March 08, 2021

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Subject: Transmission of Annual Accounts for the year Ended December 31, 2020.

Dear Sir,

We have to inform you that the Annual Accounts of the Company for the year ended December 31, 2020 have been transmitted through PUCARS and is also available on Company's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours faithfully,

Amin Punjani
Company Secretary

EFU General Insurance Ltd
EFU House, M.A. Jinnah Road, P.O. Box 5005, Karachi-74000.
Phone: 92-21-32313471-90, Fax: 92-21-32310450, Email: info@efuinsurance.com

Annual Report 2020

Going Beyond

GENERAL

Going Beyond

Delivering to the demands of excellence in business is an entirely different entrepreneurial attitude. It rises above and beyond the basic motive of fulfilling a need of society and making an honest profit while doing so.

Doing business by Going Beyond is a long standing tradition at EFU.

The pursuit of excellence is always uphill. Blind corners, hairpin bends, bumps and troughs await. The going is often rough, always a test of skill and talent; a challenge to the ability to foresee, to recognize opportunities as they evolve, to respond with innovative products. Changes in market conditions dictate reworking of short-term strategies and goals, reformulation of long-term aims. Maintaining momentum is imperative for sustaining growth and market leadership.

Over the decades, we have recognized certain constants that make possible enhanced performance.

Contents

Financial Highlights 2020

Investment & Properties
27 254
(Rupees in million)

Underwriting Result
739
(Rupees in million)

Breakup Value
97.90
(Rupees)

Claims Paid (Gross)
5 233
(Rupees in million)

Investment & Other Income
2 616
(Rupees in million)

Profit After Tax
2 371
(Rupees in million)

Shareholders Equity
19 580
(Rupees in million)

Premium (including Takaful Contribution)
22 639
(Rupees in million)

Cash Dividend
2 000
(Rupees in million)

Total Assets Book Value
45 812
(Rupees in million)

AA+
Outlook Stable
VIS

AA+
Outlook Stable
PACRA

B+
Outlook Stable
A.M.BEST

'CUSTOMER FIRST' IS MORE THAN A SLOGAN WITH US

Going Beyond: Dedication to customer interest, the basic component of all strategy

The adage that a satisfied customer is your best advertisement will always hold true.

We at EFU attach the utmost importance to building and nurturing relationships. It is no surprise for us that many among our existing customer base have "inherited" us as insurance services providers. In every customer we discern a source of new business as well as productive referrals.

Delivering a satisfying customer experience always yields great dividends. Founded in 1932, EFU today wins world-wide acknowledgement as Pakistan's flagship insurance brand; a Company that turns in record-setting performances repeatedly.

Nothing is more potent than the endorsement of satisfied customers. This has been our experience for decades.

DELIVERING ON PROMISES FOR OVER EIGHT DECADES

Going Beyond:
Integrity in everything we do sums up all our attitudes towards business and society

In business, integrity presents a multitude of facets. Delivering on our promises, unstinting dedication to customer interest, professionalism, always building upon the customer trust already earned, always moving ahead, continuously adding to our knowledge base and constantly improving our product portfolio.

Our internal system of checks and balances, evaluation by specialists and incentives and rewards for outstanding individual performance enables and empowers us to reshape the landscape of Pakistan's insurance industry.

CONSISTENT FOCUS ON NEW TECHNOLOGIES

Going Beyond:
Deploying the most advanced technology enhances reach, increases efficiency and effectiveness

We appreciate that ease of communication and exchange of information are essential pillars of productivity. Deploying the most recent advances in technology to maintain ease of contact with our customers is our primary aim.

Internally too, technology helps us enhance efficiencies. Whether it is advanced learning aids in our training regimes or sophisticated MIS and database management systems, technology assists us in accurate risk assessment, enables us to swiftly evaluate proposals and put together appropriate and affordable propositions.

We remain committed to maintaining a competitive edge in enterprise-wide deployment of technological solutions towards ease of operations and enhancing overall performance.

OUR PEOPLE ENABLE OUR SUCCESS

Going Beyond: Hiring talent, imparting skills, creating a corporate culture that rewards ability

Your Company is a professionally managed independent insurance services provider. All business that we write is won on merit.

As in other aspects of our business, we hire the finest amongst available talent. Our Human Resource Development (HRD) programme and our training regimes polish our people. We encourage our people to equip themselves with skills necessary to achieve their goals. We have produced exceptional performers, leaders of the insurance industry.

It is no surprise to us that experts in the insurance industry consistently cite us as the organization of quality insurance professionals.

WORKING TOGETHER WE MAKE THINGS HAPPEN

Going Beyond: Teamwork, the key ingredient for survival, success, and sustainability

We are proud of our people who come together as a team to make it their business to do whatever it takes to serve our customers.

A team's collective knowledge is larger, deeper and more varied than any single individual understanding. Teamwork is one of the foremost qualities that we insist our personnel to cultivate for attainment of corporate goals.

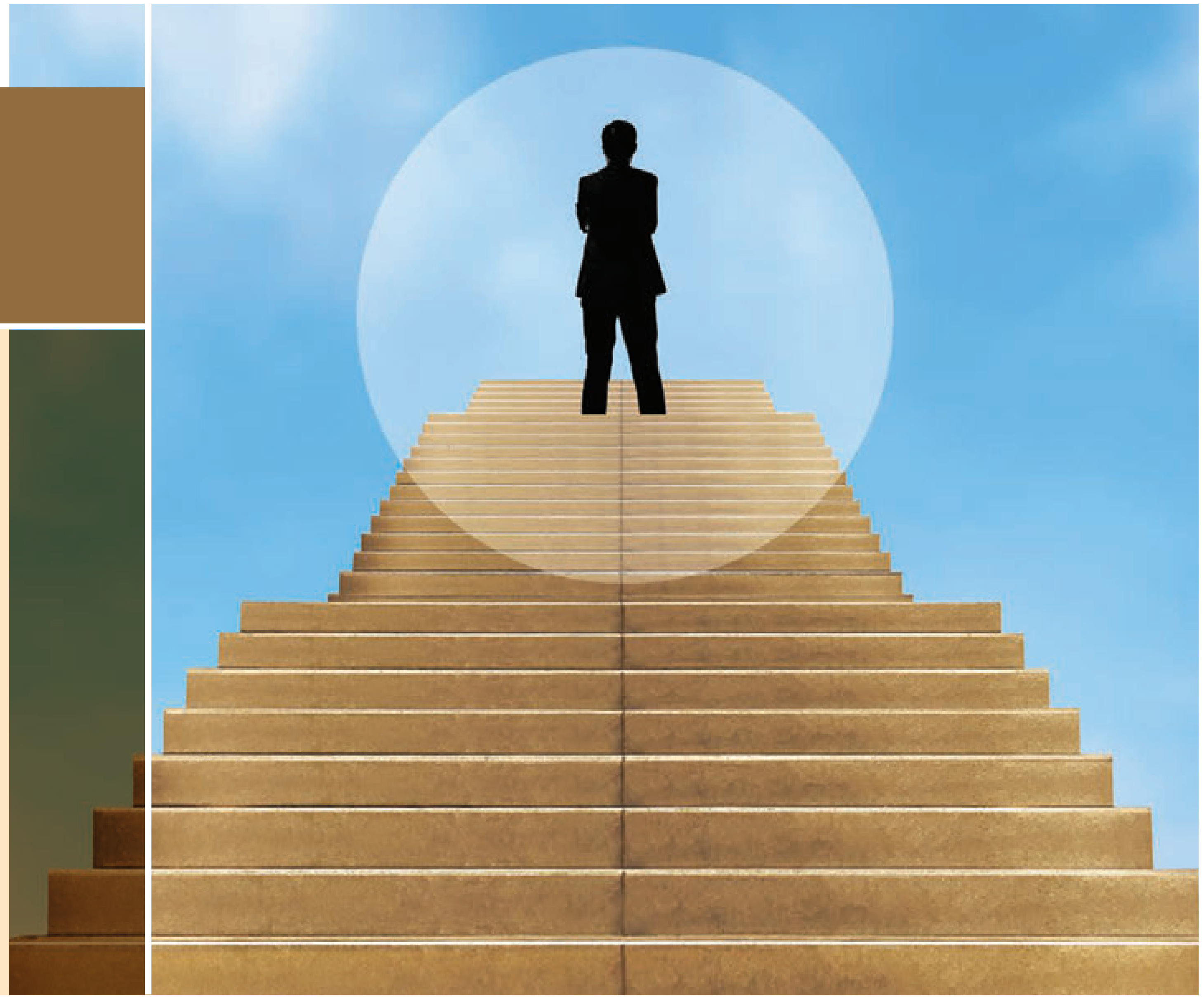
Teamwork guides us through fair weather and foul, through drought and deluge. United we stand for a single purpose, together we move forward with a single, clear goal always in sight, to be the best-in-class for Pakistan's insuring public.

READY TO MEET THE FUTURE WITH CONFIDENCE

Going Beyond: Facing the future from a position of strength

An insurer's ability to make good on its commitment hinges on two essentials. The assets under its command and its re-insurance alliances. We at EFU are acutely conscious of this and keep a more than sufficient asset base. We also create and nurture robust strategic alliances with world acknowledged re-insurers.

One of our foremost strengths is our people, especially - our underwriters. It is they who carry aloft the EFU standard in a competitive environment that poses new challenges every day and win with flying colours. We are proud of our people, for they are the best-in-class, keep on satisfying customers, winning their trust, and enhancing their business with us.



Company Information

Chairman
Saifuddin N. Zoomkawala

Managing Director & Chief Executive
Hasanali Abdullah

Directors
Abdul Rehman Haji Habib
Rafique R. Bhimjee
Taher G. Sachak
Ali Raza Siddiqui
Mohammed Iqbal Mankani
Saad Bhimjee
Tanveer Sultan Moledina
Yasmin Hyder

Chief Financial Officer
Altaf Qamruddin Gokal, F.C.A.

Company Secretary
Amin Punjani, A.C.A., A.C.C.A., M.A.

Legal Advisor
Mohammad Ali Sayeed

Advisors
S.C. (Hamid) Subjally
Syed Mehdi Imam, M.A.

Shari'ah Advisor
Mufti Muhammad Ibrahim Essa

Audit Committee
Tanveer Sultan Moledina
Rafique R. Bhimjee
Ali Raza Siddiqui
Taher G. Sachak
Yasmin Hyder

Investment Committee
Rafique R. Bhimjee
Saifuddin N. Zoomkawala
Hasanali Abdullah
Taher G. Sachak
Altaf Gokal

Ethics, Human Resource & Remuneration Committee
Iqbal Mankani
Saifuddin N. Zoomkawala
Hasanali Abdullah

Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi

Registrar
CDC Share Registrar Services Limited
CDC House, 99-B, Block B
S.M.C.H.S., Shahrah-e-Faisal
Karachi - 74400

Website
www.efuinsurance.com

Email
info@efuinsurance.com

Registered Office
Kamran Centre, 1st Floor
85, East, Jinnah Avenue
Blue Area
Islamabad

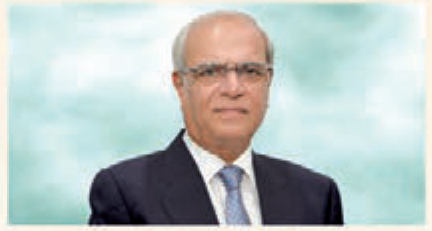
Main Offices
EFU House
M. A. Jinnah Road
Karachi

Co-operative Insurance Building
23, Shahrah-e-Quaid-e-Azam
Lahore

Window Takaful Operations
5th Floor, EFU House
M. A. Jinnah Road
Karachi

Board of Directors


Saifuddin N. Zoomkawala
Chairman

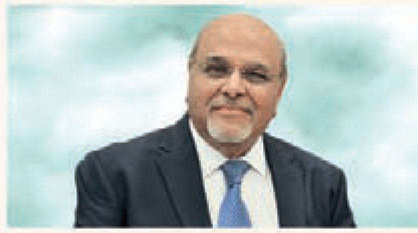

Hasanali Abdullah
Managing Director & Chief Executive


Abdul Rehman Haji Habib
Director


Rafique R. Bhimjee
Director


Taher G. Sachak
Director


Ali Raza Siddiqui
Director


Mohammed Iqbal Mankani
Director


Saad Bhimjee
Director


Yasmin Hyder
Director


Tanveer Sultan Moledina
Director

Directors Profile

SAIFUDDIN N. ZOOMKAWALA
Chairman

Mr. Saifuddin N. Zoomkawala has been associated with EFU Group since 1964. He also worked as General Manager for Credit Commerce Insurance Company at UAE, an insurance company of EFU group. He served as Managing Director of EFU General Insurance Limited from July 10, 1990 till July 2011 when he was elected Chairman of the Company.

He is Chairman of Allianz EFU Health Insurance Limited, EFU Services (Pvt.) Limited and Director of EFU Life Assurance Limited, all being EFU Group Companies. He was Chairman of EFU Life Assurance Limited from February 1999 to July 2011.

He is on the Board of Governors of:

- Shaukat Khanum Memorial Trust and Research Centre
- Burhani Hospital
- Sindh Institute of Urology and Transplantation
- Fakhr-e-Imdad Foundation

HASANALI ABDULLAH
Managing Director & Chief Executive

Mr. Hasanali Abdullah is Chartered Accountant and Certified Director from Pakistan Institute of Corporate Governance (PICG). He is associated with EFU General Insurance Ltd. since 1979 and is Managing Director & Chief Executive of the company from 2011. He is Director of EFU Life Assurance Ltd., Allianz EFU Health Insurance Ltd., EFU Services (Private) Ltd., Tourism Promotion Services (Pakistan) Limited (owners of Serena Hotels), Honorary Treasurer of Aga Khan Hospital & Medical College Foundation, Member of National Committee of Pakistan Branch of Aga Khan University Foundation Geneva. Director of Institute of Financial Markets of Pakistan and Chairman of Pakistan Insurance Institute from January, 2020 to July, 2020 and 2014 - 15.

He has served on the Boards, Council and Committees of various Aga Khan Development Network institutions from 1976 to 2002. He has been Director of PICG in 2011, Chairman of Insurance Association of Pakistan for the year 2008, 2010 - 11 and 2016 - 2017, and Executive Committee Member of Federation of Pakistan Chambers of Commerce & Industries for 2011 & 2017.

ABDUL REHMAN HAJI HABIB
Director

Mr. Abdul Rehman Haji Habib belongs to Business community. He was Chairman of Arag Group. In 1971-72 he was President of Karachi Chamber of Commerce & Industry and in 1976-77 he was President of the Federation of Pakistan Chamber of Commerce & Industry.

- He is associated with EFU for the last 37 years.

RAFIQUE R. BHIMJEE
Director

Mr. Rafique R. Bhimjee has a B.Sc (Hons) in Management Science from the University of Warwick and an M.B.A in Finance from City University, London. He is also a “Certified Director” from Pakistan Institute of Corporate Governance.

He has worked overseas in Merrill Lynch Asset Management, New York and Abu Dhabi Investment Authority.

Mr. Rafique R. Bhimjee was the Chairman of EFU General Insurance Ltd. from February 1999 to July 2011 and became Chairman of EFU Life Assurance Ltd. in July 2011. He is also Director of Allianz EFU Health Insurance Ltd., EFU Services (Pvt.) Ltd. and is also Executive Director of International Foundation and Garments (Pak) (Pvt.) Limited.

TAHER G. SACHAK
Director

Mr. Taher G. Sachak has studied in UK and is a graduate in Business Studies from Bournemouth University, and also has a post-graduate Diploma in Management Studies from Liverpool University. Following his studies, he joined the British Civil Service and after 5 years decided to pursue a career in life assurance. He held executive positions in major UK Life Assurance Companies, Allied Dunbar, Trident Life and finally Century Life before coming to Pakistan in 1994 to join EFU Life.

He is also Chief Executive & Managing Director of EFU Life Assurance Limited and Vice Chairman of Allianz EFU Health. He is also a “Certified Director” from Pakistan Institute of Corporate Governance.

ALI RAZA SIDDIQUI
Director

Mr. Ali Raza Siddiqui is a Partner at JS Private Equity and previously was an Executive Director at JS Investments. Prior to 2005, he was an Assistant Vice President at AIM Investments in the United States, a wholly-owned subsidiary of INVESCO. At AIM, Mr. Siddiqui specialized in fixed income securities and was part of a team responsible for the management of over US $ 60 billion in assets.

Mr. Siddiqui holds a Bachelor's Degree from Cornell University, USA, with double majors in Economics and Government. He serves as a Director on the Boards of Jahangir Siddiqui and Company, EFU Life Insurance, EFU General Insurance, Fakher-e-Imdad Foundation and Pakistan International Bulk Terminals. Mr. Siddiqui also serves as a Trustee at the Organization for Social Development Initiatives (OSDI) and public policy think tank Manzil Pakistan.

MOHAMMED IQBAL MANKANI
Director

Mr. Mohammed Iqbal Mankani is a veteran of the insurance industry both in Pakistan and the United Arab Emirates and has spent fifty years in insurance. He started his career with Eastern Federal Union Insurance Co. in 1968 as Junior Officer. In 1970 he helped set up the first Branch of EFU in SITE Karachi.

Mr. Mankani was sent on deputation in 1975 to Credit & Commerce Insurance Co. Dubai, a joint venture of EFU where he worked in various Senior Positions.

In 2001, Mr. Mankani was requested by the Executive Office of His Highness, Ruler of Dubai and Dubai Islamic Bank to help set up the first local Takaful company Dubai Islamic Insurance & Reinsurance Co and joined them as General Manager. On behalf of this company, Mr. Mankani helped set up a Takaful company in Kuwait, Boubyan Takaful Insurance in 2009. He was also a Board Member of Amity Health, a joint venture between Dubai Islamic Insurance and AGILITY Health of South Africa. He remained with Dubai Islamic insurance as the General Manager and Chief Operating Officer until 2012. He then set up his own Consulting Company M.I.M. Business Consultants in Dubai as Consultants to Dubai Airports Authority for a period of two years helping them with their insurance program until 2014. He later moved to Canada in 2015.

Mr. Mankani is a qualified Director of Education in Corporate Governance and is a frequent speaker at seminars and also advises various companies on the subject of Corporate Governance with particular interest in family-owned businesses.

Mr. Mankani has been part of the UAE Insurance industry for the last 44 years and has twice been elected member of the UAE Insurance Business Group under the Dubai Chamber of Commerce representing the Takaful industry until 2012. He was instrumental in training and introducing UAE Nationals into the Insurance industry through frequent lectures in the Emirates Institute of Finance and Banking in Sharjah.

He has been a frequent speaker at many insurance seminars in Barcelona (Spain), Malaysia, Bahrain and UAE. Mr. Mankani is an active member of the Canadian Business Council in Dubai, Institute of Insurance and Risk Management Canada and Canadian Marketing Association.

SAAD BHIMJEE
Director

Mr. Saad Bhimjee is an Insurance and Risk Management professional with over ten years of experience in Canadian and UK markets. He is presently working for Aon Canada as Senior Vice President and is based in their Vancouver office. Prior to joining Aon Canada he worked for United Insurance Brokers (UIB) in London with a focus on Middle East & Asian countries including Pakistan. Saad Bhimjee holds a Bachelor's degree in Economics from University College London (UCL) and a Master's degree in Insurance & Risk Management from Cass Business School London. He also has an ACII designation.

YASMIN HYDER
Director

Yasmin Hyder has 32 years of work experience primarily in trade, marketing and communication, gender, businesswomen networks and HR/knowledge events with both local and international organizations. She is deeply passionate about building peace across borders and contributing to an inclusive environment for women professionals through initiatives that foster economic empowerment and global integration. She is CEO of New World Concepts, a management and marketing consulting practise based in Karachi and President, Pakistan Women Entrepreneurs Network for Trade (WE-NET) - a national representative platform for women SME's, established with support of the World Bank Group and Australian Government.

Yasmin was a pioneer in 2001 setting up a 100% women owned business and worked with leading MNC's in Pakistan esp Pharma, FMCG, Oil and Gas, Insurance and Financial sector and consults with the World Bank IFC Group. She instituted an annual learning event in 2012, the International Women Leaders Summit which to date has hosted 170 speakers from 44 countries.

Yasmin is a Certified Board Director; Member, Board of Advisors, Women on Boards Trust Pakistan; Founding Member, US Pakistan Women's Council; Chairperson, International Women Leaders Summit; Advisor to the Board, Special Olympics Pakistan; Certified Business Edge Trainer of IFC World Bank Group; Member UNCTAD-ITC '20 Global Women Entrepreneurs' Trade Mission to Canada; Winner of Rotary International GSE Award and recipient of FCO Award, UK. She acquired a Post Graduate degree from Cardiff Business School, University of Wales, UK with distinction in International Business after graduating from IBA, Karachi with MBA in Finance & Marketing. She successfully completed the Executive Leadership Course in July 2019 at Crawford School of Public Policy, Australia National University, Canberra.

TANVEER SULTAN MOLEDINA
Director

Mr. Tanveer Moledina is a Chartered Accountant from Institute of Chartered Accountant of Pakistan. He has extensive experience of over 30 years in senior financial management positions.

He was Chief Financial Officer and Company Secretary of Hascol Terminals Limited. Previously, He has also worked with Merck Pakistan (Pvt.) Limited, Merck Pharmaceutical (Pvt.) Limited, Merck Specialties (Pvt.) Limited, Novartis Saudi Arabia Limited and Saudi Pharmaceuticals Private Limited in the capacity of Chief Financial Officer.

The Role of Chairman and Managing Director

The roles of the Chairman and Managing Director is stated setting out a clear division of responsibilities, but is not intended to provide a definitive list of their individual responsibilities.

Chairman is responsible for leadership of the Board. In particular, he presides over meetings of the Board and ensures effective operation of the Board and its committees in conformity with the standards of corporate governance.

The Chairman sets the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making. The Chairman supports the Managing Director in the development of strategy.

Managing Director is responsible for leadership of the business and managing it within the authorities delegated by the Board and the Articles of Association of the Company. He develops strategy proposals for recommendation to the Board and ensures that agreed strategies are reflected in the business, develop annual plans, consistent with agreed strategies, for presentation to the Board for support, plan human resourcing to ensure that the Company has the capabilities and resources required to achieve its plans.

The Managing Director develops an organizational structure and establishes processes and systems to ensure the efficient organization of resources. He is responsible to the Board for the performance of the business consistent with agreed plans, strategies and policies, leads the executive team, including the development of performance contracts and appraisals and ensures that financial results are communicated to all the stakeholders. The Managing Director develops and maintains an effective framework of internal controls over risk in relation to all business activities including the Group's trading activities, ensures that the flow of information to the Board is accurate, timely and clear, establishes a close relationship of trust with the Chairman, reporting key developments to him in a timely manner and seeking advice and support as appropriate.

The Chairman and Managing Director meet regularly to review issues, opportunities and problems.

Significant Changes in the Board of Directors

During the year, election of Directors were held on July 08, 2020 to elect 10 Directors of the Company for the term of three year.

Matters Delegated by the Board of Directors

The Management is primarily responsible for implementing plans as approved by the Board of Directors. It is also the responsibility of the management, to prepare financial statements that fairly present financial position of the Company in accordance with applicable relevant regulations, legal requirements and accounting standards.

Vision & Mission

To understand our vision, we must look back.

To keep on fulfilling it, we must move forward.

Vision

To continue our journey to be better than the best.

Mission

To provide services beyond expectation with a will to go an extra mile. In the process, continue to upgrade technology, human resource and reinsurance protection.

Our Values

Our philosophy is to be the leading Company with service above par, with integrity, excellence and professionalism. Following are our core values:

INTEGRITY & ETHICS

Conduct business with ethics, dignity, fairness and transparency.

EXCELLENCE

We measure our performance by results but more by quality of service.

PROFESSIONALISM

We believe professionalism is perfection. Business resources are utilized in a manner to achieve optimum returns on resources.

OUR PEOPLE

In EFU we work like a family. Everyone is treated with respect and without any discrimination.

CORPORATE SOCIAL RESPONSIBILITY

We donate to various institutions in health and education sectors, for improving the lifestyle of common man.

CODE OF CONDUCT

The Board has adopted the Statement of Ethics and Business Practices to be followed by Directors and Employees.

Company Overview

Ownership, Operating Structure and Group Companies

EFU Group is the largest insurer group in Pakistan. EFU General Insurance Limited (EFU) is ranked first in the non-life insurance sector in Pakistan. EFUG was incorporated in 1932, as a public limited company. EFUG is engaged in writing non-life insurance and takaful business. The Company is listed on Pakistan Stock Exchange Limited.

The ownership structure is provided in detail along with the pattern of shareholding and categories of shareholders.

In March 2018, the Board of Directors assessed its control proposition in relation to its investments in EFU Life Assurance Limited and declared EFU Life as the Company's subsidiary.

Our subsidiary - EFU Life Assurance Limited (EFUL) is one of the leading life insurance company. In 1990, the Government of Pakistan reopened the life insurance business to private sector. EFU Group decided to establish a life insurance company by the name of EFU Life Assurance Limited and started operations from November 1992. EFU Life was the first company to introduce Unit-linked insurance products in Pakistan. EFU Life has “Insurer Financial Strength” rating of AA+ with stable outlook from VIS (formerly JCR-VIS).

Company Profile (www.efuinsurance.com)

EFU is the largest insurer group in the country. The group structure comprises of EFU General Insurance Limited, EFU Life Assurance Limited and Allianz EFU Health Insurance Limited.

EFU General was incorporated on September 2, 1932. The Company provides a full range of insurance and takaful services to fulfill the needs of all of its customers being commercial and individual clients. Our product portfolio includes:

- Fire and Property Damage
- Marine, Aviation and Transport
- Motor
- Miscellaneous
- Takaful

- The shares of the Company are quoted on Pakistan Stock Exchange.
- EFU is one of the few Pakistani organizations run totally by professional management and highly motivated field force.
- Policies accepted by all institutions in the country.
- Rating: Insurer Financial Strength AA+, Outlook: Stable (Rating Agencies: VIS (formerly JCR-VIS) and PACRA). The Company also maintained the highest credit rating in the insurance industry of Pakistan from A. M. Best. A. M. Best is the world's specialized insurance rating agency and has assigned Financial Strength Rating of “B+” and a Long-Term Issuer Credit Rating of “bbb-” with Stable Outlook for both.
- Client-base comprises of many leading business houses and multinational companies.
- EFU gave the emerging insurance industry the leadership, the manpower and the drive needed to grow in a situation where at one time, three-fourths of insurance was held by foreign companies.

We are in the business of providing a full range of non-life insurance products and services customized to meet the varied needs of a wide spectrum of businesses and industrial clients as well as individuals, providing Property, Marine, Aviation, Motor and other Miscellaneous products. In addition to this, Window Takaful operations have also been started since May 6, 2015. The most important aspect of our operation is that we have created a separate Risk Management Team and an Engineering Group who work closely with clients to identify various risk exposures and then provide specific insurance. This helps in loss prevention and reducing the cost of premium. Our market-driven team of inspired and technically qualified insurance personnel, specializing in civil, mechanical, metallurgy, electronics and having overseas linkages, is on-call for necessary professional advice at all times. It is our policy not only to provide protection and risk reduction but help clients develop preventive capabilities to avert major perils and calamities. Over the years we have developed a full range of insurance services for large infrastructure projects including the areas of oil / gas exploration field.

We are fully equipped with technical, marketing and managerial skills supported by reinsurance arrangements with a number of European firms of international repute to cater for all classes of specialized insurance and provide customer service of the highest quality. Our clients include both large and medium sized organizations in all sectors of the economy. We are committed to new product development and innovation, legendary customer service and a promise that everything we do, we do from the heart.

External Environment Effecting the Company

The general insurance sector's performance is strongly correlated to economic growth. The key drivers of insurance growth in a country are typically macroeconomic factors, regulatory factors and demographics of a country. In Pakistan, the insurance penetration has remained modest as compared to neighbouring countries.

Discount rate has slashed to 7% during the year. Discount rate is expected to remain same in 2021. The Pakistan Stock Exchange during the year has remained volatile due to various factors. The KSE -100 index ranged between 27,047 and 43,956.

Significant Changes From Last Year

There were no significant structural changes during the year.

Product Portfolio

EFU General provides a full range of insurance services to fulfill the needs of all of its customers being commercial and individual clients. Our product portfolio includes:

FIRE AND PROPERTY DAMAGE

Our portfolio comprises of a broad spread of quality business ranging from simple residential property to very large sophisticated industrial risks. These would include activities involving complex risks relating to Oil & Gas exploration / development, petrochemicals and other major industrial risks. The fire portfolio in the main comprises of operational risks other than power generating industry.

The engineering part of the portfolio would include in the main construction risks be it simple civil work or major infrastructure projects like dams, highways etc. Other engineering risks would include coverage for breakdown of plant / machinery.

The insurance covers include both material damage as well as loss of revenue due to business interruption following the material damage.

MARINE, AVIATION AND TRANSPORT

Insurance coverage is provided for goods in transit from all over the world to Pakistan and vice versa by all means of conveyance i.e. sea, air and land. Special insurance products are also offered for large project cargoes and this class also includes loss of revenue insurance for such projects.

Coverage is also provided for the insurances of ships, other vessels and aircraft ranging from small single general aviation to airlines. Aviation insurance includes both physical damage as well as liabilities to third parties and passengers and cargo.

MOTOR

EFU provides a full range of products for all kinds of vehicles being either private or commercial and the coverage includes physical damage including theft and liabilities as required under law. Ancillary products are also offered for personal accident to drivers, passengers, and the like.

MISCELLANEOUS

All other insurance products of various types i.e. Bankers Blanket Bond, Plastic Card, Electronic & Computer Crime, Safe Deposit Box, Money, Professional Indemnity, Directors & Officers Liability, Public & Product Liability, Crop, Livestock, Travel Insurance and all such insurances.

VALUE ADDED SERVICES

Our Company is continuously improving its systems and getting a competitive edge by introducing various online services to facilitate our customers, like e-Verify for verification of policies and certificates and online e-Cover for marine cargo cover notes.

In addition, travel insurance policies are now being sold on line through the Company website.

We also provide SMS confirmation of Claim, SMS claim guidance and electronic survey reporting services to our customers in respect of Motor Insurance.

Moreover, our qualified engineers provide recommendations and guidance to our Property Insurance clients on various aspects of industrial safety including protection measures as well as sharing of information on latest techniques as per international standards.

TAKAFUL

Takaful is a community-pooling system based on the principles of brotherhood and mutual help wherein participants contribute in a fund to help those who need it most in times of financial difficulties.

The Modus Operandi of Takaful

Different models are in practice in different parts of the world. All Takaful models are based on mutuality and Shari'ah concept of Tabbaru. The model used in Pakistan is known as Wakala-Waqf Model. In this model the pool is formed as a Waqf. All the contributions are deposited in this Waqf pool known as Participants' Takaful Fund based on the terms and conditions of Participant Membership Document, claims are paid from the same pool to the participants.

The Role of the Operator in Takaful System

The Operator serves as the Wakeel of the Waqf Fund and charges a 'Wakala fee' for it. The fee is paid from the Waqf Fund.

As the Wakeel, the Operator invests the funds available in the Waqf Pool in Shari'ah-compliant investments for profits. Since the Operator is the Modarib and the Waqf Fund is the Rabul-ul-Maal, any profits made from the investments are shared between the two on predefined percentages.

Management

Managing Director
Hasanali Abdullah, F.C.A.

Senior Deputy Managing Director
Qamber Hamid, LL.B., LL.M.

Deputy Managing Director
Abdur Rahman Khandia, A.C.I.I.
Altaf Qamruddin Gokal, F.C.A.
Kamran Arshad Inam, M.B.A., B.E.
Nudrat Ali
S. Salman Rashid

Senior Executive Directors
Imran Ahmed, M.B.A., B.E., A.C.I.I.
K.M. Anwer Pasha
Muhammad Iqbal Lodhia
Syed Muhammad Haider, M.Sc.

Executive Directors
Abdul Sattar Baloch
Aftab Fakhruddin, B.E., Dip C.I.I.
Darius H. Sidhwa, F.C.I.I.
Khurram Nasim, B.S. (Ins. Mgmt)
M. Shehzad Habib
Mohammad Iqbal Dada, M.A., A.C.I.I.
S. Aftab Hussain Zaidi, M.A., M.B.A.
Salim Razzak Bramchari, A.C.I.I.
Syed Kamran Rashid

Deputy Executive Directors
Abdul Hameed Qureshi, M.Sc.
Abdul Wahid
Ali Kausar
Javed Iqbal Barry, M.B.A., L.L.B., F.C.I.I.
Khalid Usman
M. Shoaib Razzak Bramchari
Muhammad Sohail Nazir, M.Sc., A.C.I.I.
Musakhar-uz-Zaman, B.E.
Satwat Mahmood Butt, M.B.A.

Assistant Executive Directors
Abdul Majeed
Ali Rafiq Chinoy
Babar A. Sheikh
Badar Amin Sissodia
Faisal Gulzar
Javed Akhtar Shaikh, B.B.A.
Kauser Ali Zuberi
Mazhar H. Qureshi
Mian Ross Masud, M.B.E.
Mohammad Naeem Shaikh, A.C.I.I.
Muhammad Naeem M. Hanif
Muhammad Sheeraz, M.B.A.
Munawar, F.C.A.
Nadeem Ahmad Khan
Shamim Pervez, M.B.A.
Syed Amir Aftab
Syed Asim Iqbal, M.B.A.

Senior Executive Vice Presidents
Abdul Hameed
Abdul Qadir Memon, M.Sc.
Ali Ghulam Ali, A.C.A.
Ali Raza
Ansa Azhar, A.C.I.I.
Arshad Ali Khan, F.C.M.A.
Aslam A. Ghole, F.C.I.S.
Atif Anwar, F.C.C.A., M.B.A.
Fakhruddin Saifee
Farrukh Aamir Beg, M.B.A.
Fatima Bano, M.B.A., A.C.I.I.
Irfan Raja Jagirani
Kamran Bashir, M.B.A.
Kashif Gul, B.E.
Liaquat Ali Khan, F.C.I.I., A.M.P.I.M.
M. A. Qayum, M.Com
Malik Firdaus Alam
Mannan Mehboob
Mansoor Abbas Abbasi, B.E.
Masroor Hussain
Mohammad Afzal Khan, E.M.B.A.
Mohammad Amin Sattar, M.Com
Mohammad Kamil Khan, M.A.
Muhammad Arif Khan
Muhammad Arshad Khan
Muhammad Mujtaba
Muhammad Najeeb Anwar
Muhammad Sohail
Muhammad Tawheed Alam, M.B.A., B.E.
Muhammad Yousuf Jagirani, M.A.
Murtaza Noorani, F.C.C.A, C.A.T.
Nadeemuddin Farooqi, L.L.B.
Pervez Ahmad, M.B.A.
Quaid Jauhar
Rao Abdul Hafeez Khan
Riaz Ahmad
S. Anwar Hasnain, M.B.A.
Shah Asghar Abbas, M.B.A.
Shahab Khan
Shahzad Zakaria
Syed Abid Raza Rizvi, M.Com
Syed Ahmad Hassan, M.B.A.
Syed Farhan Ali Bokhari, M.B.A.
Syed Nazish Ali, A.C.I.I.
Syed Shahid Hussain, L.L.B.
Umair Ali Khan, M.A.
Usman Ali, L.L.B., M.A.B.
Usman Ali Khan
Zarar Ibn Zahoor Bandey
Zia Mahmood
Zia Ur Rehman

Executive Vice Presidents
Aamer Ali Khan
Abdul Bari
Abdul Rashid
Amin Punjani, A.C.A., A.C.C.A.
Asadullah Khan
Ashfaque Ahmed
Ejaz Ahmed Khan, M.B.A.
Farhat Iqbal
Farman Ali Afridi, B.E.
Ghulam Haider, M.Sc.
Iftikharuddin, L.L.B.
Imran Saleem, M.B.A., M.C.S.
Javed Iqbal Khan
Kaleem Imtiaz, M.A.
Liaquat Imran
M. Asif Ehtesham, M.B.A.
Mansoor Ahmed
Muhammad Ali Charanya, M.B.A., F.C.M.A.
Muhammad Hussain
Muhammad Naseem
Muhammad Razzaq Chaudhry
Muhammad Salahuddin
Mushtaq Ahmad Khan Barakzai
Rehan Ul Haq Qazi
Riazuddin, M.A.
Rizwan Ahmed, M.B.A.
S. Asim Ijaz
S. M. Aamir Kazmi, L.L.B.
S. Tayyab Hassan Gardezi, M.Sc.
Saifullah
Salma Altaf, M.B.A.
Shafaqat Ali
Waheed Yousuf, M.B.A.
Waseem Ahmed
Zulfiqar Ali Khan, M.Sc., F.C.I.I.

Senior Vice Presidents
Abdul Aziz
Abdul Shakoor Piracha
Aftab Ahmed, L.L.B.
Agha Ali Khan
Ali Raza Tremazi, A.C.A.
Amanullah Khan
Amir Arif Bhatti
Amjad Irshad, B.B.A.
Arshad Aziz Siddiqui
Asif Mehmood
Atif Haider Khan, M.B.A.
Chaudhary Sheraz Qamer, M.B.A.
Fouzia Naz
Hasan Riaz, M.B.A.
Haseeb Ahmad Bajwa, L.L.B.
Imran Yasin, M.B.E., A.C.I.I.
Irfan Ahmad, A.C.M.A., C.I.A.
Junaid Agha
Khalid Rafiq, M.B.A.
Khawaja Samiullah
Mansoor Hassan Khan
Mazhar Ali
Mian Ikramul Ghani, M.A.
Mohammad Amin Memon
Mohammad Rehan
Mohammad Shoaib
Mohsin Ali Baig
Muhammad Maroof Chaudhry
Muhammad Mubeen
Muhammad Naeem Ahsan
Muhammad Rafique Khawaja, M.A.
Muhammad Saleem Gaho
Muhammad Shahjahan Khan
Muhammad Sirajuddin
Muhammad Taufiq
Muhammad Usman
Nadeem Ahmed
Nausherwan Haji
Noman Mehboob, M.B.A., A.C.I.I.
Noman Shahid, M.B.A.
Quaid Johar
Rahim Khowaja, M.A.
Rana Zafar Iqbal
S. M. Adnan Ashraf Jelani, A.C.I.I.
Salimullah Khan, M.Com.
Sarfaraz Mehmood Khan
Sarfaraz Mohammad Khan
Shadab Mohammad Khan
Shahab Saleem
Shahzeb Lodhi
Sheraz Mansoor
Sikandar Kasbati
Tariq Mahmood
Wahaj ur Rehman, M.B.A.
Waqar Ahmed, M.Sc.

Vice Presidents
Ali Farman, M.A.
Altaf Hussain
Amir Alvi, C.M.A., A.C.M.A.
Aneel Ahmed Khan
Arif Hussain
Arshad Hameed
Arshad Hussain
Asif Ahmed Butt
Asif Ali Khan
Farkhanda Jabeen, A.C.I.I., M.B.A.
Farooq Shaukat
Fiaz Ahmed, M.B.A, D.C.M.A.
Habib Ali
Ijaz Anwar Chughtai
Imran Ahmed Siddiqui, LL.B.
Imran Qasim
Imtiaz Ahmed
Intikhab Ahmed
Israr Gul, M.A.
Jazib Hassan Khan
Kashif Karim Gilani, A.C.M.A.
Kausar Hamad, M.B.A.
Khalid Akhtar, M.B.A.
Mansoor Anwar
Mansoor Hassan Siddiqi, M.Sc.
Maqsood Ahmed
Mian Ali Raza
Mohammad Ali
Mohammad Mustafa
Mudassar Raza, M.B.A.
Muhammad Ahmer Siddiqui
Muhammad Asif
Muhammad Farhan Rasheed
Muhammad Kashif
Muhammad Kashif Sheikh
Muhammad Moosa
Muhammad Mushtaq
Muhammad Rashid
Muhammad Sarwar
Muhammad Shoaib Naziruddin
Muhammad Tauseef
Naif Javaid, M.B.A.
Najma Riaz, M.A.
Naseem Ahmed
Naseer Ahmad
Nayyar Sultana, L.L.B.
Nida Muazzam, B.E.
Nimra Inam, M.A.(Eco), A.C.I.I.
Noushad Alam Siddiqui, M.B.A.
Owais Nawaz Khan
Raja Azhar Rafique
Rao Nafees Murtaza
Rizwan Jalees
S. Arshad Sajjad Rizvi, M.B.A.
S. Imran Raza Jafri
S. M. Farhan Asfi
S. Mahmood Razi
Saeed Ahmed
Saleem Hameed Qureshi, M.A.
Shabbir Hussain
Shahbaz Khan
Shaheena Ashfaq, M.A.E (MBA)
Shaikh Muhammad Khurram
Shazia Hussain, M.A.
Syed Kamal Ahmed
Syed Mohammad Saleem
Syed Mudassar Ali
Syed Muhammad Ali
Syed Sajjad Haider Zaidi
Syed Shabeeh Hyder Shah
Syed Zubair Ali
Syed Zee Waqar
Waqas Ahmad Sheikh, M.B.A., C.M.A.

Zahid Qureshi, M.B.A.
Zainul Abedin

Assistant Vice Presidents

A. Qayyum A.H. Khalfe
Abdul Saboor
Allah Dino Khan
Amjad Javed
Asif Iqbal
Asif Raza
Daniyal
Faisal Masood
Farhan Qamar Siddiqui
Fazal Hussain
Ghulam Abbas, M.B.A.
Imran Faisal
Imran Siddiq
Izhar Fatima
K.M. Elias
Kamran Vohra
Kashif, M.Sc
Khalid Usman
Khalida
Khalil Ahmed
M. Haroon
M. Saeed, M.A.
Mahmood Sualeh
Masud Akhter
Mazharuddin
Mehboob Ahmed, M.A.
Mohammad Mustafa Ismail
Mohammad Rashed Salim Siddiqui
Muhammad Ajmal Mughal
Muhammad Allauddin
Muhammad Altaf Ahmed
Muhammad Arshad Siddiqui
Muhammad Ashfaq
Muhammad Asif
Muhammad Asif, M.A.
Muhammad Attaullah Khan
Muhammad Haroon
Muhammad Imran Hanif
Muhammad Imran Siddique
Muhammad Irfan
Muhammad Merajuddin
Muhammad Moizuddin
Muhammad Rizwan
Muhammad Saeed
Muhammad Tariq
Muhammad Yamin
Mukhtar Alam
Mumtaz Ahmed
Munir Ahmed Awan
Murad Ali
Navaid Ahmed
Niaz Ahmed
Noor Asghar Khan
Omair Atiq Mahmudi
Omran Ghias Qureshi
Qazi Maqsood Ahmed
Rafiullah Khan
Rahim
Riaz-ul-Haq
S. Atif Ali
S. Ikhlaq Hussain Naqvi
S. Sajjad Haider
S.M. Noor-uz-Zaman
Safiah Jamal
Saifuddin
Sana Atif
Sana Masnoon
Shahid Naseem
Shahid Yaqub
Shehzad Qamar
Syed Asim Raza
Syed Muhammad Faisal
Syed Nadeem Akhtar
Talha Sher Chishti
Tanveer Ahmed
Zeeshan Ahmed

Medical Officer

Dr. Aftab Ali, M.B.B.S.

Window Takaful Operations

Assistant Executive Director

M. Vaqaruddin, M.B.A., A.C.I.I.

Senior Executive Vice President

Kashif Masood, M.B.A, A.C.I.I.

Senior Vice President

Saeed Iqbal

Marketing Executives

Senior Executive Directors

Altaf Kothawala
Jahangir Anwar Shaikh

Executive Directors

Abdul Wahab Polani
Ali Safdar
Muhammad Khalid Saleem, M.A.

Deputy Executive Directors

Agha S. U. Khan
Khuzema T. Haider Mota

Assistant Executive Directors

Abdul Wahab
Adeel Ahmed
Akhtar Kothawala
Mohammad Arif, M.A.
Rashid Habib, M.A.
Rizwan Siddiqui
S. Ashad H. Rizvi
S. Shahid Mahmood, M.A.
Saad Anwer
Saad Reyaz
Shahab Khan, B.C.S.
Shazim Altaf Kothawala
Syed Imran Zaidi, M.B.A.
Tauqir Hussain Abdullah

Senior Executive Vice Presidents

Asif Elahi
Azmat Maqbool, M.B.A.
Faiza Ali Chinoy
Imran Ali Khan
Khalid Mehmood Mirza
Muhammad Aamir Khadeli, M.B.A.
Muhammad Arfeen
Muhammad Farooq
Muhammad Imran Naeem, A.C.A.
Muhammad Mushtaq Najam Butt
Muhammad Shakeel, M.B.A.
Muhammad Younus
Muhammad Younus Khadeli
Shazim Altaf Kothawala
Syed Iftikhar Haider Zaidi, M.A.
Syed Muhammad Iftikhar
Syed Sadiq Ali Jafri
Syed Shahid Raza

Executive Vice Presidents

A. Ghaffar A. Karim
Adnan Sharif
Azharul Hassan Chishty
Ejaz Ahmed
Faisal Khalid, M.Sc.
Faraz Javed
Imdadullah Awan
Jameel Masood
Khalid Dewan
M. Adnan Sharif
M. Arif Bhatti
Malik Akhtar Rafique
Mian Abdul Razak Raza, M.A.
Muhammad Aamir Hanif
Muhammad Azim Hanif
Muhammad Javed
Muhammad Shamim Siddiqui
Muhammad Umer Memon
Rana Khalid Manzoor
S. M. Shamim
Seema N. Jagirani
Shazia Rahil Razzak
Somia Ali
Syed Nisar Ahmed, M.A.
Tahir Ali Zuberi
Waleed Polani
Wasim Ahmed

Senior Vice Presidents

Babar Zeeshan
Bashir Ahmed Sangi
Bhawan Pari
Dr. Ghulam Jaffar
Faisal Hassan
Faisal Mahmood Jaffery
Hamid-Us-Salam
Inayatullah Khalil
Kayomarz H. Sethna
Kh. Zulqarnain Rasheed
Khalid Mehmood
M. Anis-ur-Rehman
Mahnoor Atif
Mubashir Saleem
Muhammad Asif Jawed, M.A.
Muhammad Awais Memon
Muhammad Haroon Akbar, M.B.A.
Muhammad Rehan Iqbal Booti
Muhammad Saleem Babar, M.B.A.
Qasim Ayub
Raja Jamil
Rashid A. Islam
Rizwan-ul-Haque
S. Sohail Haider Abidi
S.M. Shamim
Shahid Raza Kazmi
Shakil Wahid
Syed Muhammad Waseem
Tariq Jamil, M.B.E.
Wasif Mubeen, L.L.B.

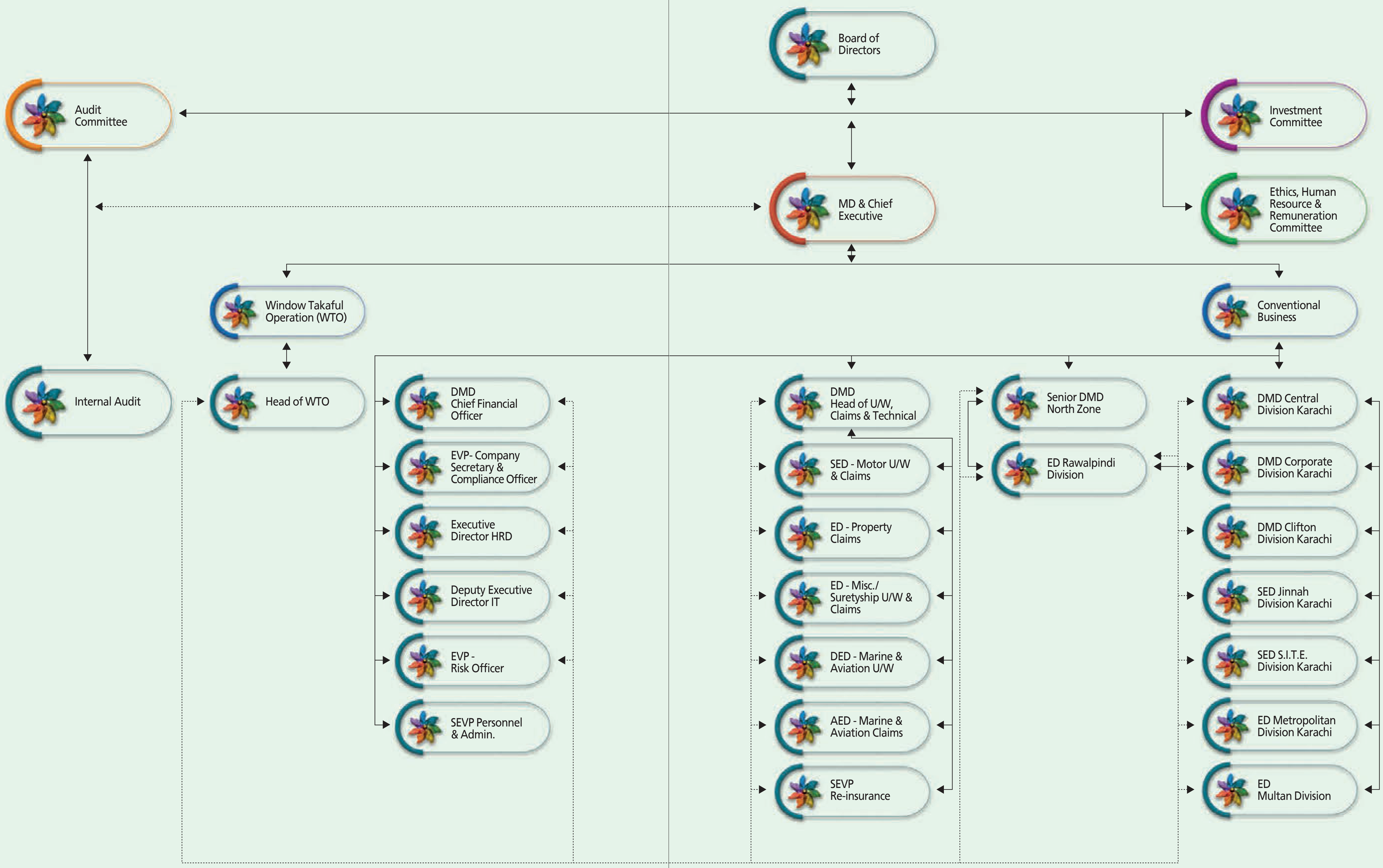
Vice Presidents

Abdullah Alam
Ahmed Saeed Khan
Aman Nazar Muhammad
Amina Azam
Arshad Iqbal, M.B.A.
Fauzia Nasir
Gauhar Aziz
Haris Alamgir Shaikh
Hassan Abbas Shigri
Jalaluddin Ahmed
Khusbakht Farhan
Kinza Babar
M. Ashraf Samana
M. Nadeem Shaikh
Mahnoor Ibrahim
Mehak Akbar
Mohammad Rizwanul Haq
Muhammad Ahmed
Muhammad Altaf
Muhammad Iqbal
Muhammad Imran
Mujahid Khan
Muhammad Siddiq
Muhammad Zia-ul-Haq
Rashid Umer Burney
Sadia Khanum
Shahida Aslam
Shahid Iqbal
Shehzad Ali Shivjani
Sohail Raza
Syed Abid Raza
Syed Ali Haider Rizvi
Syed Rashid Ali
Syed Rizwan Haider, M.Sc.
Syed Zulfiqar Mehdi
Tauseef Hussain Khan

Assistant Vice Presidents

Ahmed Ali
Ahmed Nawaz, M.A.
Aizaz-ur-Rehman, M.B.A.
Ashiq Hussain Bhatti
Atif Muzaffar
Danish Saleem Qayum
Javed Iqbal Cheema
Khurram Younas
M.A. Qayyum Khan
Mahnoor Shafiq
Muhammad Hunzala
Muhammad Imran
Muhammad Musarat Hussain, M.Sc.
Muhammad Umair
Muhammad Naveed Asghar
Muhammad Zaid Tahir
Muhammad Zeeshan Haider
Muhammad Zubair
Mustafa Ahmed
Nadeem A. Siddiqui
Noman Khan
Qamar Aziz
Shagufta Asrar Ahmed
Shakeel Hassan Bakhtiar
Syed Mojiz Hasan
Syed Zeeshan Abbas Abidi
Tahir Ali, M.B.A.
Taimoor Zaib
Urooj Suhail
Zakaullah Khan

Organogram


Board of Directors
Audit Committee
Investment Committee
MD & Chief Executive
Ethics, Human Resource & Remuneration Committee
Window Takaful Operation (WTO)
Conventional Business
Internal Audit
Head of WTO
DMD Chief Financial Officer
EVP- Company Secretary & Compliance Officer
Executive Director HRD
Deputy Executive Director IT
EVP - Risk Officer
SEVP Personnel & Admin.
DMD Head of U/W, Claims & Technical
SED - Motor U/W & Claims
ED - Property Claims
ED - Misc./ Suretyship U/W & Claims
DED - Marine & Aviation U/W
AED - Marine & Aviation Claims
SEVP Re-insurance
Senior DMD North Zone
ED Rawalpindi Division
DMD Central Division Karachi
DMD Corporate Division Karachi
DMD Clifton Division Karachi
SED Jinnah Division Karachi
SED S.I.T.E. Division Karachi
ED Metropolitan Division Karachi
ED Multan Division

Code of Conduct

Your company is perceived well by customers and stakeholders due to ethical behavior and practices by our officers, staff and field force.

Compliance with the applicable laws and regulations constitutes an elementary principle underlying our business. Everyone in the company is required to observe statutory and supervisory regulations.

Your Company strives for excellence in risk management, underwriting and claims handling to protect customers. We do business with reliability, integrity and promote fair and legal competition to ensure our lead market share.

We base our actions on our clients' needs and offer best solutions through our knowledge, innovative ideas and close co-operation. We handle conflict with due care and take measures to prevent financial crime.

As a good corporate citizen, our responsible conduct creates sustainable value, for our clients, employees, shareholders and society. We use management potential of our staff members by promoting diversity, flexibility and a unifying leadership culture. To meet the changing business needs, we provide our employees with technical and soft skills trainings on regular basis.

For health, safety at workplace we ensure good working environment by providing lunch area, proper sanitation, and recreational facilities. By risk management measures, we provide for fire safety and security at work premises.

EFU's Culture

We promote and encourage honest and ethical behavior in our business activities and strongly condemn the human rights abuses. Our motto is all employees are members of EFU Family. There is no discrimination amongst employees on the basis of religion, race, ethnicity and gender.

We expect employees to observe every individual's personal dignity, privacy and personal rights. We do not tolerate any discrimination, personal harassment or insulting behavior.

Supervisory cultural leadership and their duty as role models are an essential part of our culture. We expect our managers to show maturity, and take responsibility for their staff members, for achieving business results with integrity.

At EFU individual care and guidance in a friendly family community is at the heart of our philosophy. We aim to help each employee realize his/her full potential.

Organizational Ethics

- Uncompromising integrity. Our business is founded on trust and we manage it ethically, lawfully and fairly.
- Clients first. Nothing we do is more important than protecting and preserving our clients' interests. We hold responsibilities towards our clients in the highest regard.
- Entrepreneurship. We work hard to hire the best people, motivate them, reward them and encourage them to innovate. We are a meritocracy and an equal opportunity employer.
- Passion for performance. We contribute towards our Company's financial goals and concentrate on achieving superior results.
- A culture of excellence. We measure our performance on every task we undertake not just by the results but also by the quality of our work.
- A tradition of success. While we are fair and ethical at all times, we compete aggressively by providing excellent service to our clients.

Notice of Meeting

Notice is hereby given that the 88th Annual General Meeting of the Shareholders of EFU General Insurance Limited will be held at the Registered Office of the Company at Kamran Centre, 1st Floor, 85 East, Jinnah Avenue, Blue Area, Islamabad, on Wednesday March 31, 2021 at 10:00 a.m. to transact the following business:

A. ORDINARY BUSINESS:

1. confirm the minutes of the 87th Annual General Meeting held on March 27, 2020.
2. confirm the minutes of the Extra-Ordinary General Meeting held on July 08, 2020.
3. receive, consider and approve the Audited Financial Statements (consolidated and unconsolidated) for the year ended December 31, 2020 together with the Chairman's review, Directors' and Auditors' reports thereon.
4. consider and if thought fit to approve the payment of Final Dividend at the rate of 55 % i.e. Rs. 5.50 per share as recommended by the Board of Directors and also approve Interim Cash Dividends of 45 % i.e. Rs. 4.50 per share already paid to the Shareholders for the year ended December 31, 2020.
5. appoint statutory Auditors of the Company for the year 2021 and fix their remuneration. The Audit Committee and the Board of Directors have recommended KPMG Taseer Hadi & Co., Chartered Accountants for re-appointment as auditors.

B. SPECIAL BUSINESS:

6. consider, and if thought fit, to pass the following resolutions with or without modification(s) as Special Resolutions:

   "Resolved that the transactions carried out by the Company in the normal course of business with EFU Life Assurance Limited and Allianz EFU Health Insurance Limited (related parties) in 2020 be and are hereby ratified, approved and confirmed."

   "Further Resolved that the Managing Director & Chief Executive be and is hereby authorized to approve all the transactions to be carried out in the normal course of business with EFU Life Assurance Limited and Allianz EFU Health Insurance Limited till the next Annual General Meeting."

7. consider, and if thought fit, to pass the following resolutions with or without modification(s) as Special Resolutions:

   "RESOLVED that consent of the members of EFU General Insurance Limited. ("Company") be and is hereby accorded in terms of Section 199 of Companies, Act 2017 and other applicable provisions and hereby authorize further investment upto Rs. 1,000,000,000 (Rupees One Billion Only) from time to time in EFU Life Assurance Limited ("EFUL"), a Subsidiary Company for purchasing ordinary shares of face value of Rs. 10 each at the price prevailing in stock exchange at the date of purchase as per terms and conditions disclosed to the members. The resolution shall be valid for a period of 3 years from the date of passing of special resolution".

   "FURTHER RESOLVED that Managing Director & Chief Executive or Company Secretary be and are hereby individually authorized to fulfill all legal and corporate formalities for making the above investment."

8. transact any other matter with the permission of the chair.

   Attached to this notice of meeting being sent to the members is a statement under Section 134 (3) (b) of the Companies Act, 2017 setting forth:

   a. All material facts concerning the resolutions contained in items 6 and 7 of the Notice.
   b. Status of previous approval of investments in associated company.

By Order of the Board

AMIN PUNJANI
Company Secretary

Karachi: 25 February 2021

NOTES

1. PARTICIPATION IN AGM THROUGH ELECTRONIC MEANS:

   In view of the prevailing situation of Pandemic Covid-19, particularly in the wake of its second wave and concerning the well-being of the participants of the AGM, this General Meeting is being conducted as per guidelines circulated by SECP vide it's Circular No. 4 of 2021 dated 15th February 2021. Accordingly, the following arrangements have been made by the Company to facilitate the participation of the shareholders in the AGM through online video conference, either in-person or through appointed proxies:

The shareholders are requested to please provide below information to our Company Secretary at e-mail address: amin.punjani@efuinsurance.com, at least 24 hours before the time of AGM i.e. latest by 10:00 am on March 30, 2021.

Folio / CDC Account NO.	Name	CNIC No.	Cell No.	Email Address

Upon receipt of the above information from shareholders, the Company will send login details to their email address, which will enable them to join the said AGM through video conference on Wednesday March 31, 2021 at 10:00 AM.

2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.

3. CDC Account holders are advised to follow the following guidelines of the Securities & Exchange Commission of Pakistan.

   A. For attending the meeting:

   (i) In case of individuals, the account holder and/or sub-account holder(s) and their registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

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

   B. For appointing proxies:

   (i) In case of individuals, the account holder and / or sub-account holder and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

   (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 CNIC or the passport of the 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 of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

4. The Share Transfer Books of the Company will be closed from March 25, 2021 to March 31, 2021 (both days inclusive). Transfers received in order by our Share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 by the close of business on March 24, 2021 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend.

5. Members are requested to notify / submit the following, in case of book entry securities in CDC to respective CDC participants and in case of physical shares, to the Company's Share Registrar, if not earlier provided / notified:

   a. Change in their addresses;

   b. Valid and legible photocopies of Computerized National Identity Card (CNIC) for Individuals and National Tax Number (NTN) both for individual and corporate entities.

6. ELECTRONIC TRANSMISSION OF FINANCIAL STATEMENTS AND NOTICES

   Pursuant to Notification vide SRO 787 (I) / 2014 dated September 08, 2014, the Securities & Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their members receiving annual financial statements and notice of annual general meeting through electronic mail system (E-mail). The Company is pleased to offer this facility to our valued members who desire to receive annual financial statements and notices through email in future.

   In this regards, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company's website.

   Please ensure that your email account has sufficient rights and space available to receive such email which may be greater than 1 MB in size. Further, it is the responsibility of member(s) to timely update the share registrar of any change in his (her / its / their) registered email address at the address of Company's Registrar.

7. ELECTRONIC DIVIDEND MANDATE

   Under Section 242 of Companies Act, 2017 it is mandatory for all listed Companies to pay cash dividend to its shareholders only through electronic mode directly into the bank account designated by the entitled shareholders.

   In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available in the Annual Report and also on the Company's website and send it duly signed along with a copy of CNIC to the Share Registrar of the Company, CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 in case of physical shares.

   In case shares are held in CDC, electronic dividend mandate form must be directly submitted to shareholder's brokers / participant / CDC account services as the case may be.

   In case of non-receipt of information, the Company will be constrained to withhold payment of dividend to shareholders.

8. SUBMISSION OF VALID CNIC / SNIC (MANDATORY)

   As per SECP directives, the dividend warrants of the shareholders whose valid CNICs, are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are, therefore, advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the Company's Share Registrar at the following address, CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 without any further delay.

9. DEDUCTION OF WITHHOLDING TAX ON THE AMOUNT OF DIVIDEND

   Pursuant to SECP directives vide 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. We hereby advise shareholders as under;

   (i) The Government of Pakistan through Finance Act, 2020 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 Tax Payers List (ATL) provided on the website of FBR, 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 %.

   (ii) 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 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.

   (iii) For any query / problem / information, the investors may contact the Company and / or the Share Registrar at the following phone numbers and email address. The contact number of Company Secretary is 021-32313471-90 (Ext: 9444) and email: amin.punjani@efuinsurance.com and the contact numbers of Share Registrar, CDC Share Registrar Services Limited is 0800-23275 & email: info@cdcsrsl.com.

