	To	100000	28,326,308
149	Shareholding From	100001	To	475000	32,371,221
30	Shareholding From	525001	To	1020000	22,280,996
28	Shareholding From	1035001	To	5500000	60,437,463
1	Shareholding From	5830001	To	5835000	5,831,000
1	Shareholding From	17105001	To	17110000	17,107,420
1	Shareholding From	19210001	To	19215000	19,213,878
1	Shareholding From	27760001	To	27765000	27,763,351
1	Shareholding From	27875001	To	27880000	27,877,735
1	Shareholding From	37970001	To	37975000	37,970,369
1	Shareholding From	69995001	To	70000000	70,000,000
4,995					**350,000,000**

Form 34
The Companies Act 2017
The Companies (General Provisions & Forms) Regulation, 2019 [Section 227(2)(f)] Pattern of Shareholding

2.3	Categories of Shareholders	Shareholders	Shares held	Percentage
2.3.1	**Directors, Chief Executive Officer their spouses & minor children**			
	Shaikh Muhammad Jawed	1	2,500	0.001
	Ibrahim Shamsi	1	16,797	0.005
	Muhammad Anees	1	20,000	0.006
	Mian Umer Mansha	1	60,335	0.017
	Imran Maqbool Malik	1	7,073	0.002
	Mohammad Ali Zeb	1	7,073	0.002
	Mohammad Arif Hameed	1	2,500	0.001
	Sadia Younas Mansha	1	2,500	0.001
2.3.1(a)	**Executives**	1	104	0.000
2.3.2	**Associated Companies, undertakings & related parties**			
a)	MCB Bank Limited - Treasury	2	70,861,241	20.246
b)	Nishat Mills Limited	1	102,809	0.029
2.3.3	**NIT and ICP**	2	2,606	0.001
2.3.4	**Banks, Development Finance Institutions, Non-Banking Finance Companies**	18	14,108,203	4.031
2.3.5	**Insurance Companies**	12	31,402,606	8.972
2.3.6	**Modarabas and Mutual Funds**	35	27,764,351	7.933

2.3.7 **Shareholders holding 5% or more voting interest (reflected in relevant category, reference given)**

i) MCB Bank Ltd (2.3.2a)	70,861,241	20.246
ii) Trustee-MCB Employees Pension Fund(2.3.9)	37,970,369	10.849
iii) Security General Insurance Co Ltd (2.3.5)	27,771,587	7.935
iv) D.G. Khan Cement Company Limited (2.3.9)	27,877,735	7.965
v) Anjum Nisar (2.3.8a)	19,213,878	5.490

		Shareholders	Shares held	Percentage
2.3.8	**General Public**			
a)	Local-Individuals	4,662	83,819,245	23.948
b)	Foreign Individuals	6	2,557,500	0.731
c)	Foreign Companies/organizations(on repatriable basis)	19	14,582,162	4.166
2.3.9	**Others:** (Joint Stock Cos., Pension/Provident Funds etc.)	229	104,680,395	29.909
		4,995	**350,000,000**	**100.000**

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

adamjee insurance

FOR YOUR IMMEDIATE ACTION

آپ کی فوری کارروائی کے لیے

E-dividend mandate form for shareholders of Adamjee Insuracne Company Limited in Compliance of Section 242 of the Companies Act 2017

آدمجی انشورنس کمپنی کے شیئر ہولڈرز کے لیے برقی ذریعہ سے منافع کی ادائیگی کا فارم - کمپنیز ایکٹ ۲۰۱۷ء کے سیکشن ۲۴۲ کے مطابق

Please fill the following details & forward by e-mail/letter to any of the following three **(not to AICL)**:

فارم مکمل کرنے کے بعد ۳ میں سے کسی ایک کو ارسال کریں **(آدمجی انشورنس کو نہیں)**

1. Investor Account Services - Central Depository Company of Pakistan Limited. If you have an investor account in CDC, the email is mentioned below.

(نمبر۱) اگر آپ کا انویسٹر اکاؤنٹ سی ڈی سی میں ہے تو سی ڈی سی کے شعبۂ انویسٹر اکاؤنٹ کو (ای-میل نیچے درج ہے)

2. In case of a sub account with any of the broker participants, kindly convey information to your broker participant.

(نمبر۲) اگر آپ کا سب اکاؤنٹ کسی بروکر کے پاس ہے تو ان کے ڈاک/ای-میل کے پتے پر (یہ آپ کے پاس موجود ہوگا)

3. In case of Physical Shares, by post at the following address:

(نمبر۳) اگر آپ کے پاس فزیکل شیئر سرٹیفکیٹس موجود ہیں تو آدمجی انشورنس کے شیئر رجسٹرار کو دیے ہوئے پتے پر بذریعہ ڈاک ارسال کریں

CDC Share Registrar Services Ltd
Share Registrar
Adamjee Insurance Company Limited
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi - 74400

سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ
شیئر رجسٹرار
آدمجی انشورنس کمپنی لمیٹڈ
سی ڈی سی ہاؤس، B-99، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی - 74400

Participant Id	
Investor / Sub Account No.	
Folio In case of Physical Shareholder	
Title of Account	
IBAN Number	
Bank Name	
Branch	
Branch Address	
Mobile Number	
Email address	

Authorized Signatories
(to be signed as per operating instruction)

آپ کے دستخط ہمارے ریکارڈ کے مطابق ہونے چاہئیں
(آپ کی درج شدہ ہدایات کے تحت)

1) ____________________ 2) ____________________

3) ____________________ 4) ____________________

For information:

معلومات برائے سہولت:

A) IBAN Number (24 Digit) : PK37 HABB 0000 0700 3333 9999
B) E-mail Investor Account Services CDC : ias-khi@cdcpak.com
C) CDC Participant : in case of a sub account with any of the broker participants, kindly convey information to your broker participants.

ا) IBAN نمبر (24 ہندسے)
ب) ای میل انویسٹر اکاؤنٹ سروسز CDC
ج) CDC پارٹیسپینٹ: کسی بروکر پارٹیسپینٹ کے ساتھ سب اکاؤنٹ کی صورت میں براہِ کرم اپنے بروکر پارٹیسپینٹ کو معلومات پہنچائیں۔

For receipt of future dividend, the submission of this form is mandatory.

Form also available on website: **www.adamjeeinsaurance.com**

آئندہ منافع کی ادائیگی کے لیے اس فارم کا بھرنا اور فراہم کرنا لازمی ہے۔

فارم ویب سائٹ پر بھی دستیاب ہے: **www.adamjeeinsaurance.com**

Notes

ADAMJEE INSURANCE COMPANY LIMITED

Registered Office: Adamjee House, 80/A, E-1, Main Boulevard, Gulberg-III, Lahore.

PROXY FORM

I/We …………………………………………………......................... of ………………………………………………….......................... being a member of Adamjee Insurance Company Limited and holder of .... shares as per Folio No. .... CDC Participant ID# .... and Sub Account #...................................... / CDC Investors Account #....................................... hereby appoint Mr./Miss/Mrs. ……………........………............................... of ....…………….......….. (Folio No ….......................... CDC Participant ID# .... and Sub Account # .... / CDC Investors Account # ....) or failing him Mr./Miss/Mrs. ....……………………….... of …………….................... (Folio No. .... CDC Participant ID# .... and Sub Account # .... / CDC Investors Account #.................................) as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the 59th Annual General Meeting of the Company to be held on Friday, 22 May 2020 at 11:00 a.m. and any adjournment there of at The Nishat Hotel, 9A Gulberg III, Mian Mahmood Ali Kasuri Road, Lahore.

Signed this …….. day of 2020

WITNESSES:

1- Signature ....
Name..
Address ....
CNIC No. ....

2- Signature ....
Name..
Address ....
CNIC No. ....

Rupees Five Revenue Stamp

Signature of Member ....

NOTES

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.

2. Members, who have deposited their shares into Central Depositary Company of Pakistan Limited, are being advised to bring their original Computerized National Identity Cards along with CDC Participant ID and account number at the meeting venue.

3. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

i. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

ii. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

i. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

ii. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

v. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

آدمجی انشورنس کمپنی لمیٹڈ

رجسٹرڈ آفس: آدمجی ہاؤس، 80/A، E-1، مین بلیوارڈ، گلبرگ-III، لاہور

نمائندگی نامہ

میں/ہم .... مقیم ....، آدمجی انشورنس کمپنی لمیٹڈ کے ایک ممبر اور .... شیئرز کی ملکیت/فولیو نمبر ....
سی ڈی سی پارٹسپنٹ آئی ڈی نمبر.................... اور سب اکاؤنٹ نمبر ..../سی ڈی سی انویسٹرز اکاؤنٹ نمبر .... کے مطابق محترم/محترمہ ....
مقیم .... (فولیو نمبر.......... سی ڈی سی پارٹسپنٹ آئی ڈی نمبر .... اور سب اکاؤنٹ نمبر ..../سی ڈی سی انویسٹرز اکاؤنٹ نمبر ....)
یا اُن کے شریک نہ ہونے پر محترم/محترمہ .... مقیم .... (فولیو نمبر ....
سی ڈی سی پارٹسپنٹ آئی ڈی نمبر .... اور سب اکاؤنٹ نمبر................../سی ڈی سی انویسٹرز اکاؤنٹ نمبر ....) کو بذریعہ ہذا نشاط ہوٹل، 9A، گلبرگ III، میاں محمود علی قصوری روڈ، لاہور میں بروز جمعہ مورخہ 22 مئی 2020ء بوقت صبح 11:00 بجے یا کسی ممکنہ التوائی وقت پر منعقد ہونے والے 59 ویں سالانہ اجلاسِ عام میں شریک ہونے، گفتگو کرنے اور ووٹ دینے کیلئے میرے/ہمارے نمائندے کے طور پر نامزد کرنا چاہتا ہوں/ چاہتے ہیں۔

آج بروز .... بتاریخ .... 2020ء دستخط کیے گئے۔

گواہان

1. دستخط ....
نام ....
پتہ ....
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر..

-/5 روپے کی
ریوینو اسٹیمپ

2. دستخط ....
نام ....
پتہ ....
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر..

ممبر کے دستخط ....

ملاحظات (نوٹس):

-1 سالانہ اجلاسِ عام میں شرکت اور رائے دہی کا حق رکھنے والا ممبر کسی دوسرے ممبر کو اپنی بجائے شرکت اور حقِ رائے دہی کے استعمال کیلئے اپنا نمائندہ (پروکسی) مقرّر کر سکتا ہے۔ کوئی کارپوریشن یا کمپنی، بحیثیت کمپنی، بحیثیت کمپنی کی ممبر، اپنے افسران میں سے کسی کی تقرّری بورڈ ریزولوشن کے ذریعے کر سکتی ہے۔ نمائندگی نامہ Proxy(s) اِس اجلاس کے انعقاد کے مقررہ وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں وصول ہو جانا چاہیے۔

-2 ایسے ممبران جو سینٹرل ڈپازٹری کمپنی آف پاکستان میں شیئرز جمع کروا چکے ہیں وہ اصل کمپیوٹرائزڈ قومی شناختی کارڈ اور سی ڈی سی پارٹسپنٹ آئی ڈی نمبر ساتھ لائیں۔

-3 CDC اکاؤنٹ ہولڈرز کو سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری کردہ درج ذیل ہدایات کی مزید پیروی کرنا ہوگی:

(A) اجلاس میں شرکت کیلئے:

i) افراد کی صورت میں، اکاؤنٹ یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC ضوابط کے مطابق اپ لوڈ کی جا چکی ہیں، اجلاس میں شرکت کے وقت اپنی شناخت کی تصدیق کیلئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھائے گا۔

ii) کاروباری ادارے کی صورت میں اجلاس کے موقع پر بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد نمائندے کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔

(B) نمائندوں کی تقرّری کیلئے:

i) افراد کی صورت میں، اکاؤنٹ یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC ضوابط کے مطابق اپ لوڈ کی جا چکی ہیں، اجلاس میں شرکت کے وقت درج بالا تقاضوں کے مطابق نمائندگی نامہ (Proxy Form) جمع کروائے گا۔

ii) نمائندگی نامے پر دو افراد کی گواہی موجود ہونی چاہیے جن کے نام، پتے اور CNIC نمبر تقرّری نامے میں درج ہوں۔

iii) نمائندگی نامے کے ہمراہ اصل مالکان (beneficial owner) اور نمائندے کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول مہیّا کی جائیں۔

iv) نمائندے کو اجلاس کے موقع پر اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔

v) کاروباری ادارے کی صورت میں، اجلاس کے موقع پر نمائندگی نامے کے ہمراہ بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نمائندے/اٹارنی کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔

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