   (iv) 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 Share Registrar, CDC Share Registrar Services Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

10. CONSENT FOR VIDEO CONFERENCING FACILITY

Pursuant to the provision to the Companies Act, 2017 the members can also avail the video conferencing facility. In this regard, please fill in the following and submit at registered address of the Company at least 10 days before the holding of annual general meeting. If the Company receives consent from members holding aggregate 10 % or more shareholding residing at the geographical location to participate in the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I / We, _______________ of _______________________, being a member of EFU General Insurance Limited holder of ______ ordinary share(s) as per registered folio / CDC no. _______ hereby opt for video conferencing facility.

11. UNCLAIMED DIVIDEND

As per the provision of Section 244 of the Companies Act 2017, any shares issued or dividend declared by the Company which have remained unclaimed / unpaid for a period of three years from the date on which it was due and payable are required to be deposited with the Commission for the credit of Federal Government after issuance of notices to the shareholders to file their claim. The details of the shares issued and dividend declared by the Company which have remained due for more than three years was sent to shareholders, uploaded on Company website and Final notice was issued in newspaper on October 23, 2018. In case, no claim is lodged with the Company in the given time, the Company will deposit the unclaimed / unpaid amount and shares with the Federal Government pursuant to the provision of Section 244 (2) of Companies Act, 2017.

12. DEMAND A POLL

Members can exercise their right to demand a poll subject to meeting requirements of Sections 143 and 144 of the Companies Act, 2017 and applicable clauses of the Companies (Postal Ballot) Regulations, 2018.

13. TRANSMISSION OF THE ANNUAL AUDITED FINANCIAL STATEMETNS THROUGH CD / DVD

The company has circulated financial statements to its member through CD at their registered address, printed copy of above referred statements can be provided to members upon request.

14. AVAILABILITY OF AUDITED FINANCIAL STATEMENT ON COMPANY'S WEBSITE

The audited financial statement of the Company for the year ended December 31, 2020 have been made available on the Company's website www.efuinsurance.com

15. DEPOSIT OF PHYSICAL SHARES IN TO CDC ACCOUNTS

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of Companies Act, 2017.

The shareholder having physical shareholding may open CDC sub-account with any of the brokers or investor account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways including safe custody and sale of shares, anytime they want as the trading of physical shares is not permitted as per existing regulations of Pakistan Stock Exchange.

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 March 31, 2021.

1. Item No. 6 of the Notice

Transactions carried out with related parties during the year ended December 31, 2020 to be passed as a Special Resolution.

The transactions carried out in normal course of business with associated companies (related parties) are approved by the Board as recommended by the Audit Committee on quarterly basis. In the case of EFU Life Assurance Limited and Allianz EFU Health Insurance Limited, a majority of the Directors were interested and in accordance with the provisions of Section 208 of the Companies Act, 2017. Such transactions, therefore, are being placed before the shareholders for approval through special resolution proposed to be passed at the annual general meeting.

In view of the above, the normal business transactions conducted during the year 2020 with EFU Life Assurance Limited and Allianz EFU Health Insurance Limited as per following details are being placed before the shareholders for their consideration and approval / ratification.

Amount in PKR '000'

EFU Life Assurance Limited	Premium written	24,658
EFU Life Assurance Limited	Premium paid	11,580
EFU Life Assurance Limited	Claims paid	4,360
EFU Life Assurance Limited	Dividend received	659,994
EFU Life Assurance Limited	Dividend paid	46,810
EFU Life Assurance Limited	Profit Commission Earned	25,066
Allianz EFU Health Insurance Limited	Premium written	2,487
Allianz EFU Health Insurance Limited	Premium paid	20,248
Allianz EFU Health Insurance Limited	Claims paid	741

The names of Directors with interest as Director in related parties:

i. Mr. Saifuddin N. Zoomkawala, Director of the Company is also a Director in EFU Life Assurance Limited and Allianz EFU Health Insurance Limited.

ii. Mr. Hasanali Abdullah, Director of the Company is also a Director in EFU Life Assurance Limited and Allianz EFU Health Insurance Limited.

iii. Mr. Rafique R. Bhimjee, Director of the Company is also a Director in EFU Life Assurance Limited and Allianz EFU Health Insurance Limited.

iv. Mr. Taher G. Sachak, Director of the Company is also a Director in EFU Life Assurance Limited and Allianz EFU Health Insurance Limited.

v. Mr. Ali Raza Siddiqui, Director of the Company is also a Director in EFU Life Assurance Limited.

Authorization to the Chief Executive for the approval of transactions carried out and to be carried out with EFU Life Assurance Limited and Allianz EFU Health Insurance Limited (related parties) till the next Annual General Meeting to be passed as a Special Resolution.

The Company would be conducting transactions with EFU Life Assurance Limited and Allianz EFU Health Insurance Limited in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in EFU Life Assurance Limited and Allianz EFU Health Insurance Limited as detailed herein above. Therefore, in order to comply with the provisions of clause 15 under Listed Companies (Code of Corporate Governance) Regulations 2019, the shareholders may authorize the Managing Director & Chief Executive to approve transactions carried out and to be carried out in the normal course of business with EFU Life Assurance Limited and Allianz EFU Health Insurance Limited till the next Annual General Meeting.

The names of Directors and nature and extent of their interest in the proposed resolution is the same as mentioned above.

2. Item No. 7 regarding investment in associated company:

The details and information to be furnished regarding item No. 7 - investment in associated company under section 199 of the Companies Act, 2017:

Information to be disclosed to members - (1) The Company shall disclose following information in the statement annexed to the notice, pursuant to sub-section (3) of Section 134 of the Act, of a general meeting called for considering investment decision under Section 199 of the Act-

(A) Regarding associated company or associated undertaking:

(i) name of associated company or associated undertaking;
EFU Life Assurance Limited.

(ii) basis of relationship;
Common Directorship

(iii) earnings per share for the last three years;
year ended December 31, 2020 - Rs. 17.84
year ended December 31, 2019 - Rs. 15.49
year ended December 31, 2018 - Rs. 15.46

(iv) break-up value per share, based on latest audited financial statements;
Rs. 62 on the basis of audited financial statements for the year ended December 31, 2020.

(v) financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and

EFU Life Assurance Limited (EFU Life) is one of the leading life insurance companies in the country. As on December 31, 2020, it has asset base of Rs. 154 Billion. Its After tax profit for the years 2020, 2019 and 2018 was Rs. 1,784 million, Rs. 1,549 million and Rs. 1,546 million respectively. EFU Life as on December 31, 2020 has Paid-up Capital of Rs. 1,000 million, General Reserve of Rs. 2,000 million and Accumulated Surplus of Rs. 3,175 million

(vi) in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely-

(i) description of the project and its history since conceptualization;

(ii) starting date and expected date of completion of work;

(iii) time by which such project shall become commercially operational;

(iv) expected time by which the project shall start paying return on investment; and

(v) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;

Not Applicable.

Regulations No. 3 (1) (a) (B) General disclosures:

(i) maximum amount of investment to be made;

Rs. 1000 million.

(ii) purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;

Long-term strategic investment for return and capital appreciation which will enhance the profitability of the Company and add to the value of the members

(iii) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds-

i. justification for investment through borrowings;

ii. detail of collateral, guarantees provided and assets pledged for obtaining such funds; and

iii. cost benefit analysis;

Not Applicable. The investment will be made from Company's own funds.

(iv) salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;

Not Applicable as shares will be purchased from time to time from the stock markets at the price ruling on the date of purchase.

(v) direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;

No Director, Chief Executive or their relatives has any interest in the proposed investment, except in their individual capacities as “Directors / Chief Executive” and / or as shareholders of the company.

(vi) in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs; and

EFU Life Assurance Limited is a Subsidiary Company of the Company with holding of 44.49 % shares at a book value of Rs. 13.1 billion as at December 31, 2020. The market value of the subsidiary is Rs. 9.3 billion. During the year, the Company received dividend income of Rs. 660 million and recorded share of profit of Rs. 733 million.

(vii) any other important details necessary for the members to understand the transaction;

None

Regulation No. 3 (b) - In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made-

(i) maximum price at which securities will be acquired;

Not more than the price quoted on Stock Exchange.

(ii) in case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;

The shares will be purchased at market value ruling at Stock Exchange on purchase date.

(iii) maximum number of securities to be acquired;

Equivalent to the amount of investment.

(iv) Number of securities and percentage thereof held before and after the proposed investment;

44,487,840 shares (44.49 %) held to date i.e. before proposed investment. Number of Shares and percentage after proposed investment will depend on the prevailing prices at the time of actual acquisition of shares which could vary with the market price at which shares are purchased in future.

(v) current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and

Current market value per share as of Dec 31, 2020 is Rs. 209.02 and weighted average value of twelve weeks is Rs. 207.79

(vi) fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;

Not Applicable.

Regulation No. 3(3) - The directors of the investing company while presenting the special resolution for making investment in an associated company or associated undertaking shall certify to the members of the investing company that they have carried out necessary due diligence for the proposed investment before recommending it for members' approval.

The Directors of the Company submit that they have carried out necessary due diligence for the proposed investment in shares of EFU Life Assurance Limited.

Regulation No. 4(1) - Other information to be disclosed to the members. - (1) If the associated company or associated undertaking or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 199 of the Act.

No Director or Chief Executive has any interest in the investing Company except in their individual capacities as “Directors / Chief Executive” and / or as shareholders of the investing Company. The Shareholding of the Directors is Mr. Saifuddin N. Zoomkawala 316,800, Mr. Hasanali Abdullah 374,958 Mr. Rafique R. Bhimjee 16,879,935, Mr. Taher G. Sachak 2,046 and Ali Raza Siddiqui 800.

Status of approvals for investment in Associated undertakings:

As required by Regulation No. 4 (2) information under Regulation 3 of the Companies (investment in associated companies and associated undertakings) Regulations, 2017, the status of approvals is as follows:

i. total investment approved;

Rs. 1 billion in EFU Life Assurance Limited was approved by the shareholders at Annual General Meeting of the Company held on April 07, 2018 to be invested within a period of three years.

ii. amount of investment made to date;

The Amount of Rs. 238.27 million has been invested out of Rs. 1 billion as at December 31, 2020.

iii. reasons for not having made complete investment so far where resolution required it to be implemented in specified time;

The period in which the investment is to be made as approved by the shareholders is up to April 07, 2021. Investment will be made on availability of shares at reasonable price.

iv. and material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.

Since the date of passing the resolution by the shareholders of the Company on April 07, 2018 the shareholders equity of the investee company has increased to Rs. 5,958 million as at December 31, 2018, Rs. 5,908 million as at December 31, 2019 and Rs. 6,175 million as at December 31, 2020.

Financial Calendar

Results

First quarter ended 31 March 2020	Announcement Date	April 27, 2020
Half year ended 30 June 2020	Announcement Date	August 24, 2020
Third quarter ended 30 September 2020	Announcement Date	October 22, 2020
Year ended 31 December 2020	Announcement Date	February 25, 2021

Dividends

Final Cash 2020	Announcement Date	February 25, 2021
	Entitlement Date	March 24, 2021
	Statutory limit upto which payable (within 15 working days of AGM)	April 17, 2020
First Interim Cash 2020	Announcement Date	April 27, 2020
	Entitlement Date	May 11, 2020
	Paid on	May 20, 2020
	Statutory limit upto which payable	May 28, 2020
Second Interim Cash 2020	Announcement Date	August 24, 2020
	Entitlement Date	September 07, 2020
	Paid on	September 15, 2020
	Statutory limit upto which payable	September 24, 2020
Third Interim Cash 2020	Announcement Date	October 22, 2020
	Entitlement Date	November 05, 2020
	Paid on	November 12, 2020
	Statutory limit upto which payable	November 23, 2020

Date of Issuance of Annual Report 2020	**March 09, 2021**
Date of Annual General Meeting	**March 31, 2021**

Access to Reports and Enquiries

Annual Report

Annual report can be downloaded from the Company's website: www.efuinsurance.com; or printed copies obtained by writing to:

The Company Secretary
EFU General Insurance Limited
EFU House
M.A. Jinnah Road
Karachi 74000
Pakistan

Quarterly Reports

The Company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports can be accessed at website: www.efuinsurance.com; or printed copies can be obtained from the Company Secretary.

Shareholders' Enquiries

Shareholders' enquiries about their holding, dividends or share certificates etc. can be directed to Share Registrar at the following address:

CDC Share Registrar Services Limited
CDC House, 99-B, Block B, S.M.C.H.S, Shahrah-e-Faisal
Karachi - 74400

Stock Exchange Listing

The shares of the Company are listed on Pakistan Stock Exchange. The symbol code is EFUG.

Annual Report & Accounts and Notice of Meeting by E-mail

If any member intends to receive the above through e-mail, he may provide us or to our Share Registrar, his consent on the consent form as available on Company's website, duly filled and signed.

Investors Grievance Policy

EFU General Insurance Limited believes that relations with investors are vital for the financial lifeline and substantial growth of the organization. Relations with investors also reflect on the goodwill of the organization. It is therefore, imperative to place an efficient and effective mechanism in the organization for providing services to the investors and to re-dress their grievances in accordance with law.

The Company has accordingly provided on its website, the necessary information about the Company, the directors, auditors, share registrars, the financial data for the current period and for the last six years and daily stock update showing daily rates of the Company's shares quoted at the Pakistan Stock Exchange.

The Company Secretary of the Company is the primary contact on behalf of the Company to whom the investors can contact to re-dress their grievances and resolve their issues.

The management endeavors to investigate and resolve all the complaints and queries of the investors to their utmost satisfaction. An investor who is not satisfied can also approach the Securities & Exchange Commission of Pakistan (SECP) complaint cell through interactive link provided on our website.

Our investor grievance policy is broadly based on the following principles:

- Investors calling us in person, telephone, fax or email are received and their complaints are dealt in timely manner.
- Each and every investor is treated fairly at all the times.
- Prompt, efficient and fair treatment is given to all the complaints and queries of the investors.

Decisions taken at the last Annual General Meeting held on March 27, 2020

The following matters taken up in the meeting as per Agenda were approved unanimously and the decisions taken were implemented in due course:

1. Approval of minutes of the last Annual General Meeting.
2. Approval of Audited Accounts and Report for the year ended December 31, 2019 together with the Chairman's review, Directors' and Auditors' reports thereon.
3. Approval of Final dividend @ Rs. 5.5 per share in addition a total of Rs. 4.5 per share was paid for three interim dividends for the year 2019 details as under:
   - The First Interim dividend was paid on May 20, 2019.
   - The Second Interim dividend was paid on September 19, 2019.
   - The Third Interim dividend was paid on November 20, 2019.
   - Final dividend was paid to the Shareholders on March 31, 2020.
4. Approval of Transfer to General Reserve of Rs. 400 million.
5. Re-appointment of KPMG Taseer Hadi & Co. as Auditors for the year 2020.
6. Approval of related party transactions with EFU Life Assurance Limited and Allianz EFU Health Insurance Limited transacted till last Annual General Meeting.
7. Authorize Managing Director & Chief Executive to approve the transactions to be carried out in normal course of business with related parties EFU Life Assurance Limited and Allianz EFU Health Insurance Limited till next Annual General Meeting.

Decisions taken at the last Extra Ordinary General Meeting held on July 08, 2020

1. Extra Ordinary General Meeting was held on July 08, 2020.
2. The number of candidate for election were ten for ten seats, therefore, all the following persons were elected as Director for a period of three years with effect from July 10, 2020.

1. Mr. Saifuddin N. Zoomkawala	6. Mr. Taher G. Sachak
2. Mr. Hasanali Abdullah	7. Mr. Ali Raza Siddiqui
3. Mr. Abdul Rehman Haji Habib	8. Mr. Mohammed Iqbal Mankani
4. Mr. Rafique R. Bhimjee	9. Mr. Tanveer Sultan Moledina
5. Mr. Saad Bhimjee	10. Ms. Yasmin Hyder

Presence of Chairman - Audit Committee in the Annual General Meeting

The Chairman of the Audit Committee attended the 87th Annual General Meeting of the Company.

Steps Taken by the Management to Encourage Minority Shareholders to Attend the General Meetings

The management is constantly striving to increase the participation of minority shareholders at the general meetings. The Company also facilitates its members having at least ten percent of the total paid up capital, to attend general meetings through video-link facility.

Share Price Analysis Annual Volume Analysis

The Company's Share Prices on the PSX in the year 2020.

Months	Highest	Lowest	Average of Volume
January	115.34	107.50	3,837
February	110.78	100.00	1,900
March	104.00	78.32	2,161
April	91.00	79.08	1,873
May	123.93	92.51	4,357
June	121.00	100.13	3,379
July	117.82	106.00	3,350
August	118.67	108.00	3,872
September	129.41	116.01	15,473
October	126.00	116.50	3,250
November	123.00	115.16	4,028
December	126.00	116.00	4,305

Share Price Sensitivity Analysis

Company news and performance: Company - specific factors that can affect the share price are:

- **Earnings -** News releases on earnings and profits and future estimated earnings develop investor interest in the stock of a Company.
- **Announcement of dividends -** Expected distribution from earning could increase the share prices in expectation of realisation of profit on investment.
- **Introduction of a new insurance product -** This could lead to positive earnings growth which in return affects share prices.
- **Industry performance -** Government policies specific to industry like Takaful business could result in movement of stock price.
- **Investor sentiments / confidence -** Positive economic reforms can attract investors.
- **Economic and other shocks -** An economic outlook could include expectations for inflation, productivity growth, unemployment and balance of trade. Changes around the world can affect both the economy and stock prices. An act of terrorism can also lead to a downturn in economic activity and a fall in stock prices.
- **Change in government policies -** Government policies could be perceived as positive or negative for businesses. The policies may lead to changes in inflation and interest rates, which in turn may affect stock prices.

Market Capitalization

	Years					
Particulars	2020	2019	2018	2017	2016	2015
Number of Shares outstanding (in million)	200	200	200	200	200	160
Market closing price of share as on 31 December (PSX) (Rs.)	120	110	100	153	151	144
Market Share Capitalisation (Rs. in million)	24,000	22,060	20,000	30,580	30,200	22,960

Chairman's Review

It indeed gives me immense pleasure in presenting 88th Annual Report of your Company.

The Unconsolidated Written Premium for the year was Rs. 22.6 billion (including Takaful Contribution of Rs. 2.4 billion). Your Company has a market share of 23 % and continues to lead the non-life insurance business in the country.

The earnings per share was Rs. 11.85 as against earnings per share of Rs. 13.04 last year.

The consolidated (inclusive of EFU Life) Written Premium was Rs. 53 billion, Net Premium was Rs. 40 billion and Total Assets were Rs. 201 billion.

Economic volatility continued in 2020. State Bank decreased the policy rate by 625 bps in a short span of time from March to June 2020. This is one of the largest reduction in the policy rate among the emerging economies during pandemic. However, stabilization policies have begun to correct external account imbalances and stabilize Pakistan Rupee. The current account deficit of the country contracted by 78% to $2.966 billion during the fiscal year 2019-20 compared to $13.434 billion during the same period of the preceding year (2018-2019). GDP Growth Rate is projected to trend around 1.50 percent in 2021 and 4% in 2022. Nonetheless, further GDP growth would depend on economic measures particularly fiscal policy in 2021.

Your Company is managed by the best insurance professionals, in the industry. As a service provider, the Company continues to invest in people, systems and processes to deliver sustainable, profitable growth and maintain leading position in the country.

I wish to place on record my highest appreciation and gratitude for the support received by the Company from the Securities and Exchange Commission of Pakistan, Pakistan Reinsurance Company Limited and all our reinsurers for their continued support. I would also like to thank also our field force, officers and staff of the Company for the sincere and dedicated efforts.

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 25 February 2021

چیئرمین کی جائزہ رپورٹ

آپ کی کمپنی کی ۸۸ویں سالانہ رپورٹ پیش کرتے ہوئے میں دلی مسرت محسوس کررہاہوں۔

سال کیلئے غیر مجموعی تحریری پریمیئم ۲۲٫۶ بلین روپے (بشمول ۲٫۴ بلین روپے کا تکافل کنٹری بیوشن) تھا۔آپ کی کمپنی پاکستان میں ۲۳ فیصد مارکیٹ شیئر کی حامل ہےاور ملک میں نان۔لائف انشورنس کاروبار میں سبقت برقرار رکھنے کا سلسلہ جاری ہے۔

آمدنی فی شیئر ۱۱٫۸۵ روپے رہی جیسا کہ اس کے برخلاف گزشتہ سال بیان کردہ آمدنی فی شیئر ۱۳٫۰۴ روپے تھی۔

مجموعی (بشمول ای ایف یو لائف) تحریری پریمیئم ۵۳ بلین روپے تھا، خالص پریمیئم ۴۰ بلین روپےاور مجموعی اثاثہ جات ۲۰۱ بلین روپے تھے۔

۲۰۲۰ء میں اقتصادی اُتار چڑھاؤ کا سلسلہ جاری رہا۔اسٹیٹ بینک نے مارچ سے جون ۲۰۲۰ء کی ایک مختصر مدت میں پالیسی ریٹ میں مجموعی طور پر ۶۲۵ بی پی ایس کی کمی کردی۔یہ موجودہ وبائی صورتحال کے دوران اُبھرتی ہوئی معیشتوں میں شرح سود میں کی جانے والی سب سے بڑی کمی میں سے ایک ہے۔تاہم استحکام کی پالیسیوں کا آغاز درست ایکسٹرنل اکاؤنٹ عدم توازن اور پاکستانی روپے کی قدر میں استحکام سے ہو چکا ہے۔ملک کا کرنٹ اکاؤنٹ خسارہ مالی سال ۲۰-۲۰۱۹ء کے دوران ۷۸ فیصد تک کم ہوکر ۲٫۹۶۶ بلین ڈالر ہو چکا ہے جو گزشتہ سال (۱۹-۲۰۱۸ء) کی اسی مدت کے دوران مقابلتاً ۱۳٫۴۳۴ بلین ڈالر تھا۔جی ڈی پی گروتھ ریٹ کی ممکنہ شرح ۲۰۲۱ء میں تقریباً ۱٫۵۰ فیصد اور ۲۰۲۲ء میں ۴ فیصد تجویز کی گئی ہے۔اس کے باوجود مزید جی ڈی پی گروتھ کا انحصار ۲۰۲۱ء کی مالیاتی پالیسی میں کیئے جانے والے خصوصی معاشی اقدامات پر ہوگا۔

آپ کی کمپنی کا انتظام صنعت میں موجود بہترین انشورنس پروفیشنلز کے پاس ہے۔بحیثیت سروس فراہم کنندہ کمپنی، افرادی قوت، سسٹمز اور پروسس کے فروغ سے منافع بخش کاروبار کے حصول اور ملک میں اپنی نمایاں وسرکردہ پوزیشن برقرار رکھنے کے ضمن میں اپنی کوششیں جاری رکھے گی۔

میں سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان ری انشورنس کمپنی لمیٹڈ اور ہمارے تمام ری انشوررز کی جانب سے کمپنی کو حاصل سرپرستی اور تعاون پر ان کی مستقل معاونت پر انہیں خراجِ تحسین پیش کرتا ہوں اور ان کا مشکور ہوں۔میں اپنی فیلڈ فورس، آفیسرز اور کمپنی کے اسٹاف کی جانب سے ان کی مخلصانہ کوششوں کا بھی شکرگزار ہوں۔

سیف الدین این۔زومکاوالا
چیئرمین

کراچی: ۲۵ فروری ۲۰۲۱ء

Report of the Directors to Shareholders

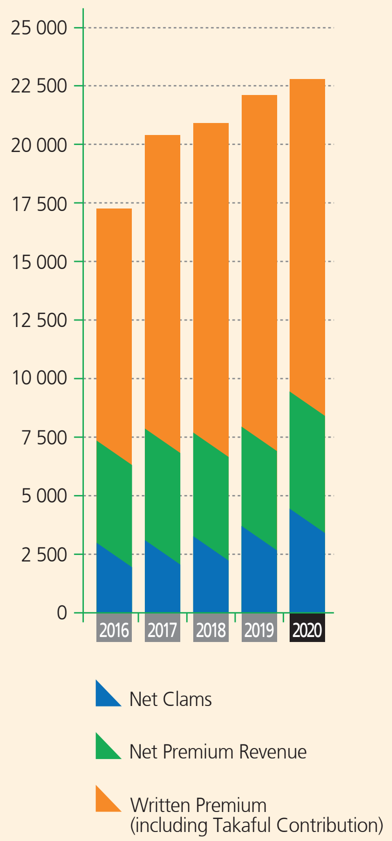
The Directors of your Company are pleased to present the Eighty Eighth Annual Report of the Company for the year ended 31 December 2020.

Your Company's profit after tax for the year 2020 was Rs. 2.4 billion as compared to Rs. 2.6 billion in 2019. The earning per share was Rs. 11.85 as against earning per share of Rs. 13.04 last year.

Your Company continues to maintain the leading position in the insurance industry in Pakistan. Your Company had written Direct premium and Takaful business of Rs. 22.6 billion (inclusive of Rs. 2.4 billion of Takaful contribution) as compared to Rs. 22.1 billion (inclusive of Rs. 2.3 billion of takaful contribution) in 2019, while the Net Premium Revenue (including Takaful net contribution revenue) grew by 12.7 % to Rs. 9.8 billion as compared to Rs. 8.7 billion (including Takaful net contribution revenue) in 2019.

WRITTEN PREMIUM
(including Takaful Contribution)
NET PREMIUM REVENUE
AND NET CLAIMS

(Rupees in Million)



Insurance Industry

Conditions in the insurance industry continued to be challenging due to Covid-19 pandemic as well as torrential rains and flood in August. Your Company continues to maintain its leading position in the insurance industry by offering the best professional service to its clients.

Economic Review

Pakistan's economy is likely to rebound in 2021 as the impact of the pandemic gradually fades and domestic demand recovers. GDP is expected to grow between 1.5-2.5 per cent in 2021. During 2020, some CPEC projects achieved their commercial operations and further projects are expected to be completed as per their timelines. New auto manufacturers have entered in Pakistan market and IMF has also predicted positive growth in GDP which is stabilizing Pakistan Stock Exchange, while monetary policy is expected to remain the same.

Company's performance

The segment wise performance was as follows:

FIRE AND PROPERTY

The written premium increased by 8 % to Rs. 13,050 million compared to Rs. 12,128 million in 2019. Claims as percentage of net premium revenue were 60 % as against 38 % in 2019. The underwriting profit for the year was Rs. 9.3 million compared to underwriting profit of Rs. 299 million in 2019. Heavy rains and floods in Karachi and other parts of Pakistan impacted the underwriting results in fire and property business.

MARINE, AVIATION AND TRANSPORT

The written premium was Rs. 2,370 million compared to Rs. 2,549 million in 2019. Claims as a percentage of net premium revenue were 37 % as against 50 % in 2019 and the underwriting profit was Rs. 273 million compared to Rs. 2.3 million in 2019. The shortfall in Marine business was basically due to lower imports due to reduced movement of goods by sea and air.

MOTOR

The written premium was Rs. 3,208 million compared to Rs. 3,463 million in 2019. Claims as percentage of net premium revenue were 48 % as against 52 % in 2019 and the underwriting profit was Rs. 297 million compared to Rs. 46 million in 2019. The reduced Motor business was because of lower production of vehicles due to lockdowns on account of Covid.

OTHERS

The written premium was Rs. 1,613 million compared to Rs. 1,634 million in 2019. Claims as percentage of net premium revenue were 50 % as against 49 % in 2019. The underwriting profit for the year was Rs. 160 million compared to Rs. 158 million in 2019. A slight decline was experienced due to lower crop insurance business.

Window Takaful Operations

The written contribution revenue was Rs. 2,398 million as against Rs. 2,289 million in the previous year; while net contribution revenue was Rs. 1,205 million compared to Rs. 1,259 million in 2019 and profit for Takaful Operator's Funds for the year was Rs. 132 million as against Rs. 152 million last year.

Investment Income

The Stock Market was volatile during this year. The total investment income for the year was Rs. 2,185 million as against Rs. 2,262 million last year. The dividend income for the year was Rs. 774 million as against Rs. 850 million last year.

Earnings per share

Your Company has reported earnings per share of Rs. 11.85 for the year as compared to Rs. 13.04 in 2019.

Appropriation and Dividend

The profit after tax was Rs. 2,371 million as compared to Rs. 2,609 million in 2019. Your Directors have recommended a final cash dividend of Rs. 5.5 per share (55%) to the shareholders whose names appear in the share register of the Company at the close of business on March 24, 2021. This cash dividend is in addition to interim cash dividends of Rs. 4.5 per share (45 %) declared for the year.

		Rupees '000
Balance at commencement of the year i.e. January 01, 2019		2 430 185
Interim cash dividends 2019 @ 45 % (2018: 37.5 %)	900 000	
Final cash dividend 2019 @ 55 % (2018: 62.5 %)	1 100 000	
Transfer to general reserve	400 000	2 400 000
Balance brought forward from previous year		30 185
Profit after tax for the year		2 250 025
Other comprehensive income		15 078
Transferred from surplus on revaluation of property and equipment on account of incremental depreciation - net of tax		27
Amount available for appropriation		2 295 315
The Directors recommend that this amount be appropriated in the following manner:		
Less: Appropriation		
Interim cash dividends 2020 @ 45 % (2019: 45 %)	900 000	
Proposed final cash dividend 2020 @ 55 % (2019: 55 %)	1 100 000	
Transfer to general reserve	250 000	2 250 000
Carry forward to next year		45 315

Market Share

Based on the available published financial information as of 30 September 2020 and based on the statistics published by The Insurance Association of Pakistan, your Company has market share of 23 % of the private non-life insurance sector business in Pakistan.

Information Technology

During Covid-19 pandemic lockdown, the Company's routine work continued without hurdles through Virtual Private Network (VPN-secured end-to-end transaction). The VPN is consistently monitored for any security breach.

In the continuation of efforts to strengthen information security posture of the company, the Company is in process to implement SECP Cybersecurity Framework and Information Security Management System (ISMS) - ISO-27001-2013 standard as well to fulfill SECP Guidelines on Cybersecurity Framework for the Insurance Sector 2020, which will also help to align Cybersecurity Framework with overall Risk Management Framework.

The company regularly conducts evaluation of IT Risk Assessment for improved effectiveness of existing controls, minimize and prevent risks.

Furthermore, a dedicated resource is in place to monitor and mitigate information security related issues in the Internal/External Network systems, applications and database.

Enterprise Risk Management

The ERM function keeps a bird's eye view of the company's risks. The ERM function is integrated with key functions of the company, leading to informed decisions making, maintaining risks of the company within the desired level of risk appetite and increasing values to the shareholders and other stakeholders. Our aspiration is to propel the ERM function to the next level by employing the risk adjusted return on capital culture in every process of the company.

Credit Rating

Your Company is rated by A. M. Best, the world's specialized insurance rating agency and has assigned Financial Strength Rating of "B+" and a Long-Term Issuer Credit Rating of "bbb-" with Stable Outlook for both.

In addition to the above, the Company is also rated by two national rating agencies i.e. VIS Credit Rating Company Ltd. and Pakistan Credit Rating Agency. Both the rating agencies have assigned rating of AA+ with stable outlook.

Human Resource

EFU's success over the years speaks the caliber of our workforce especially in the challenging business landscape which is constantly evolving. We firmly believe in the employees' development through various training & development opportunities for their hidden potential, and ensure that knowledge, skills and abilities are nurtured at all levels that facilitate employees not only to perform their jobs more effectively but also prepare them to assume higher responsibilities in future.

We provide "enabling environment" that stimulates team building and cohesiveness through our open culture where dialogue and different perspectives are valued and challenged. Our people appreciate being largely free to organize their day, thus empowering them to reach their full potential.

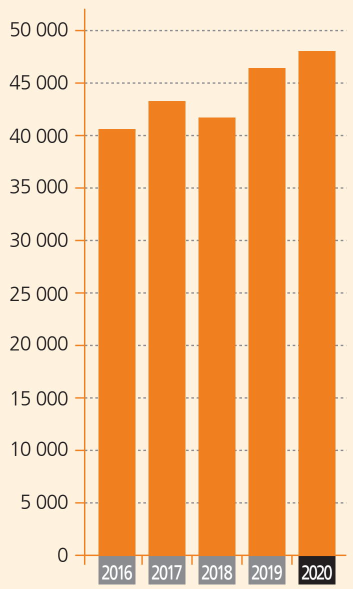
At EFU, people from diverse backgrounds bring a wide array of expertise to cater the ever changing needs of its prospective and existing customers.

We attract talent with required qualification background and skill-set who are provided with a blend of both theoretical and practical trainings to polish their knowledge and skills in line with the Company's needs for better productive gains.

The Company also encourages our employees in acquiring internationally recognized insurance qualifications i.e. ACII from the Chartered Insurance Institute (UK), CPCU from The Institutes Risk & Insurance (USA) and Post Graduate Diploma - PGD from Pakistan Insurance Institute. We have 28 chartered insurers 25 engineers and 18 professional accountants.

TOTAL ASSETS

(Rupees in Million)



EFU has its in-house training facilities in all major cities of Pakistan to provide both technical and soft skills trainings.

Securities Exchange Commission of Pakistan has also acknowledged the in-house training facilities of EFU

We actively participate in various insurance seminars, workshops, conferences through sponsoring of such events. Besides this, our officers are encouraged to conduct training sessions on technical and other related subjects.

COVID - 19

The pandemic outbreak Covid - 19 globally poses lots of new challenges and learning especially in the corporate world.

In line with EFU's philosophy, a cross-functional team has been formed to prepare comprehensive plan, taking all relevant measures and SOPs for the safety and health of our employees. The project-team meets regularly to review and update the plan, if required.

Majority of employees were operating from home during the lockdown period, ensuring Company's smooth operations.

Our Chief Medical Officer is available to employees round the clock for medical advice to minimize the risk of contracting virus. Employees are informed on regular basis to keep them updated for their health and safety.

Further, employees are required to strictly follow the SOPs while attending office and the project-team ensures that all SOPs are followed through in true spirit by all employees.

Significant Entity's Objectives

Your Company continues to lay emphasis on being the preferred insurer as well as maintaining its leading position.

Prospects for 2021

Our strategy for 2021 is to continue to deliver sustainable, profitable growth in a challenging business environment and to maintain leading position in Pakistan.

The key performance indicators devised for achieving the management objective will as before, be maximization of customer satisfaction, improvement in operational underwriting results, control and increasing shareholders' wealth.

Pakistan Stock Exchange top 25 Award

Your company received this year Pakistan Stock Exchange top 25 companies award 2019. Pakistan Stock Exchange confers this award to companies listed on PSX based on their performance of governance and financial performance.

Information Sources and Assumptions

The data used for projections and assumptions are based on past trend analysis, future considerations and prevailing market conditions. We also take into account current scenarios and macro-economic indicators while providing future estimates.

An in-house team of professionals work together to prepare projections. Realistic measures are taken while preparing forecast and estimates. The projections are reviewed by management before presentation to the board for their approval.

Reinsurance

Your Company continues to enjoy very sound reinsurance arrangements with leading international securities, like SCOR Reinsurance Asia Pacific Pte Ltd, Swiss Reinsurance Company, Allianz SE Reinsurance Company, Hannover Ruck SE, Toa Reinsurance Company Ltd, Partner Reinsurance Asia Pte. Ltd, Korean Reinsurance Company, and Lloyds of London all of them being A rated.

Related Party Transactions

At each board meeting the Board of Directors approve Company's transactions with Associated Companies / Related parties. All the transactions executed with related parties are on arm's length basis.

Environmental Protection Measures

The Company is well aware of its social responsibility in regard to environmental protection. Therefore, we encourage healthy environment and take steps which could add value to our credence.

Directors' Training Program

Nine Directors of the Company have acquired certification under the Directors' Training Program while newly elected Director will acquire the training during the year 2021.

Corporate Briefing

Corporate Briefing Session was held for shareholders and analysts on March 27, 2020 as per requirement of the Pakistan Stock Exchange. Company's Senior Management and Shareholders attended the session.

Board Committees

There are three Board Committees in the Company. The Committees are listed below along with the number of meetings held during the year 2020:

S. No.	Board Committees	No. of meetings during the year
1	Audit Committee	4
2	Investment Committee	4
3	Ethics, Human Resources and Remuneration Committee	1

Detail about the Board Committees' are given in the annexure to this report under Governance section. The Chairman of the Audit Committee is Independent Director.

Management Committees

As part of the Corporate Governance, your Company maintains following four management committees which meet at least once every quarter as per the requirement of the Code.

- Underwriting Committee,
- Claims Settlement Committee,
- Reinsurance and Coinsurance Committee and
- Risk Management and Compliance Committee

Detail about the Committees' such as names of members and number of meetings held are given in the annexure to this report under Governance section.

Risks to Business

Business risks and mitigation factors are described in detail on page of this Annual Report.

National cause donations

Your Company, being a responsible corporate citizen, donates every year. In 2020, the Company donated Rs. 13 million to various organizations including Sindh Institute of Urology and Transplantation, The Aga Khan Hospital and Medical College Foundation, Government of Sindh Coronavirus Emergency Fund (CEF), Anjuman-e-Kashana-e-Atfal-o-Naunihal, Shaukat Khanum Memorial Trust, The Layton Rehmatullah Benevolent Trust and The Patients' Behbud Society for The Aga Khan University Hospital amongst others.

Relationship with other Stakeholders

Your Company continues to maintain good relationship with:

- its employees by providing good working environment;
- its clients through building trust and providing quality service;
- the business community through honest and fair dealing;
- the government through promoting free enterprise along with competitive market system and complying with applicable laws; and
- the society in general through providing safe and healthy workplace and provide employees the opportunity to improve their skills.

Annual Evaluation of Board's Performance

The Board has placed a mechanism to evaluate its performance annually as required by the Code of Corporate Governance. The mechanism devised is based on the emerging and leading trends on the functioning of the Board and improving its effectiveness. The placement and functioning of evaluation mechanism is out sourced to Pakistan Institute of Corporate Governance.

MD's Performance Review

Managing Director's performance is monitored and evaluated by the Board against the objectives and performance targets set by the Board.

Directors' Remuneration Policy

In order to comply with Companies Act, 2017, Listed Companies (Code of Corporate Governance) Regulations, 2019 and Articles of Association of the Company, the Company has policy with respect to the remuneration of Chairman, Chief Executive, Non-Executive, Executive and Independent Directors.

The Board of Directors has approved fees for attending Board and Board Committees meetings.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed in the report.

The Directors of your Company were elected at the Extraordinary General Meeting held on July 08, 2020 w.e.f. July 10, 2020 for a term of three years expiring on July 9, 2023.

During the year 2020, five meetings of the Board were held. The attendance at the meetings were as under:

S. No.	Name of Directors	Number of meetings attended
1	Saifuddin N. Zoomkawala *(Non-Executive Director)*	5 out of 5
2	Hasanali Abdullah *(Executive Director)*	5 out of 5
3	Rafique Bhimjee *(Non-Executive Director)*	4 out of 4
4	Abdul Rehman Haji Habib *(Non-Executive Director)*	5 out of 5
5	Taher G. Sachak *(Non-Executive Director)*	5 out of 5
6	Ali Raza Siddiqui *(Non-Executive Director)*	5 out of 5
7	Mohammad Iqbal Mankani *(Independent Director)*	5 out of 5
8	Saad Bhimjee *(Non-Executive Director)*	5 out of 5
9	Mahmood Lotia *(Executive Director)*	2 out of 2
10	Daanish Bhimjee *(Non-Executive Director)*	1 out of 1
11	Yasmin Hyder *(Independent Director)*	3 out of 3
12	Tanveer Sultan Moledina *(Independent Director)*	3 out of 3

Statement of Ethics and Business Practices

The Board has adopted the Statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations. All employees sign the statement on annual basis. The statement of Ethics & Business Practices is also placed at the Company's website.

Corporate and Financial Reporting Framework

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.

b) Proper books of accounts have been maintained by the Company.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.

d) The International Financial Reporting Standards (IFRS) as applicable in Pakistan, have been followed in preparation of financial statements and any departure from there has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of Corporate Governance, as detailed in the Regulations.

h) The key operating and financial data for the last six years is annexed.

i) Trading of shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, executives, their spouses and minor children and substantial shareholders were timely reported to Pakistan Stock Exchange during the year.

j) The value of investments of provident, gratuity and pension funds based on their unaudited accounts as on 31 December 2020 were:

Provident Fund	Rs. 959 million
Gratuity Fund	Rs. 488 million
Pension Fund	Rs. 260 million

k) The statement of pattern of shareholding in the Company as at 31 December 2020 is included in the Report.

Auditors

KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible are willing to continue as auditors, as suggested by Audit Committee are recommended for reappointment as Auditors of the Company for the ensuing year.

Outlook

As signs of economic stabilization are emerging in the country, it is expected that GDP growth rate would improve. With external account in surplus and stability in headline inflation, monetary policy is likely to remain expansionary which is likely to keep the momentum going of the economic activities in general and could have potential impact on insurance business.

Acknowledgements

We would like to thank our valued customers for their continued patronage and support and to Pakistan Reinsurance Company Limited, Securities and Exchange Commission of Pakistan and State Bank of Pakistan for their guidance and assistance.

It is a matter of deep gratification for your Directors to place on record their appreciation of the efforts made by officers, field force and staff who had contributed to the growth of the Company and the continued success of its operations.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 25 February 2021

ڈائریکٹر کے معاوضہ کی پالیسی

کمپنیز ایکٹ ۲۰۱۷ پر عملدرآمد کے تحت اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز، ۲۰۲۰ اور کمپنی کے آرٹیکلز آف ایسوسی ایشن کے مطابق کمپنی نے چیئرمین، چیف ایگزیکٹو، نان۔ایگزیکٹو، ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کے معاوضے کے سلسلے میں پالیسی وضع کررکھی ہے۔

بورڈ آف ڈائریکٹرز نے بورڈ اور آڈٹ کمیٹی کے اجلاسوں میں شرکت کیلئے فیس کی منظوری دے دی ہے۔

کوڈ آف کارپوریٹ گورنینس پر عملدرآمد

ریگولیٹری اتھارٹیز کی جانب سے جاری شدہ کوڈ آف کارپوریٹ گورننس کے تقاضوں کو پورا کیا گیا ہے۔اس رپورٹ میں اس مفہوم کا ایک بیان شامل ہے۔

آپ کی کمپنی کے ڈائریکٹرز غیر معمولی اجلاسِ عام منعقدہ ۹ جولائی ۲۰۲۰ء کو منتخب ہوئے اور ۳ سالہ مدت، ۹ جولائی ۲۰۲۰ء سے شروع ہوتی ہے اور ۹ جولائی ۲۰۲۳ء کو ختم ہوجائے گی۔

سال۲۰۱۰ء کے دوران بورڈ کے ۵ اجلاس منعقد ہوئے۔اجلاسوں میں شرکت کی تعداد مندرجہ ذیل میں دی گئی ہے:

نمبر شمار	ڈائریکٹرز کے نام		شرکت کردہ اجلاس کی تعداد
۱۔	سیف الدین این۔زومکاوالا (نان۔ایگزیکٹو ڈائریکٹر)		۵ میں سے ۵
۲۔	حسن علی عبداللہ (ایگزیکٹو ڈائریکٹر)		۵ میں سے ۵
۳۔	رفیق بھیم جی (نان۔ایگزیکٹو ڈائریکٹر)	(آنے والے ڈائریکٹر)	۴ میں سے ۴
۴۔	عبدالرحمٰن حاجی حبیب (نان۔ایگزیکٹو ڈائریکٹر)		۵ میں سے ۵
۵۔	طاہر جی۔ساچک (نان۔ایگزیکٹو ڈائریکٹر)		۵ میں سے ۵
٦۔	علی رضا صدیقی (نان ایگزیکٹو ڈائریکٹر)		۵ میں سے ۵
۷۔	محمد اقبال منکانی (انڈیپنڈنٹ ڈائریکٹر)		۵ میں سے ۵
۸۔	سعد بھیم جی (نان۔ایگزیکٹو ڈائریکٹر)		۵ میں سے ۵
۹۔	محمود لوٹیا (ایگزیکٹو ڈائریکٹر)	(سبکدوش ہونے والے ڈائریکٹر)	۲ میں سے ۲
۱۰۔	دانش بھیم جی (نان ایگزیکٹو ڈائریکٹر)	(سبکدوش ہونے والے ڈائریکٹر)	۱ میں سے ۱
۱۱۔	یاسمین حیدر (انڈیپنڈنٹ ڈائریکٹر)	(آنے والے ڈائریکٹر)	۳ میں سے ۳
۱۲۔	تنویر سلطان مولیدینہ (انڈیپنڈنٹ ڈائریکٹر)	(آنے والے ڈائریکٹر)	۳ میں سے ۳

ضابطہ اخلاق اور کاروباری طریقہ کار

بورڈ نے ضابطہ اخلاق اور کاروباری طریقہ کار کا اسٹیٹمنٹ اپنایا ہے۔تمام اہلکاروں کو اس اسٹیٹمنٹ سے آگاہ کیا گیا ہوا ہے اور ان کے لئے ضروری ہے کہ وہ کاروباری اور قواعد و ضوابط سے متعلق ضابطہ اخلاق اور کاروبار کے طریقہ کار اور قوائد پر عملدرآمد کریں۔ملازمین سالانہ بنیاد پر اس بیان پر دستخط کرتے ہیں۔ضابطہ اخلاق اور کاروباری طریقہ کار کا اسٹیٹمنٹ کمپنی کی ویب سائٹ پر بھی درج کردیا گیا ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

اے۔ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹ اس کی تمام معلومات کو صاف و شفاف انداز میں واضح کرنے کے ساتھ اس کے آپریشنز کے نتائج، نقد کی آمدورفت اور ایکویٹی میں تبدیلیاں شامل ہیں۔

بی۔ اکاونٹس کی کتابیں کمپنی کی جانب سے قوائد وضوابط کے مطابق تیار کی گئی ہیں۔

سی۔ موزوں اکاؤنٹنگ پالیسیز پر مالیاتی اسٹیٹمنٹ اور اکاؤنٹنگ تخمینہ جات کی تیاری کے لئے مستقل اپنائی جاتی ہیں جو موزوں اور محتاط اندازوں پر منحصر ہوتی ہیں۔

ڈی۔ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) پر، جیسا کہ پاکستان میں نافذ العمل ہے، مالیاتی اسٹیٹمنٹ کی تیاری کی جاتی ہے اور کہیں اس سے انحراف کیا گیا ہو تو اس کو واضع طور پر ظاہر کردیا جاتا ہے۔

ای۔ داخلی کنٹرول کا نظام مستحکم طور پر ترتیب دیا گیا ہے اور موثر طور پر عملدرآمد کے ساتھ اس کی نگرانی بھی کی جاتی ہے۔

ایف۔ کمپنی کی اس صلاحیت پر کسی قسم کے شکوک وشبہات نہیں کہ یہ چلتے رہنے والا ادارہ ہے۔

جی۔ کارپوریٹ گورنینس کے بہترین طریقہ کار سے جیسا کہ لسٹنگ ریگولیشنز میں درج ہے کوئی قابل اثر اندازی انحراف نہیں کیا گیا۔

ایچ۔ گزشتہ ٦ سال کے نمایاں آپریٹنگ اور فنانشل اعدادوشمار منسلک ہیں۔

آئی۔ چیف ایگزیکٹو، ڈائریکٹرز، چیف فنانشل آفیسر، کمپنی سیکریٹری، ایگزیکٹوز، ان کے شریکِ حیات و نابالغ بچوں سمیت دیگر شیئر ہولڈرز کی جانب سے شیئرز کی خرید وفروخت کے بارے میں سال کے دوران پاکستان اسٹاک ایکسچینج کو بروقت مطلع کردیا گیا تھا۔

جے۔ پراویڈنٹ، گریجویٹی اور پنشن فنڈز کی سرمایہ کاریوں کی مالیت ۳۱ دسمبر ۲۰۲۰ء کے مطابق ان کے غیر آڈٹ شدہ حسابات پر مبنی ہیں، ان کی تفصیل یہ ہے:

پراویڈنٹ فنڈ	۹۵۹ ملین روپے
گریجویٹی فنڈ	۴۸۸ ملین روپے
پنشن فنڈ	۲٦۰ ملین روپے

کے۔ کمپنی میں ۳۱ دسمبر ۲۰۲۰ء کو شیئر ہولڈنگ کی جو صورتحال تھی اس کا اسٹیٹمنٹ رپورٹ میں شامل ہے۔

آڈیٹرز

کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس سبکدوش ہورہے ہیں اور اہل ہونے کی بناء پر بحیثیت آڈیٹرز کام جاری رکھنے کے خواہشمند ہیں جیسا کہ آڈٹ کمیٹی کی جانب سے بھی آنے والے سال کے لئے ان کی دوبارہ بحیثیت آڈیٹرز تقرری کے لئے سفارش کی گئی ہے۔

آؤٹ لُک

جیسا کہ ملک میں معاشی استحکام کے آثار دکھائی دے رہے ہیں اس لئے یہ توقع کی جاتی ہے کہ جی ڈی پی کی شرح بہتر ہوگی۔ بیرونی اکاؤنٹ میں اضافے اور ہیڈلائن افراطِ زر میں استحکام کے ساتھ مانیٹری پالیسی ممکنہ طور پر توسیع پذیر رہے گی۔جس سے عمومی طور پر معاشی و اقتصادی سرگرمیوں میں تیزی اور انشورنس بزنس میں مثبت اثرات دیکھنے میں آسکتے ہیں۔

اظہارِ تشکر

ہم اپنے معزز کسٹمرز کی مسلسل سرپرستی اور حمایت کے لئے ان کا شکریہ ادا کرنا چاہیں گے جبکہ پاکستان ری انشورنش کمپنی لمیٹڈ، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی جانب سے ان کی رہنمائی اور معاونت پر بھی شکرگزار ہیں۔

آپ کے ڈائریکٹرز تہہ دل سے یہ امر ریکارڈ پر لاتے ہیں کہ ہمارے آفیسرز، فیلڈ فورس اور دیگر اسٹاف نے نہایت جانفشانی سے کمپنی کی ترقی کے لئے محنت کی ہے اور کاروبار کے اضافے اور کامیابیوں کے تسلسل کو برقرار رکھنے میں مثالی کردار ادا کیا ہے۔

رفیق آر۔بھیم جی	طاہر جی ساچک	حسن علی عبداللہ	سیف الدین این۔زومکاوالا
ڈائریکٹر	ڈائریکٹر	مینجنگ ڈائریکٹر و چیف ایگزیکٹو	چیئرمین

کراچی ۲۵ فروری ۲۰۲۱ء

صلاحیتوں کو اُجاگر کرنے کے ذریعے ان کو بڑھانے پر کامل یقین رکھتے ہیں اور نہ صرف ان کے لئے ملازمتوں کے دوران ان کی کارکردگی پر توجہ دینے بلکہ ملازمین کو تمام سطحوں پر ان کی معلومات، مہارتوں اور صلاحیتوں کے فروغ کا بھرپور موقع فراہم کیا جاتا ہے اس کے ساتھ انہیں مستقبل میں مزید بہتر اور بھاری ذمہ داریاں تفویض کرنے کیلئے بھی تیار کرتے ہیں۔

ہم ''صلاحتیوں سے بھرپور ماحول'' فراہم کرتے ہیں جو ہمارے اوپن کلچر کے ذریعے ٹیم اور اجتماعیت کے فروغ کی ضمانت ہے۔ اس کلچر میں ڈائیلاگ اور مختلف امکانات وتصورات پر خصوصی توجہ کے ساتھ چیلنجوں سے نبرد آزما ہونے کی صلاحیت حاصل ہوتی ہے۔ ہمارے ملازمین اپنے روزمرہ امور کو انجام دینے کیلئے آزاد ہیں جس سے انہیں اپنی صلاحیتوں کے مکمل اظہار کا موقع ملتا ہے۔

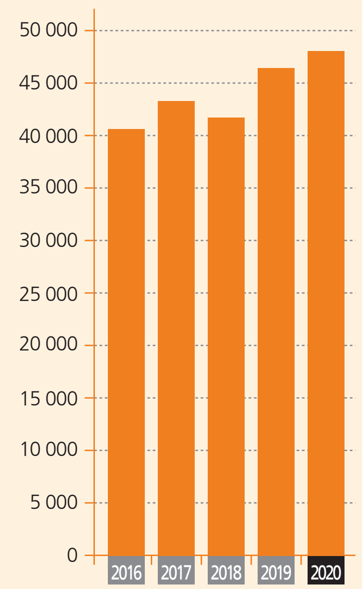
ای ایف یو میں ملازمین مختلف طبقات اور پس منظر سے تعلق رکھتے ہیں جس سے کمپنی کے متوقع اور موجودہ صارفین کی بدلتی ہوئی ضروریات کو پورا کرنے کے ضمن میں مختلف مہارت اور صلاحتیوں کا مجموعہ حاصل ہوتا ہے۔

ہمیں مطلوبہ قابلیت کے پس منظر کے ساتھ ٹیلنٹ متاثر کرتا ہے اور بہتر نتائج وفوائد کیلئے کمپنی کی ضروریات کے مطابق ملازمین کے عمل وقابلیت اور صلاحیتوں کو مزید نکھارنے کیلئے زبانی وعملی تربیتوں کے ذریعے ان کو متعلقہ شعبوں میں مہارت دی جاتی ہے۔

کمپنی اپنے ملازمین کو بین الاقوامی تسلیم شدہ انشورنس قابلیتوں یعنی چارٹرڈ انشورنس انسٹی ٹیوٹ سے ACII دی انسٹی ٹیوٹ رسک اینڈ انشورنس (یو ایس اے) سے سی پی سی یو اور پاکستان انشورنس انسٹی ٹیوٹ سے پوسٹ گریجویٹ ڈپلومہ۔ پی جی ڈی کے حصول کے لئے حوصلہ افزائی کرتی ہے۔ ہم 28 چارٹرڈ انشوررز، 25 انجینئر اور 18 پیشہ وارانہ قابلیت کے حامل اکاؤنٹینٹس کے بھی حامل ہیں۔

TOTAL ASSETS

(Rupees in Million)



ای ایف یو ٹیکنیکل اور سافٹ اسکلز دونوں کی ٹریننگ فراہم کرنے کیلئے پاکستان کے تمام بڑے شہروں میں اِن۔ہاؤس ٹریننگ کی سہولتوں کا بھی حامل ہے۔

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے بھی ای ایف یو کی اِن۔ہاؤس ٹریننگ سہولتوں کا اعتراف کیا ہے۔

ہم مختلف بیمہ سیمینارز، ورک شاپس، کانفرنسز میں بھی اپنے ایونٹس کو اسپانسر کرنے کے ذریعے بھرپور شراکت کا اعزاز رکھتے ہیں۔ اس کے ساتھ ہمارے افسران بھی ٹیکنیکل اور دیگر متعلقہ مضامین پر تربیتی سیشن منعقد کرانے کی حوصلہ افزائی کرتے ہیں۔

COVID-19 (کوروناوائرس)

عالمی سطح پر COVID-19 (کوروناوائرس) کی وباء نے دنیا بھر کے کارپوریٹ اداروں اور کاروباروں کے لئے بہت سے نئے چیلنجز اور بحران پیدا کردیئے۔

ای ایف یو کے فلسفے پر عمل کرتے ہوئے ایک جامع پلان کی تیاری کیلئے ایک مختلف شعبہ جاتی ٹیم تشکیل دی گئی جس نے ملازمین کی صحت اور تحفظ تمام متعلقہ اقدامات اور ایس او پیز تیار کئے۔ یہ پروجیکٹ ٹیم پلان کے جائزے اور اسے اپ گریڈ کرنے (اگر ضرورت پڑے تو) کیلئے باقاعدہ مٹنگ کرتی رہی۔

لاک ڈاؤن کی مدت کے دوران کمپنی کے امور باقاعدگی سے انجام دینے کیلئے ملازمین کی اکثریت گھروں سے کام کرتی رہی۔

ہمارے چیف میڈیکل آفیسر ملازمین کو طبی مشورے دینے اور وائرس کے اثرات وخطرات کو کم کرنے کی غرض سے چوبیس گھنٹے دستیاب ہیں۔ ملازمین کو ان کی صحت اور تحفظ کے بارے میں آگاہ رکھنے کے لئے باقاعدگی سے ہدایت دی جاتی ہیں۔

مزید برآں ملازمین کے لئے آفس میں ایس او پیز پر عملدرآمد لازم ہے اور پروجیک ٹیم اس امر کو یقینی بناتی ہے کہ تمام ملازمین کی جانب سے حقیقی طور پر تمام ایس او پیز پر عملدرآمد کیا جارہا ہے۔

ادارے کے اہم مقاصد

آپ کی کمپنی انشورنس کرانے والوں کا پسندیدہ انشورر اور اپنی لیڈرشپ برقرار رکھنے کے لئے مستقل سرگرم رہتی ہے۔

۲۰۲۱ء کے لئے امکانات

۲۰۲۱ء کے لئے ہماری حکمت عملی چیلنجنگ کاروباری ماحول میں مستحکم و پائیدار اور منافع بخش گروتھ کا سلسلہ جاری رکھنا اور پاکستان میں اپنی سرکردہ پوزیشن کو برقرار رکھنا ہے۔

کارکردگی کے کلیدی اشاریئے پہلے کی طرح انتظامی اغراض ومقاصد کے حصول کیلئے واضح ہیں جو صارفین کے زیادہ سے زیادہ اطمینان، آپریشنل انڈر رائٹنگ نتائج میں بہتری اور برقرار رکھنے اور شیئر ہولڈرز کے اثاثوں کو بڑھانے پر مرکوز رکھے جاتے ہیں۔

پاکستان اسٹاک ایکسچینج ٹاپ 25 ایوارڈ

آپ کی کمپنی نے اس سال پاکستان اسٹاک ایکسچینج ٹاپ 25 کمپنیز ایوارڈ 2019 حاصل کیا۔ پاکستان اسٹاک ایکسچینج یہ ایوارڈ پی ایس ایکس پر لسٹڈ کمپنیز کو ان کی گورنینس اور مالیاتی کارکردگی کی بنیاد پر پرفارمنس کے تحت تفویض کرتا ہے

معلوماتی ذرائع اور مفروضے

مستقبل کے اعداد وشمار اور مفروضوں کیلئے استعمال ہونے والا ڈیٹا ماضی کے رجحانات کے جائزے، مستقبل کے غور وخوض اور مارکیٹ کی موجودہ صورتحال پر مبنی ہیں۔ ہم اکاؤنٹ کی موجودہ صورتحال اور میکرو اکنامک اشاریوں کو بھی مستقبل کے تخمینہ جات فراہم کرتے وقت ملحوظ خاطر رکھتے ہیں۔ پروفیشنلز کی ایک ان۔ہاؤس ٹیم مشترکہ طور پر مستقبل کے اعداد وشمار تیار کرتی ہے۔ حقیقی اقدامات متوقع اعداد وشمار اور تخمینے کی تیاری کے وقت کیے جاتے ہیں۔ پروجیکشنز کو ان کی منظوری کیلئے بورڈ کے رُوبرو پیش کرنے سے قبل انتظامیہ باقاعدگی سے ان کا اچھی طرح جائزہ لیتی ہے۔

ری انشورنس

آپ کی کمپنی کے ری انشورنس انتظامات نہایت معتبر ہیں۔ سرکردہ بین الاقوامی سیکیورٹیز مثلاً SCOR ری انشورنس ایشیاء پیسیفک پی ٹی ای لمیٹڈ، سوئس ری انشورنس کمپنی، آلیانز SE ری انشورنس کمپنی، ہان اوور رک ایس ای، ٹواری انشورنس کمپنی لمیٹڈ، پارٹنر ری انشورنس ایشیا پی ٹی ای لمیٹڈ، کورین ری انشورنس کمپنی اور لائیڈز آف لندن جن سب کو ''A'' ریٹنگ حاصل ہے۔

متعلقہ پارٹی ٹرانزیکشنز

منسلکہ کمپنیوں/ متعلقہ پارٹیوں کے ساتھ کمپنی کی ٹرانزیکشنز بورڈ آف ڈائریکٹرز کی منظوری ہر بورڈ میٹنگ میں دی جاتی ہے۔ متعلقہ پارٹیوں کے ساتھ طے پانے والی تمام ٹرانزیکشنز آرمز لینتھ (Arm's Length) کی بنیاد پر کئے جاتے ہیں۔

ماحولیاتی تحفظ کے اقدامات

کمپنی مالیاتی تحفظ کے سلسلے میں اپنی سماجی ذمہ داری سے بخوبی آگاہ ہے لہٰذا ہم صحت مند ماحول کی حوصلہ افزائی کرتے ہیں اور وہ اقدامات کرتے ہیں جن سے ہماری ساکھ مزید بہتر ہو۔

ڈائریکٹرز ٹریننگ پروگرام

کمپنی کے ۹ ڈائریکٹرز پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورنینس سے ڈائریکٹرز کے ٹریننگ پروگرام کے تحت سرٹیفکیشن حاصل کرچکے ہیں۔

کارپوریٹ بریفنگ

شیئر ہولڈرز اور تجزیہ کاروں کے لئے کارپوریٹ بریفنگ سیشن کا انعقاد پاکستان اسٹاک ایکسچینج کی شرائط کے مطابق 27 مارچ 2020 کو کیا گیا۔ کمپنی کی سینئر انتظامیہ اور شیئر ہولڈرز نے سیشن میں شرکت کی۔

بورڈ کمیٹیاں

کمپنی میں بورڈ کی ۳ کمیٹیاں ہیں، کمیٹیوں کی تعداد بشمول سال ۲۰۲۰ء میں منعقدہ ان کے اجلاس کی تعداد کو ذیل میں واضح کیا گیا ہے:

نمبر شمار	بورڈ کمیٹیاں	سال کے دوران اجلاسوں کی تعداد
۱	آڈٹ کمیٹی	۴
۲	انویسٹمنٹ کمیٹی	۴
۳	اِتھکس، ہیومن ریسورسز اینڈ ری میونریشن کمیٹی	۱

بورڈ کی کمیٹیوں کے بارے میں تفصیلات اس رپورٹ سے منسلکہ ضمیمہ میں گورنینس سیکشن کے تحت دی گئی ہے آڈٹ کمیٹی کے چیئرمین انڈیپنڈنٹ ڈائریکٹر ہیں۔

مینجمنٹ کمیٹیاں

کارپوریٹ گورنینس کے حصے کے طور پر آپ کی کمپنی نے درج ذیل ۴ مینجمنٹ کمیٹیاں قائم کر رکھی ہیں جو کوڈ کی شرائط کے مطابق ہر ایک سہ ماہی میں کم از کم ایک اجلاس ضرور بلاتی ہے:

- انڈر رائٹنگ کمیٹی،
- کلیمز سیٹلمنٹ کمیٹی،
- ری انشورنس اینڈ کوانشورنس کمیٹی اور
- رسک مینجمنٹ اینڈ کمپلائنس کمیٹی:

کمیٹیوں کے بارے میں تفصیلات مثلاً ممبران کے نام، منعقدہ اجلاسوں کی تعداد، ٹرمز آف ریفرینس گورنینس سیکشن کے تحت اس رپورٹ سے منسلک ضمیمے میں دیئے گئے ہیں۔

کاروبار کے لئے خطرات

کاروبار میں ممکنہ طور پر پیش آنے والے خطرات اور ان سے منسلک عناصر کی تفصیل سے وضاحت اس سالانہ رپورٹ کے صفحہ نمبر ۰۰ پر کی گئی ہے۔

عطیات برائے قومی مقاصد

آپ کی کمپنی ایک ذمہ دار کارپوریٹ سٹیزن ہونے کی حیثیت سے ہر سال عطیات دیتی ہے۔ ۲۰۲۰ء میں کمپنی نے مختلف اداروں کو ۱۳ ملین روپے عطیات دیئے۔ عطیات دئے جانے والے اداروں میں سندھ انسٹی ٹیوٹ آف یورولوجی اینڈ ٹرانسپلانٹیشن، دی آغا خان اسپتال اینڈ میڈیکل کالج فاؤنڈیشن، گورنمنٹ آف سندھ کروناوائرس ایمرجنسی فنڈ (سی ای ایف)، انجمن کاشانہ اطوال ونونہال، شوکت خانم میموریل ٹرسٹ، دی لیٹن رحمت اللہ بنیوالینٹ ٹرسٹ اور دی پیشنٹس بہبود سوسائٹی فار دی آغا خان یونیورسٹی واسپتال وغیرہ شامل ہیں۔

دیگر اسٹیک ہولڈرز کے ساتھ تعلقات

آپ کی کمپنی تمام اسٹیک ہولڈرز کے ساتھ خوشگوار تعلقات قائم رکھتی ہے:

- اپنے ملازمین کو کام کرنے کا بہترین ماحول فراہم کرتی ہے۔
- اپنے کسٹمرز کو بہترین معیار کی سروس فراہم کرکے کمپنی پر ان کے اعتماد میں روزافزوں اضافہ کرتے ہیں۔
- کاروباری دنیا سے دیانتدارانہ معاملات سے۔
- حکومت سے تجارتی آزادی اور مسابقتی عمل کو فروغ دے کر اور متعلقہ قوانین کی پابندی سے؛ اور
- عمومی طور پر سوسائٹی میں محفوظ اور صحتمند جائے کار فراہم کرنے اور اپنے ملازمین کو اپنی صلاحیتیں اُجاگر کرنے کے مواقع فراہم کرتے ہیں۔

بورڈ کی کارکردگی کا سالانہ جائزہ وجانچ

بورڈ نے اپنی سالانہ کارکردگی کی جانچ کیلئے ایک میکنزم تیار کر رکھا ہے جیسا کہ کوڈ آف کارپوریٹ گورنینس کے تحت ضروری ہے۔ میکنزم بورڈ کے امور کے بارے میں نئے نئے اور نمایاں رجحانات اور اس کی کارکردگی کو بہتر بنانے پر مبنی ہے۔ جانچ پڑتال کے میکنزم کی تشکیل اور امور کی انجام دہی پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورنینس کے ذریعے آؤٹ سورسڈ کی جاتی ہے۔

ایم ڈی کی کارکردگی کا جائزہ

مینجنگ ڈائریکٹر کی کارکردگی کی نگرانی بورڈ کی جانب سے مقرر کردہ اغراض ومقاصد اور کارکردگی کے اہداف کے تحت بورڈ کے ذریعے جانچی جاتی ہے۔

ممبران کے لئے ڈائریکٹرز کی رپورٹ

(یہ انگریزی رپورٹ کا ترجمہ ہے)

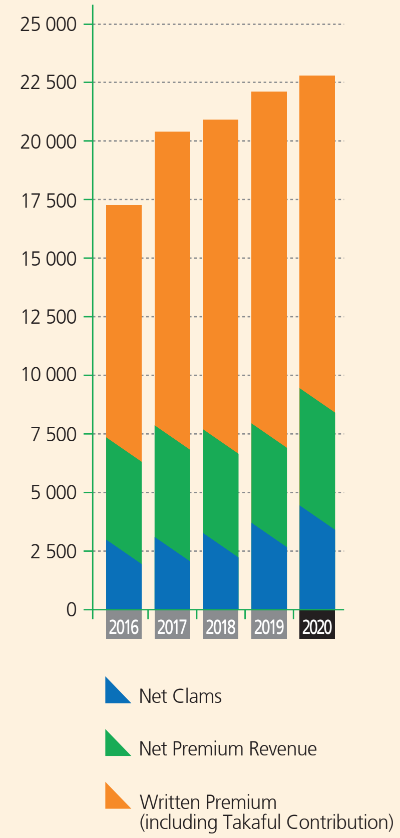
آپ کی کمپنی کے ڈائریکٹرز کو کمپنی کی ۸۸ ویں سالانہ رپورٹ اختتام سال ۳۱ دسمبر ۲۰۲۰ء پیش کرتے ہوئے خوشی ہو رہی ہے۔

سال ۲۰۲۰ء میں کمپنی کا منافع بعد از ٹیکس ۴ء۲ بلین روپے رہا جبکہ ۲۰۱۹ء میں یہ منافع ۶ء۲ بلین روپے تھا۔ فی شیئر آمدن ۸۵ء۱۱ روپے رہی جبکہ گزشتہ سال آمدنی ۰۴ء۱۳ روپے تھی۔

آپ کی کمپنی نے پاکستان کی انشورنس انڈسٹری میں اپنی مرکزی حیثیت کو برقرار رکھنے کا سلسلہ جاری رکھا ہے۔ آپ کی کمپنی نے براہِ راست تحریری پریمیئم اور تکافل بزنس میں ۶ء۲۲ بلین روپے کا منافع حاصل کیا (بشمول ۴ء۲ بلین روپے کا تکافل کنٹریبیوشن) جبکہ ۲۰۱۹ء میں ۱ء۲۲ بلین روپے (بشمول ۳ء۲ بلین روپے کا تکافل کنٹریبیوشن) تھا جبکہ خالص پریمیئم آمدن (بشمول خالص تکافل کنٹریبیوشن) ۷ء۱۲ فیصد بڑھ کر ۸ء۹ بلین روپے رہا جبکہ ۲۰۱۹ء میں ۷ء۸ بلین روپے (بشمول خالص تکافل کنٹریبیوشن) تھا۔

WRITTEN PREMIUM
(including Takaful Contribution)
NET PREMIUM REVENUE
AND NET CLAIMS

(Rupees in Million)



بیمہ کی صنعت

بیمہ صنعت COVID-19 (کورونا وائرس) کی وبائی صورتحال نیز اگست میں طوفانی بارشوں اور سیلاب کے باعث مستقل طور پر چیلنجز کا سامنا کرتی رہی۔ آپ کی کمپنی نے اپنے کلائنٹس کو بہترین پیشہ ورانہ خدمات کی فراہمی کے ذریعے بیمہ کی صنعت میں مرکزی حیثیت کو برقرار رکھا۔

اقتصادی جائزہ

پاکستان کی معیشت کا ۲۰۲۱ء میں اپنی سطح پر واپس آنے کا امکان ہے کیونکہ کرونا وباء کے اثرات بتدریج مدہم پڑ رہے ہیں اور مقامی طلب کی صورتحال بحال ہو رہی ہے۔ جی ڈی پی کے بارے میں توقع ہے کہ ۲۰۲۱ء میں ۵ء۱ تا ۵ء۲ فیصد کے درمیان بہتر ہوگئی۔ ۲۰۲۰ء کے دوران چندسی۔ پیک پروجیکٹس اپنے تجارتی آپریشنز حاصل کر لئے ہیں جبکہ مزید منصوبے بھی اپنی مقررہ مدت کے مطابق مکمل کر لئے جائیں گے۔ نئے آٹو مینوفیکچررز بھی پاکستان کی مارکیٹ میں داخل ہوئے ہیں اور آئی ایم ایف نے بھی جی ڈی پی میں مثبت گروتھ کی پیشنگوئی کی ہے جس سے پاکستان اسٹاک ایکسچینج مستحکم ہو رہا ہے جبکہ مانیٹری پالیسی بھی بدستور برقرار رہنے کا امکان ہے۔

کمپنی کی کارکردگی

شعبہ جات کے لحاظ سے کارکردگی درج ذیل کے مطابق رہی:

فائیر و پراپرٹی

تحریری پریمیئم اس سال کے دوران ۸ فیصد بڑھ کر ۰۵۰،۱۳ ملین روپے رہا جبکہ اس کے مقابل ۲۰۱۹ء میں ۱۲۸ء۱۲ ملین روپے تھا۔ کلیمز کی شرح کمپنی کے خالص پریمیئم آمدن کے تناسب سے ۶۰ فیصد رہی جبکہ ۲۰۱۹ء میں ۳۸ فیصد تھی۔ سال کیلئے انڈر رائٹنگ منافع جات ۹ء۳ ملین روپے تھے جبکہ اس کے مقابلے میں ۲۰۱۹ء میں انڈر رائٹنگ منافع ۲۹۹ ملین روپے رہا تھا۔ کراچی اور پاکستان کے دیگر شہروں میں موسلا دھار بارشوں اور سیلابی صورتحال کے سبب فائیر و پراپرٹی کے کاروبار میں انڈر رائٹنگ نتائج متاثر ہوئے۔

میرین، ایوی ایشن و ٹرانسپورٹ

زیر تحریری پریمیئم ۰۷۳،۲ ملین روپے رہا جو ۲۰۱۹ء میں مقابلتاً ۵۴۹،۲ ملین روپے تھا۔ کلیم کی شرح خالص پریمیئم ریونیو کی شرح ۳۷ فیصد رہی جو ۲۰۱۹ء میں ۵۰ فیصد تھی اور انڈر رائٹنگ منافع جات ۳۷۷ ملین روپے تھے جو اس کے مقابلے میں ۲۰۱۹ء میں ۳ء۲ ملین روپے تھے۔ میرین بزنس میں کمی کی بنیادی وجہ بحری اور فضائی راستوں سے اشیاء کی نقل و حرکت میں کمی کے باعث برآمدات کا مختصر حجم تھا۔

موٹر

تحریری پریمیئم اس سال ۲۰۸،۳ ملین روپے رہا جبکہ مقابلتاً ۲۰۱۹ء میں ۴۶۳،۳ ملین روپے تھا۔ کلیمز کی شرح کمپنی کے خالص پریمیئم آمدن کا ۴۸ فیصد رہی جبکہ ۲۰۱۹ء میں ۵۲ فیصد تھی اور اس سال انڈر رائٹنگ منافع ۲۹۷ ملین روپے رہا جبکہ گزشتہ سال ۲۰۱۹ء میں ۴۶ ملین روپے تھا۔ موٹر بزنس میں کمی کی وجہ COVID-19 (کورونا وائرس) کے باعث لاک ڈاؤن کے نفاذ کی وجہ سے گاڑیوں کی پیداوار میں کمی تھی۔

دیگر

تحریری پریمیئم ۶۱۳،۱ ملین روپے رہا جبکہ ۲۰۱۹ء میں مقابلتاً ۶۳۴،۱ ملین روپے تھا۔ کلیمز کی شرح کمپنی کے خالص پریمیئم آمدن کا ۵۰ فیصد رہی جبکہ ۲۰۱۹ء میں ۴۹ فیصد تھی اور اس سال انڈر رائٹنگ منافع ۱۶۰ ملین روپے رہا جبکہ گزشتہ سال ۲۰۱۹ء میں ۱۵۸ ملین روپے تھا۔ فصلوں کے بیمہ کاروبار میں بھی فصل میں کمی کے باعث قدرِ کمی کا سامنا رہا۔

ونڈو تکافل آپریٹنز

تحریری کنٹری بیوشن ریونیو ۳۹۸،۲ ملین روپے رہا جو اس کے مقابلے میں گزشتہ سال کے دوران ۲۸۹،۲ ملین روپے رہا تھا۔ جبکہ خالص کنٹری بیوشن آمدنی کا حجم ۲۰۵،۱ ملین روپے رہا جو ۲۰۱۹ء میں ۲۵۹،۱ ملین روپے تھا۔ سال رواں کیلئے تکافل آپریٹرز کے فنڈز کے لئے منافع جات اس سال کیلئے ۱۳۲ ملین روپے تھے جبکہ اس کے مقابلے میں گزشتہ سال کا منافع ۱۵۲ ملین روپے تھا۔

سرمایہ کاری سے آمدن

اسٹاک مارکیٹ اس سال کے دوران اتار چڑھاؤ کا شکار رہی۔ سال کیلئے مجموعی سرمایہ کاری سے آمدنی ۱۸۵،۲ ملین روپے رہی جبکہ اس کے مقابلے میں گزشتہ سال ۲۶۲،۲ ملین روپے تھی۔ سال کے لئے منافع منقسمہ کی آمدنی ۴۷۷ ملین روپے رہی جبکہ گزشتہ سال ۸۵۰ ملین روپے تھی۔

آمدنی فی شیئر

آپ کی کمپنی نے اس سال فی شیئر آمدن ۸۵ء۱۱ روپے ظاہر کی ہے جبکہ ۲۰۱۹ء میں یہ آمدن ۰۴ء۱۳ روپے تھی۔

مختص رقوم اور منافع منقسمہ

بعد از ٹیکس منافع ۳۷۱،۲ ملین روپے رہا جبکہ ۲۰۱۹ء میں ۶۰۹،۲ ملین روپے تھا۔ آپ کے ڈائریکٹرز نے حتمی نقد منافع منقسمہ بحساب ۵۰ء۵ روپے فی شیئر (۵۵ فیصد) ادا کرنے، جن شیئر ہولڈرز کے نام ۲۴ مارچ ۲۰۲۱ء کو کاروباری اوقات کے اختتام پر کمپنی کے شیئر رجسٹر میں موجود ہوں کیلئے اجراء کی سفارش کی ہے۔ یہ نقد منافع منقسمہ سال کے دوران اعلان کردہ ۵۰ء۴ روپے فی شیئر یعنی (۴۵ فیصد) کے عبوری نقد منافع منقسمہ کے علاوہ ہے۔

(روپے ہزاروں میں)

سال کے آغاز یعنی یکم جنوری ۲۰۱۹ء کے آغاز پر بیلنس		۲ ۴۳۰ ۱۸۵
عبوری نقد منافع منقسمہ ۲۰۱۹ء بشرح ۴۵ فیصد (۲۰۱۸ء: ۳۷.۵ فیصد)	۹۰۰ ۰۰۰	
مجوزہ حتمی نقد منافع منقسمہ ۲۰۱۹ء بشرح ۵۵ فیصد (۲۰۱۸ء: ۶۲.۵ فیصد)	۱ ۱۰۰ ۰۰۰	
جنرل ریزرو کو ٹرانسفر	۴۰۰ ۰۰۰	۲ ۴۰۰ ۰۰۰
گزشتہ سال سے آگے لایا گیا بیلنس		۳۰ ۱۸۵
اس سال کیلئے بعد از ٹیکس منافع		۲ ۳۵۰ ۰۲۵
دیگر کمپری ہینسو آمدن		۱۵ ۰۷۸
پراپرٹی اور ایکوپمنٹ کی ری ویلیوایشن پر اضافی ڈیپریسی ایشن کے کھاتے میں سرپلس سے منتقل شدہ		۲۷
مختص کرنے کے لئے دستیاب رقم		۲ ۳۹۵ ۳۱۵
ڈائریکٹرز سفارش کرتے ہیں کہ یہ رقم حسب ذیل حساب سے مختص کی جائے:		
منہا: مختص رقوم		
عبوری نقد منافع منقسمہ ۲۰۲۰ء بشرح ۴۵ فیصد (۲۰۱۹ء: ۴۵ فیصد)	۹۰۰ ۰۰۰	
مجوزہ حتمی نقد منافع منقسمہ ۲۰۲۰ء بشرح ۵۵ فیصد (۲۰۱۹ء: ۵۵ فیصد)	۱ ۱۰۰ ۰۰۰	
جنرل ریزرو کو ٹرانسفر	۳۵۰ ۰۰۰	۲ ۳۵۰ ۰۰۰
آئندہ سال کے لئے آگے لیجایا گیا		۴۵ ۳۱۵

مارکیٹ شیئر

۳۰ ستمبر ۲۰۲۰ء کے مطابق دستیاب شائع شدہ مالیاتی حسابات پر منحصر اور دی انشورنس ایسوسی ایشن آف پاکستان کی جانب سے شائع کردہ اعداد و شمار کی بنیاد پر آپ کی کمپنی پاکستان میں نجی نان۔لائف انشورنس سیکٹر کے بزنس میں ۲۳ فیصد مارکیٹ شیئر کی حامل ہے۔

انفارمیشن ٹیکنالوجی

COVID-19 (کورونا وائرس) کی وبائی صورتحال کی وجہ سے لاک ڈاؤن کے دوران کمپنی کے معمول کے امور کسی رکاوٹ کے بغیر ورچوئل پرائیویٹ نیٹ ورک (وی پی این۔محفوظ اینڈ ٹو اینڈ ٹرانزیکشن) کے تحت جاری رہے۔ وی پی این مسلسل نگرانی میں رہا تا کہ کوئی خلاف ورزی نہ ہو۔

کمپنی کے انفارمیشن سیکیورٹی کے نظام کو مستحکم بنانے کی کوششوں کو تسلسل کو برقرار رکھنے کے ضمن میں کمپنی نے ایس ای سی پی کے سائبر سیکیورٹی فریم ورک اور انفارمیشن سیکیورٹی مینجمنٹ سسٹم (آئی ایس ایم ایس) ۔ ISO-27001-2013 اسٹینڈرڈ کے ساتھ انشورنس سیکٹر ۲۰۲۰ء کے لئے سائبر سیکیورٹی فریم ورک پر ایس ای سی پی کی رہنما ہدایت پر بھی عمل کیا جس سے خطرات کے انتظام کے مجموعی فریم ورک کے ساتھ سائبر سیکیورٹی فریم ورک کو برقرار رکھنے میں بھی مدد ملے گی۔

کمپنی باقاعدگی کے ساتھ موجودہ کنٹرولز کی اثر پذیری کو مزید بہتر بنانے، خطرات کو کم کرنے اور اس کے تحفظ کے لئے آئی ٹی رسک کا باقاعدگی سے جائزہ لیتی ہے۔

مزید برآں ایک مخصوص ریسورس سے انٹرنل / ایکسٹرنل نیٹ ورک سسٹم، ایپلی کیشنز اور ڈیٹا بیس میں انفارمیشن سیکیورٹی سے متعلق معاملات کی نگرانی اور ان کے تدارک کے لئے موجود ہے۔

انٹرپرائز رسک مینجمنٹ

ای آر ایم فنکشن کمپنی میں درپیش خطرات کے لئے ایک عقاب کی سی نگاہ رکھتا ہے۔ ای آر ایم کے معاملات کمپنی کے کلیدی امور کے ساتھ مربوط ہیں جو فیصلہ سازی، کمپنی کے خطرات کے بندوبست کے سلسلے میں خطروں کی ممکنہ حد اور ان سے نمٹنے کی سطح کے اندر معاملات طے کرنے اور شیئر ہولڈرز و دیگر اسٹیک ہولڈرز کے لئے منافع جات میں اضافے پر توجہ مرکوز رکھتے ہیں۔ ہماری کوشش ہے کہ ای آر ایم کے امور کو اگلی سطح تک لے جایا جائے جہاں کمپنی کے ہر ایک عمل میں کیپٹل کلچر پر خطرات کے تدارک سے ثمر آور منافع کا حصول ممکن ہو سکے۔

کریڈٹ ریٹنگ

آپ کی کمپنی کو دنیا کی ایک خصوصی انشورنس ریٹنگ ایجنسی A.M.Best کی جانب سے ریٹنگ دی گئی اور ایجنسی نے ہماری کمپنی کو "B+" کی فنانشل اسٹرینتھ ریٹنگ اور لونگ ٹرم ایشوئر کریڈٹ ریٹنگ "bbb-" دونوں کے لئے مثبت رجحانات تفویض کئے گئے ہیں۔

مذکورہ بالا کے علاوہ کمپنی کو ملک کی دو کریڈٹ ریٹنگ ایجنسیوں یعنی VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ اور پاکستان کریڈٹ ریٹنگ ایجنسی کی جانب سے بھی ریٹنگ دی گئی ہے۔ دونوں ریٹنگ ایجنسیوں نے AA+ مع مثبت آؤٹ لک کی ریٹنگ تفویض کی ہے۔

ہیومن ریسورس

گزشتہ سالوں میں ای ایف یو کی کامیابی ہماری افرادی قوت کی کارکردگی کا منہ بولتا ثبوت ہے بالخصوص بحرانی کاروباری صورتحال میں جو مستقل طور پر درپیش رہی ہے۔ ہم اپنے ملازمین کی صلاحیتوں میں اضافے کے لئے مختلف تربیتی پروگراموں اور ان کی اچھی ہونی

Board Committee

Your Company maintains following three board committees:

Audit Committee

The Board is responsible for effective implementation of sound internal control system including compliance with control procedures. The Audit Committee is assisted by the Internal Auditor in reviewing the adequacy of operational controls and in monitoring and managing risks so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principle responsibility of the Internal Auditors is to conduct periodic audits to ensure adequacy in operational controls, consistency in application of policies and procedures, compliance with laws and regulations.

TORs of Audit Committee

The Committee comprises of five members, including the Chairman of the committee who is an Independent Director appointed to comply with the requirement of Code of Corporate Governance Regulations, 2017.

The Board has satisfied itself that Audit Committee consists of at least one member having relevant financial experience and knowledge to qualify as financially literate as required by the Code. The Committee focus is to oversee the effectiveness of internal controls, internal audit function, compliance and other responsibilities assigned by the Board of Directors.

The terms of reference of the Audit Committee as determined by Board of Directors are as follows:

(a) Determination of appropriate measures to safeguard the Company's assets.

(b) Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- major judgmental areas;
- significant adjustments resulting from the audit;
- going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards; and
- compliance with statutory and regulatory requirements.

(c) Review of preliminary announcement of results prior to its external communication and publication.

(d) Review of all related party transactions and recommending for approval of the Board of Directors thereon.

(e) Facilitating the external audit and discussion with external auditors of major observations arising from audit and any matter that the auditors may wish to highlight (in the absence of management, where necessary).

(f) Review of management letter issued by external auditors and discuss management's response thereto.

(g) Ensuring coordination between the internal and external auditors of the Company.

(h) Review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

(i) Consideration of major findings of internal investigations and management's response thereto.

(j) Ascertaining that the internal control systems including financial and operational controls, accounting systems and the reporting structure are adequate and effective.

(k) Review of Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports.

(l) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.

(m) Determination of compliance with relevant statutory requirements.

(n) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

(o) Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.

(p) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Sr. No.	Name of Directors		Meetings Attended
1.	Mr. Tanveer Sultan Moledina - Joined on July 10, 2020	(Chairman)	2
2.	Mr. Rafique R. Bhimjee - Joined on July 10, 2020	(Member)	2
3.	Mr. Taher G. Sachak	(Member)	4
4.	Mr. Ali Raza Siddiqui	(Member)	4
5.	Ms. Yasmin Hyder - Joined on July 10, 2020	(Member)	2
6.	Mr. Mohammed Iqbal Mankani - Left on July 10, 2020		2
7.	Mr. Daanish Bhimjee - Left on February 10, 2020		1

Investment Committee

The Company has a Board level investment committee that meets at least once a quarter to review the investment portfolio. The committee is also responsible for developing the investment policy for the Company. The Board's Investment Committee comprises of the following members:

Sr. No.	Name of Member		Meetings Attended
1.	Mr. Rafique R. Bhimjee - Joined on July 10, 2020	(Chairman - Non Executive Director)	2
2.	Mr. Saifuddin N. Zoomkawala	(Member - Non Executive Director)	4
3.	Mr. Hasanali Abdullah	(Member - Managing Director and Chief Executive)	4
4.	Mr. Taher G. Sachak	(Member - Non Executive Director)	4
5.	Mr. Altaf Gokal	(Chief Financial Officer)	4

Ethics, Human Resources and Remuneration Committee

The committee is responsible for recommending to the Board human resource management policies of the Company as well as the selection, evaluation and compensation of key officers of the Company.

The Board's Human Resource and Remuneration Committee comprises of the following members:

1. Mr. Mohammed Iqbal Mankani (Chairman - Independent Director)
2. Mr. Saifuddin N. Zoomkawala (Member - Non-Executive Director)
3. Mr. Hasanali Abdullah (Member - Executive Director)

Board and Board Committees Meetings

During the year all meetings of the Board and Board Committees were held in Pakistan.

Directors' Training and Orientation

Nine Directors of the Company have acquired certification under the Directors' Training Program while one newly elected Director will acquire the training during the year 2021.

During the year, the Company has submitted a booklet to the Directors for their Orientation to apprise them of their duties and responsibilities. The Directors were apprised of the changes in different laws and regulations.

Security Clearance of a Foreign Director

There is no foreign Director on the Board.

Significant Changes in Board Committees

During the year, the Board Committees were constituted after the election of Directors.

Management Committees

As part of the Corporate Governance, your Company maintains following four management committees which meet at least once every quarter:

Underwriting Committee

The underwriting committee formulates the underwriting policy of your Company. It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers. The committee regularly reviews the underwriting and premium policies of the Company with due regard to relevant factors such as its business portfolio and the market development.

Claims Settlement Committee

This committee devises the claims settlement policy of the Company. It oversees the claims position of the Company and ensures that adequate claims reserves are maintained. Particular attention is paid to significant claims cases or events, which give rise to a series of claims. The Claims Settlement Committee determines the circumstances under which the claims dispute to be brought to its attention and decides how to deal with such claims disputes. It also oversees the implementation of the measures for combating fraudulent claims cases. The Committee also oversees the newly established Grievance Function of the Company.

Reinsurance and Coinsurance Committee

This committee ensures that adequate reinsurance arrangements are made for the insurance company's businesses. It peruses the proposed reinsurance arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance program for future reference.

Risk Management and Compliance Committee

The risk management and compliance committee oversees the activities of the risk management function of the Company and makes appropriate recommendations to the Board to mitigate probable risks falling within the purview of the risk management function.

The committee is also responsible for monitoring the compliance function and the insurer's risk profile in respect of compliance with the laws applicable to it as well as the internal policies and procedures.

Human Resource Management Policy

Our policy rests on belief that success and accomplishment of our Company be determined by the success and accomplishment of our employees. We promote and encourage honest and ethical behavior in our business activities. There is no discrimination amongst employees on the basis of religion, race, ethnicity and gender. At EFU individual care and guidance in a friendly family community is at the heart of our philosophy. We aim to help each employee realize his / her full potential.

Succession Planning

In EFU General, succession planning is a process whereby we ensure that our employees are developed to fill vacant posts within the Company. Through our succession planning process, we develop their knowledge, skills, and abilities, and prepare them for advancement or promotion into ever more challenging roles.

EFU prides on its formidable team of professionals. The Company lays great emphasis on building and nurturing its intellectual capital. These thoroughly trained professionals ensure that EFU maintains its competitive edge in the market.

EFU has the lowest turnover ratio not only in the insurance industry but almost in the entire corporate sector, as EFU culture is of a family.

Value of Investments in Provident, Gratuity & Pension Funds

The value of investments of provident, gratuity and pension funds based on their audited accounts as on December 31, 2020 were:

- Provident Fund Rs. 959 million
- Gratuity Fund Rs. 488 million
- Pension Fund Rs. 260 million

Avoiding Actual and Perceived Conflict of Interest

The Company is committed to the transparent disclosure, management and monitoring of existing and potential conflicts of interest. The Company's Board is also cognizant of its obligations as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG) to ensure that Directors avoid conflicts of interest between their responsibilities and their other interests. All Board members have a duty to avoid actual or perceived conflicts of interest.

Every director of the Company who is in any way interested in any contract or arrangement to be entered by the Company is required to disclose the nature of his concern or interest to the Board and shall not take part in the discussion or vote on the matter.

Every year in conformity with the section 153 of Companies Act, 2017, CCG and Insurance Companies (Sound and Prudent Management) Regulations, 2012, the Directors of the Company are required to provide a signed Statement of Compliance. The statement requires all the Directors to disclose the names of the companies, firms and businesses where they are associated and that they comply with all legal requirements to hold the position as Directors.

Whistle Blowing Policy

In compliance with the Code of Corporate Governance, the Company has adopted a Whistle Blowing Policy. The Company has an established Code of Ethics which sets out the standards of conduct expected in the management of its business. All employees are expected to carry out their duties in a manner that is consistent with the Code. If employees become aware of circumstances which are not in compliance with the Code, they may communicate their concerns to the Managing Director.

IT Governance Policy

The Company has comprehensive IT Policy, approved by the Board of Directors. The significant features of IT policy are:

1) IT Security including network, applications, data and asset
2) IT Staff responsibilities
3) Backup, Maintain Disaster Site and Disaster Recovery Plan

Policy for Safety of Records of the Company

The Company abides by the requirement of Section 220 of the Companies Act, 2017, for the maintenance of books of accounts. In addition to this, retention of the Company's records is also based on their administrative and operational requirement. The Company has implemented a comprehensive plan for maintenance of its physical and electronic data.

In line with this, a proper record room has been maintained at its Head Office for safe custody of the various physical documents; where the records are stacked on pre-numbered racks. All records along with rack number have been entered in the record management system from where any record can be traced by entering the particular of record required.

For timely recovery of its soft data on the Cloud, on-site and remote Data Recovery (DR) site is available with the Company.

Grievance Function

The Company complaints / grievances function of insured to comply the applicable requirements of the "Code of Corporate Governance for Insurer 2016" (the code). Grievance functions tries its best to resolve the complaints / grievances effectively and efficiently within shortest possible time.

Under the "Grievance Function", complaints / grievances of the policyholders are received by the designated staff in writing or through email or forwarded to him, if complaints is received by any other staff of the Company. Relevant staff of grievance function resolves the complaints / grievances within the minimum possible time and act according to the requirements of the Code of Corporate Governance for insurer.

Policy and Procedure for Stakeholder Engagement

Institutional Investors

The Company convenes Annual General Meeting in accordance with the Companies Act, 2017. The Company's financial reports are published every quarter and are also placed on Company's website for the shareholders and potential investors.

In compliance with the Code of Corporate Governance under the listing regulations of the stock exchange, the Company notifies information to the Stock Exchange from time to time. This helps the shareholders remain connected with the Company. The dates of Board of Directors meetings and financial results are notified to Stock Exchange.

Customers

We believe in customer trust and satisfaction being our strength over the years. To help improve customer service and meet their needs and expectation, feedback from customers is sought. In this regard, the Company's website has dedicated customer feedback section for an ongoing relationship with them.

Banks

We understand the importance of these stakeholders and ensure continuous interaction with them and manage our relationships.

Media

We continuously engage with media through issuing press releases, briefings and advertisements campaigns. We have also dedicated section on our Company's website for public relations. The website may be accessed at www.efuinsurance.com.

Regulators

To maintain compliance with applicable laws and regulations, the applicable statutory returns and forms are filed with various regulatory bodies and federal and provincial taxation authorities.

Internal Control Framework

The Company's Internal Control framework consists of various inter-related components including the Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. These components work to establish and implement sound internal control system through directed leadership, risk management function, internal audit and compliance.

The Board of Directors and management are responsible to establish an Internal Control System to maintain an adequate and effective Internal Control Environment. An Internal Control System is a set of systems and processes designed to identify and mitigate the risk of failure and achieve the overall business objectives of the organization by providing reasonable assurance of:

1. Effectiveness and efficiency of operations
2. Reliability of financial information
3. A prudent approach to business
4. Compliance with applicable laws and regulations

Role of Internal Audit

The Internal Audit is instrumental in assisting the Board of Directors and the management to evaluate the effectiveness and efficiency of internal control framework. The Internal Audit annual plan is discussed with management to ensure complete coverage of evaluation of all significant risks to which the company is exposed, which thereafter is approved by the Board Audit Committee. The significant findings are discussed with management on ongoing basis and reported to Audit Committee in quarterly meetings to ensure that corrective actions are taken on timely basis to minimize the recurrence of discrepancies to ensure strengthening of the control environment.

Role of Risk Management

Being an insurance company, we deal with risks that arise from internal as well as external events while the landscape is constantly changing. Risk management function plays a key role in the management of uncertain situations in line with the strategic objectives the company.

Our risk management function operates under the Enterprise Risk Management (ERM) function, providing a unified framework that identifies, quantifies and manages major categories of risks that might have material effect on company's values by using both quantitative and qualitative assessments.

ERM function is headed by the Risk Officer under the guidance of Risk Management and Compliance Committee that reports to the Board of Directors. ERM function is integrated with key functions of the Company.

Role of Compliance

Compliance function is responsible for the compliances with applicable laws & regulations and reviewing the updates/promulgation of laws and regulations. The Chief Compliance Officer heads the Compliance function. The Compliance function works in liaison with other departments to ensure timely compliances of relevant laws and regulations. The Compliance officer gives quarterly update to the risk management and compliance committee.

Compliance Framework

A compliance framework outlines the regulatory compliance standards and regulations relevant to the organization. We comply with laws and regulations promulgated by Securities and Exchange Commission of Pakistan, listing of Pakistan Stock exchange. The Company also adheres with the laws and regulations promulgated by Federal and provincial governments as are relevant to the Company.

We consider compliances of the relevant laws and rules as the foremost priority.

Compliance Officer is responsible for the compliance function. Policies and procedures are amended whenever required for effective, efficient and smooth operations.

The Compliance framework is part and parcel of internal control framework of the Company, main purpose being, to ensure and remain compliant.

Shari'ah Compliance Mechanism for Window Takaful Operations

The Company, as Window Takaful Operator, carries out its Window Takaful Operations (WTO) in accordance with the prescribed regulations.

Fundamental requirement of WTO that the whole business practices, products and operations should be based on shariah rules and principles under the regulatory framework and under the guidance and supervision of our Shariah Advisor, Mufti Ibrahim Essa.

The Shariah Compliance Officer, as required under Takaful Rules, 2012, monitors day to day Takaful operations and ensure compliance of procedures laid down by the Shariah Advisor. The Shariah Advisor regularly conducts compliance training of the relevant staff.

High level of shariah compliance standards have been maintained during the year which is also reflected in the "Shariah Advisor's Report to the Board of Directors" and "Independent Reasonable Assurance Report to the Board of Directors on Statement of Management' Assessment of Compliance with the Shariah Principles" are also attached to this Annual Report.

Policy for Related Party Transactions

In order to comply with requirements of the Companies Act 2017, Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 and Listed Companies (Code of Corporate Governance) Regulations, 2019, the Company has devised a policy duly approved by the Board of Directors.

The Related party transactions are approved by the Board of Directors on quarterly basis. Related party transactions in which majority of directors are interested are referred to the shareholders in Annual General Meeting for approval.

Anti-money Laundering and Countering Financing Terrorism Policy

Board of Directors has formed a comprehensive policy with guidelines in order to comply with the Anti-Money Laundering and Counterfeiting of Terrorism Regulations 2020 promulgated by Securities and Exchange Commission of Pakistan (SECP). Company performs comprehensive, Know Your Customer (KYC) procedure before accepting any client as required under SRO 921 (1) /2020 issued by SECP. Company is using lexis nexis software to screen all new and old clients. If any client is found in the negative list, Company rejects offer of that business. The company also conducts training of its employees regarding Anti-Money Laundering and Counterfeiting of Terrorism Regulations 2020 and performance of KYC of clients and documents requirement for all categories of clients.

Directors' Remuneration Policy

In order to comply with Companies Act, 2017, Listed Companies (Code of Corporate Governance) Regulations, 2019 and Articles of Association of the Company, the Company has devised approved policy with respect to the remuneration of chairman, Chief Executive, non-executive, executive and independent Directors.

The Board of Directors have approved the meeting attending fee for Board and Board committee meetings.

Corporate Social Responsibility Policy

The Company recognizes the importance of its Corporate Social Responsibility towards employees, community, clients, vendors and other stake holders. The Company considers that the society is one of the important stakeholders and take steps for the welfare and betterment of the society within its limit.

The objective of CSR policy is to promote the wellbeing of employees by taking health and safety measures and for general public by giving donations to various institutions. Main objective of donations is to assist in Health and, Education fields.

The Board approves the annual donations given by the Company to various institutions.

Business Continuity and Disaster Recovery Plan

Without a defined, communicated and tested Business Continuity and Disaster Recovery Plan, the risk of extended unavailability of business processes and information systems in the event of any catastrophe increases exponentially. Further, absence of appropriate management plan can also result in damage to reputation, high costs of resumption and loss of business.

The Company has developed a comprehensive Business Continuity and Disaster Recovery plan addressing all the critical business functions and systems of the company. The plan ensure that operations, commitments and relationships are protected in case of any disruption to the business and to safeguard the assets of the company particularly data in soft and hard form relating to the operations of the company.

The main objective of the Business Continuity and disaster Recovery Plan is to develop, test and document a well-structured and easily understood plan which will help the Company in minimizing losses to the assets and recover quickly and effectively from an unforeseen emergency situation which may interrupt business operations.

The plan is being periodically tested and reviewed to ensure that all essential aspects have been adequately covered and that all relevant individuals as well as employees are fully aware of their responsibilities in the event of a disaster. The Company also has taken following measures to ensure quick and smooth availability of data and recovery from the catastrophic situation:

- Identified key business process and data that would be restored on priority basis
- Formed a team that will carry on processes to bring the business to normal
- Training of responsible staff is carried out on regular basis.
- Daily data backup is stored in Bank Lockers at designated branch
- Real time data is mapped on a DR site
- Dedicated alternate physical locations that could be used in catastrophic situation
- Live testing is also performed by the relevant department to respond spontaneously.
- Evacuation policies have been developed for the safety of the employees in case of a disastrous situation.

Implementing Governance Practices Exceeding Legal Requirements

The Company regularly provides training for its officers and departmental heads to comply with the relevant laws and regulations.

Company follows practice of good governance and compliance with the Code of Corporate Governance practices.

Corporate Social Responsibility

Enterprises exist within communities. It is our belief that responsible corporate citizenship dictates we give back to the community something of what we earn. We believe that businesses, no matter what their size or field, have a responsibility to share the burden of building society's future. We at EFU regularly contribute to creditable and worthy causes that keeps us in the forefront when relief is required if disasters strike. We will keep demonstrating our concern for the future of Pakistan. The impact of our presence in society is both direct and indirect. The impact flows from the resources we consistently mobilize and the investments we make.

Sports Activities

The Company maintains an in-house games facility including Table Tennis, Snooker, Chess, Carrum and Draught for both male and female employees. In addition, gym facilities are also available for employees' fitness. Further, new games were also introduced namely hand football and Daboo Carrum.

EFU Sports and recreation club has promoted various sports events over time. Annual winner's prize Distribution Ceremony of sports was arranged by EFU Sports and Recreation Club. The Company also have cricket and table tennis teams which participate in various tournaments. To encourage sportsmen spirit, the Company sponsors trip to Pakistan Tour for the winners of Annual EFU Sports.

Every year our team participates and hold position in the following championships:

- Insurance Premier League (IPL)
- IAP Cricket Trophy
- Insurance Association of Pakistan Table Tennis Tournament
- Karachi Insurance Institute Chess Tournament
- Karachi Insurance Institute Table Tennis Tournament
- Karachi Inter firms Table Tennis Tournament
- EFU Premier League Cricket Tournament

Energy Conservation

Every year, we do our in-house Energy Conservation Audit which is bench marked by monthly reports. In this way, we keep a close watch over our energy conservation. All electrical items used in our offices are energy-friendly. A rotation system is also introduced in which HVAC system (Gas Fired Cooling Towers) are turned on and off on set intervals. Lights are switched off during Lunch break.

Water Conservation

Water conservation system includes automatic water conservative taps that have resulted in reduction of water utilization, thus efficiently reducing unnecessary water usage.

Environmental Protection Measures

The Company is well aware of its social responsibility in regard to environmental protection. Therefore, we encourage healthy environment and take steps which could add value to our belief. Our experienced and qualified team makes sincere efforts to create a healthy environment for trade & industry in carrying out their business and the public in general. Since our business of covering the risk involves human intellectual skills, therefore, it does not have any adverse environmental impact. We have placed green beautiful plant pots on all floors in abundance for positive impact on environment and promote an eco-friendly workspace that has led to a considerable reduction of carbon emission from the environment.

Consumer Protection Measures

Emphasis on earning the trust of the customers is the keystone of EFU's corporate culture. It is the first thing that we inculcate in new inductees in our human resource. “Keep delivering on promises and customers will keep coming back” was our credo when we opened for business, it is our credo now, and will remain so for the future. With protection from EFU, business houses have grown and diversified, enhancing the country's economic progress and our business portfolio. It is no surprise that with many customers the status of EFU is that of a “family insurer”. It is also gratifying that every year a noteworthy part of our new business comes from referrals by our existing customers, some of whom have been insuring with us for generations.

JCR-VIS and PACRA rate us “AA+” with Stable Outlook and A. M. Best has rated us as “B+” and a Long-Term Issuer Credit Rating of “bbb-” with Stable Outlook for both but the more valuable reflection for us is the way customers perceive us. Most often this is expressed in just three words; “My Insurance Company”. This is the reason why we have slogan of “EFU - Your Insurance Company”.

Procedure Adopted for Quality Assurance of Products Industrial Relations

EFU General believes that meeting customer expectations comes from consistently meeting standards and delivering consistent results is at the core of quality assurance procedures. It is our responsibility to ensure that every employee understands the quality definitions and how he / she is to make certain those standards are met. Measuring the quality that is delivered is critical for consistent results. Department / Branch Heads monitor work processes and maintain quality standards.

As per ISO 9001:2015 standards, EFU General has established procedures for quality assurance of services by continually improving the effectiveness of the quality management system through the use of:

- the quality policy,
- quality objectives,
- audit results,
- analysis of data,
- corrective and preventive actions,
- regular management reviews,
- trainings,
- customer feedback system and
- monitoring / measurement activities.

The old expression, "There is always room for improvement," rings true when it comes to quality assurance. To keep our business on the cutting edge, we always ask the question, "How can we make this better?" By tweaking the process where required or by raising standards each year, we will see our overall business quality improve to levels higher than ever before.

Employment of Special Persons

The Company is an equal opportunity employer, irrespective of their physical disability.

Occupational Safety and Health

Fire extinguishers have been installed at various points within the working premises. Further, the Company has a dedicated medical facility which includes clinic and a Medical Officer at Karachi to take care of employees and their families' health matters and also advise on preventive health care.

Business Ethics and Anti-corruption Measures

The Board has adopted the Statement of Ethics and Business Practices. All employees are informed of this and are required to observe these rules of conduct in relation to business and regulations.

Statement of Ethics and Business Practices are based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

Community Investment and Welfare Schemes

We donate to different institutions mainly in health and education sectors to support various less privileged classes of our country.

Financial Contribution to the National Exchequer

Your Company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the Company is growing. This year the Company contributed Rs. 4.7 billion to the National Exchequer in the form of Federal Excise Duty, Sales Tax, Income Tax, Federal Insurance Fee, Custom Duties, and Policy Stamps etc.

Natural Catastrophe Impact

Natural disaster is an act of nature such as earthquakes, floods, and hurricanes which inflict serious damage to property and lives. In order to assess potential insured loss from natural catastrophe perils, various catastrophe models were designed like Risk Quantification & Engineering and Corporate Risk Solution. These models provide decision makers with a range of expert views of the risk aiding objective evaluation, benchmarking and decision making. Access to multiple models in Asia and particularly in Pakistan, is important given the potential high level of uncertainties in model outcomes due to the relatively low loss experience, access to quality data and the low level of insurance penetration making it historically difficult to build and calibrate models to local conditions. EFU ensures that property reinsurance program is designed in accordance with the recommendations made by such Catastrophe modelling. No natural catastrophe event happened during last five years.

SWOT Analysis

The Company's brief SWOT analysis is as follows:

Strengths

- Over 85 years in the business
- Strong Capital Base
- Strong credit rating of AA+ with Stable Outlook
- Largest branch network across the country
- Diversified product mix
- Most Compliant Insurance Company
- Market Leader
- Diversified product mix
- Diversified and experienced Board of Directors
- Competent and loyal staff
- Excellent customer Care

Weaknesses

- Geographical restrictions on investment

Opportunities

- Ability to write more business in both takaful and conventional business
- New product expansion in light of:
  - Technological changes
  - Environmental changes
- More space in the market for penetration
- CPEC projects

Threats

- Political instability
- Economic instability
- Changing climate
- Technological innovations and changes
- Competitive Market
- Regularity changes including tax reforms

Awards & Achievements

Pakistan Stock Exchange (PSX) Top 25 Companies Award

EFU General Insurance Ltd has been conferred the PSX Top 25 companies awards 2019. The Top 25 Companies Award is a tradition at Pakistan Stock Exchange which goes back to 1978. Historically, the best performing listed companies in Pakistan are awarded this distinction. Broadly speaking, companies which have outperformed others in the spheres of corporate governance, financial performance, and have added to shareholder value based on specific quantitative criteria, amongst other factors, make it to the Top 25 Companies List. This award takes into account the excellent performance metrics of such companies and recognizes the able guidance of their boards and strong management.

Corporate Social Responsibility Award 2020

EFU General Insurance Limited has been conferred with "9th Corporate Social Responsibility (CSR) Award 2020" in the category of 'Public Health Safety Initiative'.

This award is the first and only CSR award of Pakistan registered with IPO, Government of Pakistan.

Corporate Social Responsibility Award 2020

The Professional Network (TPN)

FPCCI Achievement Award 2020

8th FPCCI Achievement Award 2020

Federation of Pakistan Chambers of Commerce & Industry (FPCCI)

EFU General Insurance Limited (EFU) won "8th FPCCI Achievement Award 2020" by the Federation of Pakistan Chamber of Commerce & Industry.

This prestigious award recognizes those businesses that have positively contributed to the socio-economic development of the country, by honoring their exemplary performances across the industry. It is a matter of pride that EFU has been securing this award for the last eight consecutive years.

Environment Excellence Awards 2020

EFU General Insurance Limited has been conferred "17th Annual Environment Excellence Awards 2020". The Professional Network (TPN) and Ethical Business Update (EBU) in collaboration with various related organizations organized 6th International Conference on Environment Health and Safety. The award concurs EFU General's commitment towards energy conservation and contribution towards protecting the overall environment for a more sustainable and greener Pakistan. EFU General has been securing this award for the last four years. The Annual Environment Excellence Awards are the benchmark for environmental standards in Pakistan.

17th Annual Environment Excellence Awards 2020

The Professional Network (TPN) and Ethical Business Update (EBU)

Brands of the year Award 2019

EFU General has been awarded with Brand of the Year Award 2019 in the category of General Insurance. It is a matter of pride that EFU has been winning this award for many consecutive years. EFU General has been among those brands which are stepping forward in the corporate world with the aim to offer the nation the best services. This is the result of untiring efforts and dedication of the management team.

Consumers Choice Award 2019

Consumers Association of Pakistan (CAP)

Fire Safety Award 2020

10th Fire Safety & Security Convention Award 2020

Fire Protection Association of Pakistan & National Forum for Environment & Health (NFEH)

The Fire Protection Association of Pakistan and National Forum for Environment and Health (NFEH) jointly organized 10th Fire Safety & Security Convention-2020.

EFU General Insurance Limited has been conferred with the 10th Fire Safety Award 2020 for excellent HSE practices and performance in the field of fire safety and security to ensure protection of physical assets, material and human resource alike. The Company has always given priority to occupational health, safety and environment protection. Our policies and practices ensure safer modes of business and operations for the betterment of our internal and external stakeholders and specially the environment. The company has been receiving this award for consecutive six years.

ISO 9001:2015 Certification

EFU General is proud of having received the Certification of Registration of ISO 9001:2015 which is an ongoing quality assessment of the brands. For this certificate, EFU proved itself as a high quality brand in the field of insurance endorsing that the entity is strictly complying with the Quality Management System.

Membership of Industry, Associations and Trade Bodies

Key benefits of joining a trade association is the ability to support the mission of the organization and possibly influence legislation that affects the industry. These industry associations help provide a forum for networking, training and education, certifications, influence, spreading best practices, exchange of thoughts and information, building relationship across the board.

The Company is associated with various chambers of commerce, associations, forums, and trade bodies to be able to actively play key role in addressing the issues concerning the organization and business community at large.

EFU General Insurance Limited being the oldest Insurance Company feels pride in its association with the following bodies:

- Insurance Association of Pakistan
- Federation of Afro-Asian Insurers and Reinsurers "FAIR"
- Pakistan Business Council
- Management Association of Pakistan
- Pakistan Institute of Corporate Governance
- Pakistan International Chamber of Commerce
- Economic Cooperation Organization Chamber of Commerce and Industry
- Federation of Pakistan German Chamber of Commerce & Industry
- Pakistan Belgium & Luxemburg Business Forum
- Karachi Chamber of Commerce and Industry
- Rawalpindi Chamber of Commerce and Industry
- Faisalabad Chamber of Commerce and Industry
- Multan Chamber of Commerce and Industry
- Islamabad Chamber of Commerce and Industry
- Employers Federation of Pakistan

Strategic Objectives

- Retain leadership position in the market.
- Explore opportunities by introducing new products and diversifying current product portfolio.
- Pursue continuous improvement and technological advancement.
- Enhance corporate capabilities and motivation through skill enhancement, management development and reward programs.

Resource Allocation

The Company believes in generating its own capital to implement the strategies or plans in order expand its business activities. Resources are budgeted and allocated for the management to operate professionally without Board's intervention in operations.

Corporate Restructuring, Expansion and Discontinuance

Currently, the Company has no such plans.

Changes in Objectives / Strategies from Prior Years

There are no significant changes in the Company's objectives / strategies as compared to prior years.

Key Measures for Key Performance Indicators (KPIs)

The Company is persistently endeavoring to lay emphasis on being the preferred insurer as well as maintaining its leadership position in the industry.

The key measures for KPIs against stated objectives of the Company are stated as under:

- **Improving underwriting results** - The business managers are continuously making efforts to increase business from their existing operational fields of operations and also explore untapped markets.
- **Improved overheads** - We continue to look at the expense base and control and try to make additional mileage from each rupee spent.
- **Continue to be market leader** - With over eight decades of market presence, EFU is a brand name of Insurance in Pakistan. EFU General is the most powerful and trusted insurer in Pakistan.
- **Customer satisfaction** - At EFU General, customer service is a promise, a determination to do what is right for the customers. We have earned the trust of customers with our dedication to serve them in the best possible manner and always delivering on our promises.
- **Increasing shareholders' wealth** - Maximizing shareholders' wealth is among the core objectives of the Company. Increasing the Company's value would also satisfy the other goals.

Capital Structure

The Company maintains strong financial base. The Company's solvency as at 31st December 2020 was Rs. 9.9 billion as against required solvency of Rs. 2.2 billion i.e. excess of Rs. 7.7 billion over minimum required solvency (which is more than four times the minimum required).

Liquidity Management Strategy

Your Company carefully administers its liquidity to ensure its ability to meet all its obligations efficiently. The Company operates and honours its obligations through the cash flow generated from its core business as well as investment and other income.

Significant Changes in Assets & Liabilities

The Company's performance, as compared to the preceding year, has shown improvement, details of which are in the Directors' Report. The Company's Total Assets rose by 0.24 % over last year. Window Takaful Operations Assets showed a significant increase of 24 % over last year.

Future Strategy

To take EFU General to the greater height, we are focusing more closely on the markets and customers segments where we have a competitive edge, those where we can offer a superior value proposition to our customers.

The Window Takaful Operations are growing. We see further growth in Takaful market in 2021. We continue to invest in our people and systems and processes to better understand our customer's needs, serve them in the way they require, increase collaboration and improve efficiency.

Strategies in Place to Achieve Objectives

Our strategy is designed to deliver sustainable, profitable growth in a changing and competitive business environment in order to maintain leading position in the industry. To take EFU General to the greater height, in addition to writing normal conventional and takaful business, we are also focusing on the markets and customer segments where we have competitive edge and offer superior value proposition to our customers.

The Window Takaful Operations are also growing. We see further growth in Takaful market in the years to come. We have the highest takaful written contribution (premium) in the market not only in Window Takaful operating segment but even higher then dedicated takaful companies writing non-life business.

We continue to invest in our people and systems and processes to better understand our customer's needs, serve them in the way they require, increase collaboration and improve efficiency.

Forward Looking Statement

Our strategy for 2021 is designed to deliver sustainable, profitable growth in a changing and competitive business environment in order to maintain leading position in Pakistan.

Skilled human resource is a major challenge facing the insurance industry. Therefore, the Company intends to continue investing in people and making EFU General the best place to build career and developing the competencies and skills of their employees along with technical abilities to innovate new products. More importantly, inculcating ethics and good business practices.

We will continue investing in systems and processes to further improve service to customers and increase collaboration with them and improve efficiency. The Company believes that its strength lies in customer trust and satisfaction.

More than eight successful decades of the Company's existence points towards the fact that, the quality of service, customer satisfaction and employees' motivation are the key areas where management on ongoing basis continues to take measures for improvement.

The way to continuous success will be the persistent execution of our strategic plan to build a more competitive and successful business and improved results and maintain the lead position in Pakistan.

The key performance indicators devised for achieving the management objective remains to be maximization of customer satisfaction, improvement in underwriting results, control and maintain overhead costs at reasonable levels, increasing shareholders' wealth and continue to be market leader in Pakistan.

Analysis of Prior Period's Forward Looking Disclosure

Your Company had set financial targets for 2020 of being the largest and the best Company in the insurance sector and pleased to report that your Company continues to maintain the lead position in Pakistan.

Progress in 2020

Despite macroeconomic headwinds during the year, your company remained the market leader.

During the year, gross written premium (including takaful contribution) registered 2.3 % year-on-year growth at Rs. 22.6 billion as against Rs. 22.1 billion last year. The net premium revenue has been depicting consistent growth over the last several years, underlining the Company's sufficient capital adequacy coupled with financial strength. The net premium revenue (including takaful) for the year was Rs. 9.8 billion as against Rs. 8.7 billion for the last year.

For the year, investment & other income was Rs. 2.6 billion despite the heightened volatility in capital markets.

The key performance indicators devised for achieving the management objective were to be maximization of customer satisfaction, increasing shareholders wealth and continue to be market leader. At the same time, your company continued with the implementation of effective Enterprise Risk Management (ERM) program.

Prospects in 2021

Our strategy for 2021 is to continue to deliver sustainable, profitable growth in a challenging business environment and to maintain leading position in Pakistan.

The key performance indicators devised for achieving the management objective will as before, be maximization of customer satisfaction, improvement in operational underwriting results, control and increasing shareholders' wealth.

Statement of Management Responsibilities Towards the Preparation and Presentation of Financial Statements

Management is responsible for the preparation and presentation of financial statements in accordance with accounting and reporting standards as applicable in Pakistan and 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. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Board of Directors is responsible for overseeing the Company's financial reporting process.

The Management has established systems of internal control that are designed to provide reasonable assurance that assets are safeguarded from loss or un-authorised use, and to produce reliable accounting records for the preparation of financial information. The Management recognises its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws, and maintains proper standards of conduct for its activities. The Financial Statements are duly audited by external auditors of the Company in accordance with the International Auditing Standards as applicable in Pakistan. The external auditors have confirmed that the financial statements have been prepared in conformity with the accounting and reporting standards as applicable in Pakistan. The financial statements of the Company have been duly signed, by Chairman, Chief Executive Officer, Chief Financial Officer and two Directors as required by law.

Pandemic Recovery Plan by the Management and Policy Statement

In line with EFU's philosophy, a cross-functional management team developed comprehensive plan taking all relevant measures and SOPs for the safety and health of the employees. The project-team meets regularly to review and update the plan.

The ratio of the employees working in office and working from home are varied from time to time in accordance with the situation developing in various locations where people live and situations of other family members. However operations of the company continue uninterrupted.

Our Medical Officer is available to employees for medical advice to minimize the risk of contracting virus. Employees are informed on regular basis to keep them updated for their health and safety.

Further, employees are required to strictly follow the SOPs while attending office and the project-team ensures that all employees follow through all SOPs in true spirit.

Critical Challenges to EFU and Responses

EFU General values all its stakeholders and have put in place various measures to address the interests of our stakeholders as well as to minimize risk to our shareholders. However, the external milieu is continuously changing and posing challenges. Some of the challenges such as advancements in information technology, cyber security, climatic changes, and economic volatility are seen as critical. The Company is well aware of these challenges and articulates various strategies to minimize the ramification of these challenges.

To address the issue of advancements in information technology, IT infrastructure is upgraded and strategies developed/reviewed to respond to the changing IT landscape. On ongoing basis cyber security policies and procedures to protect our assets, data of our employees and policyholders from external attacks are reviewed and altered.

We are also very well aware of the global responses to the climatic changes and its implications on our business portfolio in the future.

Over the years, EFU General has developed in house skills and expertise under the guidance of experienced Board of Directors that efficiently deal with the economic uncertainties.

Compliance with International Financial Reporting Standards (IFRS)

Your Company complies with the applicable International Accounting Standards (IAS)/IFRS vital for true and fair preparation and presentation of financial information. Compliance to IFRS encourages sufficient disclosures of the financial statements that are beneficial for informed decisions of stakeholders.

The International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as applicable in Pakistan, have been followed in preparation of the financial statement. The adoption of IFRS status is explained in detail in note 2.1 of annexed unconsolidated and consolidated financial statements.

Adherence with the International Integrated Reporting Framework (IR)

With over 85 years of customers' trust, EFU stands as Pakistan's largest and the oldest general insurer, always ready to go the extra mile to serve better. EFU provides full range of insurance service for Fire, Engineering, Marine, Aviation, Motor, Other insurance and Takaful products.

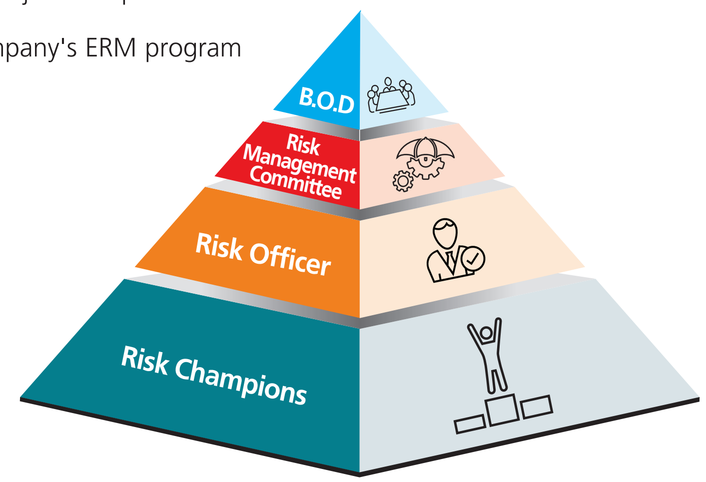
Our strategy is designed to deliver sustainable, profitable growth in competitive business environment and to maintain leading position in the country.

The management of your Company firmly believes in adherence to the best corporate governance practices and its reporting thereof is committed to generate greater value for the organization and its stakeholders.

Enterprise Risk Management - ERM

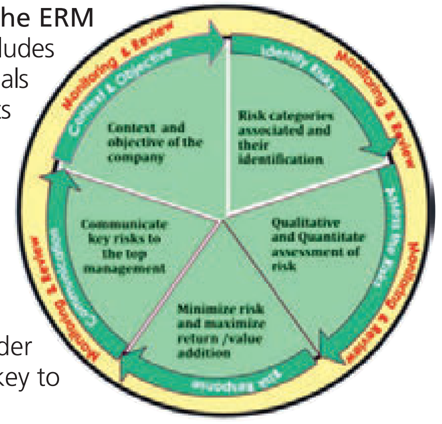
The ERM function established in 2017 with the approval of Board of Directors, is overseen by Risk Management and Compliance Committee that ultimately reports to the Board of Directors. Our ERM function is a holistic approach to the risk management of the Company, whether it be strategic, financial, operational, legal, reputational or insurance risk. All risks to the company are identified, quantified, and managed under the umbrella of ERM function. The Company is committed to enhancing its overall profitability through optimization of value-added activities, while maintaining a strong risk-adjusted capital.

The objectives of the company's ERM program is to allow:



- the company to proactively manage its risks in a systematic and structured way and to continually refine its processes to reduce its risk profile, thereby maintaining a safer environment for its stakeholders and maximizing its profitability,
- help create a risk awareness culture from a strategic and operational perspective by embedding ERM and ensure it is an integral part of company's planning process at a strategic and operational level,
- ensure appropriate strategies are adopted to mitigate risks and maximize opportunities,
- give credibility to the process and engage management's attention to the treatment, monitoring, reporting and review of identified risks as well as considering new and emerging risks on a continuous basis.

Our ERM function is based on two main pillars, **the risk governance** and **the ERM framework**. The risk governance provides the hierarchical structure, which includes the way in which the ERM roles and responsibilities are divided up among individuals and groups, the organizational structure and the policy and procedure documents that instruct key elements of the ERM process. Given below is the hierarchical structure of ERM function:



The ERM framework provides functional structure to the ERM. It uses a systematic approach to identify, quantify, manage and report key risks of the company to the management. Our ERM framework performs the following functions:

Understanding the Context and objectives of the company: We consider the context of the company in which we operate as well as our objectives as key to the identification of risks.

Identify Risks: The risk identification stage of the ERM framework first identifies major categories of the risks followed by the identification of specific risks under each category with their respective likelihood and severity.

Quantify Risks: All risks to the company are measured and key risks to the company are determined.

Risk Response: The Risk Management and Compliance Committee suggests responses to the key risks; and decisions are made to minimize or maximize the risk exposures.

Communication: The Risk Management and Compliance Committee's decisions are communicated to other functions/departments of the company for implementation and senior management is in the loop.

Business Risk

The Company continuously monitors and controls risks to the business.

Risk Factors

Factors that materially affect the achievement of our strategic as well as operational objectives are termed as risk factors. The risk factor may arise from internal failed processes, people, or systems in place or as a result of changes in the economic, political, social, demographic, environmental, technological landscape and regulatory framework. We, at EFU General continuously identify various risks of the company. However, due to the continuous changes in the internal as well as external landscape, not all risks of the company could be identified. In addition, risks that are known to us and may affect our strategic as well as operational goals are outlined below;

Actual Claims Exceed Loss Reserves

The results of our operations and financial condition is dependent upon our ability to accurately quantify the severity and frequency of the risks that we insure. Reserves are established for unpaid losses and loss associated expenses. This could be highly complex process which is subject to considerable variability.

The estimation of the reserves is based on many complex variables such as the current legal and regularity environment, settlements procedures, inflation and the severity and likelihood of the claims. The amount and timing of the settlement of the claims are uncertain and therefore, the actual payments could vary from the calculated loss reserves. In case, our reserves are lower than the required, we would be required to increase our reserves and therefore would have significant impact on our profitability.

Premium Risk

We have professional teams to determine prices of our product by considering our past history of claims and expense and considering the market prices. However, the future experience may behave differently than the past resulting in premium deficiencies which can expose us to significant premium risk.

Natural Disasters

Our company has substantial exposure to losses resulting from catastrophes which can be caused by various events such as earthquake, drought, hailstorm, floods, fire, war, terrorism, political instability, nuclear accidents and other natural or man-made catastrophes. The severity and likelihood of these catastrophes is unpredictable and can have significant impact on our business. Furthermore, the change in climate may increase the severity and frequency of the natural disasters which can have significant impact on our business. The occurrence of one or more such events can have adverse implications for our operations as well as financial position.

Emerging Claims

As a result of unexpected change in the external landscape such as regularity, judicial, financial, technological, climatic changes as well as insurance industry practices may lead to unexpected claims and coverage. These issue may increase either the frequency or the claim severity that could pose a significant risk to our company. In some instances, these changes may not become apparent until after we have issued insurance or reinsurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance or reinsurance contracts may not be known for many years after issuance.

Reinsurance Risk

There is a possibility that we may not be able to purchase reinsurance for some of the risks and if we do so there is a possibility that the payments are not payable. We purchase reinsurance from high rated reinsurance companies, however there is a chance of nonpayment of claims by the reinsurer due to either their inability, insolvency or unwillingness. Although we have no such experience in past yet there is a chance of this risk which exposes us to a sever risk.

Credit Risk

We have exposure to counterparties through reinsurance and in various industries, including banks, and other investment vehicles that expose us to credit risk in the event our counterparty fails to perform its obligations. We also have exposure to financial institutions in the form of secured and unsecured debt instruments and equity securities. In accordance with industry practice, we generally pay amounts owed on claims to brokers who, in turn, remit these amounts to the insured or ceding insurer, if a broker fails to make such a payment, we might remain liable to the insured or ceding insurer for the deficiency. Conversely, in certain jurisdictions, if a broker does not remit premiums paid for these policies over to us, these premiums might be considered to have been paid and the insured or ceding insurer will no longer be liable to us for those amounts, whether or not we have actually received the premiums from the broker. Consequently, we assume a degree of credit risk associated with a broker with whom we transact business.

Investment Risk

Our investment assets are invested by our internal fund management professionals under the direction of investment committee and in accordance with the investment policy established and approved by the Board of Directors. Although our investment guidelines are based on diversification of risks and conservation of principal and liquidity, yet our investment portfolio could be subject to market risks such as interest rate risk, credit risk, and liquidity risk.

A decline in the stock market prices and other factors impacting the value of our investments, could result in impairments and could adversely affect our net income and other financial results.

Interest Rate Risk

Interest rates are highly sensitive to many factors, including inflation, monetary and fiscal policies, and domestic and international political conditions. Changing interest could impact the performance of our investment portfolio. We take necessary measures to mitigate/minimize the interest rate risks, however, we may not be able to effectively mitigate interest rate sensitivity. Our mitigation efforts maintaining a portfolio of fixed income investments in govt securities with a shorter duration to minimize the effect of interest rate changes.

Liquidity Risk

The volatile nature of losses could force us to liquidate our securities which may cause us to incur capital losses or reinvestments of assets. Losses in our investments would ultimately reduce our book value.

Credit Downgrade Rating Risk

A decline in our credit rating have manifold implications. For example, a downgrade in credit rating could affect our customers resulting in premium losses and hence earning of the company. A decline of credit rating may affect our competitive position as insurer resulting in loss of premium and market share.

Operational

The regulatory and political regimes under which we operate, and their volatility, could have an adverse effect on our business. Laws and regulations not specifically related to the insurance industry include trade sanctions that relate to anti-money laundering laws, and terrorism etc.

Political Uncertainty

Political uncertainty in the country affect our business, our liquidity and financial condition, and our stock price.

IT Risk

A failure in our operational systems or infrastructure or those of third parties, including due to security breaches or cyberattacks, could disrupt business, damage our reputation, and cause losses.

Model Risk

We use various statistical models developed on the basis of several assumptions. These models assist us in decision-making, however, the actual results may be materially different from the model outputs which exposes us to risk of loss.

Loss of Senior Executive and/ or inability to hire and retain qualified personnel

Our success is based on the services of our existing key executives and to attract and retain qualified personnel in the future. The loss of the services of any of our key executives or the inability to hire and retain other highly qualified personnel in the future could adversely affect our ability to conduct or grow our business.

Employee Error and Misconduct

Losses may result from, among other things, fraud, errors, failure to document transactions properly, failure to obtain proper internal authorization, failure to comply with underwriting or other internal guidelines, or failure to comply with regulatory requirements. Resultant losses could adversely affect our business, results of operations, and financial condition.

Strategic

Insurance markets are highly competitive, which could result in fewer submissions, lower premium rates, and less favorable policy terms and conditions. This could reduce our profit margins and may have adverse implications for income and shareholders' equity.

Advancements in technology are taking place in marketing, underwriting, distribution channels, claims, and operations at a fast pace. In addition, our competitors may use data analytics and technology as part of their business strategy. As a result, we could be at a competitive disadvantage if, over time, our competitors are more effective than us in their utilization of technology and evolving data analytics. If we do not anticipate or keep pace with these technological and other changes impacting the insurance industry, it could also limit our ability to compete in desired markets.

Tax

In case taxes in the country increases, this may affect the income of our shareholders.

Opportunity Report

As a leading insurance company of the country, the Company is in a position to avail and exploit a number of opportunities. Following is the summary of significant opportunities present to the Company:

- Expand general takaful solutions through window operations;
- Increasing reach to all parts of the country through expanding distribution network;
- Develop micro insurance solutions for the socio economic group at the bottom of the pyramid;
- Focus on insurance awareness through continuous investments in communication channels and market education; and
- With increasing mobile penetration amongst the masses, utilize such platforms for customer interaction, awareness, marketing and sales.

Materiality Approach

Management believes materiality as a key component of an effective communication with stakeholders. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

Key Sources of Estimating Uncertainty

The preparation of financial statements requires management and the Board of Directors to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingencies. These estimates are based on experience and various other assumptions that management and the Board believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The key areas of estimating uncertainty, which may have a significant effect on the amounts recognized in the financial statements, are discussed below:

Provision for unearned premiums

The unearned premium reserve is the unexpired portion of the premium which relates to business in force at the balance sheet date. Unearned premiums have been calculated by applying 1/24th method as specified in the SEC (Insurance) Rules, 2002.

Premium deficiency reserve (liability adequacy test)

The expected future liability is estimated by reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable. The movement in the premium deficiency reserve is recognized as an expense or income in the profit and loss account for the year.

Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the financial statement date, which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs. Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

Employees' retirement benefits

Your Company operates defined benefit pension fund and defined benefit gratuity fund for its eligible employees. The accounting treatment is carried out in accordance with International Accounting Standard (IAS) 19 - Employee Benefits. The amounts recognized in respect of the above schemes represent the present value of defined obligations adjusted for re-measured gains and losses as reduced by the fair value of plan assets.

Deferred taxation

Deferred tax is recognized using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting and taxation purposes. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

Investments

As required by Insurance Rules, 2017, your Company has commenced recording Investment in equities and fixed income securities at fair value effective January 2018. As a consequence, the Investments in Subsidiary is now accounted for at fair value and classified as available-for-sale investments in the unconsolidated condensed interim financial statements.

Impairment in value of investments

All impairment losses are recognized in the profit and loss account. Reversal in impairment is taken to Other Comprehensive Income. Provisions for impairment are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

Investment properties

The Company's accounting policy for valuation of Investment properties is fair value model in accordance with IAS 40 - Investment Property.

Valuation of investment properties are carried out by qualified independent valuers. The fair value is determined on the basis of professional assessment of the current prices in an active market for similar properties in the same location and condition.

Useful lives of fixed assets

The assets' residual values, useful lives and method for depreciation are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Premium due but unpaid

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

Sensitivity Analysis of Company's Profitability

Main sources of income for the Company are underwriting income (net of reinsurance, claims and expenses) and investment income.

Underwriting - net of reinsurance

The Company's profit from underwriting not only depends on existing customer base but we also have diversified customer base. Careful scrutiny of expected claims, reinsurance cost and risk appetite are taken into consideration for underwriting policies.

Claims

Law and order situation, natural calamities and control weaknesses give rise to events leading towards claims to occur. The Company deters and manages the unforeseen situation with appropriate reinsurance arrangements.

The sensitivity of the Company's profitability to severity / size of claims has been given in the relevant notes to the financial statements.

Expenses

Management and general expenses represent the operational cost of the Company. The management expenses, in particular, are directly related to the business written during the period. The Company timely monitors and reports variations in expenses so that prompt action is taken. These variations are monitored against previous periods and the budgeted figures and are reviewed by the management on regular basis.

Investment Income

Equity Securities

Investment income generated from equity investments is correlated to equity market's performance. The mechanics of stock market depend on various factors and are beyond management's control. The company maintains a portfolio to benefit from dividend income and capital gain arising from investment in equity market.

Fixed Income Securities

Fixed income portfolio comprises of Pakistan Investment Bonds, Treasury Bills, Ijarah and Corporate Sukuks, Term Finance Certificates and Term Deposits. Return on fixed income securities is sensitive to interest rate risk.

Prospects of the Company Including Targets for Financial and Non-financial Measures

Over the years, quality of service, customer satisfaction and employees motivation are the key areas on which management continuously takes measures for improvement. The Company believes its strength lies in the satisfaction of its customers. During the year, management conducted various training courses for the development of employees at various levels.

Structural challenges could have impact on the business potential.

Window Takaful Business has expanded and has shown significant growth, which is expected to continue in the years to come.

Financial Measures	Non-Financial Measures
The financial measures identified by the Company into consideration are as follows: • Budgets • Monetary policy / discount rate • Taxes and levies • Inflation • Capital market	The non-financial measures identified by the Company taken into consideration are as follows: • Customer trust and satisfaction • Company standing and brand name • Compliance with regulatory framework • Technological innovation • Employees training and development

Sensitivity to the Fluctuation in Foreign Currency Exchange Rates

The Company, at present is not materially exposed to the fluctuation of the foreign currency exchange rates as majority of the operations are carried out in Pakistani Rupees, hence the amount of assets, liabilities, revenues and expenditures are not sensitive to the fluctuation in exchange rates of foreign currencies. During the year, the Company has recorded exchange gain of Rs. 12.9 million (2019 Rs. 26.5 million) which is 0.37 % (2019: 0.72 %) of the profit before tax.

Operations in Export Processing Zone (EPZ)

The Company operates through 54 branches (2019: 54) in Pakistan including a branch in Export Processing Zone (EPZ) and a branch in Gwadar Free Zone providing Insurance services to the entities situated there. A change in USD exchange rate may increase or decrease the value of the Assets and Liabilities in EPZ which are reported by the Company in the financial statements after translating the same into local currency. The Gross Written Premium (GWP) of EPZ branch is Rs. 46.87 million which is (0.23 %) of the total GWP.

Reinsurance payments and recoveries

Premiums payable / receivable and claims receivable to / from reinsurers are generally denominated in Pak Rupees, thus the variation in exchange rate has no material impact at the time of settlement with reinsurers.

Overseas Claims Payment

The Company's certain claims and liabilities are settled through loss adjuster (third party) in foreign currencies at the prevailing exchange rates. The Company in parallel regularly monitors exchange rate fluctuations for these claims.

Key Financial Data

(Rupees in Million)

	2020	2019	2018	2017	2016	2015
Written Premium (including Takaful Contribution)	22 639	22 064	20 813	20 405	17 195	15 214
Earned Premium	19 974	18 984	18 923	17 730	15 435	14 648
Net Premium Revenue	8 617	7 460	7 562	7 615	7 243	6 677
Underwriting Result	739	505	1 307	1 632	1 789	1 053
Investment & Other Income	2 616	2 808	1 995	1 774	2 043	4 058
Profit before tax	3 453	3 827	3 262	3 662	3 781	4 809
Profit after tax	2 371	2 609	2 171	2 500	2 392	4 034
Paid-up Capital	2 000	2 000	2 000	2 000	2 000	1 600
Shareholders' Equity	19 580	19 296	19 298	20 841	21 084	15 847
Breakup Value per Share (Rs.)	97.90	96.48	96.49	104.21	105.42	99.04
Earnings per Share (Rs.)	11.85	13.04	10.86	12.50	11.96	12.79
Investments & Properties *	27 254	25 881	25 483	28 224	26 260	19 914
Cash & Bank Balances *	1 329	1 192	1 267	1 164	1 196	1 192
Total Assets *	45 812	45 699	42 869	43 654	41 343	32 264
Dividend (%)	100.00	100.00	100.00	100.00	100.00	75.00
Bonus (%)	–	–	–	–	–	25.00

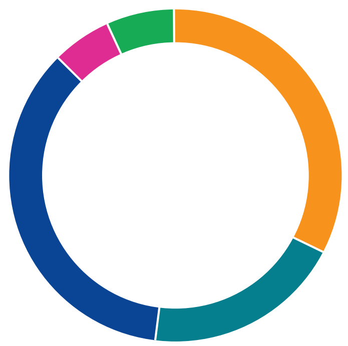
* The latest five years are based on market value, whereas, the earliest year is based on book value.

Statement of Value Added

Rupees in Million

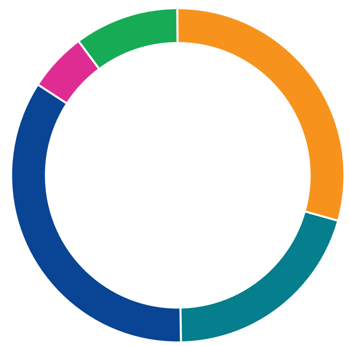
	2020	2019
Wealth generated		
Wealth generated		
Net premium revenue	8 617	7 460
Investment income	2 185	2 262
Rental income	117	112
Other income	298	803
	11 217	10 637
Less: Claims, Commission & Expenses	(5 778)	(4 907)
(excluding employees remuneration, depreciation and donations)		
Profit from general takaful operations - OPF	186	214
Net wealth generated	5 625	5 944
Wealth distribution		
Employees remuneration	1 833	1 746
Income tax	1 083	1 219
Contribution to society / donations	13	13
	2 929	2 978
Distribution		
Cash Dividend	2 000	2 000
	2 000	2 000
Retained in equity		
Depreciation	325	338
Retained earnings	371	628
	696	966
	5 625	5 944

Value Added - 2020



Employees Remuneration	33 %
Income Tax	19 %
Distribution	35 %
Depreciation	6 %
Retained Earnings	7 %
Total	**100 %**

Value Added - 2019



Employees Remuneration	29 %
Income Tax	21 %
Distribution	34 %
Depreciation	6 %
Retained Earnings	10 %
Total	**100 %**

Vertical Analysis of
Statement of Financial Position & Profit and Loss Account

Rupees in Million

	2020		2019		2018		2017		2016		2015	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%
Statement of Financial Position												
Assets												
Property, plant and equipment	2 819	6.15	2 967	6.49	2 616	6.10	1 289	2.95	1 147	2.78	1 101	3.41
Investment property	2 518	5.50	2 341	5.12	1 879	4.38	1 847	4.23	1 548	3.74	191	0.59
Investments in subsidiary / associate	9 299	20.30	10 169	22.25	9 898	23.08	10 999	25.20	9 285	22.46	11 571	35.86
Investments				-								
Equity Securities	4 481	9.78	3 271	7.16	4 970	11.59	6 419	14.71	9 493	22.96	4 885	15.14
Debt Securities	10 273	22.42	9 655	21.13	8 229	19.20	8 527	19.53	5 262	12.73	2 711	8.40
Term Deposits	683	1.49	444	0.97	507	1.19	431	0.99	672	1.63	557	1.73
Loans and other receivables	345	0.75	259	0.57	100	0.23	119	0.27	243	0.59	229	0.71
Insurance / reinsurance receivables	3 640	7.95	4 013	8.78	3 577	8.34	2 819	6.46	3 998	9.67	2 232	6.92
Reinsurance recoveries against outstanding claims	3 856	8.42	4 082	8.94	3 363	7.85	3 539	8.11	3 425	8.28	3 302	10.23
Salvage recoveries accrued	55	0.12	45	0.10	42	0.10	68	0.16	37	0.09	42	0.13
Deferred commission expense	678	1.48	599	1.31	601	1.40	690	1.58	565	1.37	542	1.68
Retirement benefit	34	0.07	30	0.06	–	–	–	–	–	–	–	–
Taxation - payments less provision	-	-	22	0.05	–	–	110	0.25	–	–	–	–
Prepayments	4 864	10.62	5 851	12.80	5 199	12.13	5 202	11.92	4 207	10.18	3 604	11.17
Cash and bank	1 329	2.90	1 192	2.61	1 267	2.95	1 164	2.67	1 196	2.89	1 192	3.69
Total Assets	44 873	97.95	44 940	98.34	42 248	98.55	43 223	99.01	41 077	99.36	32 158	99.67
Total assets of Window Takaful Operations - Operator's Fund	939	2.05	760	1.66	621	1.45	431	0.99	266	0.64	106	0.33
Total Assets	**45 812**	**100.00**	**45 699**	**100.00**	**42 869**	**100.00**	**43 654**	**100.00**	**41 343**	**100.00**	**32 264**	**100.00**
Equity and Liabilities												
Capital and reserves attributable to Company's equity holders												
Ordinary Share Capital	2 000	4.37	2 000	4.38	2 000	4.67	2 000	4.58	2 000	4.84	1 600	4.96
Reserves	16 184	35.33	15 766	34.50	14 523	33.88	15 639	35.82	15 444	37.35	10 513	32.58
Unappropriated profit	1 396	3.05	1 530	3.35	2 775	6.47	3 202	7.34	3 640	8.81	3 734	11.57
Total Equity	19 580	42.74	19 296	42.23	19 298	45.02	20 841	47.74	21 084	51.00	15 847	49.12
Surplus on revaluation of property and equipment	1 013	2.21	1 000	2.19	859	2.00	–	–	–	–	–	–
Liabilities		–										
Underwriting provisions		–										
Outstanding claims including IBNR	7 112	15.52	6 273	13.73	5 177	12.08	5 572	12.76	5 415	13.10	4 463	13.83
Unearned premium reserves	9 411	20.54	9 144	20.01	8 354	19.49	8 497	19.46	7 389	17.87	6 724	20.84
Unearned reinsurance commission	152	0.33	431	0.94	395	0.92	462	1.06	344	0.83	342	1.06
Retirement benefit obligation	–	–	–	–	63	0.15	72	0.16	1	0.00	58	0.18
Deferred taxation	724	1.58	668	1.46	825	1.92	1 123	2.57	1 337	3.23	127	0.39
Premium received in advance	44	0.10	68	0.15	57	0.13	31	0.07	5	0.01	5	0.02
Insurance / reinsurance payables	4 559	9.95	6 068	13.28	5 333	12.44	4 992	11.44	3 585	8.67	2 947	9.14
Other creditors and accruals	2 683	5.86	2 356	5.16	2 055	4.79	1 814	4.16	1 844	4.46	1 585	4.91
Taxation - provision less payments	93	0.20	–	–	47	0.11	–	–	206	0.50	107	0.33
Total Liabilties	24 778	54.09	25 009	54.72	22 304	52.03	22 563	51.69	20 125	48.68	16 358	50.70
Total Equity and Liabilities	45 370	99.04	45 305	99.14	42 462	99.05	43 405	99.43	41 208	99.67	32 205	99.82
Total liabilities of Window Takaful Operations - Operator's Fund	442	0.96	394	0.86	408	0.95	250	0.57	135	0.33	59	0.18
Total Equity and Liabilities	**45 812**	**100.00**	**45 699**	**100.00**	**42 869**	**100.00**	**43 654**	**100.00**	**41 343**	**100.00**	**32 264**	**100.00**

Vertical Analysis of Statement of Financial Position & Profit and Loss Account

Rupees in Million

	2020		2019		2018		2017		2016		2015	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%
Profit and Loss Account												
Written Premium	**20 241**	**–**	**19 774**	**–**	**18 780**	**–**	**18 838**	**–**	**16 100**	**–**	**15 008**	**–**
Net Premium Revenue	**8 617**	**100.00**	**7 460**	**100.00**	**7 562**	**100.00**	**7 615**	**100.00**	**7 243**	**100.00**	**6 677**	**100.00**
Net Insurance Claims	(4 359)	(50.59)	(3 549)	(47.57)	(3 089)	(40.85)	(2 975)	(39.07)	(2 694)	(37.20)	(2 998)	(44.90)
Net Commission	(775)	(8.99)	(556)	(7.45)	(588)	(7.77)	(662)	(8.69)	(588)	(8.12)	(620)	(9.28)
Total Insurance claims and acquisition expenses	(5 134)	(59.58)	(4 105)	(55.02)	(3 677)	(48.62)	(3 637)	(47.76)	(3 282)	(45.32)	(3 618)	(54.18)
Management Expenses	(2 744)	(31.84)	(2 849)	(38.19)	(2 579)	(34.10)	(2 346)	(30.80)	(2 172)	(29.98)	(2 007)	(30.06)
Underwriting Results	739	8.58	505	6.77	1 307	17.28	1 632	21.44	1 789	24.70	1 052	15.75
Investment Income	2 185	25.36	2 262	30.32	1 612	21.32	1 512	19.86	1 877	25.92	1 919	28.74
Rental Income	117	1.36	112	1.50	104	1.38	97	1.27	141	1.94	130	1.95
Other Income	128	1.49	219	2.93	161	2.13	118	1.54	19	0.26	26	0.39
Non-Recurring - reversal of provision for impairment	–	–	–	–	–	–	–	–	–	–	1 987	29.76
Changes in fair value of investment property	170	1.97	434	5.81	11	0.14	299	3.92	–	–	–	–
Other Expenses	(59)	(0.68)	(51)	(0.68)	(50)	(0.66)	(43)	(0.57)	(50)	(0.70)	(302)	(4.52)
Results of operating activities	3 280	38.06	3 481	46.65	3 145	41.59	3 615	47.47	3 775	52.13	4 812	72.06
Finance costs	(12)	(0.14)	(14)	(0.19)	–	–	–	–	–	–	–	–
Reversal of workers' welfare fund	–	–	146	1.95	–	–	–	–	–	–	–	–
Profit from Window Takaful Operations - Operator's Fund	186	2.16	214	2.86	117	1.55	47	0.62	6	0.08	(3)	(0.05)
Profit before Tax	3 453	40.08	3 827	51.27	3 262	43.14	3 662	48.09	3 781	52.21	4 809	72.02
Income Tax Expense	(1 083)	(12.56)	(1 219)	(16.34)	(1 091)	(14.43)	(1 161)	(15.25)	(1 389)	(19.18)	(775)	(11.61)
Profit after Tax	**2 371**	**27.52**	**2 609**	**34.97**	**2 171**	**28.71**	**2 500**	**32.84**	**2 392**	**33.03**	**4 034**	**60.41**

Horizontal Analysis of Statement of Financial Position & Profit and Loss Account

	Rupees in Million						% Increase / (decrease) over preceding year					
	2020	2019	2018	2017	2016	2015	2020	2019	2018	2017	2016	2015
Statement of Financial Position												
Assets												
Property, plant and equipment	2 819	2 967	2 616	1 289	1 147	1 101	(4.99)	13.42	102.94	12.38	4.17	19.67
Investment property	2 518	2 341	1 879	1 847	1 548	191	7.56	24.59	1.73	19.31	710.47	(10.33)
Investments in subsidiary / associate	9 299	10 169	9 898	10 999	9 285	11 571	(8.56)	2.74	(10.02)	18.45	(19.76)	24.08
Investments	-											
Equity Securities	4 481	3 271	4 970	6 419	9 493	4 885	36.98	(34.19)	(22.58)	(32.39)	94.32	29.98
Debt Securities	10 273	9 655	8 229	8 527	5 262	2 711	6.40	17.33	(3.50)	62.04	94.09	5.69
Term Deposits	683	444	507	431	672	557	53.83	(12.43)	17.63	(35.87)	20.64	(7.02)
Loans and other receivables	345	259	100	119	243	229	33.14	159.00	(15.97)	(51.03)	6.11	(10.20)
Insurance / reinsurance receivables	3 640	4 013	3 577	2 819	3 998	2 232	(9.30)	12.19	26.88	(29.49)	79.12	(34.16)
Reinsurance recoveries against outstanding claims	3 856	4 082	3 363	3 539	3 425	3 302	(5.54)	21.38	(4.98)	3.32	3.72	3.64
Salvage recoveries accrued	55	45	42	68	37	42	22.22	7.14	(38.24)	83.78	(11.91)	61.53
Deferred commission expense	678	599	601	690	565	542	13.19	(0.33)	(12.90)	22.12	4.24	(3.56)
Retirement benefit	34	30	–	–	–	–	13.33	100.00	–	–	–	–
Taxation - payments less provision	–	22	–	110	–	–	(100.00)	100.00	(100.00)	100.00	–	–
Prepayments	4 864	5 851	5 199	5 202	4 207	3 604	(16.87)	12.54	(0.06)	23.65	16.73	2.76
Cash and bank	1 329	1 192	1 267	1 164	1 196	1 192	11.49	(5.92)	8.84	(2.68)	0.33	29.28
Total Assets	44 873	44 940	42 248	43 223	41 077	32 158	(0.15)	6.37	(2.26)	5.22	27.73	10.02
Total assets of Window Takaful Operations - Operator's Fund	939	760	621	431	266	106	23.55	22.38	44.08	62.03	150.94	100.00
Total Assets	**45 812**	**45 699**	**42 869**	**43 654**	**41 343**	**32 264**	**0.25**	**6.60**	**(1.80)**	**5.58**	**28.13**	**10.39**

Horizontal Analysis of Statement of Financial Position & Profit and Loss Account

	Rupees in Million						% Increase / (decrease) over preceding year					
	2020	2019	2018	2017	2016	2015	2020	2019	2018	2017	2016	2015
Equity and Liabilities												
Capital and reserves attributable to Company's equity holders												
Ordinary Share Capital	2 000	2 000	2 000	2 000	2 000	1 600	–	–	–	–	25.00	–
Reserves	16 184	15 766	14 523	15 639	15 444	10 513	2.65	8.56	(7.14)	1.26	46.90	10.51
Unappropriated profit	1 396	1 530	2 775	3 202	3 640	3 734	(8.76)	(44.86)	(13.34)	(12.04)	(2.52)	86.88
Total Equity	19 580	19 296	19 298	20 841	21 084	15 847	1.47	(0.01)	(7.41)	(1.16)	33.04	20.86
Surplus on revaluation of property and equipment	1 013	1 000	859	–	–	–	1.30	16.41	100.00	–	–	–
Liabilities												
Underwriting provisions												
Outstanding claims including IBNR	7 112	6 273	5 177	5 572	5 415	4 463	13.37	21.17	(7.09)	2.89	21.33	(21.04)
Unearned premium reserves	9 411	9 144	8 354	8 497	7 389	6 724	2.92	9.46	(1.69)	15.00	9.88	5.65
Unearned reinsurance commission	152	431	395	462	344	342	(64.73)	9.11	(14.51)	34.30	0.58	15.54
Retirement benefit obligation	–	–	63	72	1	58	–	(100.00)	(12.50)	7 100.00	(98.29)	26.08
Deferred taxation	724	668	825	1 123	1 337	127	8.38	(19.03)	(26.54)	(16.01)	952.75	8.54
Premium received in advance	44	68	57	31	5	5	(35.29)	19.30	83.87	520.00	–	–
Insurance / reinsurance payables	4 559	6 068	5 333	4 992	3 585	2 947	(24.86)	13.78	6.83	39.24	21.64	42.36
Other creditors and accruals	2 683	2 356	2 055	1 814	1 844	1 585	13.89	14.65	13.28	(1.63)	16.34	4.41
Taxation - provision less payments	93	–	47	–	206	107	100.00	(100.00)	100.00	(100.00)	92.52	122.91
Total Liabilties	24 778	25 009	22 304	22 563	20 125	16 358	(0.92)	12.13	(1.15)	12.11	23.02	1.50
Total Equity and Liabilities	45 370	45 305	42 461	43 404	41 208	32 205	0.14	6.70	(2.18)	5.33	27.95	10.18
Total liabilities of Window Takaful Operations - Operator's Fund	442	394	408	250	135	59	12.18	(3.43)	63.20	85.18	128.81	100.00
Total Equity and Liabilities	**45 812**	**45 699**	**42 869**	**43 654**	**41 343**	**32 264**	**0.25**	**6.60**	**(1.80)**	**5.58**	**28.13**	**10.39**
Profit and Loss Account												
Written Premium	20 241	19 774	18 780	18 838	16 100	15 008	2.36	5.29	(0.31)	17.00	7.27	3.40
Net Premium Revenue	8 617	7 460	7 562	7 615	7 243	6 677	15.51	(1.35)	(0.70)	5.13	8.47	2.21
Net Insurance Claims	(4 359)	(3 549)	(3 089)	(2 975)	(2 694)	(2 998)	22.82	14.89	3.83	10.43	(10.15)	0.84
Net Commission	(775)	(556)	(588)	(662)	(588)	(620)	39.39	(5.44)	(11.18)	12.58	(5.17)	(18.53)
Total Insurance claims and acquisition expenses	(5 134)	(4 105)	(3 677)	(3 637)	(3 282)	(3 618)	25.07	11.64	1.09	10.81	(9.29)	(3.11)
Management Expenses	(2 744)	(2 849)	(2 579)	(2 346)	(2 172)	(2 007)	(3.69)	10.47	9.93	8.01	8.22	35.42
Underwriting Results	739	505	1 307	1 632	1 789	1 052	46.34	(61.36)	(19.92)	(8.78)	70.05	(20.07)
Investment Income	2 185	2 262	1 612	1 512	1 877	1 919	(3.40)	40.32	6.61	(19.45)	(2.19)	33.82
Rental Income	117	112	104	97	141	130	4.46	7.69	7.21	(31.21)	8.46	9.24
Other Income	128	219	161	118	19	26	(41.55)	36.02	36.44	521.05	(26.93)	(16.13)
Non-Recurring - reversal of provision for impairment	–	–	–	–	–	1 987	–	–	–	–	(100.00)	100.00
Changes in fair value of investment property	170	434	11	299	–	–	(60.83)	3 845.45	(96.33)	100.00	–	–
Other Expenses	(59)	(51)	(50)	(43)	(50)	(302)	15.69	2.00	16.27	(14.00)	(83.45)	(52.67)
Results of operating activities	3 280	3 482	3 145	3 615	3 775	4 812	(5.80)	10.72	(13.01)	(4.24)	(21.56)	112.73
Finance costs	(12)	(14)	–	–	–	–	(14.29)	(100.00)	–	–	–	–
Reversal of workers' welfare fund	–	146	–	–	–	–	(100.00)	100.00	–	–	–	–
Profit from Window Takaful Operations - Operator's Fund	186	214	117	47	6	(3)	(13.08)	82.91	148.93	683.33	(300.00)	(100.00)
Profit before Tax	3 453	3 827	3 262	3 662	3 781	4 809	(9.76)	17.32	(10.93)	(3.15)	(21.38)	112.59
Income Tax Expense	(1 083)	(1 219)	(1 091)	(1 161)	(1 389)	(775)	(11.19)	11.73	(6.03)	(16.42)	79.22	78.98
Profit after Tax	**2 371**	**2 609**	**2 171**	**2 500**	**2 392**	**4 034**	**(9.12)**	**20.18**	**(13.16)**	**4.51**	**(40.70)**	**120.55**

Cash Flow Summary

Rupees in Million

	2020	2019	2018	2017	2016	2015
Cash Flow Summary						
Operating Activities	1 402	911	20	3 096	826	(214)
Investing Activities	748	1 152	2 016	(1 015)	582	295
Financing Activities	(2 012)	(2 139)	(1 934)	(2 113)	(1 289)	(643)
Cash and Cash Equivalents at year end	1 329	1 192	1 267	1 164	1 196	922

Financial Ratios

Rupees in Million

		2020	2019	2018	2017	2016	2015
Profitability							
Profit after Tax / Net Insurance Premium	%	27.52	34.97	28.71	32.84	33.03	30.66
Profit before Tax / Net Insurance Premium	%	40.08	51.31	43.14	48.09	52.21	42.27
Underwriting Result / Net Insurance Premium	%	8.58	6.77	17.28	21.44	24.70	15.76
Underwriting Result / Written Premium	%	3.65	2.55	6.96	8.67	11.11	7.01
Profit before Tax / Total Income	%	30.28	35.77	34.10	37.80	40.72	32.26
Profit after Tax / Total Income	%	20.79	24.38	22.69	25.81	25.77	23.40
Profit before Tax / Written Premium	%	17.06	19.35	17.37	19.44	23.48	18.80
Profit after Tax / Written Premium	%	11.71	13.19	11.56	13.27	14.86	13.64
Combined Ratio	%	92.25	92.16	83.38	79.13	76.00	88.75
Management Expeses / Net Insurance Premium	%	31.84	38.20	34.10	30.80	29.98	30.05
Net Claims / Net Insurance Premium	%	50.59	47.57	40.85	39.07	37.20	44.90
Net Commission / Net Insurance Premium	%	8.99	7.45	7.77	8.69	8.12	9.28
Other Expenses / Net Insurance Premium	%	0.82	(1.08)	0.66	0.57	0.70	4.52
Return to Share Holders							
Return on Assets *	%	5.18	5.71	5.06	5.73	5.79	6.34
Return on Equity *	%	11.51	12.85	10.77	12.00	11.35	12.92
Earnings per Share *	Rs.	11.85	13.04	10.86	12.50	11.96	12.79
Earnings Growth *	%	(9.12)	20.07	(13.12)	4.52	(6.49)	11.90
Price to Earnings Ratio *	Times	10.13	8.46	9.21	12.23	12.62	11.22
Dividend Yield	%	8.33	9.07	10.00	6.54	6.62	5.23
Breakup Value per Share	Rs.	97.90	96.48	96.49	104.21	105.42	99.04

Rupees in Million

		2020	2019	2018	2017	2016	2015
Market Data							
Face Value (per share)	Rs.	10.00	10.00	10.00	10.00	10.00	10.00
Market Price per share at the end of the year	Rs.	120.00	110.30	100.00	152.90	151.00	143.50
Market Price per share - Highest during the year	Rs.	129.41	127.65	157.99	175.01	179.21	168.06
Market Price per share - Lowest during the year	Rs.	78.32	67.50	99.76	133.17	116.71	133.78
KSE 100 Index	Points	43 755	40 735	37 067	40 471	47 807	32 816
Market Capitlization	(Rs. M)	24 000	22 060	20 000	30 580	30 200	22 960
Price to Book Value	Times	1.23	1.14	1.04	1.47	1.43	1.45
Cash Dividend per Share	Rs.	10.00	10.00	10.00	10.00	10.00	7.50
Cash Dividend	%	100.00	100.00	100.00	100.00	100.00	75.00
Stock Dividend	%	–	–	–	–	–	25.00
Dividend Pay out as a % of profit after tax	%	84.35	76.69	92.08	80.00	83.61	58.64
Dividend Cover	Times	1.19	1.30	1.09	1.25	1.20	1.71
Performance / Liquidity							
Current Ratio	Times	1.26	1.22	1.30	1.36	1.55	1.19
Cash / Current Liabilities	%	5.53	4.82	5.90	5.43	6.36	7.34
Total Assets Turnover	Times	0.19	0.16	0.18	0.17	0.18	0.21
Fixed Assets Turnover	Times	5.32	6.13	5.67	5.73	5.71	4.83
Total Liabilities / Equity	Times	1.27	1.32	1.16	1.08	0.95	1.03
Paid-up Capital / Total Assets	%	42.74	42.22	45.02	47.74	51.00	49.12
Earning Assets / Total Assets	%	60.24	57.20	59.68	64.92	64.10	62.43
Equity / Total Assets	%	42.74	42.22	45.02	47.74	51.00	49.12
Return on Capital Employed	%	19.43	19.83	16.90	17.57	17.93	17.81

* For the purpose of comparative analysis only, non-recurring item of reversal of provision for impairment of Rs 1.99 billion in 2015 has been excluded.

Free Cash Flow

Rupees in Million

Particulars	2020	2019
Net cash flow from operating activities	1 402	911
Net cash generated from / (used in) investing activities	748	1 152
Net cash outflow from financing activities	(2 012)	(2 139)
Free Cash Flows	137	(75)

Economic Value Added

Net Operating Profit after Tax	2 371	2 609
Less: Cost of Capital	–	–
Economic Value Added	2 371	2 609

Indicators and Performance Measures

Overall growth in the insurance industry has a positive relationship with growth in the economy. Insurance industry plays an important role in the economy by managing and indemnifying financial risk and by serving as institutional investor in the capital market.

The Company is continuously working towards exploring new horizons and avenues to increase the market base. The Company is offering both Conventional as well as Takaful products to its customers. We are not only the largest and oldest insurance Company in Pakistan but we are also the leading insurer in terms of market share in Pakistan.

Assumptions in Compiling Indicators

Being a service provider, the Company undertakes various considerations while compiling the indicators such as Company's financial position, financial performance, liquidity position, market standing and customer perception. These assumptions are reviewed, monitored and if needed, amended periodically.

Comments on Key Financial Data

Performance Ratios

The claim ratio for the year increased to 50.6 % from 47.6 % last year on the back of higher claims, however due to lower expense ratio of 31.84% compared to 38.2% last year, the combined ratio was stable at 92.3% as compared to 92.2% last yearin an uncertain macroeconomic environment. Owing to this, the combined ratio increased to 92.3 % as compared to 92.2 % last year.

The return on equity in 2020 was 11.5 % as compared to last year's 12.9 % despite higher claims and fluctuation in stock market.

Despite challenging year due to pandemic, return on capital employed was 19.43 % as compared to 19.8 % last year.

The Company has been maintaining a healthy dividend payout ratio.

Balance sheet

The Company's assets were stable at Rs. 45.8 billion compared to Rs. 45.7 billion last year.

Total equity of the Company stood at Rs. 20.6 billion as compared to Rs.20.3 billion last year.

Profit and loss Account

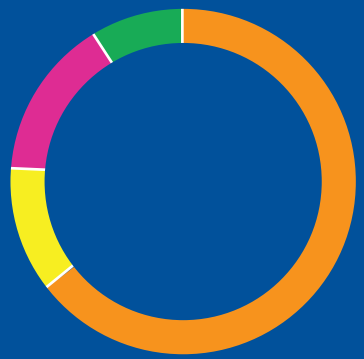
During the year, gross written premium (including takaful contribution) continued its growth trajectory to clock in at Rs. 22.6 billion as against Rs. 22.1 billion last year.

Net premium revenue grew by 12.7% despite challenging business scenarios.

For the year, investment & other income has clocked in at Rs. 2.6 billion, showing year-on-year decrease of 7 % despite the heightened volatility in equities markets.

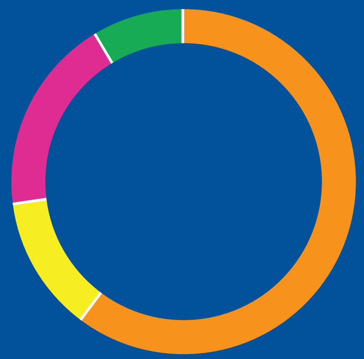
Analysis of Financial Statements

Gross Premium - 2020



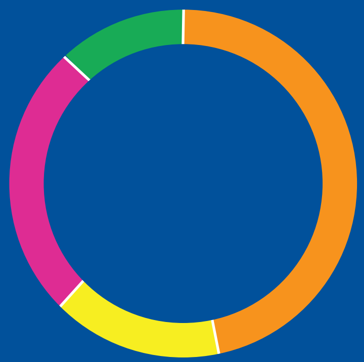
Fire & Property Damage	64 %
Marine, Aviation & Transport	12 %
Motor	16 %
Others	8 %
Total	**100 %**

Gross Premium - 2019



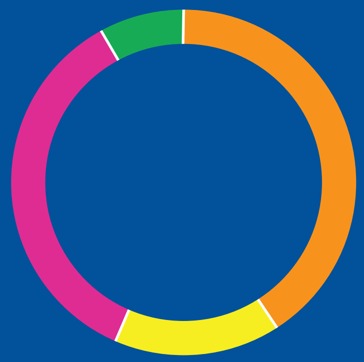
Fire & Property Damage	61 %
Marine, Aviation & Transport	13 %
Motor	18 %
Others	8 %
Total	**100 %**

Gross Claims - 2020



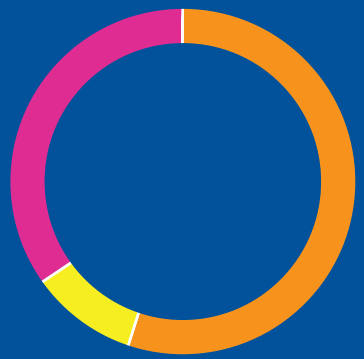
Fire & Property Damage	47 %
Marine, Aviation & Transport	16 %
Motor	25 %
Others	12 %
Total	**100 %**

Gross Claims - 2019



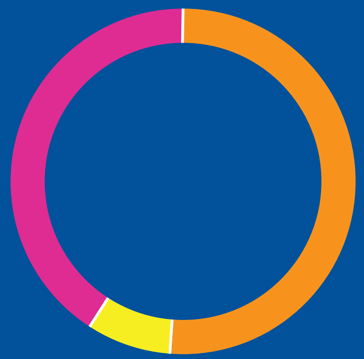
Fire & Property Damage	41 %
Marine, Aviation & Transport	16 %
Motor	35 %
Others	8 %
Total	**100 %**

Combined Expenses - 2020



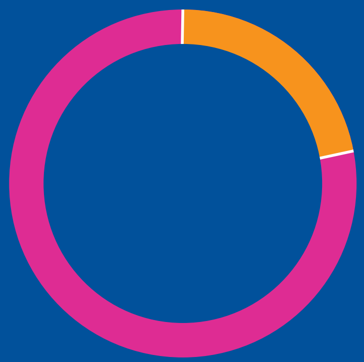
Net Claims	55 %
Net Commission	10 %
Expenses	35 %
Total	**100 %**

Combined Expenses - 2019



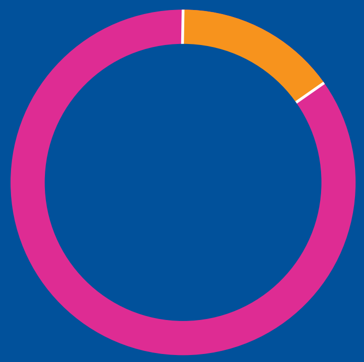
Net Claims	51 %
Net Commission	8 %
Expenses	41 %
Total	**100 %**

Analysis of Income - 2020



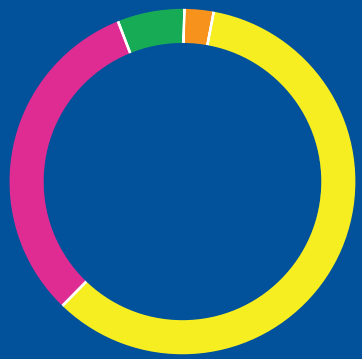
Underwriting Profit	22 %
Investment & Other Income	78 %
Total	**100 %**

Analysis of Income - 2019



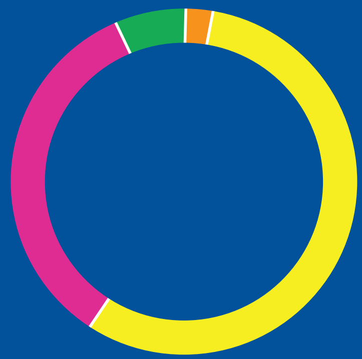
Underwriting Profit	15 %
Investment & Other Income	85 %
Total	**100 %**

Total Assets - 2020



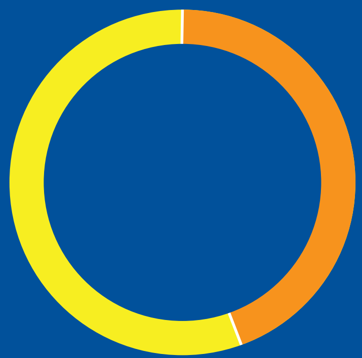
Cash & Bank Deposits	3 %
Investment & Property	59 %
Other Assets including Reinsurance Recoveries	31 %
Fixed Assets	6 %
Total	**100 %**

Total Assets - 2019



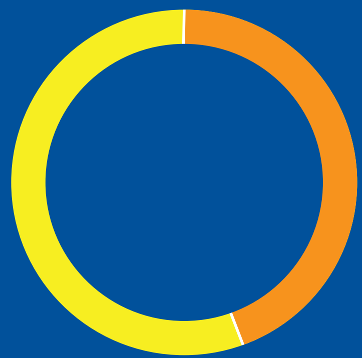
Cash & Bank Deposits	3 %
Investment & Property	57 %
Other Assets including Reinsurance Recoveries	34 %
Fixed Assets	6 %
Total	**100 %**

Total Equity & Liabilities - 2020



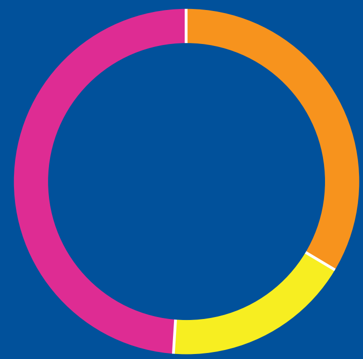
Equity	45 %
Liabilities	55 %
Total	**100 %**

Total Equity & Liabilities - 2019



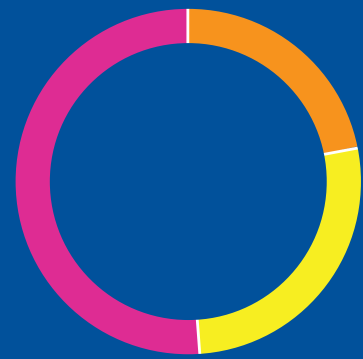
Equity	44 %
Liabilities	56 %
Total	**100 %**

Cash Flow Analysis - 2020



Operating Activities	33 %
Investing Activities	18 %
Financing Activities	-49 %
Total	**100 %**

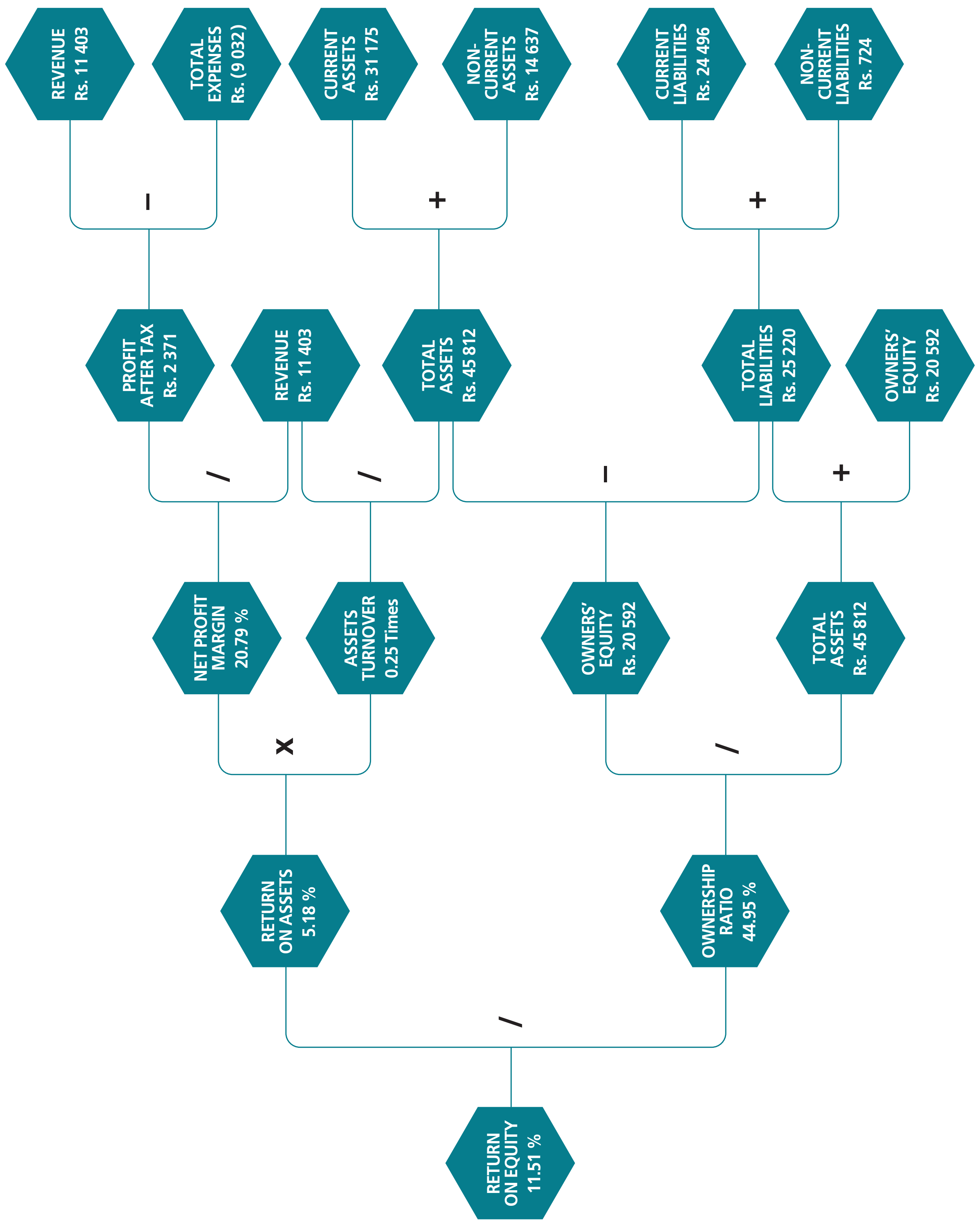
Cash Flow Analysis - 2019



Operating Activities	-22 %
Investing Activities	-27 %
Financing Activities	51 %
Total	**100 %**

DuPont Analysis

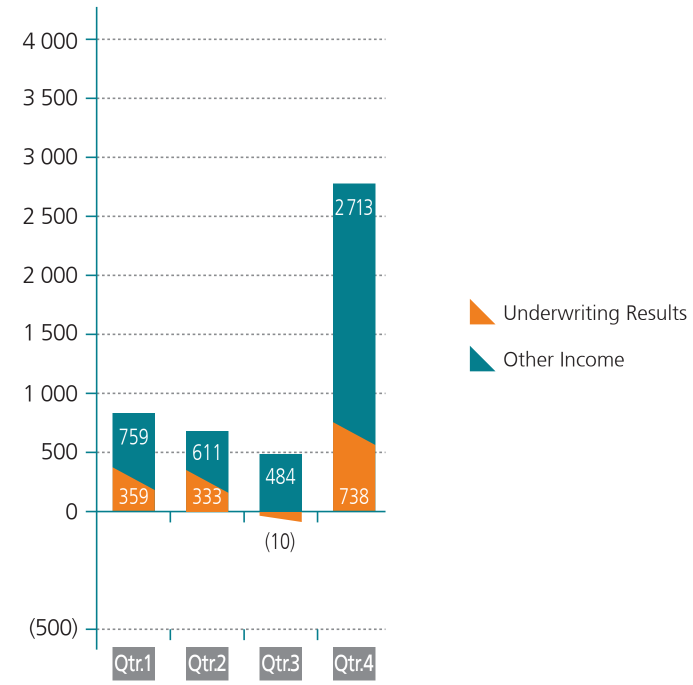
Rupees in Million



Analysis of Variation in Results Reported in Quarterly Accounts

PROFIT BEFORE TAX

(Rupees in Million)



Underwriting Results

During the year, the Company recorded 2.3 % growth in written premium. The Company had Written Direct Premium and takaful business in Pakistan of Rs. 22.6 billion (inclusive of Rs. 2.4 billion of takaful contribution) as compared to Rs. 22.1 billion (inclusive of Rs. 2.3 billion of takaful contribution) in 2019, while the Net Premium Revenue (including takaful net contribution revenue) grew by 12.7 % to Rs. 9.8 billion as compared to Rs. 8.7 billion (including takaful net contribution revenue) in 2019. The underwriting results improved during the year mainly due to premium revenue and inflationary impact on the management expenses.

Investment Income and Other Income

The year observed decline of 3.4 % in Company's investment income mainly due to volatile stock market. Capital gain realization reduced by 59% to Rs.200 million from Rs. 492 million last year. Profit from window takaful operations - Operators' Fund decreased by 13 % to Rs. 186 million from Rs.214 million last year.

Profit after Tax

Your Company's profit after tax for the year 2020 was Rs. 2.37 billion as compared to Rs. 2.61 billion in 2019. The earning per share was Rs. 11.85 as against earnings per share of Rs. 13.04 last year.

Report of the Audit Committee
For the year ended December 31, 2020

The Board Audit Committee comprises of three non-executive directors and two independent directors including Chairman of the committee.

The members of the Audit Committee are qualified professionals and possess enriched working experience at senior management levels. The Committee consists of one member with relevant financial experience and necessary knowledge relating to finance and accounting as required by the Code. Based on reviews and discussions in these meetings, the Committee reports that:

1. Four meetings of the Committee were held during the year 2020.
2. The Committee reviewed and approved annual and interim financial statements of the Company and recommended them for approval of the Board of Directors.
3. The Company issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed by the external auditors of the Company.
4. The Chief Executive Officer and the Chief Financial Officer have endorsed the standalone as well as consolidated financial statements of the Company and the Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements and compliance with regulations and applicable accounting standards.
5. The financial statements have been prepared in accordance with approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, the Insurance Ordinance, 2000 and Insurance Rules, 2017.
6. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
7. Proper books of accounts have been maintained by the Company.
8. The Committee reviewed and approved all related party transactions and recommended them for approval of the Board of Directors.
9. The Committee oversees Company's risk management and internal control framework and reviews their adequacy in relation to the risks faced by the Company. The Company's system of internal control established at all levels is sound in design and is continually evaluated for effectiveness and adequacy.
10. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed Internal Audit department. The Committee reviewed the resources of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function.
11. The role of Internal Audit is to assess risk management processes and internal control as well as to ensure implementation of and compliance with the defined policies and procedures. Internal Audit submits its reports directly to audit committee for appropriate actions with timely follow-up on audit findings to ensure that corrective actions are taken in a timely manner.
12. The Committee on the basis of internal audit reports reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management responses. This has ensured the continual evaluation of controls and improved compliance.
13. The Internal Auditor has full access to the Chairman of the Board Audit Committee, further internal auditor meets senior management to discuss internal audit reports and is fully independent to access the management any time to discuss audit issues in order to make the audit process transparent and effective and ensure that the identified risks are mitigated to safeguard the interest of the Company. The Committee evaluates head of internal audit performance jointly with chief executive.
14. The external auditors KPMG Taseer Hadi & Co, Chartered Accountants had direct access to the Committee and necessary coordination with internal auditors was ensured.
15. The Audit Committee has discussed with the external auditors and management, all the Key matters identified during external audit and has taken appropriate actions accordingly.
16. The Committee assessed the effectiveness of external audit process by evaluating the experience and technical excellence of auditors in the Company's business and the regulatory environment, demonstration of professional integrity and objectivity and timely communications and reports so as to allow committee to take appropriate actions.
17. The Committee recommended to the Board of Directors for appointment of KPMG Taseer Hadi & Co, Chartered Accountants as external auditors and their remuneration for the year ending December 31, 2021.
18. The Committee is of the view that the annual report was fair, balanced and understandable and provide complete information for shareholders to assess the Company's position and performance, business model and strategy.
19. The Committee has complied with all the applicable provisions of Code of Corporate Governance, presence of sufficient commercial and financial experience and knowledge to carry out audit matters and assisted Board by delivering reports on timely basis.

Profile of Shari'ah Advisor - Window Takaful Operations

Shari'ah Advisor of EFU General Insurance Limited - Window Takaful Operations is Mufti Ibrahim Essa, a well-known recognized Shari'ah Scholar in field of Islamic Finance and Takaful. Mufti Ibrahim Essa has completed his Darse Nizami (Masters in Quran and Sunnah) and Takhassus Fil Ifta (Specialization in Islamic Jurisprudence) from Jamiah Darul Uloom Karachi.

Currently he is working as Teacher and Member of Darul Ifta Darul - Uloom Karachi. Mufti Ibrahim Essa is also associated as Chairman Shari'ah Supervisory Board - Zarai Taraqiyati Bank Limited and Member Shari'ah Supervisory Board - Habib Metropolitan Bank Limited and Bank of Khyber. He is also the Shari'ah Advisor of\ EFU Life Assurance and Allianz EFU Health Insurance Limited. Mufti Ibrahim has also written more than Four thousand Fatawa on different topics.

Mufti Ibrahim Essa looks after the matters of Takaful in EFU General Insurance Limited.

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019 For the year ended December 31, 2020

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

The Company has applied the principles contained in the Code and CCG 2019 in the following manner:

1. The total numbers of Directors are ten as per the following:

   a: Male: 9

   b: Female: 1

2. The Insurer encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Mohammed Iqbal Mankani
	Mr. Tanveer Sultan Moledina
Non-Executive Directors	Mr. Saifuddin N. Zoomkawala
	Mr. Rafique R. Bhimjee
	Mr. Abdul Rehman Haji Habib
	Mr. Taher G. Sachak
	Mr. Ali Raza Siddiqui
	Mr. Saad Bhimjee
Executive Director	Mr. Hasanali Abdullah
Independent Female Director	Ms. Yasmin Hyder

   The independent director meets the criteria of independence as laid down under the code and CCG 2019.

3. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies including this Company.
4. 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 development financial institution or a non-banking financial institution or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
5. A causal vacancy occurring on the Board during the year on February 10, 2020 on resignation of Mr. Daanish Bhimjee was filled up by the Directors by appointment of Mr. Rafique R. Bhimjee with effect from April 25, 2020. Election of Directors were held on July 08, 2020 to elect 10 Directors for a period of three years.
6. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. 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.
8. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and CCG 2019. The decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer, and key Officers have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and the Board met atleast once in every quarter. The Board has complied with the requirement of the Act and CCG 2019 with respect to frequency, recording and circulating minutes of meeting of Board. Written notices of Board meetings, along with agenda and working papers were circulated atleast seven days before the meeting.
10. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and CCG 2019.
11. Nine Directors of the Company have acquired certification under the Director's training program, and one newly elected Director will certify himself during the year 2021.
12. 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.
13. The management of the Company has submitted a Booklet to the Board of Directors during the year to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities. The course Booklet also apprised the Directors about changes in Code of Corporate Governance and other laws and Regulations.
14. There was no change of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year. The Board had approved the remuneration of Chief Financial Officer, Company Secretary and the Head of Internal Audit Department.
15. The Directors' Report for this year has been prepared in compliance with the requirements of the code and CCG 2019 and fully describes the salient matters required to be disclosed.
16. The financial statements of the company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
17. 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.
18. The company has complied with all the corporate and financial reporting requirements of the code and CCG 2019.
19. The Board has formed the following Board Committees:

   Ethics, Human Resource and Remuneration Committee:

Name of the Member	Category
Mr. Mohammed Iqbal Mankani	Chairman - Independent Director
Mr. Saifuddin N. Zoomkawala	Member - Non Executive Director
Mr. Hasanali Abdullah	Member - Executive Director

   Investment Committee:

Name of the Member	Category
Mr. Rafique R. Bhimjee	Chairman - Non Executive Director
Mr. Saifuddin N. Zoomkawala	Member - Non Executive Director
Mr. Hasanali Abdullah	Member - Managing Director & Chief Executive Officer
Mr. Taher G. Sachak	Member - Non Executive Director
Mr. Altaf Gokal	Member - Chief Financial Officer

20. The Board has formed an Audit Committee. It comprises of five members, of whom three are non-executive Directors and two are independent Directors. The chairman of the Committee is an independent and non-executive Director. The composition of the Audit Committee is as follows:

   Audit Committee:

Name of the Member	Category
Mr. Tanveer Sultan Moledina	Chairman - Independent Director
Mr. Rafique R. Bhimjee	Member - Non Executive Director
Mr. Ali Raza Siddiqui	Member - Non Executive Director
Mr. Taher G. Sachak	Member - Non Executive Director
Ms. Yasmin Hyder	Member - Independent Director

21. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Category
Mr. Hasanali Abdullah	Chairman
Mr. Kamran Arshad Inam	Member
Mr. Imran Ahmed	Member - Secretary
Mr. Khurram Nasim	Member
Mr. Muhammad Sohail Nazir	Member

Claim Settlement Committee:

Name of the Member	Category
Mr. Hasanali Abdullah	Chairman
Mr. Aftab Fakhruddin	Member - Secretary
Mr. Badar Amin Sissodia	Member
Mr. Farrukh Aamir Baig	Member
Ms. Fatima Bano	Member

Reinsurance & Co-insurance Committee:

Name of the Member	Category
Mr. Hasanali Abdullah	Chairman
Mr. Altaf Gokal	Member
Mr. Kamran Arshad Inam	Member
Mr. Imran Ahmed	Member
Mr. Darius H. Sidhwa	Member
Mr. Khurram Nasim	Member
Mr. Muhammad Sohail Nazir	Member
Mr. Pervez Ahmed	Member - Secretary

Risk Management & Compliance Committee:

Name of the Member	Category
Mr. Hasanali Abdullah	Chairman
Mr. Mushtaq Ahmad Khan Barakzai	Risk Officer
Mr. Altaf Gokal	Member
Mr. Kamran Arshad Inam	Member
Mr. Imran Ahmed	Member
Mr. Khurram Nasim	Member
Mr. Muhammad Sohail Nazir	Member
Mr. Darius H. Sidhwa	Member
Mr. Hameed Qureshi	Member
Mr. Atif Anwar	Member - Secretary
Mr. Ali Ghulam Ali	Member
Mr. Amin Punjani	Member

The functions of Nomination Committee are being performed by the Board.

22. The meetings of the Committees except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter. The Quarterly meetings of audit committee was held prior to the approval of interim and final results of the company. The terms of references of the Committees have been formed and advised to the Committees for compliance.

23. The Board has set up an effective internal audit department which comprises of suitably qualified and experienced staff for the purpose and are conversant with the policies and procedures of the company and are involved in the internal audit function on a regular basis.

24. The Chief Executive Officer, Chief Financial Officer, Company Secretary & Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance function 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 of the Person	Designation
Mr. Hasanali Abdullah	Chief Executive Officer
Mr. Altaf Gokal	Chief Financial Officer
Mr. Kamran Arshad Inam	Head of Underwriting, Claims and Reinsurance
Mr. Amin Punjani	Company Secretary and Compliance Officer
Mr. Ali Ghulam Ali	Head of Internal Audit
Mr. M. Vaqaruddin	Head of Window Takaful Operations
Mr. Aftab Fakhruddin	Head of Grievance Function
Mr. Mushtaq Ahmad Khan Barakzai	Head of Risk Management

25. 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company.

26. 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.

27. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.

28. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code.

29. The company has set up a Risk Management function, which carries out its tasks as covered under the code.

30. The Company has been rated by AM Best, PACRA and VIS and the rating assigned by these rating agencies on October 30, 2020, August 21, 2020 and September 11, 2020 respectively. PACRA and VIS has assigned rating of AA+ with stable outlook while AM Best has assigned rating of B+ with stable outlook.

31. The Board has set up Grievance function in compliance with the requirements of the code.

32. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirements of the code.

33. We confirm that all requirements no. 3, 6, 7, 8, 27, 32, 33 and 36 of the CCG 2019 and all material requirement of Code have been complied with.

Regulation 6: The Board of the Company comprises of ten elected Directors and one-third works out to be 3.33. Presently, three (3) independent Directors were elected by the shareholders in terms of Section 166 of the Companies Act, 2017, which have requisite competencies, skills, knowledge, and experience to discharge and execute their duties competently as per laws and regulations to fulfill the requirements therefore not warrant the appointment of a forth independent Director.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

MUFTI MUHAMMAD IBRAHIM ESSA
Graduate from Jamiah Darul Uloom Karachi, Pakistan
Shari'ah Advisor - EFU General Insurance Ltd - WTO
Email: mibrahimesa@yahoo.com
Phone: +92.322.2671867

المفتی ابراہیم عیسیٰ
خریج الجامعۃ دار العلوم کراتشی
المشیر الشرعی للامور المالیۃ الاسلامیۃ

Annual Shari'ah Review Report
For the year ended 31 December 2020

الحمد لله رب العالمين والعاقبة للمتقين والصلاة والسلام على اشرف الانبياء والمرسلين وعلى اٰله واصحابه اجمعين .امابعد

The company, EFU General Insurance Limited started its Window Takaful Operations on 6th May 2015. By the grace of Allah, the year under review was the sixth successful year of Takaful in EFU General. In this year, the Management, sales personnel and Board of Directors have shown their sincere efforts for the promotion of Takaful and underwritten good numbers in Takaful. Alhamdulillah

Progress of the Year:

During the period under review; EFU General Window Takaful Operations (EFU General-WTO) has achieved significant successes, details of which are as follows:

1. Alhamdulillah, EFU General- Window Takaful Operations achieved the milestone by underwriting more than 2.3 billion Takaful contributions in 2020.
2. Dedicated Window Takaful Branch of Head office successfully recorded the Takaful contracts executed during the year.
3. Divisions and Branches fully participated in the business of Takaful in the different locations of the Country. Now a number of divisions and branches have been allowed to underwrite and record the business independently. Due to this strategy, the Divisions and branches have confidently underwritten the Takaful business which increased the size of Takaful and they have provided excellent service of Takaful to their Participants.
4. Significant success has been achieved in the Takaful Agreements with Islamic Banks. At this stage, I am thankful to the Partner Banks for the confidence they have shown on EFU General-WTO's Takaful Products. During the year, number of Islamic Banks entered into MOUs with EFU General-WTO.

Shari'ah Certification:

As Shari'ah Advisor of EFU General-WTO and based on my review; I confirm that:

- I have carefully reviewed all the product documents of EFU General-WTO including Waqf Deed, PTF PMDs, Takaful PMD (Participant Membership Documents), Brochures, MOUs with Islamic Banks, and Retakaful Agreements etc. and Alhamdulilalh I have found them in accordance with Shari'ah Principles.
- For the investment purpose of Takaful Funds, a Shariah Compliant Investment Policy has been drafted with the consultation of undersigned and all the investments of Takaful are undertaken in accordance with this PMD. Moreover, all Bank Accounts of Takaful are separate from the conventional insurance business and are maintained in Islamic Banks.
- Delegated Window Takaful Branches and other related Departments of head office, before launching any Takaful Product, take guidance and advice of Shari'ah from the undersigned and always develop the Takaful Products in accordance with the guidelines provided by me as Shari'ah Advisor.
- Segregation of Window Takaful Operations is an essential part of valid Takaful contracts. I am pleased to state that EFU General has realized criticalities of this issue and from the day one, Alhamdulillah, all the Takaful Funds, Investments, Bank Accounts, Systems and other related issues are kept separate from its conventional insurance business, as per requirement of Shari'ah.

- Conducting Training and Development is an imperative for understanding the principles of Takaful and its practical outline. For this purpose EFU General fulfilled its responsibility and arranged classroom training sessions for takaful all over Pakistan; from Head Office to the Distribution (Sales) force level working in their respective fields and I personally felt that participants gained significantly from these training sessions. I hope EFU General will continue this practice in the future.

While concluding; I state that the Shari'ah principles were followed in practical implementation of EFU General-WTO. I am grateful to the Board of Directors of EFU General, Management, Head of Window Takaful Operations, Divisional and Branch Heads and all relevant departments who cooperated with me and provided me every possible support to ensure Shari'ah Compliance in our Takaful practices.

In the end; I pray to Allah Almighty that the passion and dedication with which EFU General has launched its Window Takaful Operations; may Allah Almighty grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to EFU General Window Takaful Operations.

والسلام علیکم ورحمۃ اللہ وبرکاتہ

Mufti Muhammad Ibrahim Essa
Shari'ah Advisor

EFU General Insurance Limited
Window Takaful Operations

15 February 2021

Independent Auditor's Report
To the members of EFU General Insurance Limited
Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of EFU General Insurance Limited (the "Company"), which comprise the unconsolidated statement of financial position as at 31 December 2020, 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 Company's affairs as at 31 December 2020 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 for 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 matters:

S. No.	Key Audit Matter(s)	How the matters was addressed in our audit
1.	**Valuation of Claim Liabilities** Refer notes 3.16 and 24 to the unconsolidated financial statements relating to claim liabilities. The Company's claim liabilities represent 28% 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 estimation. 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 claim liabilities involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims; • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Assessed on a sample basis the reinsurer's share of claims against the term of the reinsurance contracts and the related recorded liabilities; and

S. No.	Key Audit Matter(s)	How the matters was addressed in our audit
		• Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; • Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; • Tested on sample basis the completeness, accuracy and reliability of the underlying data utilized by the management, to support the actuarial valuation; • Involved independent actuarial expert to review the reasonableness of the assumptions used and adequacy of IBNR reserve; and • Assessed the adequacy of Company's disclosures within the unconsolidated financial statements as per the relevant accounting and reporting requirements.
2.	**Revenue Recognition Risk** Refer notes 3.6, 3.13, 23 and 27 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 80% of the total revenue. We identified revenue recognition as a key audit matter as 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 an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premium income; • Assessed the appropriateness of the Company's accounting policy for recording of premiums and investment income in line with requirements of applicable accounting and reporting standards; • Tested the premium recorded on sample basis to test the accuracy from the underlying policies issued to insurance contract holders; • Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as unearned premium reserve; • For a sample of investment income transactions, tested that investment income is recorded based on the effective interest method or where right to receive the dividend is established; • Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; and • Tested the investment income transaction on sample basis and subsequent to year end, and evaluated that these were recorded in the appropriate period.

S. No.	Key Audit Matter(s)	How the matters was addressed in our audit
3.	**Valuation of insurance / reinsurance receivables** Refer notes 3.10.1 and 13 to the unconsolidated financial statements relating to valuation of insurance / reinsurance receivables. The Company's insurance / reinsurance receivables represent 8% of its total assets. Valuation of these receivables involves significant judgment regarding uncertainty in determining impairment / provisions. We identified the valuation of insurance / reinsurance receivables as a key audit matter as the estimation involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket; and • Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, actual write offs and receipts and settlement from / with customers and reinsurer subsequent to the financial year end.
4.	**Valuation, Classification and Impairment of Investments** Refer notes 3.14, 3.19, 8, 9 and 10 to the unconsolidated financial statements relating to Valuation and Impairment of Investments. The Company's investment portfolio comprises of government debt securities, equity securities including investment in subsidiary, other fixed income securities and term deposits. 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 and impairment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for valuation and impairment of investments classified as available for sale; • Assessed the methodology used and for a sample of investments evaluated the valuation of debt securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of equity securities by comparing the quoted prices of Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; and • Involved our internal valuation specialist to assist us in evaluating the assumptions and judgments adopted by the valuer in calculation of value in use working of investment in subsidiary; 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.

Information Other than the Unconsolidated 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, 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 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 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 the 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 the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 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 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 unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 05 March 2021

Independent Auditor’s Report
To the members of EFU General Insurance Limited
Report on the Audit of the Window Takaful Operations

Opinion

We have audited the annexed financial statements of EFU General Insurance Limited - Window Takaful Operations (“the Operator”), which comprise the statement of financial position as at 31 December 2020, the profit and loss account, the statement of comprehensive income, the statement of changes in fund 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 and loss account, the statement of comprehensive income, the statement of changes in fund 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 Operator's affairs as at 31 December 2020 and of the profit, total comprehensive income, the changes in fund and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

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 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit, in accordance with ISAs as applicable in Pakistan, we exercise professional 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 the 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 the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 05 March 2021

Independent Auditor's Review Report
To the members of EFU General Insurance Limited
Review of the Statement of compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurer, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called “the Code”) prepared by the Board of Directors of EFU General Insurance Limited (“the Company”) for the year ended 31 December 2020 in accordance with the requirement of the Code.

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

As a part of our audit of 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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out 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 Code as applicable to the Company for the year ended 31 December 2020.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 05 March 2021

Statement of Compliance with the Shari'ah Principles

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

Further we confirmed that:

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

HASANALI ABDULLAH
Managing Director & Chief Executive

Karachi 09 February 2021

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

We were engaged by the Board of Directors of EFU General Insurance 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 31 December 2020, with the Takaful Rules 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed 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, those charged with governance, 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 Audits 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:

- Evaluate 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;
- Test 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 31 December 2020 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 2020, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 05 March 2021

UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Unconsolidated Statement of Financial Position
As at 31 December 2020

Rupees '000

	Note	2020	2019
Assets			
Property and equipment	5	2 818 853	2 967 431
Intangible assets	6	–	–
Investment property	7	2 517 970	2 341 470
Investment in subsidiary	8	9 298 848	10 169 336
Investments			
Equity securities	9	4 480 733	3 271 467
Debt securities	10	10 273 302	9 654 535
Term deposits	11	683 006	444 352
Loans and other receivables	12	344 839	258 679
Insurance / reinsurance receivables	13	3 639 822	4 012 732
Reinsurance recoveries against outstanding claims	24	3 856 142	4 081 849
Salvage recoveries accrued		55 059	44 550
Deferred commission expense	25	678 039	598 669
Retirement benefit	18	34 454	29 689
Taxation - payments less provision		–	22 371
Prepayments	14	4 864 069	5 850 686
Cash and bank	15	1 328 500	1 191 688
		44 873 636	44 939 504
Total assets of window takaful operations - Operator's Fund		938 700	759 742
Total assets		45 812 336	45 699 246
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	16	2 000 000	2 000 000
Reserves	17	16 183 550	15 765 886
Unappropriated profit		1 395 315	1 530 185
Total equity		19 578 865	19 296 071
Surplus on revaluation of property and equipment		1 013 365	1 000 414
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	24	7 111 989	6 273 372
Unearned premium reserve	23	9 411 142	9 143 972
Unearned reinsurance commission	25	152 144	430 936
Deferred taxation	19	724 126	667 971
Premium received in advance		43 747	68 262
Insurance / reinsurance payables	20	4 559 213	6 067 883
Other creditors and accruals	21	2 683 162	2 356 205
Taxation - provision less payments		92 583	–
Total liabilities		24 778 106	25 008 601
		45 370 336	45 305 086
Total liabilities of window takaful operations - Operator's Fund		442 000	394 160
Total equity and liabilities		45 812 336	45 699 246
Contingencies and commitments	22		

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

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Unconsolidated Profit and Loss Account
For the year ended 31 December 2020

Rupees '000

	Note	2020	2019
Net insurance premium	23	8 616 759	7 459 570
Net insurance claims	24	(4 359 123)	(3 548 905)
Net commission and other acquisition cost	25	(775 077)	(556 305)
Insurance claims and acquisition expenses		(5 134 200)	(4 105 210)
Management expenses	26	(2 743 670)	(2 849 245)
Underwriting results		738 889	505 115
Investment income	27	2 185 430	2 262 228
Rental income	28	116 595	112 349
Other income	29	128 234	218 973
Change in fair value of investment property		170 138	433 899
Other expenses	30	(71 561)	(65 003)
		2 528 836	2 962 446
Results of operating activities		3 267 725	3 467 561
Reversal of workers' welfare fund		–	145 631
Profit from window takaful operations - Operator's Fund	31	185 669	214 143
Profit before tax		3 453 394	3 827 335
Income tax expense	32	(1 082 571)	(1 218 755)
Profit after tax		2 370 823	2 608 580
Earnings (after tax) per share - Rupees	33	11.85	13.04

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

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Unconsolidated Statement of Comprehensive Income
For the year ended 31 December 2020

Rupees '000

	2020	2019
Profit after tax	2 370 823	2 608 580
Other comprehensive income		
Total items that may be reclassified subsequently to profit and loss account		
Unrealized gain / (loss) on available-for-sale investments during the year	677 994	(1 493 294)
Reclassification adjustments relating to available-for-sale investments disposed of during the year	167 422	490 146
Unrealized (loss) / gain on available-for-sale investments during the year of subsidiary company	(989 874)	160 404
Total unrealized loss on available-for-sale investments	(144 458)	(842 744)
Deferred tax on available-for-sale investments	(245 171)	290 913
Deferred tax on available-for-sale investments of subsidiary company	287 063	71 988
Net unrealized loss from window takaful operations - Operator's Fund (net of deferred tax)	(568)	(229)
	(103 134)	(480 072)
Item not to be reclassified to profit and loss account in subsequent year:		
Actuarial gains on defined benefit plans	21 236	27 820
Related deferred tax	(6 158)	(8 737)
	15 078	19 083
Other comprehensive income	(88 056)	(460 989)
Total comprehensive income for the year	2 282 767	2 147 591

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

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Unconsolidated Cash Flow Statement
For the year ended 31 December 2020

Rupees '000

	2020	2019
Operating cash flows		
a) Underwriting activities		
Insurance premium received	20 647 335	19 359 626
Reinsurance premium paid	(11 924 632)	(11 466 752)
Claims paid	(5 243 056)	(4 899 546)
Reinsurance and other recoveries received	1 880 038	1 717 281
Commission paid	(1 410 436)	(1 443 027)
Commission received	298 718	902 581
Management expenses paid	(2 365 111)	(2 467 993)
Net cash flow from underwriting activities	1 882 856	1 702 170
b) Other operating activities		
Income tax paid	(821 027)	(1 077 354)
Other operating payments	35 372	50 034
Other operating receipts	303 596	234 528
Loans advanced	(483)	(503)
Loans repayments received	1 418	2 497
Net cash flow used in other operating activities	(481 124)	(790 798)
Total cash flow from all operating activities	1 401 732	911 372
Investment activities		
Profit / return received	1 264 821	1 030 730
Dividend received	770 029	849 915
Rentals received	87 979	128 261
Payment for investments / investment properties	(13 249 892)	(38 659 111)
Proceeds from investments / investment properties	12 098 409	38 283 983
Fixed capital expenditures	(246 358)	(524 407)
Proceeds from sale of property and equipment	22 544	43 100
Total cash flow from investing activities	747 532	1 152 471
Financing activities		
Payments against lease liabilities	(50 464)	(47 547)
Dividends paid	(1 961 988)	(2 091 170)
Total cash flow used in financing activities	(2 012 452)	(2 138 717)
Net cash flow from / (used in) from all activities	136 812	(74 874)
Cash and cash equivalents at the beginning of year	1 191 688	1 266 562
Cash and cash equivalents at the end of year	1 328 500	1 191 688
Reconciliation to profit and loss account		
Operating cash flows	1 401 732	911 372
Depreciation / amortization expense	(340 999)	(364 032)
Finance cost	(12 065)	(14 090)
(Loss) / profit on disposal of property and equipment	(49 674)	35 435
Profit on disposal of investments / investment properties	200 289	491 991
Rental income	116 595	112 349
Dividend Income	773 726	850 360
Other investment income	1 211 415	919 876
Profit on deposits	106 869	156 746
Other income	71 039	26 792
Change in fair value of investment properties	170 138	433 899
(Decrease) / increase in assets other than cash	(1 559 892)	1 883 351
Decrease / (Increase) in liabilities other than borrowings	95 981	(3 049 612)
Profit after tax from conventional insurance operations	2 185 154	2 394 437
Profit from window takaful operations - Operator's Fund	185 669	214 143
Profit after tax	2 370 823	2 608 580

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

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Unconsolidated Statement of Changes in Equity
For the year ended 31 December 2020

Rupees '000

	Attributable to equity holders of the Company						
			Revenue reserves				
	Share capital	Capital Reserve - Reserve for exceptional losses	General reserve	Unrealized gain / (loss) on revaluation of available-for-sale investment-net	Unrealized gain on fair value of investment property	Unappropriated profit	Total
Balance as at 01 January 2019	2 000 000	12 902	13 500 000	(269 657)	1 279 740	2 775 470	19 298 455
Total comprehensive income for the year ended 31 December 2019							
Profit after tax					222 973	2 385 607	2 608 580
Other comprehensive income				(480 072)		19 083	(460 989)
				(480 072)	222 973	2 404 690	2 147 591
Transactions with owners recorded directly in equity							
Final dividend for the year 2018 at the rate of Rs. 6.25 (62.50 %) per share						(1 250 000)	(1 250 000)
1st Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
2nd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
3rd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
Transferred from surplus on revaluation of property and equipment on account of incremental depreciation- net of tax						25	25
Other transfer within equity							
Transfer to general reserve			1 500 000			(1 500 000)	–
Balance as at 31 December 2019	2 000 000	12 902	15 000 000	(749 729)	1 502 713	1 530 185	19 296 071
Balance as at 01 January 2020	2 000 000	12 902	15 000 000	(749 729)	1 502 713	1 530 185	19 296 071
Total comprehensive income for the year ended 31 December 2020							
Profit after tax					120 798	2 250 025	2 370 823
Other comprehensive income				(103 134)		15 078	(88 056)
				(103 134)	120 798	2 265 103	2 282 767
Transactions with owners recorded directly in equity							
Final dividend for the year 2019 at the rate of Rs. 5.50 (55.00 %) per share						(1 100 000)	(1 100 000)
1st Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
2nd Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
3rd Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
Transferred from surplus on revaluation of property and equipment on account of incremental depreciation- net of tax						27	27
Other transfer within equity							
Transfer to general reserve			400 000			(400 000)	–
Balance as at 31 December 2020	2 000 000	12 902	15 400 000	(852 863)	1 623 511	1 395 315	19 578 865

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

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Notes to the Unconsolidated Financial Statements
For the year ended 31 December 2020

1. Legal status and nature of business

EFU General Insurance Limited (the Company) was incorporated as a public limited company on 02 September 1932. The Company is listed on the Pakistan Stock Exchange and is engaged in non-life insurance business comprising of fire and property damage, marine, motor, miscellaneous etc.

The Registered Office of the Company is situated in Islamabad while the principal place of business is located at EFU House, M.A. Jinnah Road, Karachi. The Company commenced Window Takaful Operations from 16 April 2015 as per Securities and Exchange Commission of Pakistan (SECP) Takaful Rules, 2012. The Company operates through 54 (2019: 54) branches in Pakistan including a branch in Export Processing Zone (EPZ) and a branch in Gwadar Free Zone.

1.1 In 2018, the Company had assessed its control position in relation to its investments in EFU Life Assurance Limited after its agreement with some shareholders of EFU Life Assurance Limited effective 31 March 2018, accordingly it was concluded that the Company has the ability to control the composition of the Board of Directors of EFU Life Assurance Limited, therefore EFU Life Assurance Limited has become the subsidiary of the Company from 31 March 2018.

2. Basis of preparation and statement of compliance

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

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

Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, General Takaful Accounting Regulations, 2019 and Takaful Rules, 2012.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules, 2017, General Takaful Accounting Regulations, 2019 shall prevail.

Total assets, total liabilities and profit of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these unconsolidated financial statements in accordance with the requirements of Circular 25 of 2015 dated 09 July 2015. A separate set of financial statements of the General Window Takaful Operations has been reported which is annexed to these unconsolidated financial statements as per the requirements of the SECP Takaful Rules, 2012, General Takaful Accounting Regulations, 2019.

2.1 Basis of measurement

The unconsolidated financial statements have been prepared under the historical cost basis except for the available-for-sale investments, property and equipment and investment property that have been measured at fair value and the Company's liability under defined benefit plan that is determined based on present value of defined benefit obligation less fair value of plan assets.

2.2 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees in thousand, unless otherwise stated.

2.3 Standards, interpretations and amendments effective during the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or do not have any significant effect on the Company's operation and therefore not detailed in these financial statements.

2.3.1 Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The Board has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.

2.3.2 Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the Board has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

2.3.3 On 29 March 2018, the Board has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the Board to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

2.3.4 Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

2.4 Standards, interpretations and amendments to approved accounting standards 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 2021:

2.4.1 Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 01 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

2.4.2 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.

IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

2.4.3 Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments 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 overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.

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

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

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

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

b) all other financial assets:

Rupees '000

31 December 2020	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less Impairment	Change in unrealized gain or (loss) during the year
Cash and bank *	1 328 500	–	–	–	–
Investment in subsidiary - available-for-sale	9 298 848	(989 874)	–	–	–
Investments in equity securities - available-for-sale	4 480 733	686 736	–	–	–
Investments in debt securities - available-for-sale	–	–	10 273 302	–	158 680
Term deposits *	–	–	683 006	–	–
Loans and other receivables *	342 985	–	1 854	–	–
Total	15 451 066	(303 138)	10 958 162	–	158 680

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

Rupees '000

31 December 2020	Gross carrying amounts of debt instruments that pass the SPPI test					
	AAA	AA+	AA	AA-	A	Unrated
Investments in debt securities - available-for-sale	100 000	51 124	51 075	180 000	–	9 891 103
Term deposits	181 260	184 946	–	298 500	18 300	–
Total	281 260	236 070	51 075	478 500	18 300	9 891 103

3. Summary of significant accounting policies

The significant accounting policies and method of computation adopted in preparation of unconsolidated financial statements are consistent to all years presented in these unconsolidated financial statements.

3.1 Property and equipment

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount. Building is initially measured at cost and upon revaluation, is carried at revalued amount less accumulated depreciation and impairment, if any; all other operating property and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Land and building are revalued by independent professionally qualified valuer to ensure that the net carrying amount does not differ materially from the fair value. The surplus arising on revaluation of property and equipment is credited to the "surplus on revaluation of property and equipment".

Depreciation is calculated on straight line basis at the rates specified in note 5.1 to these unconsolidated financial statements.

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from surplus on revaluation of assets to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charges for the year.

The assets' residual values, useful lives and method for depreciation are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property and equipment is charged from the month in which an asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account currently.

Gains or losses on disposal of property and equipment are included in profit and loss account.

3.1.1 Leases

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

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

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

3.1.2 Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible.

3.2 Intangible asset

Material computer software licenses acquired are capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight-line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Amortization on additions to intangibles is charged from the month in which an asset is available for use, while no amortization is charged for the month in which the asset is disposed off.

Cost associated with maintaining computer software programmes are recognized as an expense when incurred.

The assets' residual values, useful lives and method for amortization are reviewed at each financial year end and adjusted if impact on amortization is significant.

3.3 Investment properties

The investment properties are measured at purchase cost on initial recognition including directly attributable to the acquisition and subsequently at fair value with any change in therein recognized in profit and loss account.

3.4 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

The Company underwrites non-life insurance contracts that can be categorized into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those, which fall under Treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

Fire and property damage insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties and passengers arising from their use.

Motor insurance covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other insurances like cash in hand, cash in transit, personal accident, infidelity, public liabilities, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are included under miscellaneous insurance cover.

3.5 Commission

3.5.1 Deferred commission expense

Commission expenses incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

3.5.2 Commission income

Commission from reinsurers is deferred and recognized as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements is recognized when the Company's right to receive the same are established.

3.6 Premium

For all the insurance contracts, premiums / cover notes issued including administrative surcharge received / receivable under a policy / cover note are recognized as written from the date of attachment of the risk to the policy / cover note and over the period of the insurance from inception to the expiry of policy. Where premiums for a policy are payable in instalments, full premium for the duration of the policy is recognized as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

3.7 Unearned premium reserves

The unearned premium reserve is the unexpired portion of the premium including administrative surcharge, which relates to business in force at the financial statement date. Unearned premiums have been calculated by applying 1/24th method as specified in the Insurance Rules, 2017.

3.8 Premium deficiency reserve (liability adequacy test)

At each financial statement date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after financial statement date in respect of policies in force at financial statement date with the carrying amount of unearned premium liability. Any deficiency is recognized by establishing a provision (premium deficiency reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses, which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

The movement in the premium deficiency reserve is recognized as an expense or income in the profit and loss account for the year.

The expected ultimate net claim ratios for the unexpired periods of policies in force at financial statement date for each class of business is as follows:

	2020	2019
– Fire and property damage	45 %	32 %
– Marine, aviation and transport	41 %	41 %
– Motor	50 %	50 %
– Miscellaneous	45 %	39 %

3.9 Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company cedes insurance risks assumed during normal course of its business and according to which the Company is compensated for losses on insurance contracts issued by the Company are classified as reinsurance contracts held.

Reinsurance premium is recognized as an expense at the time the reinsurance is ceded. Commission on reinsurance cessions are recognized in accordance with the policy of recognizing premium revenue.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Reinsurance recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Reinsurance liabilities represent balances due to reinsurance companies and are primarily premiums payable for reinsurance contracts and are recognized at the same time when reinsurance premiums are recognized as an expense.

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

An impairment review of reinsurance assets is performed at each financial statement date. If there is objective evidence that the asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

3.10 Receivables and payables

3.10.1 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the profit and loss account.

Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

3.10.2 Creditors, accruals and provisions

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

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event 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. However, the provisions are reviewed at each financial statement date and adjusted to reflect current best estimates.

3.11 Segment reporting

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

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format.

The Company has four primary business segments for reporting purposes namely, fire and property damage, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.4.

Assets, liabilities and capital expenditures 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.

3.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand.

3.13 Revenue recognition

3.13.1 Premium

The revenue recognition policy for premiums is given under note 3.6.

3.13.2 Commission income

The revenue recognition policy for commission income is given under note 3.5.2.

3.13.3 Investment income

Return on debt investments, profit and loss sharing accounts and bank deposits are recognized using effective interest rate method.

Profit or loss on sale of investments is recognized at the time of sale.

3.13.4 Dividend Income

Dividend income is recognized when right to receive such dividend is established.

3.14 Investments

- In subsidiary - available-for-sale
- In equity securities - available-for-sale
- In debt securities - available-for-sale
- In term deposits - held to maturity

3.14.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments.

3.14.2 Measurement

3.14.2.1 Available-for-sale

Available-for-sale Investments are those non-derivative instruments that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, these are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the Statement of Comprehensive Income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for the period within Statement of Comprehensive Income. Whereas, any reversal in impairment is taken in Statement of Comprehensive Income.

These are reviewed for impairment at each reporting date and any losses arising from impairment in values are charged to the profit and loss account.

3.14.2.2 Held to maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to held to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment in value, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method.

The difference between the redemption value and the purchase price of the held to maturity investment is amortized and taken to the profit and loss account over the term of investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

3.14.3 Derivatives

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently remeasured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the financial statement. The resultant gains and losses are included in the profit and loss account.

3.15 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

3.16 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance 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.

3.16.1 Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred upto the financial statement date, which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

3.16.2 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the financial statement date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

3.16.3 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. The Company takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

3.17 Taxation

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

3.17.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

3.17.2 Deferred

Deferred tax is recognized using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the financial statement date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.18 Employees' retirement benefits

3.18.1 Defined benefit plans

The Company operates the following employee defined benefit plans:

– Funded gratuity scheme

  The Company operates an approved gratuity fund for all employees who complete qualifying period of service.

– Funded pension scheme

  Defined benefit funded pension for all eligible officers.

These funds are administered by trustees. The pension plan is a career average salary plan and the gratuity plan is a final basic salary plan. The actuarial valuation of both the plans is carried out on a yearly basis using the Projected Unit Credit Method and contributions to the plans are made accordingly.

Actuarial gains and losses are recognized in other comprehensive income in the year in which they arise.

3.18.2 Defined contribution plan

The Company contributes to a provident fund scheme, which covers all permanent employees. Both the Company and the employees make equal contributions to the fund at the rate of 8.33 % of basic salary.

3.19 Impairment

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

If a decline in fair value is significant or prolonged, then there is objective evidence of impairment, regardless of how long management intends to hold the investment. If there has been a significant or prolonged decline in the market price of subsidiary/associate at the reporting date, then the impairment test is performed in accordance with IAS 36.

The carrying amount of non-financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.20 Dividend and bonus shares

Dividend to shareholders is recognized as liability in the period in which it is approved. Similarly, reserve for issue of bonus shares is recognized in the year in which such issue is approved.

3.21 Expenses of management

All expenses of management have been allocated between business of Company and window takaful operations - Operators' Fund to the various revenue accounts on equitable basis.

3.22 Rental income

Rental income on investment properties is recognized over the term of lease.

3.23 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.5.2.

3.24 Compensated absences

The liability towards compensated absences accumulated by the employees is provided in the period in which they are earned.

3.25 Foreign currencies

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions. Income and expense amounts relating to foreign branches have been translated at the applicable exchange rates. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the financial statement date. Exchange gains or losses, if any, are taken into profit and loss account.

3.26 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other insurers / reinsurers, accrued expenses, agents' balances, other creditors, deposits and unclaimed dividends.

All the 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 losses on de-recognition of financial assets and financial liabilities are taken to income directly.

3.27 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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 EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. Accounting estimates and judgements

The preparation of 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 judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates 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 revision and future periods if the revision affects both current and future periods.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unconsolidated financial statements are:

	Note
– Property and equipment	3.1
– Investment properties	3.3
– Premium deficiency reserve (liability adequacy test)	3.8
– Receivables related to insurance contracts	3.10.1
– Provision for outstanding claims (including IBNR)	3.16.1
– Taxation	3.17
– Employees' retirement benefits	3.18
– Impairment	3.19

5. Property and equipment

Rupees '000

	Note	2020	2019
Operating assets	5.1	2 818 853	2 967 431
		2 818 853	2 967 431

5.1 Operating assets

Rupees '000

2020

	Cost / Revaluation						Depreciation				Written down value
	As at 01 January	Additions	(Disposals)/ (Write off)	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / (Write off)	As at 31 December	As at 31 December
Tangibles											
Land	1 489 974	–	–	12 224	1 502 198	0	–	–	–	–	1 502 198
Buildings	825 089	101 013	–	6 056	932 158	5	243 983	43 461	–	287 444	644 714
Right of use assets - building	161 067	25 254	–	–	186 321	lease term	43 842	44 437	–	88 279	98 042
Leasehold improvements	27 671	2 264	–	–	29 935	lease term	18 544	4 643	–	23 187	6 748
Furniture and fixtures	592 381	20 654	(174 552)	–	438 483	10	416 122	35 504	(167 381)	284 245	154 238
Office equipment	322 101	13 667	(31 620)	–	304 148	10	227 559	27 559	(28 631)	226 487	77 661
Computer equipment	214 389	15 164	(128 132)	–	101 421	30	179 412	19 568	(128 125)	70 855	30 566
Vehicles	768 397	39 126	(38 569)	–	768 954	20	479 241	104 275	(34 535)	548 981	219 973
Tracker equipment	403 735	29 216	(263 870)	–	169 081	20	228 670	61 552	(205 854)	84 368	84 713
	4 804 804	246 358	(636 743)	18 280	4 432 699		1 837 373	340 999	(564 526)	1 613 846	2 818 853

2019

	Cost / Revaluation						Depreciation				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Tangibles											
Land	1 290 951	–	–	199 023	1 489 974	0	–	–	–	–	1 489 974
Buildings	695 366	129 673	–	50	825 089	5	205 881	38 102	–	243 983	581 106
Right of use assets - building	–	161 067	–	–	161 067	lease term	–	43 842	–	43 842	117 225
Leasehold improvements	27 532	139	–	–	27 671	lease term	12 127	6 417	–	18 544	9 127
Furniture and fixtures	539 070	58 986	(5 675)	–	592 381	10	387 826	33 684	(5 388)	416 122	176 259
Office equipment	302 388	20 008	(295)	–	322 101	10	200 865	26 989	(295)	227 559	94 542
Computer equipment	199 813	14 965	(389)	–	214 389	30	162 362	17 439	(389)	179 412	34 977
Vehicles	751 514	102 802	(85 919)	–	768 397	20	438 049	119 733	(78 541)	479 241	289 156
Tracker equipment	364 398	39 337	–	–	403 735	20	150 844	77 826	–	228 670	175 065
	4 171 032	526 977	(92 278)	199 073	4 804 804		1 557 954	364 032	(84 613)	1 837 373	2 967 431

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

Category of Assets (Mode of disposal)	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
	Rupees '000				
Furniture & fixtures					
(Negotiation / Write off)	6 575	1 169	5 406	5 148	Insurance claim
	167 617	165 973	1 644	–	Write off
Written down value below Rs. 50 000	150	29	121	116	Insurance claim
	210	210	–	32	Various
	174 552	167 381	7 171	5 296	
Office equipment					
(Negotiation / Write off)	1 234	371	863	822	Insurance claim
	30 162	28 036	2 126	–	Write off
Written down value below Rs. 50 000	224	224	–	25	Various
	31 620	28 631	2 989	847	
Computers					
(Write off)	127 771	127 764	7	–	Write off
Written down value below Rs. 50 000	67	67	–	53	Insurance claim
	294	294	–	25	Various
	128 132	128 125	7	78	
Vehicles					
(Negotiation / Write off)	1 141	875	266	750	Faisal Autos
	2 585	431	2 154	2 450	Faisal Autos
	740	444	296	575	Faisal Autos
	849	354	495	500	Ms. Saima Morkas Ex-employee
	1 068	977	91	600	Mr. Bashir Ahmed Sangi
	2 307	1 575	732	–	Write off
Written down value below Rs. 50 000	1 163	1 145	18	–	Write off
	28 716	28 734	(18)	11 448	Various
	38 569	34 535	4 034	16 323	
Tracker equipment					
(Write off)	263 870	205 854	58 016	–	Write off
Total	636 743	564 526	72 217	22 544	

6. Intangible assets

Rupees '000

2020

	Cost					Amortization				Written down value
	As at 01 January	Additions	(Disposals) / (Write off)	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / (Write off)	As at 31 December	As at 31 December
Computer softwares	74 796	–	(15 229)	59 567	33.33	74 796	–	(15 229)	59 567	–
	74 796	–	(15 229)	59 567		74 796	–	(15 229)	59 567	–

Rupees '000

2019

	Cost					Amortization				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Computer softwares	74 796	–	–	74 796	33.33	74 796	–	–	74 796	–
	74 796	–	–	74 796		74 796	–	–	74 796	–

	2020	2019
7. Investment property		
Opening net book value	2 341 470	1 879 093
Additions and capital improvement	6 362	28 478
Unrealized fair value gain	170 138	433 899
Closing book value	2 517 970	2 341 470

Market value of these investment properties amounts to Rs. 2,518 million (2019: Rs. 2,341 million) based on a revaluation carried out by different valuer as at 31 December 2020 and revaluation gain of Rs. 170 million (2019: Rs. 434 million) has been recognized in the profit and loss.

The fair value of investment properties was determined by external, independent property valuers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment properties every year.

The fair value of the investment properties has been categorized as a Level 3 fair value (based on the inputs to the valuation techniques used) and which is considered as highest and best use of investment property.

7.1 Valuation Techniques

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

8. Investment in subsidiary

Rupees '000

	2020			2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Subsidiary						
Listed shares	13 090 943	–	13 090 943	12 971 557	–	12 971 557
Deficit on revaluation	–	–	(3 792 095)	–	–	(2 802 221)
	13 090 943	–	9 298 848	12 971 557	–	10 169 336

9. Investment in equity securities - available-for-sale

Rupees '000

	2020			2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Related Party *						
Listed shares	396 298	–	396 298	396 298	(93 998)	302 300
Others						
Listed shares	1 969 892	(39 956)	1 929 936	1 442 611	(96 385)	1 346 226
Unlisted shares	15 500	(15 500)	–	15 500	(15 500)	–
	1 985 392	(55 456)	1 929 936	1 458 111	(111 885)	1 346 226
Surplus on revaluation	–	–	2 154 499	–	–	1 622 941
	2 381 690	(55 456)	4 480 733	1 854 409	(205 883)	3 271 467

* The Company has not accounted for investment in related parties as associates under IAS 28 'Investment in Associates and Joint Ventures', as management has concluded that the Company does not have significant influence in these companies.

10. Investment in debt securities - available-for-sale

Rupees '000

	Note	2020			2019		
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Government Securities							
Pakistan Investment Bonds		8 990 047	–	8 990 047	5 929 974	–	5 929 974
Treasury Bills		622 638	–	622 638	3 222 624	–	3 222 624
		9 612 685	–	9 612 685	9 152 598	–	9 152 598
Term Finance Certificate							
Others							
New Allied Electronics Limited	10.1	3 481	(3 481)	–	3 481	(3 481)	–
Agritech Limited - 3rd Issue (B)	10.2	5 665	(5 665)	–	5 665	(5 665)	–
Agritech Limited - 3rd Issue (A)	10.3	34 972	(34 972)	–	34 972	(34 972)	–
Soneri Bank Limited	10.4	100 000	–	100 000	100 000	–	100 000
Habib Bank Limited	10.5	100 000	–	100 000	100 000	–	100 000
		244 118	(44 118)	200 000	244 118	(44 118)	200 000
Corporate Sukuks							
Others							
Dubai Islamic Bank Limited	10.6	80 000	–	80 000	80 000	–	80 000
Engro Polymer & Chemicals Limited	10.7	50 000	–	50 000	50 000	–	50 000
The Hub Power Company Limited	10.8	50 000	–	50 000	50 000	–	50 000
		180 000	–	180 000	180 000	–	180 000
Surplus on revaluation		–	–	280 617	–	–	121 937
		10 036 803	(44 118)	10 273 302	9 576 716	(44 118)	9 654 535

Rupees '000

		No. of Certificate		Face Value	Value of Certificate	
		2020	2019		2020	2019
10.1	New Allied Electronics Limited	2 000	2 000	5000	–	–
10.2	Agritech Limited - 3rd Issue (B)	1 133	1 133	5000	–	–
10.3	Agritech Limited - 3rd Issue (A)	7 000	7 000	5000	–	–
10.4	Soneri Bank Limited	20 000	20 000	5000	100 000	100 000
10.5	Habib Bank Limited	1 000	1 000	100000	100 000	100 000
10.6	Dubai Islamic Bank Limited	16 000	16 000	5000	80 000	80 000
10.7	Engro Polymer & Chemicals Limited	500	500	100000	51 075	50 688
10.8	The Hub Power Company Limited	500	500	100000	51 124	50 450
		48 133	48 133		382 199	381 138

Name of investment	Maturity year	Effective yield %	Profit payment	Face value	31 December 2020
3 Years Pakistan Investment Bonds	2021	11.91 - 14.25	Half yearly	4 492 000	4 493 285
3 Years Pakistan Investment Bonds	2023	8.12	Half yearly	300 000	300 495
5 Years Pakistan Investment Bonds	2023	11.26 - 11.80	Half yearly	164 300	163 558
5 Years Pakistan Investment Bonds	2024	7.52 - 11.52	Half yearly	4 041 500	4 121 966
10 Years Pakistan Investment Bonds	2028	13.43	Half yearly	200 000	189 208
3 months Treasury Bills	2021	7.11 - 7.16	On maturity	628 000	622 590
					9 891 102
The amount of Pakistan Investment Bonds includes Rs. 225 million (2019: Rs. 204 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.					
Term Finance Certificates (TFCs) – quoted					
New Allied Electronics Limited *	2012	12.92	Quarterly	3 481	–
Agritech Limited - 3rd Issue (B) *	2017	11.00	Half yearly	5 665	–
Agritech Limited - 3rd Issue (A) *	2019	13.35	Quarterly	34 972	–
Soneri Bank Limited	Perpetual	9.35	Half yearly	100 000	100 000
Habib Bank Limited	Perpetual	8.90	Quarterly	100 000	100 000
					200 000
Corporate Sukuks – quoted					
Dubai Islamic Bank Limited	Perpetual	9.0	Monthly	80 000	80 000
The Hub Power Company Limited	2023	9.19	Quarterly	50 000	51 125
Engro Polymer & Chemicals Limited	2026	8.20	Quarterly	50 000	51 075
					182 200
					10 273 302

* The term finance certificates are held under non-performing status and full provision has been made against these term finance certificates.

Rupees '000

Name of investment	Maturity year	Effective yield %	Profit payment	Face value	31 December 2019
3 Years Pakistan Investment Bonds	2021	11.91 - 14.25	Half yearly	4 492 000	4 167 628
5 Years Pakistan Investment Bonds	2023	11.26 - 13.80	Half yearly	164 300	148 354
5 Years Pakistan Investment Bonds	2024	11.21 - 11.52	Half yearly	1 651 500	1 562 033
10 Years Pakistan Investment Bonds	2028	13.43	Half yearly	200 000	175 483
6 months Treasury Bills	2020	13.05 - 13.15	On maturity	1 500 000	1 432 964
3 months Treasury Bills	2020	13.00 - 13.51	On maturity	1 810 900	1 786 935
					9 273 397
The amount of Pakistan Investment Bonds includes Rs. 204 million (2018: Rs. 207 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.					
Term Finance Certificates (TFCs) – quoted					
New Allied Electronics Limited *	2012	12.92	Quarterly	3 481	–
Agritech Limited - 3rd Issue (B) *	2017	11.00	Half yearly	5 665	–
Agritech Limited - 3rd Issue (A) *	2019	13.35	Quarterly	34 972	–
Soneri Bank Limited	Perpetual	15.50	Half yearly	100 000	100 000
Habib Bank Limited	Perpetual	15.14	Quarterly	100 000	100 000
					200 000
Corporate Sukuks – quoted					
Dubai Islamic Bank Limited	Perpetual	15.60	Monthly	80 000	80 000
The Hub Power Company Limited	2023	15.51	Quarterly	50 000	50 450
Engro Polymer & Chemicals Limited	2026	14.54	Quarterly	50 000	50 688
					181 138
					9 654 535

* The term finance certificates are held under non-performing status and full provision has been made against these term finance certificates.

Rupees '000

	Note	2020	2019
11. Investment in term deposits			
Deposits maturing within 12 months			
Term deposit certificates - local currency	11.1 & 11.3	366 800	160 066
Term deposit certificates - foreign currency	11.2	316 206	284 286
		683 006	444 352

11.1 The rate of return on term deposit certificates issued by various banks ranges from 6.75 % to 13.00 % per annum (2019: 8.40 % to 14.00 % per annum) depending on tenure. These term deposit certificates have maturities upto 28 April 2021.

11.2 The rate of return on foreign currency term deposit certificates issued by various banks ranges from 0.10 % to 1.35 % per annum (2019: 1.20 % to 2.30 % per annum) depending on tenure. These term deposit certificates have maturities upto 29 June 2021.

11.3 This includes an amount of Rs. 13 million (2019: Rs. 13 million) under lien with banks against guarantees issued in favour of the Company.

Rupees '000

	Note	2020	2019
12. Loans and other receivables – considered good			
Loans to employees		1 854	2 789
Accrued investment income		289 588	156 635
Security deposits		17 431	16 949
Advances to suppliers		4 098	3 265
Advances to employees		5 102	4 772
Other receivables		26 766	74 269
		344 839	258 679
13. Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders		3 573 077	4 206 359
Provision for impairment of receivables from insurance contract holders	13.1	(7 123)	(209 784)
		3 565 954	3 996 575
Due from other insurer / reinsurers		73 868	16 157
		3 639 822	4 012 732
13.1 Provision for impairment of receivables from insurance contract holders			
Balance as on 01 January		209 784	69 251
(Reversal) / charged during the year		(13 474)	140 533
Written off		(189 187)	–
Balance as on 31 December		7 123	209 784
14. Prepayments			
Prepaid reinsurance premium ceded	23	4 808 670	5 750 008
Software and hardware support services		845	801
Prepaid charges for vehicle tracking devices		50 090	92 983
Others		4 464	6 894
		4 864 069	5 850 686
15. Cash and Bank			
Cash and cash equivalents			
Policy and revenue stamps, bond papers		19 962	11 242
Cash at bank			
Current accounts		148 584	275 325
Saving accounts	15.1 & 15.2	1 159 954	905 121
		1 308 538	1 180 446
		1 328 500	1 191 688
Cash and short term borrowing include following for the purposes of the cash flow statement:			
Cash and cash equivalents		1 328 500	1 191 688

15.1 The rate of return on saving accounts from various banks ranges from 5.50 % to 6.50 % per annum (2019: 11.25 % to 12.60 % per annum) depending on the size of average deposits.

15.2 This includes an amount of Rs. 57 million (2019: Rs. 53 million) under lien with banks against guarantees issued in favour of the Company.

16. Share capital

16.1 Authorized Capital

Number of shares '000 2020	2019		Rupees '000 2020	2019
200 000	200 000		2 000 000	2 000 000

16.2 Issued, subscribed and paid-up share capital

Number of shares '000 2020	2019		Rupees '000 2020	2019
250	250	Ordinary shares of Rs. 10 each, fully paid in cash	2 500	2 500
199 750	199 750	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	1 997 500	1 997 500
200 000	200 000		2 000 000	2 000 000

16.2.1 As at 31 December 2020, EFU Life Assurance Limited, a subsidiary undertaking, held 4,680,961 (2019: 4,680,961) ordinary shares of Rs. 10 each.

Rupees '000

	Note	2020	2019
17. Reserves			
Capital reserve			
Reserve for exceptional losses	17.1	12 902	12 902
Revenue reserves			
General reserve		15 400 000	15 000 000
Revaluation reserve for unrealized loss on available-for-sale investments - net		(852 863)	(749 729)
Reserve for change in fair value of investment property - net		1 623 511	1 502 713
		16 183 550	15 765 886

17.1 The reserve for exceptional losses was created prior to 1979 and was charged to income in accordance with the provisions of the repealed Income Tax Act, 1922 and has been so retained to date.

18. Staff retirement benefits

The latest actuarial valuation as at 31 December 2020 uses a discount rate of 9.50 % (2019: 12.20 %) for defined benefit obligation and plan assets. Basic salary and pension increases to average 6.50 % and 0.00 % (2019: 9.10 % and 2.10 %) respectively per annum in the long term.

Rupees '000

	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
18.1 Reconciliation of the present value of defined benefit obligations				
At the beginning of the year	218 468	448 210	208 041	426 035
Current service cost	1 055	20 315	1 193	19 789
Interest cost	25 262	52 940	25 358	52 595
Remeasurement loss due to:				
Change in financial assumptions	4 754	–	8 131	–
Experience	(3 874)	18 549	(1 325)	(13 557)
Benefits paid	(22 805)	(28 547)	(22 930)	(36 652)
At the end of the year	222 860	511 467	218 468	448 210
18.2 Changes in fair value of plan assets				
At the beginning of the year	246 073	450 294	232 183	339 062
Interest income	28 704	53 194	28 546	46 985
Remeasurement gain / (loss) due to:				
Investment return	13 945	26 721	7 143	13 926
Contributions paid by Company	242	–	225	86 973
Contributions paid by employees	967	–	906	–
Benefits paid	(22 805)	(28 547)	(22 930)	(36 652)
At the end of the year	267 126	501 662	246 073	450 294
18.3 Charge to profit and loss account				
Service cost				
Current service cost	1 055	20 315	1 193	19 789
Employee contributions	(967)	–	(906)	–
Net interest (income) / cost	(3 442)	(254)	(3 188)	5 610
Chargeable in profit and loss account	(3 354)	20 061	(2 901)	25 399
18.4 Remeasurements recognized in other comprehensive income				
Change in financial assumptions	4 754	–	8 131	–
Experience on obligation	(3 874)	18 549	(1 325)	(13 557)
Investment return	(13 945)	(26 721)	(7 143)	(13 926)
Chargeable in statement of comprehensive income	(13 065)	(8 172)	(337)	(27 483)
Total defined benefit cost	(16 419)	11 889	(3 238)	(2 084)
18.5 (Asset) / liability on balance sheet				
At the beginning of the year	(27 605)	(2 084)	(24 142)	86 973
Defined benefit cost	(16 419)	11 889	(3 238)	(2 084)
Contributions paid by Company	(242)	–	(225)	(86 973)
At the end of the year	(44 266)	9 805	(27 605)	(2 084)
Reconciliation				
Obligation	222 860	511 467	218 468	448 210
Plan assets	(267 126)	(501 662)	(246 073)	(450 294)
Net (asset) / liability on statement of financial position	(44 266)	9 805	(27 605)	(2 084)

18.6 Historical data

Rupees '000

	2019	2018	2017	2016	2015
Pension					
Present value of defined benefit obligation	218 468	208 041	280 809	278 214	229 022
Fair value of plan assets	(246 073)	(232 183)	(249 514)	(279 401)	(245 209)
(Surplus) / deficit	(27 605)	(24 142)	31 295	(1 187)	(16 187)
Experience adjustment					
- Actuarial loss / (gain) on obligation	(1 325)	2 058	1 756	10 451	16 348
- Actuarial gain / (loss) on assets	7 143	(14 850)	(29 847)	33 506	(4 526)
Gratuity					
Present value of defined benefit obligation	448 210	426 035	365 990	329 987	286 272
Fair value of plan assets	(450 294)	(339 062)	(325 311)	(328 138)	(308 587)
(Surplus) / deficit	(2 084)	86 973	40 679	1 849	(22 315)
Remeasurements due to:					
- Actuarial loss / (gain) on obligation	(13 557)	45 279	15 080	16 810	10 639
- Actuarial gain / (loss) on assets	13 926	(22 136)	21 566	15 124	4 099

18.7 Composition of fair value of plan assets

Fund investments	Pension				Gratuity			
	2020		2019		2020		2019	
Debt	95 %	244 418	81 %	232 247	91 %	441 510	87 %	427 017
Equity	5 %	14 028	9 %	12 894	8 %	42 219	7 %	23 081
Cash	0 %	621	1 %	932	1 %	3 936	0 %	196
	100 %	259 067	100 %	246 073	100 %	487 665	100 %	450 294

The expected charge to pension and gratuity fund for the year 2021 amounts to Rs. 10 million.

18.8 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

Impact on obligation of 1 % change in assumptions

Assumptions	1 % increase	1 % decrease
Discount rate	(35 008)	39 137
Salary increase	25 499	(23 245)
Pension increase	15 553	–

Weighted average duration of the plan is 5.7 years.

Rupees '000

Projected payments	Pension	Gratuity
Company contributions 2021	231	23 434
Benefit payments:		
2021	26 536	102 586
2022	29 130	94 920
2023	28 356	58 838
2024	28 196	48 857
2025	27 679	70 788
2026 - 2030	123 062	301 445

	Note	2020	2019
19. Deferred taxation			
Deferred debits arising in respect of:			
Premium due but unpaid		(2 066)	(60 837)
Impairment of TFC		(12 794)	(12 794)
Defined benefit plan		(5 205)	(11 364)
Unrealized gain on available-for-sale investments		(347 611)	(305 719)
Right to use asset		(4 724)	(2 973)
Deferred credits arising in respect of:			
Fair value of investment property		663 124	613 784
Revaluation of property and equipment		413 910	408 620
Accelerated tax depreciation		19 492	39 254
		724 126	667 971

20. Insurance / reinsurance payable

These amounts represent amount payable to other insurers and reinsurer

	Note	2020	2019
21. Other creditors and accruals			
Federal insurance fee payable		11 847	10 563
Federal excise duty and sales tax payable		175 492	113 617
Accrued expenses		297 260	258 887
Agent commission payable		506 475	484 953
Unearned rentals		68 097	89 169
Other deposits		1 098 695	958 402
Unclaimed dividends		359 180	321 168
Lease liability	21.1	100 561	113 706
Others		65 555	5 740
		2 683 162	2 356 205
21.1 Lease liability			
Current		35 326	42 291
Non-current		65 235	71 415
		100 561	113 706

22. Contingencies and commitments

22.1 The income tax assessment of the Company has been finalized upto tax year 2020.

The Income Tax Department has made an assessment order for assessment year 1999-2000 and 2000-2001 by adding back provision for bonus to staff, provision for gratuity and excess management expense. The Company had filed appeals before the Commissioner, Inland Revenue (Appeals). The appeals have been decided in the favour of the Income Tax Department. The Company had filed appeals before the Income Tax Appellate Tribunal (ITAT). If the appeals are decided against the Company a tax liability of Rs. 13 million would arise.

The Income Tax Department (Audit) has made an assessment order for assessment year 2002-2003 by adding certain items. The Company had filed an appeal before Commissioner Income Tax (Appeals). The appeal was decided in the favour of the Company. The Department had filed an appeal before the Income Tax Appellate Tribunal (ITAT) and the same has been decided in the favour of the Company. The Department has filed appeal before Honourable High Court of Sindh against the order of the Income Tax Appellate Tribunal (ITAT) in respect of estimated liability of claims, excess perquisites and retrocession commission. If the appeal is decided against the Company a tax liability of Rs. 76 million would arise.

The Commissioner Inland Revenue (Audit) has amended the tax assessment of the Company for tax year 2005 to 2007 by disallowing prorated expense. The Company has filed appeals before Commissioner Income Tax (Appeals). The appeals were decided in the favour of the Company. The Department then filed appeals before the Income Tax Appellate Tribunal (ITAT). The Income Tax Appellate Tribunal (ITAT) had passed an order in favour of the Company. The Department then filed reference before the Honourable High Court of Sindh. The Honourable High Court of Sindh maintained the decision of Income Tax Appellate Tribunal (ITAT). The Department has filed appeals for the tax year 2005 to 2007 before the Honourable Supreme Court of Pakistan against the decision of the Honourable High Court of Sindh in respect of proration of expenses and if the appeals are decided against the Company, a tax liability of Rs. 37 million would arise.

The Commissioner Inland Revenue (Audit) has amended the tax assessment of the Company for tax year 2008 by adding capital gain on investment, depreciation on leased asset, admissible expenses, re-insurance premium ceded, provision for leave encashment, amortization of premium relative to par and provision for outstanding claims (IBNR). The Company filed appeal before Commission Income Tax (Appeals) against the order of Income Tax Commissioner (Audit). The Appeal decided in favour of the Company except addition made on account of reinsurance premium ceded. The Company has filed appeal before Income Tax Appellate Tribunal (ITAT) against the decision of Income Tax Commissioner (Appeals) for maintaining the decision of Income Tax Commissioner (Audit) with respect to confirming the addition made on account of re-insurance premium ceded. The Income Tax Appellate Tribunal (ITAT) decided the case in favour of the Company. The Department filed appeal in Income Tax Appellate Tribunal (ITAT) against the decision of Income Tax Commissioner (Appeals) for deletion of Capital Gain on Investment, Provision for Leave Encashment, and Depreciation on Leased Asset. The Income Tax Appellate Tribunal (ITAT) decided the case in favour of the Company. The Department has filed appeals before the Honourable High Court of Sindh against the decision of the Income Tax Appellate Tribunal (ITAT) in respect of tax on reinsurance premium, deletion of Capital Gain on Investment, Provision for Leave Encashment, and Depreciation on Leased Asset. If the appeals decided against the Company, a tax liability of Rs. 5,099 million would be payable. The Honourable High Court of Sindh has issued orders in favour of the assesses on the identical cases.

The Department has filed an appeal for tax years 2014 to 2016 before the Income Tax Appellate Tribunal (ITAT) against the order of Commissioner (Appeal) in respect of Dividend Income taxed at reduced rate. If the appeal is decided against the Company, a tax liability of Rs. 355 million would arise.

The Commissioner Inland Revenue (Audit) has made an addition to the income of Tax years 2017 and 2019 on account of fair market value of motor vehicles. The Company has filed appeals before Commissioner Income Tax (Appeals). The Commissioner Income Tax (Appeals) has confirmed the action of the Commissioner, Inland Revenue (Audit). The Company then filed appeals before the Income Tax Appellate Tribunal (ITAT). If the appeal is decided against the Company, a tax liability of Rs. 2 million would arise.

The Commissioner Inland Revenue (Audit) has made an addition to the income of Tax year 2020 on account of expenses. The Company has filed appeals before Commissioner Income Tax (Appeals). If the appeal is decided against the Company, a tax liability of Rs. 2 million would arise.

No provision has been made in these unconsolidated financial statements for the above contingencies, as the management, based on tax advisor's opinion, is confident that the decision in this respect will be received in favour of the Company.

22.2 In 2014, 2015, 2016, 2017 and 2018 the Searle Company Limited issued bonus shares (453,612, 312,993, 664,632, 472,284 and 443,697 shares respectively) after withholding 5 percent of bonus shares (22,680, 15,650, 34,981, 24,857 and 21,360 shares respectively). In this regard, a constitutional petition had been filed by the Company in Honourable High Court of Sindh challenging the applicability of withholding tax provision on bonus shares received by the Company. The Honourable High Court of Sindh decided the case against the Company. Subsequently, the Company filed an appeal with a larger bench of the Honourable High Court of Sindh and in response; the Sindh High Court has suspended the earlier judgement until the next date of hearing, which has not yet been decided. Consequently, the Company has not paid / provided an amount of Rs. 37 million being withholding tax on bonus shares.

22.3 There are no commitments as at 31 December 2020 (31 December 2019: Nil).

Rupees '000

	2020	2019
23. Net insurance premium		
Written gross premium	20 241 229	19 774 236
Unearned premium reserve - opening	9 143 972	8 354 109
Unearned premium reserve - closing	(9 411 142)	(9 143 972)
Premium earned	19 974 059	18 984 373
Less:		
Reinsurance premium ceded	10 415 962	12 201 530
Prepaid reinsurance premium - opening	5 750 008	5 073 281
Prepaid reinsurance premium - closing	(4 808 670)	(5 750 008)
Reinsurance expense	11 357 300	11 524 803
Net Insurance Premium	8 616 759	7 459 570
24. Net insurance claim expense		
Claim Paid	5 232 548	4 897 302
Outstanding claims including IBNR - closing	7 111 989	6 273 372
Outstanding claims including IBNR - opening	(6 273 372)	(5 176 757)
Claims expense	6 071 165	5 993 917
Less:		
Reinsurance and other recoveries received	1 937 749	1 726 602
Reinsurance and other recoveries in respect of outstanding claims - opening	(4 081 849)	(3 363 439)
Reinsurance and other recoveries in respect of outstanding claims - closing	3 856 142	4 081 849
Reinsurance and other recoveries revenue	1 712 042	2 445 012
Net Insurance claim expense	4 359 123	3 548 905

24.1 Claim development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

Rupees '000

Accident year	2016 and prior	2017	2018	2019	2020 (including IBNR)	Total
Estimate of ultimate claims costs:						
– At end of accident year	9 753 448	6 601 065	5 812 473	7 326 981	7 040 966	
– One year later	8 364 876	5 760 701	5 183 730	6 350 034	–	
– Two years later	7 959 985	5 107 339	5 121 744	–	–	
– Three years later	7 909 026	5 233 323	–	–	–	
– Four years later	7 852 176	–	–	–	–	
Current estimate of cumulative claims	7 852 176	5 233 323	5 121 744	6 350 034	7 040 966	31 598 243
Cumulative payments to date	7 004 940	5 149 941	4 514 522	4 808 681	3 008 170	24 486 254
Liability recognized in statement of financial position	847 236	83 382	607 222	1 541 353	4 032 796	7 111 989

24.2 The provision for IBNR on the basis of actuarial valuation carried out as at 31 December 2020 amounting to Rs. 280 million (2019: Rs. 289 million).

Rupees '000

	Note	2020	2019
25. Net commission expense			
Commission paid or payable		1 431 958	1 420 727
Deferred commission expense - opening		598 669	600 740
Deferred commission expense - closing		(678 039)	(598 669)
Net commission		1 352 588	1 422 798
Less:			
Commission received or recoverable		298 719	902 581
Unearned reinsurance commission - opening		430 936	394 848
Unearned reinsurance commission - closing		(152 144)	(430 936)
Commission from reinsurers		577 511	866 493
Net commission expense		775 077	556 305
26. Management expenses			
Salaries, wages and benefits	26.1	1 694 863	1 628 589
Bonus		137 714	117 511
Gratuity		17 015	22 525
Rent rates and taxes		5 068	5 784
Telephone		23 939	21 134
Postage and telegram		7 279	9 249
Gas electricity and fuel		51 329	53 869
Printing and stationery		35 811	38 516
Travelling, club and entertainment		27 091	86 464
Depreciation		324 595	338 193
Repair and maintenance		69 783	61 712
Publicity		26 802	42 442
Service charges		(56 937)	(50 198)
Bank charges and commission		4 707	4 885
Tracker monitoring	26.2	222 107	192 041
Bad debts		(13 474)	140 533
Inspection fee		17 956	14 890
Annual supervision fee of SECP		37 440	37 554
Training		3 965	5 946
Insurance		3 438	3 914
Levy to IAP		2 000	2 000
Business procurement		18 853	13 993
Security service		7 762	9 176
Meeting and conferences		1 940	4 223
Conveyance		10 467	11 452
Miscellaneous		62 157	32 848
		2 743 670	2 849 245

26.1 These include Rs. 30.08 million (2019: Rs. 27.73 million) being contribution for employees' provident fund.

26.2 It includes Rs. 58.02 million (2019: Rs. Nil) being the amount of tracker equipment written off.

Rupees '000

	Note	2020	2019
27. Investment income			
Income from subsidiary - available-for-sale			
Dividend income		659 994	684 717
Income from equity securities - available-for-sale			
Dividend income		113 732	165 643
Income from debt securities - available-for-sale			
Return on debt securities		1 200 032	961 973
Income from term deposits			
Return on term deposits		16 937	18 517
		1 990 695	1 830 850
Net realized gains / (losses) on investments available-for-sale financial assets			
Realized gains on:			
Equity securities		231 193	606 407
Realized losses on:			
Equity securities		(4 302)	(114 416)
Debt securities		(26 602)	–
		200 289	491 991
		2 190 984	2 322 841
Impairment in value of available-for-sale equity securities		(4 753)	(60 013)
Investment related expenses		(801)	(600)
Total investment income		2 185 430	2 262 228
28. Rental income			
Rental income		167 366	161 034
Less: Expenses of investment property		(50 771)	(48 685)
		116 595	112 349
29. Other income			
Gain on sale of property and equipment		8 343	35 435
Return on loans to employees		133	285
Exchange gains		12 889	26 507
Return on bank balances		106 869	156 746
		128 234	218 973
30. Other expenses			
Legal and professional fee other than business related		18 402	13 532
Auditors' remuneration	30.1	5 443	5 493
Subscription to association		22 642	19 064
Charity and donations	30.2	13 009	12 824
Finance cost		12 065	14 090
		71 561	65 003

Rupees '000

	2020	2019
30.1 Auditors' remuneration		
Audit fee	2 554	2 500
Special certifications and sundry advisory services	1 740	2 450
Out-of-pocket expenses	1 149	543
	5 443	5 493

30.2 Donations

Donations include the following in whom the directors are interested:

Name of Director	Interest in donee	Name and address of donee	2020	2019
Saifuddin N. Zoomkawala	Board Member	Shaukat Khanum Memorial Trust 7A Block R-3, M.A. Johar Town, Lahore	600	1 900
Saifuddin N. Zoomkawala	Board Member	SIUT Civil Hospital, New Labour Colony, Nanakwara, Karachi	1 433	900
Saifuddin N. Zoomkawala and Ali Raza Siddiqui	Board Member	Fakhr-e-Imdad Foundation Mirpurkhas Digri Road, Mirwah Gorchani, Mirpurkhas	300	300
Hasanali Abdullah	Board Member	The Aga Khan Hospital and Medical College Foundation, Stadium Road, Karachi.	1 000	–

31. Window takaful operations - Operator's Fund

	2020	2019
Wakala fee	673 276	659 174
Commission expense	(246 558)	(229 689)
General, administrative and management expenses	(322 461)	(288 932)
Modarib's share of PTF investment income	32 373	28 386
Investment income	44 247	37 401
Direct expenses	(724)	(634)
Other income	5 516	8 437
	185 669	214 143

32. Taxation

	2020	2019
For current year		
Current	978 247	1 017 243
Deferred	86 532	139 389
	1 064 779	1 156 632
For prior year(s)		
Prior years tax	17 792	62 123
	1 082 571	1 218 755

32.1 Relationship between tax expense and accounting profit

	Effective tax rate %		Rupees '000	
	2020	2019	2020	2019
Profit before taxation			3 453 394	3 827 335
Tax at the applicable rate	29.00	29.00	1 001 484	1 109 927
Tax effects of deductions not allowed	1.84	0.62	63 634	23 778
Tax effects of exempted income	(0.01)	0.60	(339)	22 927
Prior years tax	0.52	1.62	17 792	62 123
Total average effective tax rate	31.35	31.84	1 082 571	1 218 755

33. Earnings per share - basic and diluted

		2020	2019
Profit (after tax) for the year	(Rupees '000)	2 370 823	2 608 580
Weighted average number of ordinary shares	(Numbers '000)	200 000	200 000
Earnings per share	(Rupees)	11.85	13.04

34. 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 Company are as follows:

Rupees '000

	2020				2019			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Fees	–	4 000	–	4 000	–	2 350	–	2 350
Managerial remuneration	38 280	18 000	366 201	422 481	35 880	18 000	308 670	362 550
Leave encashment	–	–	23 147	23 147	–	–	22 076	22 076
Bonus	–	–	68 509	68 509	–	–	53 775	53 775
Retirement benefits	–	–	27 648	27 648	–	–	21 657	21 657
Utilities	588	224	27 077	27 889	540	238	22 963	23 741
Medical expenses	526	517	12 473	13 516	963	444	10 449	11 856
Leave passage	–	–	3 100	3 100	1 065	354	4 924	6 343
Total	39 394	22 741	528 155	590 290	38 448	21 386	444 514	504 348
Number of persons	1	8	199	208	1	6	169	176

34.1 The Chief Executive Officer is provided with Company maintained cars, furnished accommodation and medical insurance cover. The Executives are provided with free use of Company cars, medical insurance cover and certain items of household furniture and fixtures in accordance with their entitlements. The Chief Executive is not given any rent allowance but is provided with maintained furnished accommodation. The Chairman is provided with free use of Company car, maintained furnished accommodation, medical insurance cover and residential utilities.

The Non-Executive Directors were paid Directors meeting fee of Rs. 4.0 million (2019: Rs. 2.4 million). No other remuneration was paid to Non-Executive Directors.

35. Related party transactions

Related parties comprise of directors, major shareholders, key management personnel, associated companies, subsidiary company, and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties during the year other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

Rupees '000

	2020	2019
Transactions		
Subsidiary Company		
Premium written	24 903	40 655
Premium paid	11 064	18 355
Claims paid	4 360	20 594
Dividend received	659 994	684 717
Dividend paid	46 810	50 320
Profit commission earned	25 066	–
Associated companies		
Premium written	359 142	352 673
Premium paid	20 248	17 665
Claims paid	93 707	126 808
Dividend paid	657 765	657 655
Bank deposit made / (withdrawn)	200 000	(95 500)
Key management personnel		
Premium written	1 371	895
Claims paid	1 117	60
Dividend paid	9 001	9 200
Compensation	228 435	215 708
Others		
Premium written	243 046	215 465
Claims paid	39 887	46 638
Dividend paid	581 706	650 494
Brokerage paid	1 386	664
Employees' funds		
Contribution to provident fund	30 106	27 754
Contribution to gratuity fund	20 061	25 399
Contribution released to pension fund	(3 354)	(2 901)
Dividend paid	5 413	9 688
Balances		
Others		
Balances receivable	79 089	71 351
Balances payable	23	316
Bank deposits maturity within 12 months	283 500	83 500
Bank balances	196 114	119 518
Employees' funds receivable / (payable)		
EFU gratuity fund	(9 806)	2 084
EFU pension fund	44 260	27 605

36. Segment information

Rupees '000

Current year	For the year ended 31 December 2020					
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
Premium receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	15 080 853	2 821 586	3 684 452	1 856 301	–	23 443 192
Less: Sales tax	1 899 096	304 636	443 332	226 862	–	2 873 926
Stamp duty	483	123 274	1 134	783	–	125 674
Federal insurance fee	130 470	23 686	32 081	16 126	–	202 363
Gross written premium (inclusive of administrative surcharge)	13 050 804	2 369 990	3 207 905	1 612 530	–	20 241 229
Gross direct premium	13 011 256	2 321 415	2 974 987	1 598 012	–	19 905 670
Facultative inward premium	3 834	1 238	–	–	–	5 072
Administrative surcharge	35 714	47 337	232 918	14 518	–	330 487
Insurance premium earned	12 697 247	2 330 490	3 280 641	1 665 681	–	19 974 059
Insurance premium ceded to reinsurers	(9 550 801)	(904 910)	(16 045)	(885 544)	–	(11 357 300)
Net insurance premium	3 146 446	1 425 580	3 264 596	780 137	–	8 616 759
Commission income	421 499	15 311	197	140 504	–	577 511
Net underwriting income	3 567 945	1 440 891	3 264 793	920 641	–	9 194 270
Insurance claims	(2 835 484)	(966 421)	(1 559 305)	(709 955)	–	(6 071 165)
Insurance claims recovered from reinsurers	953 498	438 793	670	319 081	–	1 712 042
Net claims	(1 881 986)	(527 628)	(1 558 635)	(390 874)	–	(4 359 123)
Commission expense	(707 736)	(225 860)	(289 242)	(129 750)	–	(1 352 588)
Management expenses	(968 884)	(414 809)	(1 119 659)	(240 318)	–	(2 743 670)
Net insurance claims and expenses	(3 558 606)	(1 168 297)	(2 967 536)	(760 942)	–	(8 455 381)
Underwriting result	9 339	272 594	297 257	159 699	–	738 889
Net investment income						2 185 430
Rental income						116 595
Other income						128 234
Other expenses						(71 561)
Change in fair value of investment property						170 138
Profit from window takaful operations - Operator's Fund						185 669
Profit before tax						3 453 394

Rupees '000

Current year	As at 31 December 2020					
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
Corporate segment assets	9 836 545	1 615 062	648 322	1 072 606	–	13 172 535
Corporate segment assets - Takaful OPF	54 704	7 402	217 416	2 733	–	282 255
Corporate unallocated assets						31 701 101
Corporate unallocated assets - Takaful OPF						656 445
Total assets						45 812 336
Corporate segment liabilities	14 724 695	2 592 963	2 418 687	3 147 059	–	22 883 404
Corporate segment liabilities - Takaful OPF	57 656	8 356	331 655	10 688	–	408 355
Corporate unallocated liabilities						1 894 702
Corporate unallocated liabilities - Takaful OPF						33 645
Total liabilities						25 220 106

Location	External premium less reinsurance by geographical segments 2020
Pakistan	8 591 007
EPZ *	25 752
Total	8 616 759

* This represents US Dollar Equivalent in Pak Rupees

Rupees '000

Prior year	For the year ended 31 December 2019					
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
Premium receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	13 898 028	3 045 206	3 973 286	1 867 808	–	22 784 328
Less: Sales tax	1 647 928	326 368	474 572	216 045	–	2 664 913
Stamp duty	541	144 393	1 267	1 246	–	147 447
Federal insurance fee	121 282	25 475	34 632	16 343	–	197 732
Gross written premium (inclusive of administrative surcharge)	12 128 277	2 548 970	3 462 815	1 634 174	–	19 774 236
Gross direct premium	12 089 239	2 499 443	3 165 417	1 612 055	–	19 366 154
Facultative inward premium	–	1 238	–	–	–	1 238
Administrative surcharge	39 038	48 289	297 398	22 119	–	406 844
Insurance premium earned	11 470 549	2 409 529	3 510 380	1 593 915	–	18 984 373
Insurance premium ceded to reinsurers	(9 551 067)	(937 823)	(11 380)	(1 024 533)	–	(11 524 803)
Net insurance premium	1 919 482	1 471 706	3 499 000	569 382	–	7 459 570
Commission income	622 741	22 212	118	221 422	–	866 493
Net underwriting income	2 542 223	1 493 918	3 499 118	790 804	–	8 326 063
Insurance claims	(2 448 225)	(1 026 594)	(1 809 752)	(709 346)	–	(5 993 917)
Insurance claims recovered from reinsurers	1 723 666	293 689	2	427 655	–	2 445 012
Net claims	(724 559)	(732 905)	(1 809 750)	(281 691)	–	(3 548 905)
Commission expense	(735 251)	(249 338)	(306 214)	(131 995)	–	(1 422 798)
Management expenses	(783 277)	(509 395)	(1 337 564)	(219 009)	–	(2 849 245)
Net insurance claims and expenses	(2 243 087)	(1 491 638)	(3 453 528)	(632 695)	–	(7 820 948)
Underwriting result	299 136	2 280	45 590	158 109	–	505 115
Net investment income						2 262 228
Rental income						112 349
Other income						218 973
Other expenses						(65 003)
Reversal for workers' welfare fund						145 631
Change in fair value of investment property						433 899
Profit from window takaful operations - Operator's Fund						214 143
Profit before tax						3 827 335

Rupees '000

Prior year	As at 31 December 2019					
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
Corporate segment assets	11 117 939	1 417 980	757 556	1 470 076	–	14 763 551
Corporate segment assets - Takaful OPF	50 093	5 656	170 040	8 374	–	234 163
Corporate unallocated assets						30 175 953
Corporate unallocated assets - Takaful OPF						525 579
Total assets						45 699 246
Corporate segment liabilities	15 298 581	2 366 260	2 430 554	3 332 385	–	23 427 780
Corporate segment liabilities - Takaful OPF	57 216	6 641	321 788	6 913	–	392 558
Corporate unallocated liabilities						1 580 821
Corporate unallocated liabilities - Takaful OPF						1 602
Total liabilities						25 402 761

Location	External premium less reinsurance by geographical segments 2019
Pakistan	7 451 834
EPZ *	7 736
Total	7 459 570

* This represents US Dollar equivalent in Pak Rupees

37. Movement in Investment

Rupees '000

Name of investment	Held to maturity	Available-for-sale subsidiary	Available-for-sale debt securities	Available-for-sale equity securities	Total
At beginning of previous year	506 607	9 897 937	8 228 784	4 970 478	23 603 806
Additions	1 892 481	110 995	36 594 954	32 203	38 630 633
Disposals (sale and redemptions)	(1 954 736)	–	(35 340 826)	(496 430)	(37 791 992)
Fair value net gains / (losses) (excluding net realized gain / (losses))	–	160 404	171 623	(1 174 771)	(842 744)
Impairment losses	–	–	–	(60 013)	(60 013)
At beginning of current year	444 352	10 169 336	9 654 535	3 271 467	23 539 690
Additions	3 857 700	119 386	8 152 628	1 113 817	13 243 531
Disposals (sale and redemptions)	(3 619 046)	–	(7 692 541)	(586 535)	(11 898 122)
Fair value net gains / (losses) (excluding net realized gains / (losses))	–	(989 874)	158 680	686 737	(144 457)
Impairment losses	–	–	–	(4 753)	(4 753)
At end of current year	683 006	9 298 848	10 273 302	4 480 733	24 735 889

38. Management of insurance and financial risk

38.1 Insurance risk

The principal risk the Company faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the vary nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimise insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Company underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Company may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

The Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health.

38.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risks through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at financial statement date:

	2020				2019			
Class	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	57	52	68	49	58	37	66	36
Marine, aviation & transport	19	14	8	8	16	21	8	10
Motor	11	24	16	34	12	33	18	48
Miscellaneous	13	10	8	9	14	9	8	6
	100	100	100	100	100	100	100	100

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

Rupees '000

Class	2020	2019
Fire and property damage	339 345 000	280 008 000
Marine, aviation and transport	144 341 000	137 734 000
Motor	58 000	60 000
Miscellaneous	52 700 000	45 430 000

Since the Company operates in Pakistan only, hence, all the insurance risks relate to policies written in Pakistan.

38.1.2 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the financial statement 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 policyholders arising from claims made under insurance contracts. Such estimates are necessarily 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 public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external 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 financial statement date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the financial statement date.

38.1.3 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by 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 are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are 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 financial statement 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.

38.1.4 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the unconsolidated financial statements. The impact on the profit before tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analysed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.

Rupees '000

	Profit before tax		Shareholders' equity	
	2020	2019	2020	2019
Impact of change in claim liabilities by +10 %				
Fire and property damage	(168 444)	(81 814)	(119 595)	(58 088)
Marine, aviation and transport	(45 941)	(45 544)	(32 618)	(32 336)
Motor	(76 589)	(71 805)	(54 378)	(50 982)
Miscellaneous	(34 610)	(19 990)	(24 573)	(14 193)
	(325 584)	(219 153)	(231 164)	(155 599)
Impact of change in claim liabilities by -10 %				
Fire and property damage	168 444	81 814	119 595	58 088
Marine, aviation and transport	45 941	45 544	32 618	32 336
Motor	76 589	71 805	54 378	50 982
Miscellaneous	34 610	19 990	24 573	14 193
	325 584	219 153	231 164	155 599

38.2 Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, interest rate risk and other price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

38.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises 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 similar manner. Due to the nature of financial assets, the Company believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Company's maximum exposure to credit risk:

Rupees '000

	2020	2019
Financial assets		
Term deposits	683 006	444 352
Loans and other receivables	344 839	258 679
Insurance / reinsurance receivables	3 639 822	4 012 732
Reinsurance recoveries against outstanding claims	3 856 142	4 081 849
	8 523 809	8 797 612

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

Rupees '000

Rating	2020	2019
AAA	534 248	615 663
AA+	439 127	377 073
AA	119 831	49 135
AA-	196 696	121 036
A+	11	11
A	18 625	17 528
	1 308 538	1 180 446

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

Rupees '000

Rating	Short Term	Rating Agency	2020	2019
Agritech Limited - 3rd Issue (B)	N/A	–	5 665	5 665
Agritech Limited - 3rd Issue (A)	N/A	–	34 972	34 972
New Allied Electronics Limited	N/A	–	3 481	3 481
Soneri Bank Limited	A	PACRA	100 000	100 000
Habib Bank Limited	AAA	VIS	100 000	100 000
Dubai Islamic Bank limited	AA-	VIS	80 000	80 000
The Hub Power Company Limited	AA+	PACRA	50 450	50 450
Engro Polymer & Chemicals Limited	AA	VIS	50 688	50 688
			425 256	425 256

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. As at 31 December 2020, the premiums due but unpaid (other than impaired balances) includes amount receivable within one year and above one year amounting to Rs. 3,549 million (2019: Rs. 3,740 million) and Rs. 17 million (2019: Rs. 257 million) respectively.

The credit quality of amounts due from other insurers / reinsurers and claim recoveries from reinsurers can be assessed with reference to external credit ratings as follows:

Rupees '000

Rating	2020		2019	
	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims
A or above (including Pakistan Reinsurance Company Limited)	64 356	3 583 053	15 968	3 752 506
B or above	5 963	129 091	–	119 142
Others	3 549	143 998	189	210 201
	73 868	3 856 142	16 157	4 081 849

As at 31 December 2020, the amounts due from insurers / reinsurers includes amount receivable within one year and above one year amounting to Rs. 70.628 million (2019: Rs. 19.343 million) and Rs. 3.242 million (2019: Rs. (3.186) million) respectively.

38.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The objective of the Company's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Company's liabilities as at financial statement date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows;

Rupees '000

	2020		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Outstanding claims including IBNR	7 111 989	7 111 989	–
Insurance / reinsurance payable	4 559 213	4 559 213	–
Other creditors and accruals	2 683 162	2 683 162	–
	14 354 364	14 354 364	–

	2019		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Outstanding claims including IBNR	6 273 372	6 273 372	–
Insurance / reinsurance payable	6 067 883	6 067 883	–
Other creditors and accruals	2 356 205	2 356 205	–
	14 697 460	14 697 460	–

38.2.3 Market risk

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

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates markets. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

38.2.3.1 Interest rate risk

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

Maturity profile of financial assets and liabilities:

Rupees '000

2020

	Interest / mark-up bearing			Non-interest / non-mark-up bearing			
	Maturity upto one year	Maturity above one year	Sub total	Maturity upto one year	Maturity above one year	Sub total	Total
Financial assets							
Investment in subsidiary	–	–	–	–	9 298 848	9 298 848	9 298 848
Investments							
Equity securities	–	–	–	–	4 480 733	4 480 733	4 480 733
Debt securities	5 115 875	5 157 427	10 273 302	–	–	–	10 273 302
Term deposits	683 006	–	683 006	–	–	–	683 006
Loans and other receivables	–	1 854	1 854	342 985	–	342 985	344 839
Cash and bank deposit	1 159 954	–	1 159 954	168 546	–	168 546	1 328 500
Insurance / reinsurance receivables	–	–	–	3 639 822	–	3 639 822	3 639 822
Reinsurance recoveries against outstanding claims	–	–	–	3 856 142	–	3 856 142	3 856 142
	6 958 835	5 159 281	12 118 116	8 007 495	13 779 581	21 787 076	33 905 192
Financial liabilities							
Outstanding claims including IBNR	–	–	–	7 111 989	–	7 111 989	7 111 989
Insurance / reinsurance payables	–	–	–	4 559 213	–	4 559 213	4 559 213
Other creditors and accruals	–	–	–	2 683 162	–	2 683 162	2 683 162
	–	–	–	14 354 364	–	14 354 364	14 354 364

2019

	Interest / mark-up bearing			Non-interest / non-mark-up bearing			
	Maturity upto one year	Maturity above one year	Sub total	Maturity upto one year	Maturity above one year	Sub total	Total
Financial assets							
Investment in subsidiary	–	–	–	–	10 169 336	10 169 336	10 169 336
Investments							
Equity securities	–	–	–	–	3 271 467	3 271 467	3 271 467
Debt securities	3 219 900	6 434 635	9 654 535	–	–	–	9 654 535
Term deposits	444 352	–	444 352	–	–	–	444 352
Loans and other receivables	–	2 789	2 789	255 890	–	255 890	258 679
Cash and bank deposits	905 121	–	905 121	286 567	–	286 567	1 191 688
Insurance / reinsurance receivables	–	–	–	4 012 732	–	4 012 732	4 012 732
Reinsurance recoveries against outstanding claims	–	–	–	4 081 849	–	4 081 849	4 081 849
	4 569 373	6 437 424	11 006 797	8 637 038	13 440 803	22 077 841	33 084 638
Financial liabilities							
Outstanding claims including IBNR	–	–	–	6 273 372	–	6 273 372	6 273 372
Insurance / reinsurance payables	–	–	–	6 067 883	–	6 067 883	6 067 883
Other creditors and accruals	–	–	–	2 356 205	–	2 356 205	2 356 205
	–	–	–	14 697 460	–	14 697 460	14 697 460

Sensitivity analysis

As on 31 December 2020, the Company had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year 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. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

Rupees '000

	Change in basis points	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2020	100	11 600	8 239
	(100)	(11 600)	(8 239)
31 December 2019	100	9 051	6 426
	(100)	(9 051)	(6 426)

39.2.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

38.2.3.3 Other price risk

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

The Company's equity investments amounting to Rs. 13,780 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The above investments include strategic equity investments in its subsidiary amounting to Rs. 9,299 million which is held for long term. The management monitors these strategic investments based on the underlying business and economic characteristic of the investee rather than the short term price fluctuations.

The table below summarises Company's market price risk as of 31 December 2020 and 2019. It shows the effect of a 10 % increase and 10 % decrease in the market prices of equity investments as on those dates on Company's profit and equity.

Had all equity investments, other than subsidiary / associate, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and Measurement, the impact of hypothetical change would be as follows:

Rupees '000

	Fair value	Price change	Estimated fair value	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2020	4 480 733	10 % increase	4 928 806	–	318 132
		10 % decrease	4 032 660	–	(318 132)
31 December 2019	3 271 467	10 % increase	3 598 614	–	232 274
		10 % decrease	2 944 320	–	(232 274)

38.3 Fair value

38.3.1 IFRS 13 defines fair value as an exit price. 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.

38.3.2 All assets and liabilities for which fair value is measured or disclosed in the unconsolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets where fair value is only disclosed and is different from their carrying value:

Rupees '000

	As at 31 December 2020							
						Fair value measurement using		
	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Equity securities - quoted	4 480 733				4 480 733	4 480 733		
Debt securities	10 273 302				10 273 302		10 273 302	
Investment in subsidiary	9 298 848				9 298 848	9 298 848		
Financial assets not measured at fair value								
Term deposits *			683 006		683 006			
Loans and other receivables *		344 839			344 839			
Insurance / reinsurance receivables *		3 639 822			3 639 822			
Reinsurance recoveries against outstanding claims *		3 856 142			3 856 142			
Cash and bank*			1 328 500		1 328 500			
Total assets of window takaful operations - Operator's fund *	378 864	179 703	252 829		811 396		378 864	
	24 431 747	8 020 506	2 264 335		34 716 588	13 779 581	10 652 166	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR *				(7 111 989)	(7 111 989)			
Premium received in advance *				(43 747)	(43 747)			
Insurance / reinsurance payables *				(4 559 213)	(4 559 213)			
Other creditors and accruals *				(2 683 162)	(2 683 162)			
Total liabilities of window takaful operations - Operator's Fund *				(96 998)	(96 998)			
	24 431 747	8 020 506	2 264 335	(14 495 109)	20 221 479	13 779 581	10 652 166	–

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

Rupees '000

	As at 31 December 2019							
						Fair value measurement using		
	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Equity securities - quoted	3 271 467				3 271 467	3 271 467		
Debt securities	9 654 535				9 654 535		9 654 535	
Investment in subsidiary	10 169 336				10 169 336	10 169 336		
Financial assets not measured at fair value								
Term deposits *			444 352		444 352			
Loans and other receivables *		258 679			258 679			
Insurance / reinsurance receivables *		4 012 732			4 012 732			
Reinsurance recoveries against outstanding claims *		4 081 849			4 081 849			
Cash and bank*			1 191 688		1 191 688			
Total assets of window takaful operations - Operator's fund *	248 024	131 281	260 628		639 933		176 593	
	23 343 362	8 484 541	1 896 668		33 724 571	13 440 803	9 831 128	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR *				(6 273 372)	(6 273 372)			
Premium received in advance *				(68 262)	(68 262)			
Insurance / reinsurance payables *				(6 067 883)	(6 067 883)			
Other creditors and accruals *				(2 356 205)	(2 356 205)			
Total liabilities of window takaful operations - Operator's Fund *	(62 171)			(62 171)				
	23 343 362	8 484 541	1 896 668	(14 827 893)	18 896 678	13 440 803	9 831 128	–

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

38.4 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and meet the regulatory, solvency and paid up capital requirements so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

39. Statement of solvency

Rupees '000

	31 December 2020
Assets	
Property and equipment	
Lands and buildings	2 153 660
Furniture, fixtures and office equipment	262 465
Vehicles	219 973
Motor tracking devices	84 713
Right-of-use assets	98 042
	2 818 853
Investment property	2 517 970
Investments in subsidiary	9 298 848
Investments	
Equity securities	4 480 733
Debt securities	10 273 302
Term deposits	683 006
	15 437 041
Loans and other receivables	1 854
Current Assets - Others	
Insurance / reinsurance receivables	3 639 822
Salvage recoveries accrued	55 059
Reinsurance recoveries against outstanding claims	3 856 142
Retirement benefits	34 454
Deferred commission expenses	678 039
Prepayments	4 864 069
Other receivables	342 985
	13 470 570
Cash and bank	1 328 500
Total assets	44 873 636
Total assets of window takaful operations - Opertors' Fund	938 700
Total assets	45 812 336

Rupees '000

	31 December 2020
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000	
Loans to employees	1 188
Shares in subsidiary companies	7 762 047
Premium due since more than three months	1 204 303
Bank deposits related to guarantees	1 098 695
Bank deposits related to liens	61 105
Vehicles, furnitures, fixtures, office equipments	567 151
Vehicles, furnitures, fixtures, office equipments - Operators' fund	1 247
Total of In-admissible assets	10 695 736
Total admissible assets	35 116 600
Total liabilities	
Underwriting provisions	
Outstanding claims including IBNR	7 111 989
Unearned premium reserves	9 411 142
Unearned reinsurance commission	152 144
Deferred taxation	724 126
Premium received in advance	43 747
Insurance / reinsurance payables	4 559 213
Taxation - payments less provision	92 583
Other creditors and accruals	2 683 162
Total liabilities	24 778 106
Total liabilities of window takaful operations - Operators' Fund	442 000
Total liabilities	25 220 106
Total net admissible assets	9 896 494
Minimum solvency requirement (higher of following)	2 162 724
Method A - U/s 36(3)(a)	150 000
Method B - U/s 36(3)(b)	2 162 724
Method C - U/s 36(3)(c)	1 947 434
Excess in net admisible assets over minimum requirements	7 733 770

40. Impact of COVID-19 on the unconsolidated financial statements

During the year, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Company based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the Company.

41. Non-adjusting event after the financial statement date

The Board of Directors in its meeting held on 25 February 2021 have announced a final cash dividend in respect of the year ended 31 December 2020 of Rs. 5.50 per share, 55.00 % (2019: Rs. 5.50 per share, 55.00 %). In addition, the Board of Directors have also approved the transfer to general reserve from un-appropriated profit amounting to Rs. 250 million (2019: Rs. 400 million). These unconsolidated financial statements for the year ended 31 December 2020 do not include the effect of these appropriations, which will be accounted for subsequent to the year end.

42. Number of employees

The total average number of employees during the year end as at 31 December 2020 and 2019 are as follows:

	2020	2019
At year end	1 178	1 207
Average during the year	1 193	1 207

43. Corresponding Figures

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

44. General

Figures have been rounded off to the nearest thousand rupees.

45. Date of authorization for issue of unconsolidated financial statements

These unconsolidated financial statements were authorized for issue by the Board of Directors in its meeting held on 25 February 2021.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Directors' Report to the Members on Consolidated Financial Statements

We are pleased to present the consolidated financial statements of EFU General Insurance Limited and our subsidiary, EFU Life Assurance Company Limited (EFU Life).

Performance Review

Consolidated Gross Written Premium was Rs. 53 billion (including Takaful of Rs. 2.4 billion), net premium was Rs. 40 billion and profit after tax was Rs. 3.4 billion. The consolidated Total Assets were Rs. 201 billion (31 December 2019: Rs. 174 billion) and consolidated Total Investments stood at Rs. 157 billion (31 December 2019: Rs. 129 billion). Consolidated Investment Income (including rental and other income) for the year was Rs. 22,637 million (2019 8,807 million).

Movement of Reserves

	Rupees '000
	31 December 2020 (Audited)
Unappropriated loss brought forward	(254 638)
Profit attributable to ordinary shares	2 554 650
Loss on Group Life PTF	(1 918)
Transferred from surplus on revaluation of property and equipment	4 088
Acquisition of Non-Controlling Interest (NCI) without a change in control	(78 882)
	2 477 938
Profit available for appropriations	2 223 300
Appropriations	
Cash dividend - Final 2019	(1 100 000)
Cash dividend - 1st Interim 2020	(300 000)
Cash dividend - 2nd Interim 2020	(300 000)
Cash dividend - 3rd Interim 2020	(300 000)
Transferred to General Reserves	(400 000)
	(2 400 000)
Unappropriated loss carried forward	(176 700)
Earnings per share (Rupees)	12.18

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

مجموعی مالیاتی حسابات پر ممبران کیلئے ڈائریکٹرز کی رپورٹ

ہم بمسرت ای ایف یو جنرل انشورنس لمیٹڈ اور اپنے ذیلی ادارے ای ایف یو لائف ایشورنس کمپنی لمیٹڈ (ای ایف یو لائف) کے مالیاتی حسابات یکجا کر کے پیش کر رہے ہیں۔

کارکردگی کا جائزہ

یکجا شدہ مجموعی تحریری پریمیئم ۵۳ بلین روپے (بشمول تکافل کے ۲٫۴ بلین روپے) خالص پریمیئم ۴۰ بلین روپے اور منافع بعد از ٹیکس ۳٫۴ بلین روپے رہا۔ یکجا شدہ مجموعی اثاثہ جات ۲۰۱ بلین روپے تھے (۳۱ دسمبر ۲۰۱۹ء: ۱۷۴ بلین روپے) اور یکجا شدہ مجموعی سرمایہ کاری ۱۵۷ بلین روپے پر تھی (۳۱ دسمبر ۲۰۱۹ء: ۱۲۹ بلین روپے) مجموعی سرمایہ کاری آمدنی (بشمول رینٹل اور دیگر آمدنی) برائے سال ۲۲،۶۳۷ ملین روپے تھی (۲۰۱۹ء: ۸،۸۰۷ ملین روپے)۔

اثاثہ جات کی نقل وحمل

	روپے ہزاروں میں
	۳۱ دسمبر ۲۰۲۰ء (آڈٹ شدہ)
آگے منتقل کئے جانے والے غیر مختص شدہ خسارہ	(۲۵۴ ۶۳۸)
عمومی شیئرز سے منسوب منافع	۲ ۵۵۴ ۶۵۰
گروپ لائف پی ٹی ایف میں خسارہ	(۱ ۹۱۸)
پراپرٹی اور ایکوپمنٹ کی ری ویلیوایشن پر سرپلس سے منتقل شدہ	۴ ۰۸۸
کنٹرول میں کسی تبدیلی کے بغیر نان۔کنٹرولنگ انٹرسٹ (این سی آئی) کا حصول	(۷۸ ۸۸۲)
	۲ ۴۷۷ ۹۳۸
مختص کردہ کیلئے دستیاب منافع	۲ ۲۲۳ ۳۰۰
مختص کردہ تناسب	
نقد منافع منقسمہ - حتمی ۲۰۱۹ء	(۱ ۱۰۰ ۰۰۰)
نقد منافع منقسمہ - پہلا عبوری ۲۰۲۰ء	(۳۰۰ ۰۰۰)
نقد منافع منقسمہ - دوسرا عبوری ۲۰۲۰ء	(۳۰۰ ۰۰۰)
نقد منافع منقسمہ - تیسرا عبوری ۲۰۲۰ء	(۳۰۰ ۰۰۰)
عمومی ریزروز کے لئے منتقل شدہ	(۴۰۰ ۰۰۰)
	(۲ ۴۰۰ ۰۰۰)
آگے منتقل کیا جانے والا غیر مختص شدہ خسارہ	(۱۷۶ ۷۰۰)
آمدنی فی شیئر (روپے)	۱۲٫۱۸

رفیق آر۔ بھیم جی	طاہر جی ساچک	حسن علی عبداللہ	سیف الدین این۔ زومکاوالا
ڈائریکٹر	ڈائریکٹر	مینجنگ ڈائریکٹر و چیف ایگزیکٹو	چیئرمین

کراچی ۲۵ فروری ۲۰۲۱ء

Independent Auditor's Report
To the members of EFU General Insurance Limited
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of EFU General Insurance Limited and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated 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 consolidated statement of financial position, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Group's affairs as at 31 December 2020 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 23.2.1 to the consolidated financial statements, which describes that the Subsidiary Company has challenged the scope and applicability of the provincial sales tax on services on the premium from life insurance business in the provincial High Courts.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Following are the key audit matters:

S. No.	Key Audit Matter(s)	How the matters was addressed in our audit
1.	Refer notes 3.19 and 25 to the consolidated financial statements relating to valuation of claim liabilities. Valuation of claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim expenses are recognized on intimation of the insured event except for individual life businesses where the same are recognized at the earlier of the maturity of contract and intimation of insured event. 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.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims; • Assessed the appropriateness of the Group's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions;
	We have identified the valuation of claim liabilities / Insurance benefits as key audit matter because estimation of claim liabilities / Insurance benefits involves a significant degree of judgment and a risk that claims may not be recognized in the appropriate period.	• Assessed on a sample basis the reinsurer's share of claims against the term of the reinsurance contracts and the related recorded liabilities; and • Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Group's policy and insurance regulations; • For a risk-based sample of claims outstanding at the year-end, other than for unit linked business, compared liability recorded with the term of the policy; • Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; • Tested on sample basis the completeness, accuracy and reliability of the underlying data utilized by the management, to support the actuarial valuation; • Involved independent actuarial expert to review the reasonableness of the assumptions used and adequacy of IBNR reserve; and • Assessed the adequacy of Group's disclosures within the consolidated financial statements as per the relevant accounting and reporting requirements.
2.	**Insurance Liabilities** Refer notes 18 to the financial statements relating to insurance liabilities. The Group's insurance liabilities relating to life insurance business represent 82 % 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 procedures in respect of this matter included the following: • Obtained an understanding, assessed the design and tested the operating effectiveness of controls established for unit linked business for allocation and surrender of units and calculation of bid value per unit; • Assessed the adequacy of the reserve for bid value of allocated units of unit linked business, by applying the bid value to the total number of units extracted from the system; • 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;

S. No.	Key Audit Matter(s)	How the matters was addressed in our audit
		• Obtained an understanding, evaluated the design and tested the controls related to reinsurance arrangements; • Obtained understanding of the work performed by the appointed actuary; and • 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.
3.	Revenue Recognition Risk Refer notes 3.16, 24 and 28 to the consolidated financial statements relating to revenue recognition risk. The Group receives its revenue primarily from two main sources namely; premiums / contributions and investments income. Premiums from insurance policies comprise of 76 % of the total revenue. We identified revenue recognition as a key audit matter as 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 an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums income; • Assessed the appropriateness of the Company's accounting policy for recording of premiums and investment income in line with requirements of applicable accounting and reporting standards; • For a risk-based sample of policies of which premium / contribution was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; • For a risk-based sample of policies of non-unit linked business where premium is outstanding at the year end, compared receivable recorded with the terms of policy; • Tested the premium recorded on sample basis to test the accuracy from the underlying policies issued to insurance contract holders; • Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as unearned premium reserve; • For a sample of investment income transactions, tested that investment income is recorded based on the effective interest method or where right to receive the dividend is established; and • Tested the investment income transaction on sample basis and subsequent to year end, and evaluated that these were recorded in the appropriate period.

S. No.	Key Audit Matter(s)	How the matters was addressed in our audit
4.	Valuation of insurance / reinsurance receivables Refer notes 3.13 and 12 to the consolidated financial statements relating to valuation of insurance / reinsurance receivables. Valuation of these receivables involves significant judgment regarding uncertainty in determining impairment / provisions. We identified the valuation of insurance / reinsurance receivables as a key audit matter as the estimation involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket; and • Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, actual write offs and receipts and settlement from / with customers and reinsurer subsequent to the financial year end.
5.	Valuation and Impairment of Investments Refer notes 3.22, 8 and 9 to the consolidated financial statements relating to valuation and impairment of investments. The Group's investment portfolio comprises of government debt securities, equity securities, other fixed income securities and term deposits. 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 and impairment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for valuation and impairment of investments classified as available for sale; • Assessed the methodology used and for a sample of investment evaluated the valuation of debt securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of equity securities and mutual fund units by comparing the quoted prices from Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; 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.

Information other than the Consolidated Financial Statements and Auditor's 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, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the 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 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 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.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 05 March 2021

Consolidated Statement of Financial Position
As at 31 December 2020

Rupees '000

	Note	2020	2019
Assets			
Property and equipment	5	8 050 240	7 788 920
Intangible assets	6	8 019 617	8 005 650
Investment property	7	2 517 970	2 341 470
Investments			
Equity securities	8	44 844 214	13 638 413
Debt securities	9	92 718 140	95 177 568
Term deposits	10	19 745 006	20 103 352
Loans and other receivables	11	2 982 790	3 494 624
Insurance / reinsurance receivables	12	3 840 408	4 266 731
Reinsurance recoveries against outstanding claims		3 856 142	4 081 849
Salvage recoveries accrued		55 059	44 550
Deferred commission expense		678 039	598 669
Retirement benefit	19	34 454	29 689
Taxation - payments less provision		762 071	1 083 593
Prepayments	13	4 945 735	5 901 902
Cash and bank	14	6 663 591	6 905 236
		199 713 476	173 462 216
Total assets of window takaful operations - Operator's Fund		938 700	759 742
Total assets		200 652 176	174 221 958
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	15	2 000 000	2 000 000
Reserves	16	18 617 930	17 726 840
Unappropriated profit		(190 774)	(254 638)
Capital and reserve attributable to Company's equity holders		20 427 156	19 472 202
Non-controlling interest	38	4 130 931	4 071 148
Total equity		24 558 087	23 543 350
Surplus on revaluation of property and equipment	17	1 574 691	1 193 610
Liabilities			
Insurance liabilities	18	142 846 493	118 487 133
Underwriting provisions			
Outstanding claims including IBNR		7 111 989	6 273 372
Unearned premium reserves		9 411 142	9 143 972
Unearned reinsurance commission		152 144	430 936
Deferred taxation	20	3 296 951	2 778 208
Premium received in advance		1 263 853	1 037 616
Insurance / reinsurance payables	21	4 742 653	6 325 914
Other creditors and accruals	22	5 252 173	4 613 687
		31 230 905	30 603 705
Total liabilities		174 077 398	149 090 838
		200 210 176	173 827 798
Total liabilities of window takaful operations - Operator's Fund		442 000	394 160
Total equity and liabilities		200 652 176	174 221 958
Contingencies and commitments	23		

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Consolidated Profit and Loss Account
For the year ended 31 December 2020

Rupees '000

	Note	2020	2019
Net insurance premium	24	40 234 131	38 542 194
Net insurance claims	25	(22 215 455)	(19 198 970)
Net commission and other acquisition costs	26	(7 378 188)	(7 879 291)
Insurance claims and acquisition expenses		(29 593 643)	(27 078 261)
Management expenses	27	(4 752 651)	(4 693 780)
Net change in insurance liabilities (other than outstanding claims)		(23 624 404)	(11 046 950)
Underwriting result		(17 736 567)	(4 276 797)
Investment income	28	12 994 070	13 166 635
Net realized fair value gain / (losses) on financial assets	29	3 823 955	(7 807 925)
Net fair value gain on financial assets at fair value through profit and loss	30	5 498 635	3 026 353
Rental income	31	116 595	112 349
Other income	32	203 739	309 526
Change in fair value of investment property		170 138	433 899
Other expenses	33	(103 094)	(91 485)
		22 704 038	9 149 352
Results of operating activities		4 967 471	4 872 555
Reversal of workers' welfare fund		–	273 057
Profit from window takaful operations - Operator's Fund	34	185 669	214 143
Profit before tax		5 153 140	5 359 755
Income tax expense	35	(1 786 001)	(1 990 357)
Profit after tax		3 367 139	3 369 398
Profit attributable to:			
Equity holders of the parent		2 422 388	2 547 472
Non-controlling interest		944 751	821 926
		3 367 139	3 369 398
Earnings (after tax) per share - Rupees	36	12.11	12.74

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

Rupees '000

	2020	2019
Profit after tax	3 367 139	3 369 398
Other comprehensive income		
Total items that may be reclassified subsequently to profit and loss account		
Unrealized gain / (loss) on available-for-sale investments during the year	654 278	(1 541 348)
Reclassification adjustments relating to available-for-sale investments disposed of during the year	171 432	503 373
Total unrealized gain / (loss) for the year	825 710	(1 037 975)
Deferred tax on available-for-sale investments	(238 140)	301 013
Net unrealized loss from window takaful operations - Operator's Fund (net of deferred tax)	(568)	(229)
Total items that may be reclassified subsequently to profit and loss account	587 002	(737 191)
Item not to be reclassified to profit and loss account in subsequent year:		
Actuarial gains on defined benefit plans	21 236	27 820
Related deferred tax	(6 158)	(8 737)
	15 078	19 083
Other comprehensive income for the year	602 080	(718 108)
Total comprehensive income for the year	3 969 219	2 651 290
Total comprehensive income attributable to:		
Equity holders of the parent	3 031 690	1 843 357
Non-controlling interest	937 529	807 933
	3 969 219	2 651 290

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Consolidated Cash Flow Statement
For the year ended 31 December 2020

Rupees '000

	2020	2019
Operating cash flows		
a) Underwriting activities		
Insurance premium / contribution received	53 487 477	50 992 595
Reinsurance premium / retakaful contribution paid	(12 892 699)	(12 013 567)
Claims paid	(23 095 166)	(20 344 890)
Reinsurance and other recoveries received	2 615 737	2 163 671
Commission paid	(5 669 877)	(6 124 718)
Commission received	298 718	902 581
Management expenses paid	(6 406 434)	(6 450 037)
Net cash flow from underwriting activities	8 337 756	9 125 635
b) Other operating activities		
Income tax paid	(1 289 457)	(2 533 848)
Other operating payments	(89 501)	1 980 697
Other operating receipts	303 595	234 528
Loans advanced	(134 983)	(160 280)
Loans repayments received	94 079	114 341
Net cash flow used in other operating activities	(1 116 267)	(364 562)
Total cash flow from all operating activities	7 221 489	8 761 073
Investment activities		
Profit / return received	12 412 346	10 083 496
Dividend received	1 101 572	1 081 280
Rentals received	87 979	128 261
Payment for investments / investment properties	(109 420 664)	(438 657 253)
Proceeds from investments / investment properties	91 284 329	428 092 811
Fixed capital expenditures	(590 490)	(988 310)
Proceeds from sale of property and equipment	71 732	128 361
Total cash flow used in investing activities	(5 053 196)	(131 354)
Financing activities		
Payments against lease liabilities	(204 944)	(186 054)
Dividends paid	(2 801 994)	(2 981 453)
Total cash flow used in financing activities	(3 006 938)	(3 167 507)
Net cash flow (used in) / from all activities	(838 645)	5 462 212
Cash and cash equivalents at beginning of year	26 564 236	21 102 024
Cash and cash equivalents at end of year	25 725 591	26 564 236
Reconciliation to profit and loss account		
Operating cash flows	7 221 489	8 761 073
Depreciation / amortization expense	(977 141)	(950 577)
Finance cost	(65 782)	(58 464)
(Loss) / profit on disposal of property and equipment	(14 909)	95 032
Gain / (loss) on disposal of investments / investment properties	4 024 244	(7 315 934)
Rental income	116 595	112 349
Dividend income	1 092 738	1 069 672
Other investment income	11 596 363	11 839 020
Profit on lease termination	9 666	–
Profit on deposits	106 869	156 746
Other income	89 659	47 824
Change in fair value of investment properties	170 138	433 899
Appreciation in market value of investments	6 076 218	3 226 626
Impairment in the value of available-for-sale equity investments	53 020	13 350
(Decrease) / increase in assets other than cash	(2 184 358)	1 627 117
Increase in liabilities other than running finance	(24 133 339)	(15 902 478)
Profit after tax from conventional insurance operations	3 181 470	3 155 255
Profit from window takaful operations - Operator's Fund	185 669	214 143
Profit after tax	3 367 139	3 369 398

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

Rupees '000

	Attributable to equity holders of the Company									
			Revenue reserves							
	Share capital	Capital Reserve - Reserve for exceptional losses	General reserve	Unrealized gain / (loss) on revaluation of available-for-sale investment - net	Unrealized gain on fair value of investment property	Unapprop-riated profit	Equity attributable to equity holder of parent	Non-controlling interest	Total
Balance as at 01 January 2019	2 000 000	12 902	13 500 000	1 934 423	1 279 740	1 126 031	19 853 096	4 184 692	24 037 788
Total comprehensive income for the year ended 31 December 2019									
Profit after tax					222 973	2 324 499	2 547 472	821 926	3 369 398
Other comprehensive income				(723 198)		19 083	(704 115)	(13 993)	(718 108)
	–	–	–	(723 198)	222 973	2 343 582	1 843 357	807 933	2 651 290
Transfer from surplus on revaluation of property and equipment - net of tax						2 424	2 424	3 126	5 550
Acquisition of NCI without a change in control						(76 675)	(76 675)	(34 320)	(110 995)
Transactions with owners recorded directly in equity									
Final dividend for the year 2018 at the rate of Rs. 6.25 (62.50 %) per share						(1 250 000)	(1 250 000)	–	(1 250 000)
Final dividend for the year 2018 at the rate of Rs. 6.25 (62.50 %) per share						–	–	(635 937)	(635 937)
1st Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00) per share						(300 000)	(300 000)	–	(300 000)
1st Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						–	–	(84 792)	(84 792)
2nd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)	–	(300 000)
2nd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						–	–	(84 780)	(84 780)
3rd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)	–	(300 000)
3rd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						–	–	(84 774)	(84 774)
Other transfer within equity									
Transfer to general reserve			1 500 000			(1 500 000)	–	–	–
Balance as at 31 December 2019	2 000 000	12 902	15 000 000	1 211 225	1 502 713	(254 638)	19 472 202	4 071 148	23 543 350
Balance as at 01 January 2020	2 000 000	12 902	15 000 000	1 211 225	1 502 713	(254 638)	19 472 202	4 071 148	23 543 350
Total comprehensive income for the year ended 31 December 2020									
Profit after tax					(103 134)	2 525 522	2 422 388	944 751	3 367 139
Other comprehensive income				594 224		15 078	609 302	(7 222)	602 080
	–	–	–	594 224	(103 134)	2 540 600	3 031 690	937 529	3 969 219
Transferred from surplus on revaluation of property and equipment on account of incremental depreciation- net of tax						4 088	4 088	5 148	9 236
Loss on Group Life PTF						(1 918)	(1 918)	(2 408)	(4 326)
Acquisition of NCI without a change in control						(78 906)	(78 906)	(40 480)	(119 386)
Transactions with owners recorded directly in equity									
Final dividend for the year 2019 at the rate of Rs. 5.50 (55.00 %) per share						(1 100 000)	(1 100 000)	–	(1 100 000)
Final dividend for the year 2019 at the rate of Rs. 10.50 (105.00 %) per share						–	–	(588 738)	(588 738)
1st Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)	–	(300 000)
1st Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share						–	–	(83 892)	(83 892)
2nd Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)		(300 000)
2nd Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share								(83 869)	(83 869)
3rd Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)		(300 000)
3rd Interim dividend paid for the year 2020 at the rate of Rs. 1.50 (15.00 %) per share								(83 507)	(83 507)
Other transfer within equity									
Transfer to general reserve			400 000			(400 000)	–	–	–
Balance as at 31 December 2020	2 000 000	12 902	15 400 000	1 805 449	1 399 579	(190 774)	20 427 156	4 130 931	24 558 087

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

1. Legal status and nature of business

1.1 EFU General Insurance Limited (The Company) has assessed its control position in relation to its investments in EFU Life Assurance Limited after its agreement with some shareholders of EFU Life Assurance Limited effective 31 March 2018, accordingly it has been concluded that the Company has the ability to control the composition of the Board of Directors of EFU Life Assurance Limited, therefore EFU Life Assurance Limited has become the subsidiary of the Company from 31 March 2018. The consolidated financial statements have been prepared and are presented as per the requirements of Section 228 of the Companies Act 2017.

1.2 The group comprises of:

1.2.1 EFU General Insurance Limited (Holding Company)

EFU General Insurance Limited was incorporated as a public limited company on 02 September 1932. The Holding Company is listed on the Pakistan Stock Exchange Limited and is engaged in non-life insurance business comprising of fire and property damage, marine, motor, miscellaneous etc.

The Registered Office of the Holding Company is situated at Kamran Centre, 1st Floor 85, East, Jinnah Avenue Blue Area Islamabad while the principal place of business is located at EFU House, M.A. Jinnah Road, Karachi. The Holding Company commenced Window Takaful Operations from 16 April 2015 as per Securities and Exchange Commission of Pakistan (SECP) Takaful Rules, 2012. The Holding Company operates through 54 (2019: 54) branches in Pakistan including a branch in Export Processing Zone (EPZ) and a branch in Gwadar Free Zone.

1.2.2 EFU Life Assurance Limited (Subsidiary Company)

EFU Life Assurance Limited with 44.49 % effective holding was incorporated as public limited company on 09 August 1992 and started its operation from 18 November 1992. The Subsidiary Company is listed on Pakistan Stock Exchange Limited and is engaged in life assurance business comprising of ordinary life business, pension fund business and accident and health business and has established following funds, as required by the Insurance Ordinance, 2000.

– Investment linked business (includes individual life business)
– Conventional business (includes group life and individual life businesses)
– Pension business (unit-linked) *
– Accident and health business
– Family takaful investment linked business
– Family takaful protection business

* The Subsidiary Company has discontinued pension business and accordingly no new business has been written under this fund.

The Registered Office of the Subsidiary Company is located at Al-Malik Centre, 70W, F-7/G-7 Jinnah Avenue, Islamabad while principal place of business is located at Plot No.112, 8th East Street, Phase 1, DHA, Karachi. The Subsidiary Company commenced Window Takaful Operations on 06 February 2015 as per Securities and Exchange Commission of Pakistan (SECP) Takaful Rules, 2012.

2. Basis of preparation and statement of compliance

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

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

Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Accounting Regulation, 2019.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, General Accounting Regulation, 2019 shall prevail.

Total assets, total liabilities and profit of the Window Takaful Operations of the Holding Company referred to as the Operator's Fund has been presented in these consolidated financial statements in accordance with the requirements of Circular 25 of 2015 dated 09 July 2015.

2.1 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis except for the available-for-sale investments, property and equipment and investment property that have been measured at fair value and the Group's liability under defined benefit plan that is determined based on present value of defined benefit obligation less fair value of plan assets.

2.2 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupees which is also the Group's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees in thousand, unless otherwise stated.

2.3 Standards, interpretations and amendments effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or do not have any significant effect on the Group's operation and therefore not detailed in these consolidated financial statements.

2.3.1 Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The Board has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.

2.3.2 Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the Board has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

2.3.3 On 29 March 2018, the Board has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the Board to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

2.3.4 Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

2.4 Standards, interpretations and amendments not effective at year end

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 2021:

2.4.1 Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 01 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

2.4.2 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.

IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

2.4.3 Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

2.4.4 IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments 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 overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Group has determined that it is eligible for the temporary exemption option since the Group has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Group doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Group can defer the application of IFRS 9 until the application IFRS 17.

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

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

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

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

b) all other financial assets:

Rupees '000

	31 December 2020				
	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less Impairment	Change in unrealized gain or (loss) during the year
Cash and bank *	–	–	6 663 591	–	–
Investments in equity securities - available-for-sale	44 844 214	5 048 154	–	–	–
Investments in debt securities - available-for-sale	–	–	92 718 140	–	1 287 366
Term deposits *	–	–	19 745 006	–	–
Loans to employees *	2 779 862	–	202 928	–	–
Total	47 624 076	5 048 154	119 329 665	–	1 287 366

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

Rupees '000

	31 December 2020									
	Gross carrying amounts of debt instruments that pass the SPPI test									
	AAA	AA+	AA	A+	A	A-	AA-	A-1+	BBB+	Unrated
Investments in debt securities - available-for-sale	2 276 670	408 994	4 280 041	759 874	–	7 141	377 577	–	37 086	84 570 757
Term deposits	181 260	184 946	–	1 000 000	18 300	3 967 000	298 500	14 095 000	–	–
Total	2 457 930	593 940	4 280 041	1 759 874	18 300	3 974 141	676 077	14 095 000	37 086	84 570 757

3. Summary of significant accounting policies

The significant accounting policies and method of computation adopted in preparation of consolidated financial statements are consistent to all years presented in these consolidated financial statements.

3.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Holding Company and its Subsidiary Company. Subsidiary Company is fully consolidated from the date on which the power to control the Subsidiary Company is established.

The financial statements of the Subsidiary Company are prepared for the same reporting period as the Holding Company, using accounting policies that are consistent with those of the Holding Company.

The assets and liabilities of the Subsidiary Company have been consolidated with those of the Holding Company on a line by line basis and the carrying value of the Holding Company's investment in the Subsidiary Company is eliminated against the Subsidiary Company's share capital and pre-acquisition reserves in these consolidated financial statements. Non-controlling interest represents that part of the net results of operations and of the net assets of the Subsidiary Company that is not owned by the Group. All material intra-group balances and transactions have been eliminated. Acquisitions of non-controlling interest (NCI) are measured at the proportionate share of the NCI in the fair value of the net assets of the Subsidiary Company.

3.2 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any; acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Subsidiary Company's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired, the difference is recognized directly in the consolidated profit and loss account.

3.3 Goodwill

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any, for the purpose of impairment testing. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

3.4 Property and equipment

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount. Building is initially measured at cost and upon revaluation, is carried at revalued amount less accumulated depreciation and impairment, if any; all other operating property and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Land and building are revalued by an independent professionally qualified valuer to ensure that the net carrying amount does not differ materially from the fair value. The surplus arising on revaluation of property and equipment is credited to the “surplus on revaluation of property and equipment”

Depreciation is calculated on straight line basis at the rates specified in note 5.1 to these consolidated financial statements.

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from surplus on revaluation of assets to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charges for the year.

The assets' residual values, useful lives and method for depreciation are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property and equipment is charged from the month in which an asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account currently.

Gains or losses on disposal of property and equipment are included in consolidatd profit and loss account.

3.4.1 Leases

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

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

The Group has elected not to recognise right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line item as it presents underlying assets for the same nature it owns.

3.4.2 Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible property and equipment.

3.5 Intangible asset

Material computer software licenses acquired are capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Amortization on additions to intangibles is charged from the month in which an asset is available for use, while no amortization is charged for the month in which the asset is disposed off.

Cost associated with maintaining computer software programmes are recognized as an expense when incurred.

The assets' residual values, useful lives and method for amortization are reviewed at each financial year end and adjusted if impact on amortization is significant.

3.6 Investment properties

Investment properties are measured at purchase cost on initial recognition including directly attributable cost on the acquisition of the investment property and subsequently at fair value with any change therein recognized in consolidated profit and loss account.

Subsequently cost is included in the carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Holding Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to consolidated profit and loss account.

3.7 Insurance contracts

3.7.1 Holding Company

Insurance contracts are those contracts where the Holding Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

The Holding Company underwrites non-life insurance contracts that can be categorized into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Insurance contracts entered into by the Holding Company under which the contractholder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those, which fall under Treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Holding Company as insurer.

Fire and property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties and passengers arising from their use.

Motor insurance covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other insurances like cash in hand, cash in transit, personal accident, infidelity, public liabilities, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are included under miscellaneous insurance cover.

3.7.2 Subsidiary Company

Classification

The Subsidiary Company currently issues contracts that are classified as insurance and takaful contracts as they transfer significant insurance risk (against death, disability and sickness) from the policyholder to the Subsidiary Company. All contracts which include an investment element are unit-linked contracts linked to internal mutual funds.

The Subsidiary Company classifies its business into individual life and group life businesses, in both cases the form of contract consisting of main plans and supplementary riders (which are generally optional).

Individual life business mainly consists of unit-linked products and conventional protection products, in both cases with optional supplementary riders which generally provide protection only. Group life business consists primarily of protection products and a relatively small number of unit-linked policies.

Contract details and measurement

The insurance contracts offered by the Subsidiary Company are described below.

Individual life policies

These consist of the following types of policies:

(a) Unit-linked product

These are medium to long term unit-linked plans designed to address a variety of future policyholder needs, such as retirement planning, education planning for children, marriage planning for children, life protection and investments and savings for future. Premiums received from policyholders and after deduction of specified charges including risk charges, are invested in internal unit funds of the Subsidiary Company The basic plan contains life cover over and above the unit value, with additional protection (for death, disability and sickness) being provided through the addition of optional riders.

(b) Conventional protection products:

Two types of products are offered under Individual life conventional business, these being medium to long term contracts with level premiums being paid over the policy period. The Subsidiary Company offers a standard term life assurance product that offers protection in event of death as well as a decreasing term life assurance policy that covers outstanding loan balances.

(c) Family takaful investment linked products:

These are medium to long term unit-linked plans operated through Window Takaful Operations of EFU Life Assurance.

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

(d) Accident and health products:

These consist of long term and short term accident and health products providing cover against accidental death, disability, sickness and critical illness, offered both as long term as well as yearly renewable plans

(e) Other Supplementary Benefits:

The Subsidiary Company also offers a variety of supplementary benefits attached with main plans including additional term life assurance, income benefits, critical illness, sickness and accidental death and disability related benefits.

Group life and group family takaful protection policies

(a) Nature of contracts:

The Subsidiary Company's group life and group takaful business consists of one year term life contracts which provide coverage, in the event of death or disability, to:

- Employees of a common employer, benefits payable under these contracts being either fixed, in case of death, or linked to the extent of loss incurred by the policyholder, in case of disability;
- Customers of financial institutions, the contracts being issued to financial institutions to protect their customers' outstanding loan balances, such as on personal loan, mortgages and credit cards.

Unit-linked group life policies are similar in nature to individual life unit-linked products.

3.8 Commission

3.8.1 Deferred commission expense

Commission expenses incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

3.8.2 Commission income

Commission from reinsurers is deferred and recognized as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements is recognized when the Group's right to receive the same are established.

3.8.3 Acquisition costs

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

Commissions and other expenses are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and 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.

3.9 Premium

For all the insurance contracts, premiums / cover notes issued including administrative surcharge received / receivable under a policy / cover note are recognized as written from the date of attachment of the risk to the policy / cover note and over the period of the insurance from inception to the expiry of policy. Where premiums for a policy are payable in instalments, full premium for the duration of the policy is recognized as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

3.10 Unearned premiums reserves

The unearned premium reserve is the unexpired portion of the premium including administrative surcharge, which relates to business in force at the consolidated financial statements date. Unearned premiums have been calculated by applying 1/24th method as specified in the Insurance Rules, 2017.

3.11 Premium deficiency reserve (liability adequacy test)

At each consolidated financial statement date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after consolidated financial statements date in respect of policies in force at consolidated financial statements date with the carrying amount of unearned premium liability. Any deficiency is recognized by establishing a provision (premium deficiency reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses, which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

The movement in the premium deficiency reserve is recognized as an expense or income in the profit and loss account for the year.

3.12 Reinsurance contracts

Contracts entered into by the Holding Company with reinsurers under which the Holding Company cedes insurance risks assumed during normal course of its business and according to which the Holding Company is compensated for losses on insurance contracts issued by the Holding Company are classified as reinsurance contracts held.

Reinsurance premium is recognized as an expense at the time the reinsurance is ceded. Commission on reinsurance cessions are recognized in accordance with the policy of recognising premium revenue.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Reinsurance recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Reinsurance liabilities represent balances due to reinsurance companies and are primarily premiums payable for reinsurance contracts and are recognized at the same time when reinsurance premiums are recognized as an expense.

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

An impairment review of reinsurance assets is performed at each consolidated financial statement date. If there is objective evidence that the asset is impaired, the Holding Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

The Subsidiary Company has entered into reinsurance / retakaful (hereinafter referred to as "reinsurance") arrangements, for both its individual and group businesses, in order to manage risks associated with the frequency and severity of claims. These arrangements include cover under treaties as well as on a facultative basis. The terms of reinsurance treaties vary by type of business, the objective being to maintain a reasonable risk profile suiting the risk appetite and overall exposure to adverse movements in mortality or morbidity.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured according to the terms of the arrangements.

3.13 Receivables and payables

3.13.1 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated profit and loss account.

Provision for impairment in premium receivables is estimated on a systematic basis after analysing the receivables as per their ageing.

3.13.2 Creditors, accruals and provisions

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

Provisions are recognized when the Group has a legal or constructive obligation as a result of a past event 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. However, the provisions are reviewed at each consolidated financial statement date and adjusted to reflect current best estimates.

3.14 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format.

The Holding Company has four primary business segments for reporting purposes namely, fire and property, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 41.

Based on its classification of Insurance contracts issued, the Subsidiary Company has six business segments namely investment linked business, conventional business, pension business, accident and health business, Family takaful investment linked business and Family takaful protection business.

Assets, liabilities and capital expenditures 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.

3.15 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand and deposits maturity upto three months.

3.16 Revenue recognition

3.16.1 Premium

3.16.1.1 The Holding Company

The revenue recognition policy for premiums is given under note 3.9.

3.16.1.2 The Subsidiary Company's first year individual life premiums / contributions are recognized once the related policies have been issued and the premium is received. Renewal premiums are recognized upon receipt of premium provided the policy is still in force. Single premiums are recognized once the related policies are issued against the receipts of premium.

Group life premiums are recognized when due. A provision for unearned premiums is included in the policyholders' liabilities.

Interest / profit income on bank deposits is recorded on a time proportion basis.

Fixed income securities are recorded on a time proportion basis using effective interest rate method, except Treasury-Bills.

Dividend income is recognized when right to receive such dividend is established.

3.16.2 Commission income

The revenue recognition policy for commission income is given under note 3.8.2

3.16.3 Investment income

Return on investments, profit and loss sharing accounts and bank deposits are recognized using effective interest rate method.

Profit or loss on sale of investments is recognized at the time of sale.

3.16.4 Dividend Income

Dividend income is recognized when right to receive such dividend is established.

3.17 Investments

– In equity securities
  (a) Available-for-sale
  (b) Fair Value through profit and loss
  (c) Fair / market value measurements
– In debt securities
  (a) Available-for-sale
  (b) Fair Value through profit and loss
  (c) Held to maturity
– In term deposits - Held to maturity

3.17.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Group commits to purchase or sell the investments.

3.17.2 Measurement

3.17.2.1 Available-for-sale

Available-for-sale Investments are those non-derivative instruments that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, these are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the consolidated statement of comprehensive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in consolidated other comprehensive income is transferred to consolidated profit and loss for the year within statement of consolidated comprehensive income. Whereas, any reversal in impairment is taken in consolidated statement of comprehensive income.

These are reviewed for impairment at each reporting date and any losses arising from impairment in values are charged to the profit and loss account.

3.17.2.2 Investments in debt securities relating to units assigned to policies of investment linked business, pension business and Family takaful investment linked business are subsequently measured at their fair values and the difference taken in fair value through profit and loss account and the investment related to non-unit-linked fund subsequently measured at fair value through other comprehensive income.

3.17.2.3 Held to maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to held to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment in value, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method.

The difference between the redemption value and the purchase price of the held to maturity investment is amortized and taken to the profit and loss account over the term of investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the consolidated profit and loss account.

3.17.2.4 Fair value through profit and loss

Investments in debt securities relating to units assigned to policies of investment linked business, pension business and Family takaful investment linked business are subsequently measured at their fair values and the difference taken in fair value through profit and loss account and the investment related to non-unit-linked fund subsequently measured at fair value through other comprehensive income.

3.17.2.5 Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) where applicable. For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on balance sheet date. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

3.17.3 Derivatives

Derivative instruments held by the Group primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently remeasured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the consolidated financial statements. The resultant gains and losses are included in the consolidated profit and loss account.

3.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the consolidated financial statements only when there is legally enforceable right to set off the recognized amount and the Group intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.19 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance 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.

3.19.1 Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the consolidated financial statements date, which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

3.19.2 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the consolidated financial statements date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

3.19.3 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the consolidated financial statements date. The Group takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

3.20 Taxation

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

3.20.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

3.20.2 Deferred

Deferred tax is recognized using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the consolidated financial statements date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.21 Employees' retirement benefits

3.21.1 Holding Company

3.21.1.1 Defined benefit plans

The Holding Company operates the following employee defined benefit plans:

– Funded gratuity scheme

The Holding Company operates an approved gratuity fund for all employees who complete qualifying period of service.

– Funded pension scheme

Defined benefit funded pension for all eligible officers.

These funds are administered by trustees. The pension plan is a career average salary plan and the gratuity plan is a final basic salary plan. The actuarial valuation of both the plans is carried out on a yearly basis using the Projected Unit Credit Method and contributions to the plans are made accordingly.

Actuarial gains and losses are recognized in other comprehensive income in the year in which they arise.

3.21.1.2 Defined contribution plan

The Holding Company contributes to a provident fund scheme, which covers all permanent employees. Both the Holding Company and the employees make equal contributions to the fund at the rate of 8.33 % of basic salary.

3.21.2 Subsidiary Company

3.21.2.1 The Subsidiary Company operates a contributory provident fund for all eligible employees to which equal monthly contributions at the rate of 8.33 % of basic salary are made by both the Subsidiary Company and the employees. The contributions are recognized as employee benefit expense when they are due.

3.21.2.2 The Subsidiary Company also operate an approved funded contributory pension scheme, whereby, fixed monthly contributions at the rate of 10 % of the basic salary are made by the Subsidiary Company and the employees also have an option to contribute in the fund at the rate of 5 %. At the time of retirement, employees are paid in full for their contribution, if any, and Subsidiary Company's contribution accumulated in the fund is paid to employees over the period of time in accordance with the rules of the fund.

3.22 Impairment

A financial asset is assessed at each consolidated financial statements date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non financial assets is reviewed at each consolidated financial statements date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the consolidated profit and loss account. Provisions for impairment are reviewed at each consolidated financial statements date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.23 Dividend and bonus shares

Dividend to shareholders is recognized as liability in the period in which it is approved. Similarly, reserve for issue of bonus shares is recognized in the year in which such issue is approved.

3.24 Expenses of management

All expenses of management have been allocated between business of Holding Company and window takaful operations - Operators' Fund to the various revenue accounts on equitable basis.

3.25 Rental income

Rental income on investment properties is recognized over the term of lease.

3.26 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.12.

3.27 Compensated absences

The liability towards compensated absences accumulated by the employees is provided in the period in which they are earned.

3.28 Foreign currencies

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions. Income and expense amounts relating to foreign branches have been translated at the applicable exchange rates. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the consolidated financial statements date. Exchange gains or losses, if any, are taken into consolidated profit and loss account.

3.29 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other insurers / reinsurers, accrued expenses, agents balances, other creditors, deposits and unclaimed dividends.

All the financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and derecognized 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 losses on derecognition of financial assets and financial liabilities are taken to income directly.

3.30 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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 EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.31 Policyholder Liability

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each consolidated financial statements date. In determining the value, both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Subsidiary Company underwrites are taken into account. The bases used are applied consistently from year to year.

The basic liability consists of the estimated actuarial liability against each contract which is in force. To this are added:

(a). The cash value of policies which have lapsed over the last two years and where the liability would be reinstated in case of the policy being revived; and

(b). A reserve for potential losses on a policy by policy basis.

Policyholder liabilities consist of the following components

Net unearned premium reserve

The unearned premium reserve is the portion of premium that had been booked in the current period but pertains to a period that extends beyond the valuation date. The fraction of premium that is to be consumed in the succeeding period is considered to be unearned. The unearned premium is the aggregate for both posted and fluctuations in the unearned premium.

The unearned premium reserve is computed both gross and net of reinsurance, the methodology used for both being similar.

Unit-link group life policies

Policyholder Liabilities for these policies are measured as the sum of the fair value of units attached and the unearned part of any risk premiums charged.

Profit Commission Reserve (Accrued for Policyholders)

This is the total accrued profit commission that is payable to Policyholders at a future date. Profit commission for any policy normally becomes payable at the end of three policy years. However, accrued profit commission is calculated at the end of each policy year to account for the liability that has been created for that year. The sum of all such accrued profit commissions for all schemes is the Profit Commission reserve.

Profit Commission Reserve (Accrued from Reinsurer)

This is the total profit commission due from reinsurer on all reinsured schemes. Profit commission rates are applied on insured groups, based on their size. The total profit commission accrued from reinsurer is the sum of profit commissions for each group.

Premium Deficiency Reserve

The need for premium deficiency reserve arises when the Group expects to incur claims in excess of reserves set aside using conventional methods. The Group analyzed its current portfolio of group contracts and evaluated loss ratios of group business. The Group does not expect excessive claims on any schemes and hence no provision for Premium Deficiency Reserve is set aside.

Incurred but not reported (IBNR) reserve

The IBNR (incurred but not reported) reserve is an estimate of those claims that might have occurred but not yet reported. This is estimated by using the claim intimation lag from the date of death for the claims that have been reported in the last two years. The system generated IBNR triangle report is used to calculate the ratio of delay to estimate the probable claims pertaining to and not reported up to the valuation date.

3.32 Statutory funds

The Subsidiary Company maintains statutory funds for all classes of life insurance business. Assets, liabilities, revenues and expenses are recorded in respective funds, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenues and expenses are allocated to shareholders' fund. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Subsidiary Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000. A capital transfer provided to statutory funds by the shareholders' fund is recorded as a reduction in the shareholders' equity. Changes in the amount of capital contributed to statutory funds is recorded by the shareholders' funds directly in equity.

4. Accounting estimates and judgements

The preparation of 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 judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates 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 revision and future periods if the revision affects both current and future periods.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

	Note
– Property and equipment	3.4
– Investment properties	3.6
– Premium deficiency reserve (liability adequacy test)	3.11
– Receivables related to insurance contracts	3.13.1
– Provision for outstanding claims (including IBNR)	3.19.1
– Taxation	3.20
– Employees' retirement benefits	3.21
– Impairment	3.22
– Policyholder liability	3.31

5. Property and equipment

Rupees '000

	Note	2020	2019
Operating assets	5.1	8 050 240	7 788 920
		8 050 240	7 788 920

5.1 Operating assets

	2020										
	Cost / Revaluation						Depreciation				Written down value
	As at 01 January	Additions	(Disposals) / (Write off)	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / (Write off)	As at 31 December	As at 31 December
Land	2 440 434	–	–	149 864	2 590 298	0	–	–	–	–	2 590 298
Buildings	3 429 936	113 714	–	399 880	3 943 530	5	456 330	174 342	–	630 672	3 312 858
Right of use assets - building	670 306	267 459	(55 227)	–	882 538	Lease Term	175 055	180 485	(11 856)	343 684	538 854
Leasehold improvements	272 730	36 339	(13 998)	–	295 071		122 102	69 453	(9 878)	181 677	113 394
Furniture and fixtures	795 948	59 109	(174 552)	–	680 505	10	459 577	60 716	(167 381)	352 912	327 593
Office equipments	601 277	26 628	(31 850)	–	596 055	10	290 030	60 399	(28 766)	321 663	274 392
Computers	405 274	78 457	(128 350)	–	355 381	30	259 882	82 335	(128 329)	213 888	141 493
Vehicles	1 413 792	185 253	(77 957)	–	1 521 088	20	652 866	265 306	(63 729)	854 443	666 645
Tracker equipments	403 735	29 216	(263 870)	–	169 081	20	228 670	61 552	(205 854)	84 368	84 713
	10 433 432	796 175	(745 804)	549 744	11 033 547		2 644 512	954 588	(615 793)	2 983 307	8 050 240

Rupees '000

2019

	Cost / Revaluation						Depreciation				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Land	2 220 951	–	–	219 483	2 440 434	0	–	–	–	–	2 440 434
Buildings	3 176 006	150 091	–	103 839	3 429 936	5	253 254	203 076	–	456 330	2 973 606
Right of use assets - building	–	670 306	–	–	670 306	Lease Term	–	175 055	–	175 055	495 251
Leasehold improvements	201 272	71 458	–	–	272 730		50 711	71 391	–	122 102	150 628
Furniture and fixtures	703 147	98 476	(5 675)	–	795 948	10	408 932	56 033	(5 388)	459 577	336 371
Office equipments	560 055	45 598	(4 376)	–	601 277	10	271 165	19 962	(1 097)	290 030	311 247
Computers	286 953	118 932	(611)	–	405 274	30	196 749	63 733	(600)	259 882	145 392
Vehicles	1 257 275	295 568	(139 051)	–	1 413 792	20	491 322	270 843	(109 299)	652 866	760 926
Tracker equipments	364 398	39 337	–	–	403 735	20	150 844	77 826	–	228 670	175 065
	8 770 057	1 489 766	(149 713)	323 322	10 433 432		1 822 977	937 919	(116 384)	2 644 512	7 788 920

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

Rupees '000

Category of Assets (Mode of disposal)	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
Furniture & fixtures (Negotiation / Write off)	6 575	1 169	5 406	5 148	Insurance claim
	167 617	165 973	1 644	–	Write off
Written down value below Rs. 50 000	150	29	121	116	Insurance claim
	210	210	–	32	Various
	174 552	167 381	7 171	5 296	
Office equipments	1 234	371	863	822	Insurance claim
(Negotiation / Write off)	30 162	28 036	2 126	–	Write off
Written down value below Rs. 50 000	454	359	95	137	Various
	31 850	28 766	3 084	959	
Right of use assets	55 227	11 856	43 371	–	Lease termination
Leasehold Improvement	13 998	9 878	4 120	550	Lease termination
	69 225	21 734	47 491	550	
Computers (Write off)	127 771	127 764	7	–	Write off
Written down value below Rs. 50 000	67	67	–	53	Insurance claim
	512	498	14	75	Various
	128 350	128 329	21	128	

Rupees '000

Category of Assets (Mode of disposal)	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
Vehicles (Negotiation / Write off)	1 141	875	266	750	Faisal Autos
	2 585	431	2 154	2 450	Faisal Autos
	740	444	296	575	Faisal Autos
	849	354	495	500	Ms. Saima Morkas Ex-employee
	1 068	977	91	600	Mr. Bashir Ahmed Sangi - Employee
	2 307	1 575	732	–	Write off
	448	353	95	540	Mr. Tasawwar Ali - Employee
	448	353	95	510	Mr. Ejaz Ahmed - Employee
	474	365	109	510	Ghulam Abu Talib - Employee
	474	328	146	500	Mr. Gul Hassan - Employee
	609	400	209	742	Mr. Muhammad Kashif - Employee
	474	255	219	540	Mr. Farrukh Ayoub - Employee
	568	341	227	653	Ms. Shumaila Akhter - Employee
	568	307	261	607	Mr. Zahoor Ahmed - Employee
	568	272	296	600	Ms. Saba Manzoor - Employee
	568	238	330	500	Mr. Anwar Ahmed
	733	364	369	225	Mr. Fahad Amjad
	762	305	457	680	Ms. Lubna Riaz - Employee
	767	230	537	700	Mr. Arshad Magsi - Employee
	1 441	772	669	1 725	Mr. Arshad Iqbal - Employee
	1 441	772	669	1 725	Mr. Rehan Siddiqui - Employee
	1 719	902	817	2 270	Mr. Abbas Hussain - Employee
	1 906	1 059	847	1 481	Mr. Prince Khurram - Employee
	1 906	1 059	847	1 374	Mr. Yousaf Javed - Employee
	1 571	471	1 100	500	Mr. Anwar Ahmed
	1 295	180	1 115	600	Mr. Muhammad Zubair - Employee
Written down value below Rs. 50 000	1 163	1 145	18	–	Write off
	49 364	48 602	762	42 942	Various
	77 957	63 729	14 228	64 799	
Tracker equipments (Write off)	263 870	205 854	58 016	–	Write off
	745 804	615 793	130 011	71 732	

6. Intangible assets

Rupees '000

2020

		Cost						Amortization / Impairment				Written down value
	Note	As at 01 January	Additions	(Disposals) / (Write Off)	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / (Write Off)	As at 31 December	As at 31 December
Computer softwares		123 838	36 520	(15 229)	–	175 587	33.33	99 105	22 553	(15 229)	136 887	38 700
Goodwill	6.1	7 980 917	–	–	–	7 980 917		–	–	–	–	7 980 917
		8 104 755	36 520	(15 229)	–	8 156 504		99 105	22 553	(15 229)	136 887	8 019 617

2019

		Cost						Amortization / Impairment				Written down value
	Note	As at 01 January	Additions	(Disposals) / Adjustments	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Computer softwares		113 272	10 566	–	–	123 838	33.33	86 234	12 871	–	99 105	24 733
Goodwill	6.1	7 980 917	–	–	–	7 980 917		–	–	–	–	7 980 917
		8 094 189	10 566	–	–	8 104 755		86 234	12 871	–	99 105	8 005 650

6.1 This represent goodwill recognized on business combination with Subsidiary EFU Life Assurance Limited.

Rupees '000

	2020	2019
7. Investment property		
Opening net book value	2 341 470	1 879 093
Additions and capital improvements	6 362	28 478
Unrealized fair value gain	170 138	433 899
Closing net book value	2 517 970	2 341 470

Market value of these investment properties amounts to Rs. 2,518 million (2019: Rs. 2,341 million) based on a revaluation carried out by different valuer as at 31 December 2020 and revaluation gain of Rs. 170 million (2019: Rs. 434 million) has been recognized in the profit and loss.

The fair value of investment properties was determined by external, independent property valuers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment properties every year.

The fair value of the investment properties has been categorized as a Level 3 fair value (based on the inputs to the valuation techniques used) and which is considered as highest and best use of investment property.

7.1 Valuation Techniques

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

8. Investment in equity securities

Rupees '000

	2020			2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
At available-for-sale						
Related Party *						
Listed shares	702 768	(201 047)	501 721	702 768	(348 264)	354 504
Mutual funds	523	–	523	26 717	–	26 717
	703 291	(201 047)	502 244	729 485	(348 264)	381 221
Others						
Listed shares	2 108 003	(58 813)	2 049 190	1 582 928	(114 597)	1 468 331
Unlisted shares	31 508	(15 500)	508	31 508	(15 500)	508
Mutual funds	123 307	(10 754)	112 553	116 235	(11 200)	105 035
	2 262 818	(85 067)	2 162 251	1 730 671	(141 297)	1 573 874
Surplus on revaluation	–	–	2 223 956	–	–	1 712 119
	2 966 109	(286 114)	4 888 451	2 460 156	(489 561)	3 667 214
At fair value through profit and loss - designated upon initial recognition						
Related Party *						
Listed shares	8 557	–	202 717	8 557	–	70 976
Mutual funds	596	–	1 174	547	–	1 033
	9 153	–	203 891	9 104	–	72 009
Others						
Listed shares	33 977 498	–	38 194 734	9 514 742	–	9 634 376
Mutual funds	1 410 788	–	1 557 138	253 068	–	264 814
	35 388 286	–	39 751 872	9 767 810	–	9 899 190
	35 397 439	–	39 955 763	9 776 914	–	9 971 199
	38 363 548	(286 114)	44 844 214	12 237 070	(489 561)	13 638 413

* The Group has not accounted for investment in related parties as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Group does not have significant influence in these companies.

9. Investment in debt securities

Rupees '000

	Note	2020			2019		
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Held to maturity	9.1						
Government securities		7 447 581	–	7 447 581	5 350 047	–	5 350 047
Available-for-sale	9.2						
Government securities		9 612 685	–	9 612 685	9 152 598	–	9 152 598
Term Finance Certificate		244 118	(44 118)	200 000	244 118	(44 118)	200 000
Corporate Sukuks		180 000	–	180 000	180 000	–	180 000
Surplus on revaluation		–	–	280 617	–	–	121 937
		10 036 803	(44 118)	10 273 302	9 576 716	(44 118)	9 654 535
Fair value through profit and loss (designated-upon initial recognition)	9.3						
Government securities		67 013 519	–	67 013 519	70 853 495	–	70 853 495
Term Finance Certificates		3 905 652	–	3 905 652	3 796 562	–	3 796 562
Corporate Sukuks		3 859 532	–	3 859 532	4 677 570	–	4 677 570
Commercial papers		8 554	–	8 554	635 359	–	635 359
Certificates of investment		210 000	–	210 000	210 000	–	210 000
		74 997 257	–	74 997 257	80 172 986	–	80 172 986
		92 481 641	(44 118)	92 718 140	95 099 749	(44 118)	95 177 568

9.1 Held to maturity

Name of investment	2020 Maturity year	Effective yield %	Amortized cost	Principal repayments	Carrying value
3 Years Pakistan Investment Bond	2021	7.25	67 567	70 000	67 567
3 Years Pakistan Investment Bond	2022	7.12	49 818	50 000	49 818
3 Years Pakistan Investment Bond	2022	9.00	3 747 285	3 835 000	3 747 285
3 Years Pakistan Investment Bond	2023	7.12	47 212	47 500	47 212
10 Years Pakistan Investment Bond	2028	8.75	12 100	15 000	12 100
20 Years Pakistan Investment Bond	2024	10.00	54 079	53 700	54 079
3 Months Treasury Bills	2021	7.12	2 091 667	2 102 500	2 091 667
12 Months Treasury Bills	2022	8.95	489 021	500 000	489 021
3 Years Government Ijara	2023	6.27	241 186	241 078	241 186
10 Years Pakistan Energy Sukuk I	2029	8.05	194 947	197 160	194 947
10 Years Pakistan Energy Sukuk II	2030	7.25	452 699	452 700	452 699
			7 447 581	7 564 638	7 447 581

Rupees '000

Name of investment	2019 Maturity year	Effective yield %	Amortized cost	Principal repayments	Carrying value
3 Years Pakistan Investment Bond	2021	7.25	63 463	70 000	63 463
3 Years Pakistan Investment Bond	2022	9.00	1 269 700	1 350 000	1 269 700
3 Years Pakistan Investment Bond	2022	9.00	1 410 510	1 500 000	1 410 510
10 Years Pakistan Investment Bond	2028	8.75	11 882	15 000	11 882
20 Years Pakistan Investment Bond	2024	10.00	54 170	53 700	54 170
3 Months Treasury Bills	2020	13.40	1 523 915	1 550 000	1 523 915
6 Months Treasury Bills	2020	13.40	956 651	1 000 000	956 651
3 Years Government Ijara	2020	5.24	59 756	59 280	59 756
			5 350 047	5 597 980	5 350 047

9.2 Available-for-sale

Name of investment	Maturity year	Effective yield %	Profit payment	Face value	31 December 2020
3 Years Pakistan Investment Bonds	2021	11.91 - 14.25	Half yearly	4 492 000	4 493 285
3 Years Pakistan Investment Bonds	2023	8.12	Half yearly	300 000	300 495
5 Years Pakistan Investment Bonds	2023	11.26 - 11.80	Half yearly	164 300	163 558
5 Years Pakistan Investment Bonds	2024	7.52 - 11.52	Half yearly	4 041 500	4 121 966
10 Years Pakistan Investment Bonds	2028	13.43	Half yearly	200 000	189 208
3 months Treasury Bills	2021	7.11 - 7.16	On maturity	628 000	622 590
					9 891 102
Term Finance Certificates (TFCs) – quoted					
New Allied Electronics Limited *	2012	12.92	Quarterly	3 481	–
Agritech Limited – 3rd Issue (B) *	2017	11.00	Half yearly	5 665	–
Agritech Limited – 3rd Issue (A) *	2019	13.35	Quarterly	34 972	–
Soneri Bank Limited	Perpetual	9.35	Half yearly	100 000	100 000
Habib Bank Limited	Perpetual	8.90	Quarterly	100 000	100 000
					200 000
Corporate Sukuks – quoted					
Dubai Islamic Bank Limited	Perpetual	9.00	Monthly	80 000	80 000
The Hub Power Company Limited	2023	9.19	Quarterly	50 000	51 125
Engro Polymer & Chemicals Limited	2026	8.20	Quarterly	50 000	51 075
					182 200
					10 273 302

The amount of Pakistan Investment Bonds includes Rs. 225 million (2019: Rs. 204 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.

* The term finance certificates are held under non-performing status and full provision has been made against these term finance certificates.

Rupees '000

Name of investment	Maturity year	Effective yield %	Profit payment	Face value	31 December 2019
3 Years Pakistan Investment Bonds	2021	11.91 - 14.25	Half yearly	4 492 000	4 167 628
5 Years Pakistan Investment Bonds	2023	11.26 - 13.80	Half yearly	164 300	148 354
5 Years Pakistan Investment Bonds	2024	11.21 - 11.52	Half yearly	1 651 500	1 562 033
10 Years Pakistan Investment Bonds	2028	13.43	Half yearly	200 000	175 483
6 months Treasury Bills	2020	13.05 - 13.15	On maturity	1 500 000	1 432 964
3 months Treasury Bills	2020	13.00 - 13.51	On maturity	1 810 900	1 786 935
					9 273 397
The amount of Pakistan Investment Bonds includes Rs. 204 million (2018: Rs. 207 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.					
Term Finance Certificates (TFCs) – quoted					
New Allied Electronics Limited *	2012	12.92	Quarterly	3 481	–
Agritech Limited – 3rd Issue (B) *	2017	11.00	Half yearly	5 665	–
Agritech Limited – 3rd Issue (A) *	2019	13.35	Quarterly	34 972	–
Soneri Bank Limited	Perpetual	15.50	Half yearly	100 000	100 000
Habib Bank Limited	Perpetual	15.14	Quarterly	100 000	100 000
					200 000
Corporate Sukuks – quoted					
Dubai Islamic Bank Limited	Perpetual	15.60	Monthly	80 000	80 000
The Hub Power Company Limited	2023	15.51	Quarterly	50 000	50 450
Engro Polymer and Chemicals Limited	2026	14.54	Quarterly	50 000	50 688
					181 138
					9 654 535

* The term finance certificates are held under non-performing status and full provision has been made against these term finance certificates.

9.3 Fair value through profit and loss (designated upon initial recognition)

Rupees '000

	2020				
Name of investment	Maturity year	Effective yield %	Amortized cost	Principal repayments	Carrying value
Government Securities					
3 Years Pakistan Investment Bond	2021	7.25	10 465 010	10 723 500	10 726 566
3 Years Pakistan Investment Bond	2022	9.00	25 796 658	26 156 500	26 612 251
3 Years Pakistan Investment Bond-Floaters	2023	7.12	6 419 203	6 452 500	6 403 856
5 Years Pakistan Investment Bond	2021	7.75	552 939	560 000	560 867
5 Years Pakistan Investment Bond	2023	8.00	1 157 352	1 206 000	1 200 553
10 Years Pakistan Investment Bond	2022	12.00	2 115 038	2 100 000	2 228 313
10 Years Pakistan Investment Bond	2024	12.00	101 553	100 000	109 846
10 Years Pakistan Investment Bond	2029	10.00	116 161	125 000	125 546
20 Years Pakistan Investment Bond	2024	10.00	388 836	392 000	408 102
3 Months Treasury Bills	2021	7.16	59 027	60 000	59 850
6 Months Treasury Bills	2021	7.10	14 156 171	14 625 000	14 526 589
12 Months Treasury Bills	2021	7.69	2 688 904	2 850 000	2 785 600
3 Years Government Ijara	2023	5.95	237 059	236 710	233 987
8 Years Pakistan Water And Power Development Authority	2021	9.04	136 406	571 099	134 030
10 Years Pakistan Energy Sukuk I	2029	8.05	952 291	963 159	847 263
Pakistan Energy Sukuk II	2030	7.25	50 300	50 300	50 300
			65 392 908	67 171 768	67 013 519

Market value of government securities carried at amortized cost amounted to Rs. 7,954 million (2019: Rs. 5,340).

Government securities includes Rs.115 million (2019: Rs. 115 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

Rupees '000

	2019				
Name of investment	Maturity year	Effective yield %	Amortized Cost	Principal Repayments	Carrying Value
Government Securities					
3 Years Pakistan Investment Bond	2021	7.25	12 576 605	13 473 500	12 501 514
3 Years Pakistan Investment Bond	2022	9.00	14 272 674	15 200 000	14 240 631
5 Years Pakistan Investment Bond	2020	9.25	4 999 353	4 987 500	4 936 341
5 Years Pakistan Investment Bond	2023	8.00	1 042 195	1 175 000	1 061 032
5 Years Pakistan Investment Bond	2024	9.50	22 002 906	23 850 000	22 559 401
5 Years Pakistan Investment Bond	2021	7.75	533 064	560 000	526 850
10 Years Pakistan Investment Bond	2022	12.00	2 122 940	2 100 000	2 106 635
10 Years Pakistan Investment Bond	2024	12.00	101 849	100 000	103 329
10 Years Pakistan Investment Bond	2029	10.00	4 621 220	5 050 000	4 751 431
20 Years Pakistan Investment Bond	2024	10.00	388 055	392 000	377 370
3 Months Treasury Bills	2020	12.25	6 182 432	6 250 000	6 177 172
3 Years Government Ijara	2020	5.24	89 635	88 920	89 541
10 Years Pakistan Energy Sukuk 1	2020	14.88	1 159 367	1 000 000	1 151 091
8 Years Pakistan Water And Power Development Authority	2021	12.01	272 731	571 099	271 157
			70 365 026	74 798 019	70 853 495

Market value of government securities carried at amortized cost amounted to Rs. 5,340 million (2018: Rs. 5,105 million).

Government securities includes Rs.115 million (2018: Rs. 125 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

Rupees '000

			No. of Certificate			Value of Certificate	
	Yield	Maturity	2020	2019	Face Value	2020	2019
Term finance certificate							
Available-for-sale							
Bank Al Habib Limited	8.03	2026	80 100	80 100	5 000	360 909	400 000
Bank Al Habib Limited	8.35	2028	20 000	20 000	5 000	97 048	99 960
Bank Al Habib Limited	8.85	Perpetual	40 000	80 000	5 000	200 000	392 940
Al Baraka Bank Limited	8.54	2021	50	10 000	4 000	7 141	14 866
Byco Oil Pakistan Limited	8.34	2022	1 000	20 000	5 000	41 514	73 781
Bank Alfalah Limited	15.33	2020	–	23 063	–	–	115 015
United Bank Limited	8.85	Perpetual	250 000	250 000	5 000	1 250 000	1 250 000
Soneri Bank Limited	9.35	Perpetual	10 000	10 000	5 000	50 000	50 000
Habib Bank Limited	8.90	Perpetual	2 000	2 000	100 000	200 000	200 000
JS Bank Limited	9.60	Perpetual	5 000	5 000	100 000	500 000	500 000
Bank Alfalah Limited	8.79	Perpetual	20 000	20 000	5 000	100 000	100 000
Askari Bank Limited	8.49	Perpetual	100	–	1 000 000	99 040	–
Bank Alfalah Limited	9.03	2021	5 000	–	100 000	500 000	–
Askari Bank Limited	8.45	Perpetual	450	450	1 000 000	450 000	450 000
						3 855 652	3 646 562
Held to maturity							
Askari Bank Limited	8.45	Perpetual	50	50	1 000 000	50 000	50 000
						3 905 652	3 696 562

Rupees '000

	Yield	Maturity	No. of Certificate 2020	No. of Certificate 2019	Face Value	Value of Certificate 2020	Value of Certificate 2019
Corporate Sukuks							
Available-for-sale							
Hascol Petroleum Limited	8.75	2022	30 000	30 000	3 000	37 086	68 006
K Electric	8.29	2022	352 233	7 500	5 000	533 685	885 786
Dawood Hercules Sukuk	8.30	2022	6 431	6 431	200 000	455 838	441 810
Dawood Hercules Sukuk	8.30	2023	5 819	5 819	100 000	352 965	599 407
Pakistan Services Limited	8.30	2024	250	250	1 000 000	197 577	249 990
Meezan Bank Limited	9.10	Perpetual	500	500	1 000 000	500 000	500 000
Fatima Fertilizer Company Limited	8.45	2021	9 807	9 807	3 000	9 874	19 768
HUB Power Company Limited	14.99	2020	–	5 000	5 000	–	200 000
HUBCO Sukuk	9.19	2023	3 500	3 500	100 000	357 870	350 000
International Brands Limited	7.79	2021	1 000	1 000	100 000	42 258	72 510
Engro Polymer & Chemicals Limited	8.20	2026	2 050	2 050	100 000	209 408	207 818
Neelum Jhelum	9.10	2026	12 500	12 500	100 000	885 156	1 039 975
Dubai Islamic Bank Limited	7.90	Perpetual	20 000	20 000	5 000	100 000	100 000
Bankislami Pakistan Limited	8.22	Perpetual	28 063	–	5 000	140 315	–
						3 822 032	4 735 070
Held to maturity							
Dawood Hercules Sukuk	8.30	2022	250	250	100 000	17 500	22 500
Engro Polymer & Chemicals Limited	8.20	2026	200	200	100 000	20 000	20 000
						37 500	42 500
						3 859 532	4 777 570
Commercial Paper							
KEL Islamic Commercial Paper	–	–	–	1	100 000 000	–	96 975
KEL Islamic Commercial Paper	–	–	–	1	500 000 000	–	488 660
TPL Corp Limited	9.20	2021	1	1	25 000 000	8 554	49 724
					–	8 554	635 359
Certificate of Investment							
First Habib Modarba	7.10	2021	1	1	210 000	210 000	210 000
						7 983 738	9 319 491

	Note	2020	2019
10. Investment in term deposits			
Deposits maturing within 12 months			
Term deposits certificates - local currency	10.1 & 10.3	19 428 800	19 819 066
Term deposits certificates - foreign currency	10.2	316 206	284 286
		19 745 006	20 103 352

10.1 The rate of return on term deposit certificates issued by various banks ranges from 6.25 % to 13.45 % per annum (2019: 8.40 % to 14.00 % per annum) depending on tenure. These term deposit certificates have maturities upto 28 April 2021.

10.2 The rate of return on foreign currency term deposit certificates issued by various banks ranges from 0.10 % to 1.35 % per annum (2019: 1.20 % to 2.30 % per annum) depending on tenure. These term deposit certificates have maturities upto 29 Jun 2021.

10.3 This includes an amount of Rs. 13 million (2019: Rs. 13 million) under lien with banks against guarantees issued in favour of the Holding Company.

Rupees '000

	Note	2020	2019
11. Loan and other receivables - considered good			
Loans to employees		202 928	175 332
Accrued investment income		2 293 217	2 916 752
Security deposits		143 712	71 316
Advances to suppliers		90 467	42 346
Advances to employees		5 102	4 772
Other receivables		247 364	284 106
		2 982 790	3 494 624
12. Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders		3 749 182	4 436 944
Provision for impairment of receivables from insurance contract holders	12.1	(7 123)	(209 784)
		3 742 059	4 227 160
Due from other insurer / reinsurers		98 349	39 571
		3 840 408	4 266 731
12.1. Provision for impairment of receivables from insurance contract holders			
Balance as on 01 January		209 784	69 251
(Reversal) / charged during the year		(13 474)	140 533
Written off		(189 187)	–
Balance as on 31 December		7 123	209 784
13 Prepayments			
Prepaid reinsurance premium ceded		4 808 670	5 750 008
Software support service		845	801
Prepaid tracker expense		50 090	92 983
Others		86 130	58 110
		4 945 735	5 901 902

Rupees '000

	Note	2020	2019
14 Cash and Bank			
Cash and cash equivalents			
Cash in hand		25	41
Policy and revenue stamps, bond papers		24 862	24 642
		24 887	24 683
Cash at bank			
Current accounts		1 525 392	4 082 929
Saving accounts	14.1 & 14.2	5 113 312	2 797 624
		6 638 704	6 880 553
		6 663 591	6 905 236
Cash and short term borrowing include following for the purposes of the cash flow statement:			
Cash and others		24 887	24 683
Cash at bank		6 638 704	6 880 553
Term deposit maturing within three months		19 062 000	19 659 000
		25 725 591	26 564 236

14.1 The rate of return on saving accounts from various banks ranges from 5.50 % to 7.50 % per annum (2019: 9.00 % to 12.60 % per annum) depending on the size of average deposits.

14.2 This includes an amount of Rs. 57 million (2019: Rs. 53 million) under lien with banks against guarantee issued in favour of the Holding Company.

15. Share capital

15.1 Authorized capital

Number of shares '000 2020	Number of shares '000 2019	Rupees '000 2020	Rupees '000 2019
200 000	200 000	2 000 000	2 000 000

15.2 Issued, subscribed and paid-up share capital

Number of shares '000 2020	Number of shares '000 2019		Rupees '000 2020	Rupees '000 2019
250	250	Ordinary shares of Rs. 10 each, fully paid in cash	2 500	2 500
199 750	199 750	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	1 997 500	1 997 500
200 000	200 000		2 000 000	2 000 000

Rupees '000

	Note	2020	2019
16 Reserves			
Capital reserve			
Reserve for exceptional losses	16.1	12 902	12 902
Revenue reserves			
General reserve		15 400 000	15 000 000
Revaluation reserve for unrealized gain on available-for-sale investments - net		1 805 449	1 211 225
Reserve for change in fair value of investment property - net		1 399 579	1 502 713
		18 617 930	17 726 840

16.1 The reserve for exceptional losses was created prior to 1979 and was charged to income in accordance with the provisions of the repealed Income Tax Act, 1922 and has been so retained to date.

Rupees '000

	2020	2019
17. Surplus on revaluation of property and equipment		
Surplus arising on revaluation of property and equipment - net of tax		
Equity holders	1 260 483	1 084 325
Non-controlling interest	314 208	109 285
	1 574 691	1 193 610

Rupees '000

	Note	2020	2019
18. Insurance Liability			
Reported outstanding claims	18.1	3 568 512	2 715 505
Incurred but not reported claims	18.2	769 857	734 895
Investment component of unit-linked and account value policies	18.3	136 898 826	113 717 100
Liabilities under individual conventional insurance contracts	18.4	933 952	763 786
Liabilities under group insurance contracts (other than investment linked)	18.5	447 173	383 053
Participant's Takaful Fund Balance		228 173	172 794
		142 846 493	118 487 133
18.1 Reported outstanding claims			
Gross of reinsurance			
Payable within one year		3 059 539	2 328 910
Payable over a period of time exceeding one year		905 164	648 115
		3 964 703	2 977 025
Recoverable from reinsurers			
Receivable over a period of time exceeding one year		(396 191)	(261 520)
		(396 191)	(261 520)
Net reported outstanding claims		3 568 512	2 715 505
18.2 Incurred but not reported claims			
Gross of reinsurance		957 089	863 010
Reinsurance recoveries		(187 232)	(128 115)
Net of reinsurance		769 857	734 895
18.3 Investment component of unit-linked and account			
Investment component of unit linked policies		136 898 826	113 717 100
		136 898 826	113 717 100
18.4 Liabilities under individual conventional insurance contracts			
Gross of reinsurance		1 122 415	941 275
Reinsurance credit		(188 463)	(177 489)
Net of reinsurance		933 952	763 786
18.5 Liabilities under group insurance contracts (other than investment linked)			
Gross of reinsurance		560 405	456 072
Reinsurance credit		(113 232)	(73 019)
Net of reinsurance		447 173	383 053

19. Retirement benefit obligations

The latest actuarial valuation as at 31 December 2020 uses a discount rate of 9.50 % (2019: 12.20 %) for defined benefit obligation and plan assets. Basic salary and pension increase to average 6.50 % and 0.00 % (2019: 9.10 % and 2.10 %) respectively per annum in the long term.

Rupees '000

	2020		2019	
	Pension	Gratuity	Pension	Gratuity
19.1.1 Reconciliation of the present value of defined benefit obligations				
At the beginning of the year	218 468	448 210	208 041	426 035
Current service cost	1 055	20 315	1 193	19 789
Interest cost	25 262	52 940	25 358	52 595
Remeasurement loss due to:				
Change in financial assumptions	4 754	–	8 131	–
Experience	(3 874)	18 549	(1 325)	(13 557)
Benefits paid	(22 805)	(28 547)	(22 930)	(36 652)
At the end of the year	222 860	511 467	218 468	448 210
19.1.2 Changes in fair value of plan assets				
At the beginning of the year	246 073	450 294	232 183	339 062
Interest income	28 704	53 194	28 546	46 985
Remeasurement gain / (loss) due to:				
Investment return	13 945	26 721	7 143	13 926
Contributions paid by Company	242	–	225	86 973
Contributions paid by employees	967	–	906	–
Benefits paid	(22 805)	(28 547)	(22 930)	(36 652)
At the end of the year	267 126	501 662	246 073	450 294
19.1.3 Charge to profit and loss account				
Service cost				
Current service cost	1 055	20 315	1 193	19 789
Employee contributions	(967)	–	(906)	–
Net interest (income) / cost	(3 442)	(254)	(3 188)	5 610
Chargeable in profit and loss account	(3 354)	20 061	(2 901)	25 399
19.1.4 Remeasurements recognized in other comprehensive income				
Change in financial assumptions	4 754	–	8 131	–
Experience on obligation	(3 874)	18 549	(1 325)	(13 557)
Investment return	(13 945)	(26 721)	(7 143)	(13 926)
Chargeable in statement of comprehensive income	(13 065)	(8 172)	(337)	(27 483)
Total defined benefit cost	(16 419)	11 889	(3 238)	(2 084)
19.1.5 (Asset) / liability on balance sheet				
At the beginning of the year	(27 605)	(2 084)	(24 142)	86 973
Defined benefit cost	(16 419)	11 889	(3 238)	(2 084)
Contributions paid by Company	(242)	–	(225)	(86 973)
At the end of the year	(44 266)	9 805	(27 605)	(2 084)
Reconciliation				
Obligation	222 860	511 467	218 468	448 210
Plan assets	(267 126)	(501 662)	(246 073)	(450 294)
Net (asset) / liability on balance sheet	(44 266)	9 805	(27 605)	(2 084)

19.1.6 Historical data

Rupees '000

	Pension				
	2019	2018	2017	2016	2015
Present value of defined benefit obligation	218 468	208 041	280 809	278 214	229 022
Fair value of plan assets	(246 073)	(232 183)	(249 514)	(279 401)	(245 209)
(Surplus) / deficit	(27 605)	(24 142)	31 295	(1 187)	(16 187)
Experience adjustment					
- Actuarial loss / (gain) on obligation	(1 325)	2 058	1 756	10 451	16 348
- Actuarial (loss) / gain on assets	7 143	(14 850)	(29 847)	33 506	(4 526)

	Gratuity				
	2019	2018	2017	2016	2015
Present value of defined benefit obligation	448 210	426 035	365 990	329 987	286 272
Fair value of plan assets	(450 294)	(339 062)	(325 311)	(328 138)	(308 587)
(Surplus) / deficit	(2 084)	86 973	40 679	1 849	(22 315)
Remeasurements due to:					
- Actuarial loss / (gain) on obligation	(13 557)	45 279	15 080	16 810	10 639
- Actuarial gain / (loss) on assets	13 926	(22 136)	21 566	15 124	4 099

19.1.7 Composition of fair value of plan assets

Fund investments	Pension				Gratuity			
	2020		2019		2020		2019	
Debt	95%	244 418	81%	232 247	91%	441 510	87%	427 017
Equity	5%	14 028	9%	12 894	8%	42 219	7%	23 081
Cash	0%	621	1%	932	1%	3 936	0%	196
	100%	259 067	100%	246 073	100%	487 665	100%	450 294

The expected charge to pension and gratuity fund for the year 2021 amounts to Rs. 10 million.

19.1.8 Sensitivity analysis on significant actuarial assumptions: Actuarial liability
Impact on obligation of 1 % change in assumptions

Assumptions	1 % increase	1 % decrease
Discount rate	(35 008)	39 137
Salary increase	25 499	(23 245)
Pension increase	15 553	–

Weighted average duration of the plan is 5.7 years.

Rupees '000

Projected payments	Pension	Gratuity
Company contributions 2021	231	23 434
Benefit payments:		
2021	26 536	102 586
2022	29 130	94 920
2023	28 356	58 838
2024	28 196	48 857
2025	27 679	70 788
2026 - 2030	123 062	301 445

19.2.1 Provident Fund

The following information of Subsidiary Company based on unaudited financial statements of their fund as at 31 December 2020:

	Rupees '000		Percentage	
	2020	2019	2020	2019
Size of the fund - total assets	579 856	505 806		
Cost of investments	546 737	363 213	94.29	71.81
Fair value of investments	577 172	371 139	99.54	73.38
The breakup of fair value of investment in Provident Fund is as follows:				
Open end mutual fund	115 205	104 955	19.96	28.28
Shares	1 366	649	0.24	0.17
Government securities	460 601	265 535	79.80	71.55

The above investments out of provident fund have been made in accordance with the requirement of Section 218 of the Companies Act. 2017 and the rules formulated for this purpose.

19.2.2 Pension Fund

	Rupees '000		Percentage	
	2020	2019	2020	2019
Size of the fund - total assets	441 930	357 007		
Cost of investments	412 714	217 460	93.39	60.91
Fair value of investments	436 367	233 105	98.74	65.29
The breakup of fair value of investment in Provident Fund is as follows:				
Open end mutual fund	63 043	57 513	14.45	24.67
Shares	553	193	0.13	0.08
Government securities	371 551	174 177	85.15	74.72
Term finance certificates	1 221	1 222	0.28	0.52

Rupees '000

	2020	2019
20. Deferred taxation		
Deferred debits arising in respect of		
Premium due but unpaid	(2 066)	(60 837)
Impairment of TFC	(12 794)	(12 794)
Define benefit plan	(5 205)	(11 364)
Right of use asset	(4 724)	(2 973)
Deferred credits arising in respect of		
Fair value of investment property	663 124	613 784
Revaluation of property and equipment	1 166 207	1 006 792
Accelerated tax depreciation	50 255	131 155
Unrealized gain on available-for-sale investments	767 745	529 605
Retained earning ledger Account D	674 409	584 840
	3 296 951	2 778 208

21. Insurance / reinsurance payable

These amounts represent amount payable to other insurers and reinsurer

	2020	2019
22 Other Creditors and Accruals		
Federal insurance fee payable	11 847	10 563
Federal excise duty and sales tax payable	175 492	113 617
Accrued expenses	1 124 297	1 010 171
Agent commission payable	1 426 827	1 280 167
Unearned rentals	68 097	89 169
Other deposits	1 098 695	958 402
Unclaimed / unpaid dividends	413 162	368 605
Lease liability	604 074	528 814
Others	329 682	254 179
	5 252 173	4 613 687

23. Contingencies and commitments

The income tax assessment of the Holding Company and its Subsidiary Company has been finalized up to tax year 2020.

23.1 Holding Company

The Income Tax Department has made an assessment order for assessment year 1999-2000 and 2000-2001 by adding back provision for bonus to staff, provision for gratuity and excess management expense. The Holding Company had filed appeals before the Commissioner, Inland Revenue (Appeals). The appeals have been decided in the favour of the Income Tax Department. The Holding Company had filed appeals before the Income Tax Appellate Tribunal (ITAT). If the appeals are decided against the Holding Company a tax liability of Rs. 13 million would arise.

The Income Tax Department (Audit) has made an assessment order for assessment year 2002-2003 by adding certain items. The Holding Company had filed an appeal before Commissioner Income Tax (Appeals). The appeal was decided in the favour of the Holding Company. The Department had filed an appeal before the Income Tax Appellate Tribunal (ITAT) and the same has been decided in the favour of the Holding Company. The Department has filed appeal before Honourable High Court of Sindh against the order of the Income Tax Appellate Tribunal (ITAT) in respect of estimated liability of claims, excess perquisites and retrocession commission. If the appeal is decided against the Holding Company a tax liability of Rs. 76 million would arise.

The Commissioner Inland Revenue (Audit) has amended the tax assessment of the Holding Company for tax year 2005 to 2007 by disallowing prorated expense. The Holding Company has filed appeals before Commissioner Income Tax (Appeals). The appeals were decided in the favour of the Holding Company. The Department then filed appeals before the Income Tax Appellate Tribunal (ITAT). The Income Tax Appellate Tribunal (ITAT) had passed an order in favour of the Holding Company. The Department then filed reference before the Honourable High Court of Sindh. The Honourable High Court of Sindh maintained the decision of Income Tax Appellate Tribunal (ITAT). The Department has filed appeals for the tax year 2005 to 2007 before the Honourable Supreme Court of Pakistan against the decision of the Honourable High Court of Sindh in respect of proration of expenses and if the appeals are decided against the Holding Company, a tax liability of Rs. 37 million would arise.

The Commissioner Inland Revenue (Audit) has amended the tax assessment of the Holding Company for tax year 2008 by adding capital gain on investment, depreciation on leased asset, admissible expenses, re-insurance premium ceded, provision for leave encashment, amortization of premium relative to par and provision for outstanding claims (IBNR). The Holding Company filed appeal before Commission Income Tax (Appeals) against the order of Income Tax Commissioner (Audit). The Appeal decided in favour of the Holding Company except addition made on account of reinsurance premium ceded. The Holding Company has filed appeal before Income Tax Appellate Tribunal (ITAT) against the decision of Income Tax Commissioner (Appeals) for maintaining the decision of Income Tax Commissioner (Audit) with respect to confirming the addition made on account of re-insurance premium ceded. The Income Tax Appellate Tribunal (ITAT) decided the case in favour of the Holding Company. The Department filed appeal in Income Tax Appellate Tribunal (ITAT) against the decision of Income Tax Commissioner (Appeals) for deletion of Capital Gain on Investment, Provision for Leave Encashment, and Depreciation on Leased Asset. The Income Tax Appellate Tribunal (ITAT) decided the case in favour of the Holding Company. The Department has filed appeals before the Honourable High Court of Sindh against the decision of the Income Tax Appellate Tribunal (ITAT) in respect of tax on reinsurance premium, deletion of Capital Gain on Investment, Provision for Leave Encashment, and Depreciation on Leased Asset. If the appeals decided against the Holding Company, a tax liability of Rs. 5,099 million would be payable. The Honourable High Court of Sindh has issued orders in favour of the assesses on the identical cases.

The Department has filed an appeal for tax years 2014 to 2016 before the Income Tax Appellate Tribunal (ITAT) against the order of Commissioner (Appeal) in respect of Dividend Income taxed at reduced rate. If the appeal is decided against the Holding Company, a tax liability of Rs. 355 million would arise.

The Commissioner Inland Revenue (Audit) has made an addition to the income of Tax years 2017 and 2019 on account of fair market value of motor vehicles. The Holding Company has filed appeals before Commissioner Income Tax (Appeals). The Commissioner Income Tax (Appeals) has confirmed the action of the Commissioner, Inland Revenue (Audit). The Holding Company then filed appeals before the Income Tax Appellate Tribunal (ITAT). If the appeal is decided against the Holding Company, a tax liability of Rs. 2 million would arise.

The Commissioner Inland Revenue (Audit) has made an addition to the income of Tax year 2020 on account of expenses. The Holding Company has filed appeals before Commissioner Income Tax (Appeals). If the appeal is decided against the Holding Company, a tax liability of Rs. 2 million would arise.

In 2014, 2015, 2016, 2017 and 2018 the Searle Company Limited issued bonus shares (453,612, 312,993, 664,632, 472,284 and 443,697 shares respectively) after withholding 5 percent of bonus shares (22,680, 15,650, 34,981, 24,857 and 21,360 shares respectively). In this regard, a constitutional petition had been filed by the Company in Honourable High Court of Sindh challenging the applicability of withholding tax provision on bonus shares received by the Holding Company. The Honourable High Court of Sindh decided the case against the Holding Company. Subsequently, the Company filed an appeal with a larger bench of the Honourable High Court of Sindh and in response; the Sindh High Court has suspended the earlier judgement until the next date of hearing, which has not yet been decided. Consequently, the Holding Company has not paid / provided an amount of Rs. 37 million being withholding tax on bonus shares.

23.2 Subsidiary Company

In 2013, Income Tax Department imposed an additional tax demand under section 151(1)(d) on account of non-deduction of withholding tax on surrender and maturity amounting to Rs.14 million and Rs.15 million for Tax Years 2012 and 2013 respectively. The Subsidiary Company filed an appeal before Commissioner Inland Revenue (Appeals) and the same was dismissed. The Subsidiary Company filed second appeal before the Appellate Tribunal against the order of CIT. The learned Appellate Tribunal Inland revenue has now decided the case in Subsidiary Company's favour. Subsequent to the period, the department has filed review application against the order in Honourable Court of Sindh. The decision is still pending. The Subsidiary Company expects a favourable decision.

In 2015 and 2016, The Searle Company Limited issued bonus shares (76,031 shares and 342,480 shares respectively) after withholding 5 percent of bonus shares (3,802 shares and 17,124 shares respectively) and the IBL Healthcare Ltd. issued bonus shares (46,625 shares and 80,311 shares respectively) after withholding 5 percent of bonus shares (2,331 shares and 4,016 shares respectively). In this regard, a constitutional petition had been filed by the Subsidiary Company in Sindh High Court challenging the applicability of withholding tax provision on bonus shares received by the Subsidiary Company. The honorable high court decided the case against the Subsidiary Company. Subsequently, the Subsidiary Company filed an appeal with a larger bench of the Sindh High Court and in response the Sindh High Court has suspended the earlier judgment until the next date of hearing, which has not yet been decided. The Subsidiary Company is of the view that the case will be decided in its favour and no provision has been made for the aforementioned tax. The amount involved is Rs 3 million.

23.2.1 Last year, Sindh Revenue Board (SRB) vide notification no. SRB 3-4/5/2019 dated 08 May 2019 extended the exemption on life insurance till 30 June 2019. Subsequent to it, life insurance was made taxable from 01 July 2019 at the rate of 3 % and group life insurance at the rate of 13 %. Further, SRB extended exemption on health insurance till 30 June 2020. With effect from 01 November 2018, the Punjab Revenue Authority (PRA) withdrew its exemption on life and health insurance and made the same subject to Punjab Sales Tax (PST). The Subsidiary Company collectively through the forum of Insurance Association of Pakistan ("IAP") had filed a constitutive petition in the Lahore High Court (LHC) and in the High Court of Sindh at Karachi on 28 September 2019 and 28 November 2019 against PRA and SRB respectively.

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

The Honorable Lahore and Sindh High Courts have directed that no coercive measure will be taken until the next date of hearing.

Further subsequent to filing petition, all the provincial tax authorities i.e. SRB, PRA and BRA called a meeting of the industry representatives on 11 January 2020 in Karachi to discuss the matters relating to sales tax on premium. The matter was discussed in details and it was agreed to form a joint committee of the industry representatives as well as from all the provincial tax authorities. Further the committee formed met on 5 February 2020 in Lahore at PRA office to work out the way forward. Thereafter, due to the COVID 19 situation and consequential lockdown, further meetings of the Joint committee are not being held.

On 2 April 2020, due to the outbreak of COVID-19, the PRA provided a relief to Life Insurance sector through its notification no. SO(TAX) 1-1110/2020 (COVID-19). The PRA reduced the PST rate from 16 % to zero percent without input tax adjustment for life insurance from 02 April 2020 till 30 June 2020.

SRB through notification no. SRB-3-4/13/2020 dated 22 June 2020 exempted the life insurance services conditionally from 01 July 2019 to 30 June 2020 subject to e-depositing SST due, on such services for the tax periods from 01 July 2020 onward.

Further in Sindh, on 29 June 2020 SRB through another notification No SRB-3-4/18/2020 has amended the responsibility of withholding agent rules requiring a Company also to withheld SST on Services of Life Insurance.

The Subsidiary Company with other life insurance companies has filed another petition in this regard in the Honorable Sindh High Court. The Honorable Sindh High Court has directed that no coercive measure will be taken until the next date of hearing.

Based on the legal opinion obtained the Subsidiary Company considers that it has a reasonably strong case on the merits in the constitution petition and the writ petition filed in the High Courts. In view of the above the Subsidiary Company has not started billing or withholding sales tax to its customers. The amount of sales tax involved is around Rs. 1,199 million computed on the basis of risk based premium. As per the advice of legal advisor, in case the administrative efforts fail, the amount will be charged to the policyholders.

Bank guarantees amounting to Rs. 66 million has been given in respect of Group Life coverage. These bank guarantees will expire by 19 February 2021 and 30 December 2023.

23.3 No provision has been made in these consolidated financial statements for the above contingencies, as the management, based on tax advisor's opinion, is confident that the decision in this respect will be received in favour of the Group.

23.4 There are no commitments as at 31 December 2020 (31 December 2019: Nil).

Rupees '000

	2020	2019
24. Net Insurance premium		
Written gross premium	52 751 010	51 465 310
Unearned premium reserve - opening	9 143 972	8 354 109
Unearned premium reserve - closing	(9 411 142)	(9 143 972)
Premium earned	52 483 840	50 675 447
Less:		
Reinsurance premium ceded	11 308 371	12 809 980
Prepaid reinsurance premium - opening	5 750 008	5 073 281
Prepaid reinsurance premium - closing	(4 808 670)	(5 750 008)
Reinsurance expense	12 249 709	12 133 253
	40 234 131	38 542 194
25. Net Insurance claim expense		
Claims Paid	23 815 225	20 993 757
Outstanding claims including IBNR - closing	7 111 989	6 273 372
Outstanding claims including IBNR - opening	(6 273 372)	(5 176 757)
Claims expense	24 653 842	22 090 372
Less:		
Reinsurance and other recoveries received	2 664 094	2 172 992
Reinsurance and other recoveries in respect of outstanding claims - opening	(4 081 849)	(3 363 439)
Reinsurance and other recoveries in respect of outstanding claims - closing	3 856 142	4 081 849
Reinsurance and other recoveries revenue	2 438 387	2 891 402
	22 215 455	19 198 970

25.1 Claim development

The Holding Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims which involve litigation and, in the case of marine, general average adjustments take longer for the final amounts to be determined which exceed one year. All amounts are presented in gross numbers before reinsurance. Claims of last five years are given below:

Rupees '000

Accident year	2016 and prior	2017	2018	2019	2020 (including IBNR)	Total
Estimate of ultimate claims costs:						
– At end of accident year	9 753 448	6 601 065	5 812 473	7 326 981	7 040 966	
– One year later	8 364 876	5 760 701	5 183 730	6 350 034	–	
– Two years later	7 959 985	5 107 339	5 121 744	–	–	
– Three years later	7 909 026	5 233 323	–	–	–	
– Four years later	7 852 176	–	–	–	–	
Current estimate of cumulative claims	7 852 176	5 233 323	5 121 744	6 350 034	7 040 966	31 598 243
Cumulative payments to date	7 004 940	5 149 941	4 514 522	4 808 681	3 008 170	24 486 254
Liability recognized in statement of financial position	847 236	83 382	607 222	1 541 353	4 032 796	7 111 989

25.2 For investment linked, conventional and accidental and health business, claim experience over the past 5 years indicates that claims reported after the end of the year in which the claim event occurred were less than 10% threshhold therefore, the claim development table for all funds is not disclosed.

25.3 For Individual Family Takaful, claim experience over the past 5 years indicates that claims reported after the end of the year in which the claim event occurred were less than 10% threshhold therefore the claim development table is not disclosed.

Rupees '000

	Note	2020	2019
26. Net commission expense			
Commission paid or payable		7 194 504	7 779 762
Deferred commission expense - opening		598 669	600 740
Deferred commission expense - closing		(678 039)	(598 669)
Net commission		7 115 134	7 781 833
Less:			
Commission received or recoverable		298 719	902 581
Unearned reinsurance commission - opening		430 936	394 848
Unearned reinsurance commission - closing		(152 144)	(430 936)
Commission from reinsurers		577 511	866 493
Other acquisition cost		840 565	963 951
		7 378 188	7 879 291
27. Management expenses			
Salaries, wages and benefits	27.1	2 579 315	2 386 745
Bonus		137 714	117 511
Gratuity		17 015	22 525
Rent, rates and taxes		17 686	28 527
Telephone		23 939	21 134
Postage and telegram		98 912	9 249
Gas, electricity and fuel		92 786	90 498
Printing and stationery		101 233	186 136
Travelling, club and entertainment		99 490	174 836
Depreciation		645 897	577 997
Repair and maintenance		172 541	153 302
Publicity		125 865	158 697
Service charges		(56 937)	(50 198)
Bank charges and commission		26 156	22 043
Tracker		222 107	192 041
Bad debts		(13 474)	140 533
Inspection fee		17 956	14 890
Annual supervision fee of SECP		87 440	87 554
Training		3 965	6 354
Insurance expense		3 438	4 072
Levy to IAP		2 000	2 000
Business procurement		18 853	13 993
Security service		7 762	9 176
Meeting and conferences		1 940	4 223
Conveyance		10 467	11 452
Legal and professional charges - business related		71 196	104 726
Appointed actuary fees		16 951	13 009
Fees and subscription		49 952	33 462
Miscellaneous		170 486	157 293
		4 752 651	4 693 780

27.1 These include Rs. 30.08 million (2019: Rs. 27.73 million) being contribution for employees' provident fund.

Rupees '000

	2020	2019
28. Investment Income		
Income from equity securities		
– Available-for-sale		
Dividend income	133 237	186 039
– Fair value through profit and loss		
Dividend income	972 032	895 686
Income from debt securities		
– Available-for-sale		
Return on debt securities	1 200 032	961 973
– Held to maturity		
On government securities	542 582	485 416
– Fair value through profit and loss		
Return on debt securities	1 606 500	1 915 258
On government securities	6 814 312	6 237 695
Income from term deposits		
Return on term deposits	1 530 640	2 053 190
	12 799 335	12 735 257
Net realized gains / (losses) on investments		
Available-for-sale financial assets		
Realized gains on:		
Equity securities	231 193	606 407
Realized losses on:		
Equity securities	(4 302)	(114 416)
Debt securities	(26 602)	–
Net unrealized gains on investments	200 289	491 991
Impairment in value of available-for-sale equity securities	(4 753)	(60 013)
Investment related expenses	(801)	(600)
Total Investment income	12 994 070	13 166 635
29. Net realized fair value gains / (losses) on financial assets		
Available-for-sale financial assets		
Realized gain on:		
Equity securities	1 195 035	29 565
Government securities	2 691 286	–
Realized losses on		
Equity securities	(62 366)	(7 835 917)
Government securities	–	(1 573)
	3 823 955	(7 807 925)

Rupees '000

		2020	2019
30. Net fair value gains on financial assets at fair value through profit or loss			
Net unrealized gains / (losses) on investments in financial assets - government securities and debt securities (designated upon initial recognition)		1 128 686	511 196
Net unrealized gains / (losses) on investments at fair value through profit or loss (designated upon initial recognition) - equity securities		4 316 012	2 483 628
Total investment income		5 444 698	2 994 824
Exchange gain		4 848	23 606
Reversal in value of available-for-sale securities		53 020	13 350
Investment related expenses		(3 931)	(5 427)
		5 498 635	3 026 353
31. Rental Income			
Rental income		167 366	161 034
Less: Expenses of investment property		(50 771)	(48 685)
		116 595	112 349
32. Other Income			
Gain on sale of property and equipment		43 108	95 032
Return on loans to employees		18 753	21 317
Exchange difference		12 889	26 507
Return on bank balances		106 869	156 746
Gain on early termination of lease contracts		9 666	–
Fees charged to Policyholders		12 454	9 924
		203 739	309 526
33. Other Expenses			
Legal and professional fee other than business related		18 402	13 532
Auditors' remuneration	33.1	14 734	14 433
Subscription to association		23 182	19 664
Charity and donations	33.2	30 411	21 848
Printing and Stationery		–	1 264
Advertisements and publicity		–	4 088
Travelling		–	666
Directors' fees		4 300	1 900
Finance cost		12 065	14 090
		103 094	91 485
33.1 Auditors' remuneration			
Audit fee		4 454	4 300
Special certifications and sundry advisory services		8 426	8 731
Out-of-pocket expenses		1 854	1 402
		14 734	14 433

33.2 Donations

Donations include the following in whom the directors are interested:

Rupees '000

Name of Director	Interest in donee	Name and address of donee	2020	2019
Saifuddin N. Zoomkawala	Board member	Shaukat Khanum Memorial Trust, 7A Block R-3, M.A. Johar Town, Lahore	1 100	1 900
Saifuddin N. Zoomkawala and Ali Raza Siddiqui	Board Member	Fakhr-e-Imdad Foundation, Mirpurkhas Digri Road, Mirwah Gorchani, Mirpurkhas.	300	300
Hasanali Abdullah	Board Member	The Aga Khan Hospital and Medical College Foundation, Stadium Road, Karachi.	1 000	–
Saifuddin N. Zoomkawala	Board Member	Sindh Institute of Urology and Transplantation, Civil Hospital, Karachi.	3 649	2 839
Syed Salman Rashid	Spouse (Trustee)	Anjuman Kashana-e-Atfal-o-Naunihal	100	50
Rukhsana Shah	Board Member	Future trust	1 000	–

	2020	2019
34. Window Takaful Operations		
Wakala fee	673 276	659 174
Commission expense	(246 558)	(229 689)
General, administrative and management expense	(322 461)	(288 932)
Modarib's share of PTF investment income	32 373	28 386
Investment income	44 247	37 401
Direct expenses	(724)	(634)
Other expenses	5 516	8 437
	185 669	214 143
35. Taxation		
For current year		
Current	1 672 198	1 685 610
Deferred	94 962	177 991
	1 767 160	1 863 601
For prior year(s)		
Prior year tax	18 841	126 756
	1 786 001	1 990 357

35.1 Relationship between tax expense and accounting profit:

	Effective tax rate %		Rupees '000	
	2020	2019	2020	2019
Profit before taxation			5 153 140	5 359 755
Tax at the applicable rate	29.00	29.00	1 494 411	1 554 329
Others	5.31	5.77	273 798	309 272
Prior year tax	0.35	2.36	17 792	126 756
Tax charge for the year	34.66	37.13	1 786 001	1 990 357

36. Earnings per share - basic and diluted

Rupees '000

		2020	2019
Profit (after tax) for the year	(Rupees '000)	2 422 388	2 547 472
Weighted average number of ordinary shares	(Numbers '000)	200 000	200 000
Earnings per share	(Rupees)	12.11	12.74

37. Compensation of directors and executives

Rupees '000

	2020				2019			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Fees	–	8 300	–	8 300	–	4 250	–	4 250
Managerial remuneration	69 174	18 000	839 178	926 352	64 674	18 000	754 046	836 720
Leave encashment	–	–	23 147	23 147	–	–	22 076	22 076
Bonus	6 446	–	101 245	107 691	7 171	–	91 054	98 225
Retirement benefits	5 071	–	58 408	63 479	4 726	–	49 132	53 858
Utilities	1 330	224	28 782	30 336	1 319	238	23 950	25 507
Medical expenses	1 302	517	20 554	22 373	1 299	444	17 994	19 737
Leave passage	347	354	3 100	3 801	1 619	354	6 022	7 995
Total	83 670	27 395	1 074 414	1 186 479	80 808	23 286	964 274	1 068 368
Number of persons	2	15	271	288	2	12	231	245

37.1 The Chief Executive Officer of the Holding Company is provided with Holding Company maintained cars, furnished accommodation and medical insurance cover. The Executives are provided with free use of Holding Company cars, medical insurance cover and certain items of household furniture and fixtures in accordance with their entitlements. The Chief Executive is not given any rent allowance but is provided with maintained furnished accommodation. The Chairman is provided with free use of Holding Company car, maintained furnished accommodation, medical insurance cover and residential utilities.

37.2 The Chief Executive of the Subsidiary Company is provided with Subsidiary Company maintained cars, furnished accommodation and medical insurance cover. The Executives are provided with Subsidiary Company maintained cars, Medical insurance cover and in certain cases, household items and furniture in accordance with their terms of employment. The chairman is provided with free use of Subsidiary Company car, medical insurance cover and residential utilities.

The Non-Executive Directors were paid Directors meeting fee of Rs. 8.3 million (2019: Rs. 4.3 million). No other remuneration was paid to Non-Executive Directors.

38. Non-controlling interest

38.1 Acquisition of Non-controlling Interest

During the year, the Group acquired an additional 537,100 shares of EFU Life Assurance Limited i.e. 0.537 % from Non-controlling interest, increasing its ownership from 43.92 % to 44.49 % for Rs.119.386 million.

38.2 Summary of non-controlling interest

Rupees '000

	2020	2019
Opening balance	4 071 148	4 184 692
Profit for the year	935 121	807 933
Acquisition of shares by Holding Company without change in control	(40 480)	(34 320)
Dividend distribution	(840 006)	(890 283)
Reversal of incremental depreciation net of tax	5 148	3 126
	4 130 931	4 071 148

39. Related party transactions

Related parties comprise of directors, major shareholders, key management personnel, associated companies, and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

Rupees '000

	2020	2019
Transactions		
Associated companies		
Premium written	462 864	448 166
Premium paid	35 607	40 969
Claims paid	156 198	150 030
Commission paid	217 288	215 203
Travelling expenses	1 986	2 685
Donation paid	4 316	1 989
Dividend paid	1 297 358	1 328 044
Interest on bank deposits	1 011 827	847 178
Purchase of vehicle	102 288	19 988
Investment sold	–	25 558
Investment brought	393 830	500 000
Bank deposit	600 000	378 942
Payment to K-Electric	7 645	–
Key management personnel		
Premium written	4 728	2 439
Claims paid	1 117	60
Dividend paid	19 133	19 839
Loan to key employees	15 584	6 000
Loan recovered	4 801	4 400
Compensation	228 435	215 708
Others		
Premium written	243 046	215 146
Claims paid	39 887	46 638
Dividend paid	581 706	650 494
Brokerage paid	1 386	664
Employees' funds		
Contribution to provident fund	70 137	64 233
Contribution to gratuity fund	20 061	25 399
Contribution to pension fund	28 357	26 886
Dividend paid	5 413	9 688
Balances		
Others		
Balances receivable	119 592	96 596
Balances payable	1 224	316
Bank deposits	7 004 500	6 083 500
Bank balances	1 852 642	1 276 274
Employees' funds receivable / (payable)		
EFU gratuity fund	(9 806)	2 084
EFU pension fund	44 260	27 605

40. Segment Information

Rupees '000

For the year ended 31 December 2020

Current year	General Insurance: Fire and property damage	General Insurance: Marine, aviation & transport	General Insurance: Motor	General Insurance: Miscellaneous	General Insurance: Treaty	General Insurance: Aggregate General Insurance	Life Assurance: Shareholders' Fund	Life Assurance: Statutory Fund	Life Assurance: Aggregate Life Assurance	Total
Premium Receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	15 067 530	2 821 586	3 677 032	1 852 141	–	23 418 289	–	32 534 684	32 534 684	55 952 973
Less: Sales tax	1 899 096	304 636	443 332	226 862	–	2 873 926	–	–	–	2 873 926
Stamp duty	483	123 274	1 134	783	–	125 674	–	–	–	125 674
Federal insurance fee	130 470	23 686	32 081	16 126	–	202 363	–	–	–	202 363
Gross Written Premium (inclusive of administrative surcharge)	13 037 481	2 369 990	3 200 485	1 608 370	–	20 216 326	–	32 534 684	32 534 684	52 751 010
Gross direct premium	12 997 933	2 321 415	2 967 567	1 593 852	–	19 880 767	–	32 534 684	32 534 684	52 415 451
Facultative inward premium	3 834	1 238	–	–	–	5 072	–	–	–	5 072
Administrative surcharge	35 714	47 337	232 918	14 518	–	330 487	–	–	–	330 487
Insurance premium earned	12 683 924	2 330 490	3 273 221	1 661 521	–	19 949 156	–	32 534 684	32 534 684	52 483 840
Insurance premium ceded to reinsurers	(9 550 801)	(904 910)	(16 045)	(885 544)	–	(11 357 300)	–	(892 409)	(892 409)	(12 249 709)
Net insurance premium	3 133 123	1 425 580	3 257 176	775 977	–	8 591 856	–	31 642 275	31 642 275	40 234 131
Commission income	421 499	15 311	197	140 504	–	577 511	–	–	–	577 511
Net underwriting income	3 554 622	1 440 891	3 257 373	916 481	–	9 169 367	–	31 642 275	31 642 275	40 811 642
Insurance claims	(2 835 484)	(966 421)	(1 554 945)	(709 955)	–	(6 066 805)	–	(18 587 037)	(18 587 037)	(24 653 842)
Insurance claims recovered from reinsurers	953 498	438 793	670	319 081	–	1 712 042	–	726 345	726 345	2 438 387
Net claims	(1 881 986)	(527 628)	(1 554 275)	(390 874)	–	(4 354 763)	–	(17 860 692)	(17 860 692)	(22 215 455)
Commission expense	(707 736)	(225 860)	(289 242)	(129 750)	–	(1 352 588)	–	(6 603 111)	(6 603 111)	(7 955 699)
Management expenses	(973 990)	(417 132)	(1 124 967)	(241 583)	–	(2 757 672)	–	(1 994 979)	(1 994 979)	(4 752 651)
Net insurance claims and expenses	(3 563 712)	(1 170 620)	(2 968 484)	(762 207)	–	(8 465 023)	–	(26 458 782)	(26 458 782)	(34 923 805)
Net Change in Insurance liabilities (other than outstanding claims)	–	–	–	–	–	–	–	(23 624 404)	(23 624 404)	(23 624 404)
Underwriting result	(9 090)	270 271	288 889	154 274	–	704 344	–	(18 440 911)	(18 440 911)	(17 736 567)
Net investment income						1 525 436	–	11 468 634	11 468 634	12 994 070
Net realized fair value gain on financial assets						–	–	3 823 955	3 823 955	3 823 955
Net fair value gain on financial assets at fair value through profit and loss						–	–	5 498 635	5 498 635	5 498 635
Rental income						116 595	–	–	–	116 595
Other income						128 234	–	75 505	75 505	203 739
Other expense						(71 561)	–	(31 533)	(31 533)	(103 094)
Profit before tax from takaful operations - OPF						185 669	–	–	–	185 669
Profit before tax						2 758 855	–	2 394 285	2 394 285	5 153 140

Rupees '000

As at 31 December 2020

Current year	General Insurance: Fire and property damage	General Insurance: Marine, aviation & transport	General Insurance: Motor	General Insurance: Miscellaneous	General Insurance: Treaty	General Insurance: Aggregate General Insurance	Life Assurance: Shareholders' Fund	Life Assurance: Statutory Fund	Life Assurance: Aggregate Life Assurance	Total
Corporate segment assets - conventional	9 836 545	1 615 062	648 322	1 072 606	–	13 172 535	–	151 519 191	151 519 191	164 691 726
Corporate segment assets - Takaful OPF	54 704	7 402	217 416	2 733	–	282 255	–	–	–	282 255
Corporate unallocated assets - conventional						30 275 542	4 746 208	–	4 746 208	35 021 750
Corporate unallocated assets - Takaful OPF						656 445	–	–	–	656 445
Consolidated total assets						44 386 777	4 746 208	151 519 191	156 265 399	200 652 176
Corporate segment liabilities	14 724 695	2 592 963	2 418 687	3 147 059	–	22 883 404	–	147 393 053	147 393 053	170 276 457
Corporate segment liabilities - Takaful OPF	57 656	8 356	331 655	10 688	–	408 355	–	–	–	408 355
Corporate unallocated liabilities						2 900 481	900 460	–	900 460	3 800 941
Corporate unallocated liabilities - Takaful OPF						33 645	–	–	–	33 645
Consolidated total liabilities						26 225 885	900 460	147 393 053	148 293 513	174 519 398

Location	External premium less reinsurance by geographical segments 2020
Pakistan	40 208 550
EPZ *	25 752
Total	40 234 302

* This represents US Dollar equivalent in Pak Rupees.

Rupees '000

For the year ended 31 December 2019

Prior year	General Insurance						Life Assurance			
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Aggregate General Insurance	Shareholders' Fund	Statutory Fund	Aggregate Life Assurance	Total
Premium receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	13 883 909	3 044 725	3 942 492	1 862 772	–	22 733 898	–	31 731 729	31 731 729	54 465 627
Less: Sales tax	1 646 353	326 368	471 398	215 496	–	2 659 615	–	–	–	2 659 615
Stamp duty	541	144 393	1 267	1 246	–	147 447	–	–	–	147 447
Federal insurance fee	120 772	24 994	31 410	16 079	–	193 255	–	–	–	193 255
Gross written premium (inclusive of administrative surcharge)	12 116 243	2 548 970	3 438 417	1 629 951	–	19 733 581	–	31 731 729	31 731 729	51 465 310
Gross direct premium	12 077 235	2 499 443	3 141 031	1 607 873	–	19 325 582	–	31 731 729	31 731 729	51 057 311
Facultative inward premium	–	1 238	–	–	–	1 238	–	–	–	1 238
Administrative surcharge	39 008	48 289	297 386	22 078	–	406 761	–	–	–	406 761
Insurance premium earned	11 458 515	2 409 529	3 485 982	1 589 692	–	18 943 718	–	31 731 729	31 731 729	50 675 447
Insurance premium ceded to reinsurers	(9551 067)	(937 823)	(11 380)	(1024 533)	–	(11 524 803)	–	(608 450)	(608 450)	(12 133 253)
Net insurance premium	1 907 448	1 471 706	3 474 602	565 159	–	7 418 915	–	31 123 279	31 123 279	38 542 194
Commission income	622 741	22 212	118	221 422	–	866 493	–	–	–	866 493
Net underwriting income	2 530 189	1 493 918	3 474 720	786 581	–	8 285 408	–	31 123 279	31 123 279	39 408 687
Insurance claims	(2444 437)	(1026 594)	(1792 946)	(709 346)	–	(5 973 323)	–	(16 117 049)	(16 117 049)	(22 090 372)
Insurance claims recovered from reinsurers	1 723 666	293 689	2	427 655	–	2 445 012	–	446 390	446 390	2 891 402
Net claims	(720 771)	(732 905)	(1792 944)	(281 691)	–	(3 528 311)	–	(15 670 659)	(15 670 659)	(19 198 970)
Commission expense	(735 251)	(249 338)	(306 214)	(131 995)	–	(1 422 798)	–	(7 322 986)	(7 322 986)	(8 745 784)
Management expenses	(833 606)	(519 979)	(1 352 876)	(225 992)	–	(2 932 453)	–	(1 761 327)	(1 761 327)	(4 693 780)
Net insurance claims and expenses	(2 289 628)	(1 502 222)	(3 452 034)	(639 678)	–	(7 883 562)	–	(24 754 972)	(24 754 972)	(32 638 534)
Net change in Insurance liabilities (other than outstanding claims)	–	–	–	–	–	–	–	(11 046 950)	(11 046 950)	(11 046 950)
Underwriting result	240 561	(8 304)	22 686	146 903	–	401 846	–	(4 678 643)	(4 678 643)	(4 276 797)
Net Investment income						1 577 511	–	11 589 124	11 589 124	13 166 635
Net realized fair value losses on financial assets						–	–	(7 807 925)	(7 807 925)	(7 807 925)
Net fair value gain on financial assets at fair value through profit and loss						–	–	3 026 353	3 026 353	3 026 353
Rental income						112 349	–	–	–	112 349
Other income						218 973	–	90 553	90 553	309 526
Other expenses						(65 003)	–	(26 482)	(26 482)	(91 485)
Change in fair value of investment property						433 899	–	–	–	433 899
Reversal of workers' welfare fund						145 631	–	127 426	127 426	273 057
Profit before tax from window takaful operations - Operator's Fund						214 143	–	–	–	214 143
Profit before tax						3 039 349	–	2 320 406	2 320 406	5 359 755

Rupees '000

As at 31 December 2019

Prior year	General Insurance						Life Assurance			
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Aggregate General Insurance	Shareholders' Fund	Statutory Fund	Aggregate Life Assurance	Total
Corporate segment assets - conventional	11 117 939	1 417 980	757 556	1 470 076	–	14 763 551	–	126 784 698	126 784 698	141 548 249
Corporate segment assets - Takaful OPF	50 093	5 656	170 040	8 374	–	234 163	–	–	–	234 163
Corporate unallocated assets - conventional						27 987 534	3 926 433	–	3 926 433	31 913 967
Corporate unallocated assets - Takaful OPF						525 579	–	–	–	525 579
Consolidated total assets						43 510 827	3 926 433	126 784 698	130 711 131	174 221 958
Corporate segment liabilities	15 298 581	2 366 260	2 430 554	3 332 385	–	23 427 780	–	122 033 355	122 033 355	145 461 135
Corporate segment liabilities - Takaful OPF	57 216	6 641	321 788	6 913	–	392 558	–	–	–	392 558
Corporate unallocated liabilities						2 392 120	1 237 583	–	1 237 583	3 629 703
Corporate unallocated liabilities - Takaful OPF						1 602	–	–	–	1 602
Consolidated total liabilities						26 214 060	1 237 583	122 033 355	123 270 938	149 484 998

Location	External premium less reinsurance by geographical segments 2019
Pakistan	38 536 153
EPZ *	6 041
Total	38 542 194

* This represents US Dollar equivalent in Pak Rupees.

41. Movement in investment

Name of investment	Held to maturity	Available-for-sale	Fair value through P & L	Total
At beginning of previous year	19 296 405	13 646 056	86 115 949	119 058 410
Additions	178 393 104	43 274 559	214 467 886	436 135 549
Disposals (sale and redemptions)	(174 152 836)	(41 087 256)	(212 360 728)	(427 600 820)
Fair value net gains / (losses) (excluding net realized gains / (losses))	–	(1 037 975)	2 437 532	1 399 557
Impairment losses	–	(73 363)	–	(73 363)
At beginning of current year	23 536 673	14 722 021	90 660 639	128 919 333
Additions	90 484 953	42 280 570	55 987 553	188 753 076
Disposals (sale and redemptions)	(89 106 980)	(39 157 501)	(39 059 755)	(167 324 236)
Fair value net gains (excluding net realized gains / (losses))	–	825 711	6 085 209	6 910 920
Reversal of impairment losses	–	48 267	–	48 267
At end of current year	24 914 646	18 719 068	113 673 646	157 307 360

42. Management of insurance and financial risk

42.1 Insurance risk

The principal risk the Group faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the vary nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimize insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits.

The Holding Company underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Holding Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Holding Company may not suffer ultimate net insurance losses beyond the Holding Company's risk appetite in any one year.

The Holding Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Holding Company are substantially dependent upon any single reinsurance contract. The Holding Company obtains reinsurance cover only from companies with sound financial health.

For Subsidiary Company, the occurrence of any single claim and amount paid on a single claim is a random event. However, as the number of contracts and independent lives increase, the estimated claim amounts and the number of claims get closer to the actual figures. This phenomenon is observed when pool of contracts is large enough and lives are independent. To manage this risk, Subsidiary Company monitors its concentration risk, on several parameters, and maintains diversity in its portfolio of insurance contracts.

In order to maintain this diversification, the Subsidiary Company takes a number of steps to manage the overall insurance risk of its portfolio of insurance contracts. The risk of an individual life is broadly assessed in light of its: medical condition, which include living habits, physical health and medical history; occupational condition, which assesses an individual's job profile and whether any characteristics of the job could have a significant impact on that individual's mortality; financial condition, which determines the individual's ability and affordability to purchase and maintain an insurance contract over the long-term.

The Subsidiary Company identifies and defines parameters in its underwriting strategy to clearly identify individuals (sub-standard lives) which could potentially increase the overall risk of insurance portfolio. Based on certain parameters, such individuals pay an extra charge called Extra Mortality Premium, in order to compensate for extra risk added to existing pool of insured individuals. These measures allow the Subsidiary Company to charge an individual life in line with the risk contributed to its insurance portfolio. These underwriting measures also discourage accumulation of sub-standard lives in the insured pool, thereby managing the overall insurance risk of Subsidiary Company in the long-term.

The Subsidiary Company also manages its geographical concentration of risk. Currently the Subsidiary Company's geographical concentration of risk for its Individual Life sales force business is as follows:

Individual Conventional Business:	Diversification of Risk Portfolio	
	Before Reinsurance	After Reinsurance
Azad Kashmir	2.14 %	2.68 %
Balochistan	5.07 %	6.04 %
Gilgit Baltistan	1.63 %	2.28 %
Khyber Pakhtunkhwa	1.80 %	2.12 %
Punjab	39.95 %	40.21 %
Sindh	49.42 %	46.67 %

Individual family takaful business:

	Diversification of risk portfolio	
	Before reinsurance	After reinsurance
Azad Kashmir	2.30 %	3.45 %
Balochistan	0.45 %	0.45 %
Gilgit Baltistan	0.00 %	0.00 %
Khyber Pakhtunkhwa	3.01 %	4.47 %
Punjab	49.08 %	50.28 %
Sindh	45.16 %	41.35 %

For Group Life business, the Subsidiary Company's geographical concentration of risk is as follows:

	Diversification of risk portfolio	
	Before reinsurance	After reinsurance
Conventional Business		
Sindh	67.23 %	64.72 %
Punjab	32.77 %	35.28 %
Group Family Takaful Business		
Punjab	87.99 %	87.73 %
Sindh	12.01 %	12.27 %

The Subsidiary Company also has reinsurance arrangements with its reinsurance partners, to whom the Subsidiary Company passes any excess insurance risk beyond its retention levels. Limits are continually monitored and kept in line with the overall risk tolerance. This allows the Subsidiary Company to retain the risk according to its risk capacity and minimizes excessive claim payouts. Currently, the total risk retained on individual life products is Rs. 2,000,000 per life for the death risk, Rs. 500,000 for individual takaful policies and Rs. 1,000,000 for risks associated with critical illness plans. For Group life, the Subsidiary Company currently retains Rs. 2,000,000 of total life risk on each life and Rs. 1,000,000 for group family takaful business. For critical life cover, 50 % of the sum covered is retained for both, group life and group family takaful business.

42.1.1 Frequency and severity of claims

Holding Company

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Holding Company manages these risks through the measures described above. The Holding Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Holding Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at consolidated financial statements date:

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

The Holding Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Holding Company.

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

Rupees '000

Class	2020	2019
Fire and property damage	339 345 000	280 008 000
Marine, aviation and transport	144 341 000	137 734 000
Motor	58 000	60 000
Miscellaneous	52 700 000	45 430 000

Since the Holding Company operates in Pakistan only, hence, all the insurance risks relate to policies written in Pakistan.

Subsidiary Company

Frequency and severity can have a significant impact on total claims paid out by the Subsidiary Company. High frequency of claims could occur due to adverse experience of mortality or disability. Adverse mortality experience, in short-term, could be due to a wide-range spread of fatal contagious disease, an epidemic. Over a longer term, overall health practices, eating and living habits could potentially have an adverse effect on mortality.

About 90 % of Subsidiary Company's business is concentrated in the provinces of Sindh and Punjab. This concentration is largely in line with the population of these provinces relative to country's total population. The Subsidiary Company's diversified portfolio of contracts helps limit the frequency and severity of claims. However, in event of large number of deaths or disabilities, Subsidiary Company does face the risk of paying out excessive claims. To manage and mitigate this exposure, arrangements in form of reinsurance and catastrophe cover are in place.

In Group life business, frequency and severity of claims can be affected by concentration of business in a specifically risky class of industry. Claim frequency can rise substantially from businesses in industries that are more prone to accidents due to the nature of work they perform. Likewise, severity of claims can also be associated with business concentration in a specific class of industry. The Subsidiary Company continually monitors its concentration risk and takes measures to keep its business portfolio well diversified.

Contracts in group life, are mainly one year term life contracts, where premium rates are generally guaranteed for one year only. The Subsidiary Company retains the right of changing premium rates by incorporating the claim experience of a group insured, thereby allowing the Subsidiary Company to charge a specific group in line with its claim experience.

The Subsidiary Company regularly carries out an exercise to monitor time lags between intimation and settlement claim dates. The study reveals that a significant portion of claims are settled within twelve months of claim intimation.

42.1.2 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet 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 policyholders arising from claims made under insurance contracts. Such estimates are necessarily 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 public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external 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 balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date.

42.1.3 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by 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 are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Subsidiary Company, in which case information about the claim event is available. IBNR provisions are 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 balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

42.1.4 Mortality, Disability and Critical Illness

Mortality and disability rates are basic assumptions used in valuation of policyholder liabilities. For mortality, life table EFU (61-66) is being currently used. The life table was published more than 40 years ago and may not reflect mortality improvements. For reserving purposes, a 10 % mortality loading is used over EFU (61-66) rates to build in conservatism. An analysis of past mortality experience, reveals that 10 % mortality loading for reserving purposes is appropriate to ensure prudence.

Sudden adverse experience in mortality might occur due to epidemics, causing deaths on a mass scale due to incurable contagious illnesses. Mortality may also deteriorate over a period of time, due to wide-scale changes in living life styles, eating and health habits.

Sensitivity test with respect to mortality is carried out and impact on policyholder liabilities is observed. When mortality rates increase by 10 %, policyholder liabilities increase by 0.063 %. Likewise, when mortality rates decrease by 10 %, policyholder liabilities decrease by 0.063 %.

In absence of credible disability and critical illness incidence rates, the Subsidiary Company uses reinsurance rates for actuarial liability valuation of disability and critical illness benefits.

42.1.5 Investment income - Statutory fund

Investment income is an important assumption for valuation of long-term conventional plans. This is the rate at which future expected benefits and expected premiums are discounted. Currently, the valuation assumption used for investment income is 3.75 % p.a.

Sensitivity test with respect to investment income is carried out and its impact on policyholder liabilities observed. When investment rate is increased by 10 %, policyholder liabilities decrease by 0.002 %. Likewise, when investment income rate is decreased by 10 %, policyholder liabilities increase by 0.002 %.

42.1.6 Sources of uncertainty in estimation of future benefit payments and life insurance premium receipts

The uncertainty with respect to future premiums and benefits may arise due to unexpected changes in mortality or disability experience. Adverse mortality experience will result in excess benefit payments, and reduced future premium income.

Likewise, unexpected changes in surrender and lapse could also have a significant impact on future realized premiums. Estimates of lapses and surrenders are based on internal experience studies carried out annually. Factors that could affect policyholder behavior include market factors such as interest rates, policyholder preferences in terms of the monetary value that a policyholder relates with the insurance policy, the frequency of premium payments and the age of the individual.

42.1.7 Process used to decide on assumptions

Assumptions used to determine policyholder liabilities include, mortality / disability / critical illness rates, investment returns for conventional business, investment returns for investment linked business, expenses and mortality loading.

Mortality assumptions should in principle reflect adequate conservatism in liabilities. The Subsidiary Company considers EFU (61-66) life table to be appropriate for actuarial valuation of policyholder liabilities.

Disability and Critical illness rates used for liability valuation are the reinsurance rates provided by the reinsurer. Due to lack of sufficient claim experience for these disabilities and critical illnesses, the Subsidiary Company considers this as the best estimate available.

The Subsidiary Company uses an investment return assumption of 3.75 % per annum to evaluate actuarial liabilities of its conventional plans. Liabilities of conventional products should in principle reflect a long term conservative interest rate, to reflect adequate conservatism. An investment return of 6.00 % per annum is hence considered appropriate.

For Unit-linked products where the death benefit is paid in form of annuity, the Company uses a discount rate of 6 % to evaluate present value of future stream of cash flows. In principle, the interest rate assumption set to discount cash flows should reflect the expected returns on assets backing these liabilities. The Subsidiary Company expects to earn at least a 6 % return on assets backing these unit-linked liabilities.

In valuation of unearned premium reserve for unit-linked plans a loading of 10 % is applied on rates from efu (61-66). In opinion of Subsidiary Company's management and appointed actuary this assumption is prudent.

Since from Annual 2014 onwards the Subsidiary Company shall maintain 100 % retention on its books on account of Solvency Margin, the Subsidiary Company will no longer keep an extra reserve on account of mortality fluctuation. It is the opinion of Subsidiary Company's management and appointed actuary that this assumption is prudent.

The Subsidiary Company reserves for any increase in actuarial liability resulting from the possible reinstatement of lapsed policies. The current liability valuation also takes into account cash value of units pertaining to policies lapsed in last 2 years. A unit-linked policy lapses when the second annual premium of policy is not received. In principle, cash value of a lapsed policy is not surrenderable, as per provisions and conditions, unless the second premium is paid and policy is reinstated. However, the Subsidiary Company recognizes the possibility of these lapsed policies to be reinstated and hence carries out periodic studies to determine expected renewals. In opinion of the Subsidiary Company's management and appointed actuary assumptions used to set aside a liability against these lapsed policies is prudent.

For the purpose of liability adequacy tests the Subsidiary Company makes assumptions relating to expenses. For this purpose, regular expense analyzes are carried out based on actual expenses and transaction volumes.

Rupees '000

Assumption	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
Mortality	140 223 302	139 979 207
Investment returns	140 223 302	140 223 302

42.1.8 Sensitivity analyzis

The Holding Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the consolidated financial statements. The impact on the profit before tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analyzed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.

Rupees '000

	Profit before tax		Shareholders' equity	
	2020	2019	2020	2019
Impact of change in claim liabilities by +10 %				
Fire and property damage	(81 814)	(67 202)	(58 088)	(47 713)
Marine, aviation and transport	(45 544)	(35 806)	(32 336)	(25 422)
Motor	(71 805)	(64 914)	(50 982)	(46 089)
Miscellaneous	(19 990)	(13 409)	(14 193)	(9 520)
	(219 153)	(181 331)	(155 599)	(128 744)
Impact of change in claim liabilities by -10 %				
Fire and property damage	81 814	67 202	58 088	47 713
Marine, aviation and transport	45 544	35 806	32 336	25 422
Motor	71 805	64 914	50 982	46 089
Miscellaneous	19 990	13 409	14 193	9 520
	219 153	181 331	155 599	128 744

The basic assumptions used in valuation of liabilities are mortality, disability, critical illness rates and investment returns assumed in discounting future cash flows. The table below presents sensitivity results with respect to above mentioned factors, with their impact observed on policyholder liabilities:

	% change in sensitivity variable	% change in policyholder liabilities
Worsening of mortality and critical illness rates	10 %	0.049 %
Improvement in mortality and critical illness rates	10 %	(0.049 %)
Increase in investment returns	10 %	(0.002 %)
Decrease in investment returns	10 %	0.002 %

42.2 Financial risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, interest rate risk and other price risk). The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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

42.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises 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 similar manner. Due to the nature of financial assets, the Group believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Group's maximum exposure to credit risk:

Rupees '000

	2020	2019
Financial assets		
Term deposits	19 745 006	20 103 352
Loans and other receivables	2 982 790	3 494 624
Insurance / reinsurance receivables	3 840 408	4 266 731
Reinsurance recoveries against outstanding claims	3 856 142	4 081 849
Cash and bank	6 663 591	6 905 236
	37 087 937	38 851 792

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

Rupees '000

Rating	2020	2019
AAA	534 248	6 793 174
AA+	439 127	3 694 496
AA	119 831	2 239 694
AA-	196 696	6 553 274
A+	1 000 011	723 312
A-	3 967 000	–
A	37 664	1 340 455
A-1+	17 956 548	–
A-1	1 449 017	–
A-2	562	–
	25 700 704	21 344 405

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

Rupees '000

Rating	Short Term	Rating Agency	2020	2019
Agritech Limited - 3rd Issue (B)	N/A	–	5 665	5 665
Agritech Limited - 3rd Issue (A)	N/A	–	34 972	34 972
New Allied Electronics Limited	N/A	–	3 481	3 481
Soneri Bank Limited	A	PACRA	100 000	100 000
Habib Bank Limited	AAA	VIS	100 000	100 000
Dubai Islamic Bank limited	AA-	VIS	80 000	80 000
The Hub Power Company Limited	AA+	PACRA	50 450	50 450
Engro Polymer & Chemicals Limited	AA	VIS	50 688	50 688
Bank Al Habib Limited ADT 1	AA	PACRA	360 909	400 000
Bank Al Habib Limited ADT 2	AA	PACRA	97 048	99 960
Bank Al Habib Limited TFC	AA	PACRA	200 000	392 940
Al Baraka Bank Limited	A-	PACRA	7 141	14 866
Byco Oil Pakistan	AAA	PACRA	41 514	73 781
Bank Alfalah Limited	AA	PACRA	–	115 015
United Bank Limited	AAA	VIS	1 250 000	1 250 000
Soneri Bank Tier II Perpetual TFC	A+	PACRA	50 000	50 000
Askari Bank Limited. TIER I	AA	PACRA	500 000	500 000
Habib Bank Limited	A1+	VIS	200 000	200 000
JS Bank Limited	A	PACRA	500 000	100 000
Bank Alfalah Limited Perpetual TFC	AA	PACRA	100 000	100 000
Askari Bank Limited	AA	PACRA	99 040	–
Bank Alfalah Limited	AA	PACRA	500 000	–
Dubai Islamic Bank limited TIER I	AA	VIS	–	100 000
			4 330 908	3 821 818

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

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. As at 31 December 2020, the premiums due but unpaid (other than impaired balances) includes amount receivable within one year end above one year amounting to Rs. 3,549 million (2019: Rs. 3,740 million) and Rs. 17 million (2019: Rs. 257 million) respectively.

The credit quality of amounts due from other insurers / reinsurers and claim recoveries from reinsurers can be assessed with reference to external credit ratings as follows:

Rupees '000

Rating	2020		2019	
	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims
A or above (including Pakistan Reinsurance Company Limited)	64 356	3 583 053	39 382	3 752 506
B or above	5 963	129 091	–	119 142
Others	3 549	143 998	189	210 201
	73 868	3 856 142	39 571	4 081 849

As at 31 December 2020, the amounts due from insurers / reinsurers includes amount receivable within one year and above one year amounting to Rs. 70.628 million (2019: Rs. 19.343 million) and Rs. 3.242 million (2019: Rs. (3.186) million) respectively.

42.2.2 Liquidity risk

Liquidity risk is the risk that the Holding Company will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The objective of the Holding Company's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Holding Company's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analyzis of the Holding Company's liabilities as at financial statement date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

Rupees '000

	2020		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Outstanding claims including IBNR	7 111 989	7 111 989	–
Insurance / reinsurance payable	4 742 653	4 742 653	–
Other creditors and accruals	5 252 173	5 252 173	–
	17 106 815	17 106 815	–

Rupees '000

	2019		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Outstanding claims including IBNR	6 273 372	6 273 372	–
Insurance / reinsurance payable	6 325 914	6 325 914	–
Other creditors and accruals	4 613 687	4 613 687	–
	17 212 973	17 212 973	–

In life insurance business, liquidity risk is the risk that the Subsidiary Company is unable to meet its funding requirements, without incurring a material loss in disposing off its illiquid assets. To guard against this risk, the Subsidiary Company maintains a healthy balance of cash and cash equivalents and readily marketable securities. Liquidity is monitored regularly and assets are frequently rebalanced to maintain a certain level of liquidity at all times. Going forward, the Subsidiary Company also plans to set up a contingency plan, whereby alternate sources of liquidity will be identified and assets would be analyzed and ranked in their liquidity order, to determine which assets would need to be disposed off first in case of a liquidity crisis.

The expected payouts in liabilities along with maturity profile of assets and liabilities are monitored to ensure that adequate liquidity is maintained within the Subsidiary Company, to avoid the need of liquidating assets below their actual market value.

The following extract, classifies the assets and liabilities of the Subsidiary Company by type of product in each Statutory Fund as at 31 December 2020. The table below also presents details of assets under Shareholder's Fund:

Rupees '000

	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholder's Fund	Total
Available-for-sale:				
– Government securities	70 315 265	–	–	70 315 265
– Other fixed income securities	7 944 738	–	–	7 944 738
Held to maturity:				
– Government securities	–	2 565 215	1 580 620	4 145 835
– Other fixed income securities	–	29 000	10 000	39 000
Available-for-sale:				
– listed equities	39 059 654	16 037	163 625	39 239 316
– mutual funds	1 565 461	–	119 910	1 685 371
– Unlisted equities and mutual funds	–	–	508	508
Loans and receivables	–	–	214 382	214 382
– Insurance receivables	–	176 105	–	176 105
Reinsurance assets	–	24 481	–	24 481
Cash and cash equivalents	23 764 952	581 917	50 222	24 397 091
Cash and stamps	4 901	24	–	4 925
Investment income accrued	1 942 190	49 325	12 114	2 003 629
Advances and deposits	223 666	65 444	–	289 110
Income tax asset	3	3	834 646	834 652
Prepayments	77 599	4 067	–	81 666
Sundry receivables	88 679	2 274	50 000	140 953
Fixed assets	1 232 728	–	1 690 181	2 922 909
Total assets	146 219 836	3 513 892	4 726 208	154 459 936

Rupees '000

	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholder's Fund	Total
Long-term insurance contracts and investment contracts:				
Fixed term	84 421 891	334 713	–	84 756 604
Whole of life	54 000 352	–	–	54 000 352
Short-term insurance contracts	–	1 175 214	–	1 175 214
Riders	–	291 132	–	291 132
Equity	–	–	4 248 119	4 248 119
Other liabilities	7 797 593	1 712 833	478 089	9 988 515
Total liabilities	146 219 836	3 513 892	4 726 208	154 459 936

42.2.3 Market risk

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

The Holding Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates markets. In addition, the Holding Company actively monitors the key factors that affect the underlying value of these securities.

In addition, the Subsidiary Company is exposed to market risk in relation to its investments with respect to products other than unit-linked products (in unit-linked products, investment risk is borne by the policyholder). The Subsidiary Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities, equity and term finance certificates. The Subsidiary Company, along with minimizing market risk by careful diversification in assets, also periodically carries out an Asset Liability management exercise, to match its duration of assets and liabilities.

42.2.3.1 Interest rate risk

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

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

Rupees '000

	2020						
	Interest / mark-up bearing			Non-interest / non-mark-up bearing			
	Maturity upto one year	Maturity above one year	Sub total	Maturity upto one year	Maturity above one year	Sub total	Total
Financial assets							
Investments	45 023 609	67 439 537	112 463 146	40 925 196	4 480 733	45 405 929	157 869 075
Loans and other receivables	17 645	237 906	255 551	2 742 284	–	2 742 284	2 997 835
Cash and bank deposits	6 490 145	–	6 490 145	173 446	–	173 446	6 663 591
Insurance / reinsurance receivables	–	–	–	3 840 408	–	3 840 408	3 840 408
Reinsurance recoveries against outstanding claims	–	–	–	3 856 142	–	3 856 142	3 856 142
Others	–	–	–	–	–	–	–
	51 531 399	67 677 443	119 208 842	51 537 476	4 480 733	56 018 209	175 227 051
Financial liabilities							
Outstanding claims including IBNR	–	–	–	7 111 989	–	7 111 989	7 111 989
Insurance / reinsurance payables	–	–	–	4 742 653	–	4 742 653	4 742 653
Other creditors and accruals	–	–	–	5 252 173	–	5 252 173	5 252 173
	–	–	–	17 106 815	–	17 106 815	17 106 815

Rupees '000

	2019						
	Interest / mark-up bearing			Non-interest / non-mark-up bearing			
	Maturity upto one year	Maturity above one year	Sub total	Maturity upto one year	Maturity above one year	Sub total	Total
Financial assets							
Investments	31 868 008	83 412 912	115 280 920	10 883 256	12 941 502	23 824 758	139 105 678
Loans and other receivables	24 932	197 318	222 250	3 272 373	–	3 272 373	3 494 623
Cash and bank deposits	2 766 461	–	2 766 461	6 013 515	–	6 013 515	8 779 976
Insurance / reinsurance receivables	–	–	–	4 275 640	–	4 275 640	4 275 640
Reinsurance recoveries against outstanding claims	–	–	–	4 081 849	–	4 081 849	4 081 849
Others	5 700 107	–	5 700 107	13 400	–	13 400	5 713 507
	40 359 508	83 610 230	123 969 738	28 540 033	12 941 502	41 481 535	165 451 273
Financial liabilities							
Outstanding claims including IBNR	–	–	–	6 273 372	–	6 273 372	6 273 372
Insurance / reinsurance payables	–	–	–	7 271 474	–	7 271 474	7 271 474
Other creditors and accruals	–	–	–	7 129 198	–	7 129 198	7 129 198
	–	–	–	20 674 044	–	20 674 044	20 674 044

Sensitivity analyzis

As on 31 December 2020, the Group had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year 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. Actual results might differ from those reflected in the details specified below. The analyzis assumes that all other variables remain constant.

Rupees '000

	Change in basis points	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2020	100	51 133	36 304
	(100)	(51 133)	(36 304)
31 December 2019	100	27 976	19 863
	(100)	(27 976)	(19 863)

42.2.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

42.2.3.3 Other price risk

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

The Group's equity investments amounting to Rs. 44,844 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Group limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The table below summarises Group's market price risk as of 31 December 2020 and 2019. It shows the effect of a 10 % increase and 10 % decrease in the market prices of equity investments as on those dates on Group's profit and equity.

Had all equity investments, other than associate, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and measurement, the impact of hypothetical change would be as follows:

Rupees '000

	Fair value	Price change	Estimated fair value	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2020	44 844 214	10 % increase	49 328 635	–	3 183 939
		10 % decrease	40 359 793	–	(3 183 939)
31 December 2019	13 638 413	10 % increase	15 002 254	–	968 327
		10 % decrease	12 274 572	–	(968 327)

42.2.3.4 Other risks

The Subsidiary Company faces a number of financial risks in its assets and liabilities, apart from insurance risk. These risks can be broadly categorized as expense risk, lapse risk, market risk, credit risk and liquidity risk. This section describes these risks on the Subsidiary Company level and identifies and describes the processes and strategy of management to manage these risks.

42.2.3.5 Expense risk

The risk that the Subsidiary Company faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Subsidiary Company 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 Subsidiary Company to adjust its pricing in time to account for higher than expected expenses.

The Subsidiary Company 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 Subsidiary Company'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 Subsidiary Company to take corrective actions in time.

Based on the results of expense analysis, the Subsidiary Company apportions its management expenses to different lines of business.

42.2.3.6 Lapse risk

The risk the Subsidiary Company faces is that future persistency rates may be lower than assumed in pricing, thus impacting the emergence of profit from its portfolio of individual life policies. The Subsidiary Company however is confident that this risk is insignificant as the Subsidiary Company places tremendous emphasis on quality customer services and retention of clients by making persistency standard an integral part of the sales force culture. The Subsidiary Company has been consistently maintaining good levels of persistency and will continue a similar trend in future.

The Subsidiary Company has robust systems in place to regularly monitor the lapse experience. Regular focus on persistency is embedded in the Subsidiary Company culture and is an integral part of the monitoring of the sales force performance and remuneration.

42.3 Fair value

42.3.1 IFRS 13 defines fair value as an exit price. 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.

42.3.2 All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets where fair value is only disclosed and is different from their carrying value:

Rupees '000

As at 31 December 2020

	Available-for-sale	Fair value through profit and loss	HTM	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using		
								Level 1	Level 2	Level 3
Financial assets measured at fair value										
Investments										
Equity securities - quoted	4 761 392	38 958 658					43 720 050	43 720 050		
Equity securities - unquoted	508						508			508
Government securities		67 952 169					67 952 169		67 952 169	
Mutual funds	127 059	1 558 312					1 685 371		1 685 371	
Sukuk Bonds		3 859 532					3 859 532		3 859 532	
Debt securities	10 273 302	3 914 206					14 187 508		14 187 508	
Financial assets not measured at fair value										
Term deposits *					683 006		683 006			
Government securities			6 508 931	214 382			6 723 313		5 340 466	
Loans and other receivables *				344 839			344 839			
Insurance / reinsurance receivables *				3 639 822			3 639 822			
Reinsurance recoveries against outstanding claims *				3 856 142			3 856 142			
Advances *					214 382		214 382			
Other assets *					4 442 243		4 442 243			
Certificate of investment *		210 000					210 000			
Cash and bank *		24 397 091			1 328 500		25 725 591			
Total assets of window takaful operations - Operator's fund	378 864			179 703	252 829		811 396		378 864	
	15 541 125	140 849 968	6 508 931	8 234 888	6 920 960	–	178 055 872	43 720 050	93 403 910	508
Financial liabilities not measured at fair value										
Outstanding claims including IBNR *						(7 111 989)	(7 111 989)			
Premium received in advance *						(1 263 853)	(1 263 853)			
Insurance / reinsurance payables *						(4 742 653)	(4 742 653)			
Other creditors and accruals *						5 252 173	5 252 173			
Total liabilities of window takaful operations - Operator's fund						(96 998)	(96 998)			
	15 541 125	140 849 968	6 508 931	8 234 888	6 920 960	(7 963 320)	170 092 552	43 720 050	93 403 910	508

Rupees '000

As at 31 December 2019

	Available-for-sale	Fair value through profit and loss	HTM	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using		
								Level 1	Level 2	Level 3
Financial assets measured at fair value										
Investments										
Equity securities - quoted	3 461 784	10 266 217					13 728 001	13 728 001		
Equity securities - unquoted		508					508			508
Government securities		70 853 495					70 853 495		70 853 495	
Mutual funds	144 867	265 847					410 714		410 714	
Sukuk bonds		4 677 570					4 677 570		4 677 570	
Debt securities	9 654 535	4 431 921					14 086 456		14 086 456	
Financial assets not measured at fair value										
Term deposits *					444 352		444 352			
Government securities			5 350 047				5 350 047		5 340 466	
Loans and other receivables *				258 678			258 678			
Insurance / reinsurance receivables *				4 021 641	3 063 402		7 085 043			
Reinsurance recoveries against outstanding claims *				4 081 850			4 081 850			
Advances *				172 543	2 760 117		2 932 660			
Certificate of investment *		210 000					210 000			
Cash and bank *		25 372 548			1 191 688		26 564 236			
Total assets of window takaful operations - Operator's fund *	248 024			131 288	260 628		639 940		248 024	
	13 509 210	116 078 106	5 350 047	8 666 000	7 720 187	–	151 323 550	13 728 001	95 616 725	508
Financial liabilities not measured at fair value										
Outstanding claims including IBNR *						(6 273 372)	(6 273 372)			
Premium received in advance *						(68 262)	(68 262)			
Insurance / reinsurance payables *						(6 067 883)	(6 067 883)			
Other creditors and accruals *						(6 637 400)	(6 637 400)			
Total liabilities of window takaful operations - Operator's fund *						(62 298)	(62 298)			
	13 509 210	116 078 106	5 350 047	8 666 000	7 720 187	(19 109 215)	132 214 335	13 728 001	95 616 725	508

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

42.4 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and meet the regulatory, solvency and paid up capital requirements so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

43. Impact of COVID-19 on the consolidated financial statements

During the year, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Group based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the Group.

44. Non-adjusting event after the financial statement date

The Board of Directors in its meeting held on 25 February 2021 have announced a final cash dividend in respect of the year ended 31 December 2020 of Rs. 5.50 per share, 55.00 % (2019: Rs. 5.50 per share, 55.00 %). In addition, the Board of Directors have also approved the transfer to general reserve from unappropriated profit amounting to Rs. 250 million (2019: Rs. 400 million). These consolidated financial statements for the year ended 31 December 2020 do not include the effect of these appropriations, which will be accounted for subsequent to the year end.

45. Number of employees

The total average number of employees during the year end as at 31 December 2020 and 2019 are as follows:

	2020	2019
At year end	3 838	3 768
Average during the year	3 803	3 602

46. Corresponding Figures

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

47. General

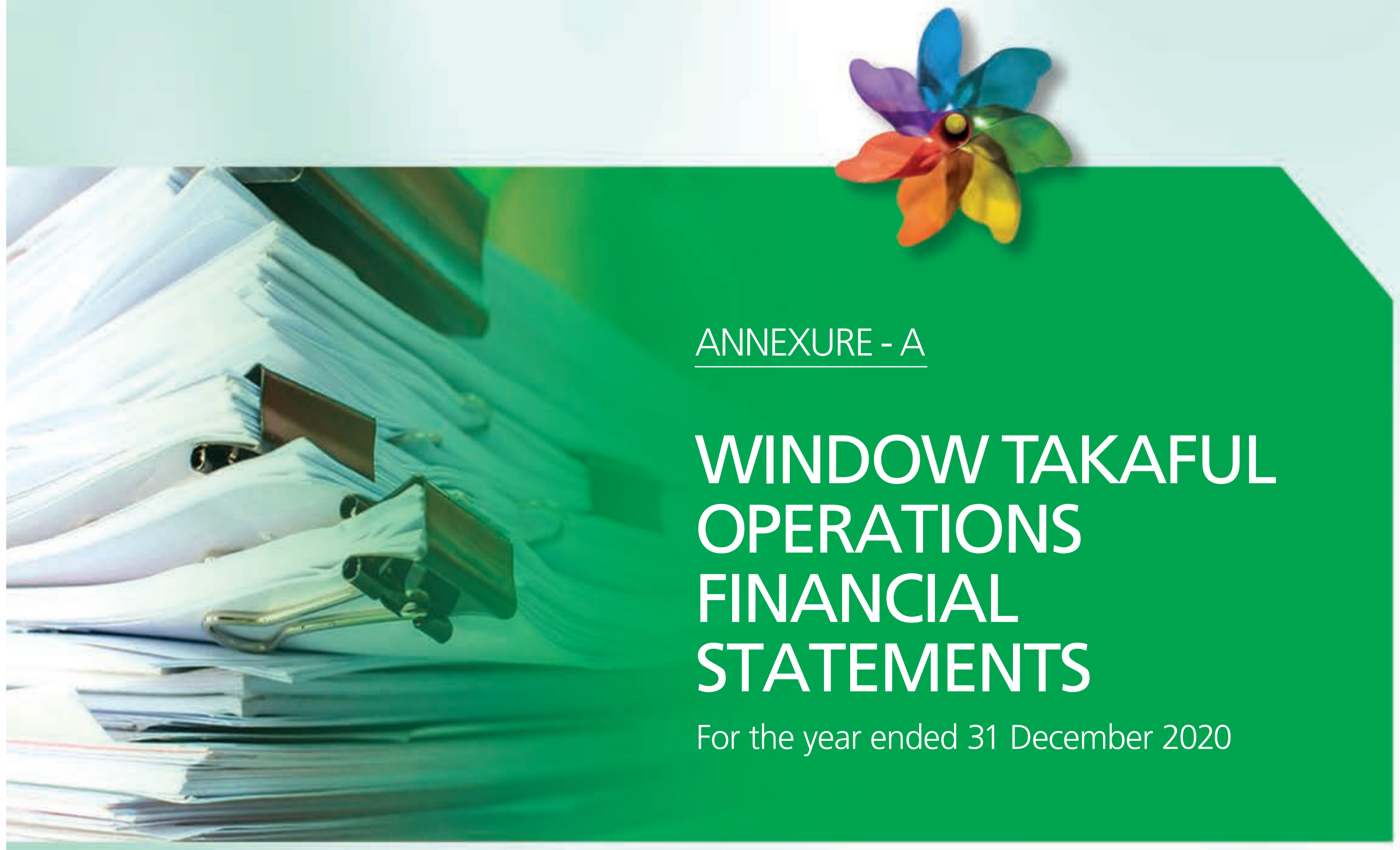
Figures have been rounded off to the nearest thousand rupees.

48. Date of authorization for issue of consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors in its meeting held on 25 February 2021.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021



ANNEXURE - A

WINDOW TAKAFUL OPERATIONS FINANCIAL STATEMENTS

For the year ended 31 December 2020

EFU General Insurance Limited – Window Takaful Operations
Statement of Financial Position
As at 31 December 2020

Rupees '000

	Note	Operator's Fund 2020	Operator's Fund 2019	Participants' Takaful Fund 2020	Participants' Takaful Fund 2019
Assets					
Property and equipment	6	1 247	1 800	–	–
Investments					
Debt securities	7	378 864	248 024	1 270 934	721 066
Term deposits	8	195 000	150 000	360 000	440 000
Loans and other receivables	9	302	335	15 074	1 411
Takaful / retakaful receivables	10	6 160	8 365	268 071	209 969
Retakaful recoveries against outstanding claims / benefits	19	–	–	730 638	127 576
Salvage recoveries accrued		–	–	35 760	31 425
Deferred commission expense	20	125 049	117 290	–	–
Receivable from PTF	11	162 669	115 983	–	–
Accrued investment income		10 572	6 598	23 575	14 784
Deferred wakala fee		–	–	337 898	322 463
Deferred taxation	12	1 008	719	–	–
Prepayments	13	–	–	293 081	237 323
Cash and bank	14	57 829	110 628	97 799	343 552
Total assets		938 700	759 742	3 432 830	2 449 569
Funds and liabilities					
Operator's Fund					
Statutory fund		100 000	100 000	–	–
Revaluation reserve - available-for-sale investments		(1 812)	(1 244)	–	–
Accumulated profit		398 512	266 687	–	–
Total Operator's Fund		496 700	365 443	–	–
Participants' Takaful Fund (PTF)					
Cede money		–	–	500	500
Revaluation reserve - available-for-sale investments		–	–	(14 101)	(6 211)
Accumulated surplus		–	–	650 714	377 601
Balance of Participants' Takaful Fund		–	–	637 113	371 890
Liabilities					
PTF Underwriting provisions					
Outstanding claims / benefits including IBNR	19	–	–	1 252 165	615 868
Unearned contribution reserves		–	–	1 172 697	1 101 418
Reserve for unearned retakaful rebate	18	–	–	29 852	32 617
Contribution received in advance		–	–	2 448	3 190
Takaful / retakaful payables		2 649	2 416	158 920	192 209
Unearned wakala fee		337 898	322 463	–	–
Payable to OPF	11	–	–	162 669	115 983
Taxation - provision less payments		4 455	7 249	–	–
Other creditors and accruals	15	96 998	62 171	16 966	16 394
Total liabilities		442 000	394 299	2 795 717	2 077 679
Total equity and liabilities		938 700	759 742	3 432 830	2 449 569
Contingencies and commitments	16				

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

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

EFU General Insurance Limited – Window Takaful Operations
Profit and Loss Account
For the year ended 31 December 2020

Rupees '000

	Note	2020	2019
Participants' Takaful Fund - (PTF)			
Contributions earned		1 653 182	1 578 942
Less: Contributions ceded to retakaful		(448 433)	(320 119)
Net contribution revenue	17	1 204 749	1 258 823
Retakaful rebate earned	18	75 882	55 210
Net underwriting income		1 280 631	1 314 033
Net claims - reported / settled - IBNR	19	(948 910)	(1 101 144)
Other direct expenses		(155 913)	(215 245)
Surplus / (deficit) before investment income		175 808	(2 356)
Investment Income	22	109 861	87 189
Other income	23	19 817	26 295
Less: Modarib's share of investment income		(32 373)	(28 386)
Surplus transferred to accumulated surplus		273 113	82 742
Operator's Fund - (OPF)			
Wakala fee		673 276	659 174
Commission expense	20	(246 558)	(229 689)
General, administrative and management expense	21	(322 461)	(288 932)
		104 257	140 553
Modarib's share of PTF investment income		32 373	28 386
Investment income	22	44 247	37 401
Direct expenses	24	(724)	(634)
Other income	23	5 516	8 437
Profit before taxation		185 669	214 143
Taxation	25	(53 844)	(62 102)
Profit after taxation		131 825	152 041

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

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

EFU General Insurance Limited – Window Takaful Operations
Statement of Comprehensive Income
For the year ended 31 December 2020

Rupees '000

	2020	2019
Participants' Takaful Fund - (PTF)		
Surplus for the year	273 113	82 742
Other comprehensive income		
Unrealized loss on available-for-sale investments during the year - net	(7 890)	–
Reclassification adjustments relating to available-for-sale investments disposed of during the year - net	–	2 707
Total items that may be reclassified subsequently to profit and loss account	(7 890)	2 707
Total comprehensive income for the year	265 223	85 449
Operator's Fund - (OPF)		
Profit after tax for the year	131 825	152 041
Other comprehensive income		
Fair value loss on availabile-for-sale investments during the year	(801)	(322)
Deferred tax on available-for-sale investments	233	93
Total items that may be reclassified subsequently to profit and loss account	(568)	(229)
Total comprehensive income for the year	131 257	151 812

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

RAFIQUE R. BHIMJEE, Director
TAHER G. SACHAK, Director
ALTAF GOKAL, Chief Financial Officer
HASANALI ABDULLAH, Managing Director & Chief Executive
SAIFUDDIN N. ZOOMKAWALA, Chairman

Karachi 25 February 2021

EFU General Insurance Limited – Window Takaful Operations
Cash Flow Statement
For the year ended 31 December 2020

Rupees '000

	Operator's Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
Operating cash flows				
a) Takaful activities				
Contributions received	–	–	2 338 473	2 326 216
Retakaful contribution paid	–	–	(523 985)	(344 784)
Claims / benefits paid	–	–	(1 150 466)	(991 810)
Retakaful and other recoveries received	–	–	230 876	96 410
Commission paid	(242 776)	(237 205)	–	–
Retakaful rebate received	–	–	73 116	67 171
Wakala fee received / (paid)	646 174	792 364	(646 174)	(792 364)
Modarib received / (paid)	28 224	27 871	(28 224)	(27 871)
Net cash flow from takaful activities	431 622	583 030	293 616	332 968
b) Other operating activities				
Income tax paid	(56 694)	(91 939)	–	–
General and other expenses paid	(314 756)	(286 953)	(155 912)	(215 246)
Other operating payments	2 239	(3 193)	(27 158)	15 658
Other operating receipts	15 727	(995)	758	(13 136)
Net cash flow used in other operating activities	(353 484)	(383 080)	(182 312)	(212 724)
Total cash flow from all operating activities	78 138	199 950	111 304	120 244
Investment activities				
Profit / return received	45 787	43 125	120 701	107 251
Payment for investments	(804 373)	(697 896)	(2 053 892)	(1 304 476)
Proceeds from investments	627 732	511 143	1 576 134	1 184 777
Fixed capital expenditure	(83)	(13)	–	–
Total cash flow used in investing activities	(130 937)	(143 641)	(357 057)	(12 448)
Net cash flow (used in) / from all activities	(52 799)	56 309	(245 753)	107 796
Cash and cash equivalents at the beginning of the year	110 628	54 319	343 552	235 756
Cash and cash equivalents at the end of the year	57 829	110 628	97 799	343 552
Reconciliation to profit and loss account				
Operating cash flow	78 138	199 950	111 304	120 244
Depreciation expense	(636)	(953)	–	–
Other investment income	44 247	59 198	109 861	65 392
Other income	5 516	15 026	19 632	19 768
Increase / (decrease) in assets other than cash	52 263	(106 682)	750 355	22 919
Increase in liabilities other than borrowings	(47 703)	(14 498)	(718 039)	(145 581)
Profit / surplus after tax for the year	131 825	152 041	273 113	82 742
Attributed to				
Operator's Fund	131 825	152 041	–	–
Participants' Takaful Fund	–	–	273 113	82 742
	131 825	152 041	273 113	82 742

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

RAFIQUE R. BHIMJEE, Director
TAHER G. SACHAK, Director
ALTAF GOKAL, Chief Financial Officer
HASANALI ABDULLAH, Managing Director & Chief Executive
SAIFUDDIN N. ZOOMKAWALA, Chairman

Karachi 25 February 2021

EFU General Insurance Limited – Window Takaful Operations
Statement of Changes in Funds
For the year ended 31 December 2020

Rupees '000

	Operator's Fund			
	Statutory fund	Unrealized gain / (loss) on revaluation of available-for-sale investments-net	Accumulated profit	Total
Balance as at 01 January 2019	100 000	(1 015)	114 646	213 631
Total comprehensive income for the year ended 31 December 2019				
Profit for the year			152 041	152 041
Other comprehensive income		(229)		(229)
Balance as at 31 December 2019	100 000	(1 244)	266 687	365 443
Balance as at 01 January 2020	100 000	(1 244)	266 687	365 443
Total comprehensive income for the year ended 31 December 2020				
Profit for the year			131 825	131 825
Other Comprehensive Income		(568)		(568)
Balance as at 31 December 2020	100 000	(1 812)	398 512	496 700

	Participants' Takaful Fund			
	Cede money	Unrealized gain / (loss) on revaluation of available-for-sale investments-net	Accumulated surplus	Total
Balance as at 01 January 2019	500	(8 918)	294 859	286 441
Surplus for the year			82 742	82 742
Other comprehensive income		2 707		2 707
Balance as at 31 December 2019	500	(6 211)	377 601	371 890
Balance as at 01 January 2020	500	(6 211)	377 601	371 890
Surplus for the year			273 113	273 113
Other Comprehensive Income		(7 890)		(7 890)
Balance as at 31 December 2020	500	(14 101)	650 714	637 113

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

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

EFU General Insurance Limited – Window Takaful Operations
Notes to the Financial Statements
For the year ended 31 December 2020

1. Legal status and nature of business

EFU General Insurance Limited (the Operator) was allowed to undertake Window Takaful Operations (the Operations) on 16 April 2015 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

For the purpose of carrying on the takaful business, the Operator has formed a Waqf / Participants' Takaful Fund (PTF) on 06 May 2015 under the Waqf deed. 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 information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Compaines Act, 2017; and

Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017, General Takaful Accounting Regulation, 2019 and Takaful Rules 2012;

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, Takaful Rules, 2012, General Takaful Accounting Regulations, 2019 shall prevail.

2.1 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the available-for-sale investments that have been measured at fair value.

2.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is also the Operator's functional currency. All financial information presented in Pakistani Rupees has been rounded off to the nearest rupees in thousand, unless otherwise stated.

2.3 Standards, interpretations and amendments effective during the current period

There are certain new and amended standards, interpretations and amendments that are mandatory for the Operator's accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or do not have any significant effect on the Operator's operation and therefore not detailed in these financial statements.

Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The Board has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the Board has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the Board has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the Board to develop standards and to assist the IFRS Interpretations Committee in interpreting them.

It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The Operators may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Operator shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

2.4 Standards, interpretations and amendments not effective at current end

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 2021:

2.4.1 COVID-19 - Related Rent Concessions (Amendment to IFRS 16) - the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to the other terms and conditions of the lease.

2.4.2 Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 01 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

2.4.3 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.

IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

– IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

– IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

2.4.4 Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

2.4.5 Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments 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 overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Operator has determined that it is eligible for the temporary exemption option since the Operator has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Operator doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Operator can defer the application of IFRS 9 until the application IFRS 17.

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

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

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

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

b) all other financial assets

Operator's Fund

Rupees '000

	31 December 2020				
	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less Impairment	Change in unrealized gain or (loss) during the year
Cash and bank *	6 588	–	51 241	–	–
Investments in debt securities - available-for-sale	–	–	378 864	–	(801)
Term deposits *	–	–	195 000	–	–
Loans and other receivables *	302	–	–	–	–
Accrued investment income *	10 572	–	–	–	–
Total	17 462	–	625 105	–	(801)

* The carrying amount of these financial assets measured applying IAS-39 are a reasonable approximation of their carrying values.

Rupees '000

	31 December 2020						
	Gross carrying amounts of debt instruments that pass the SPPI test						
	AAA	AA+	AA-	AA	A+	BBB-	Unrated
Investments in debt securities - available-for-sale	29 060	31 544	7 192	50 074	49 291	8 830	202 873
Term deposits	55 000	–	–	140 000	–	–	–
Total	84 060	31 544	7 192	190 074	49 291	8 830	202 873

Participants' Takaful Fund

Rupees '000

	31 December 2020				
	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less Impairment	Change in unrealized gain or (loss) during the year
Cash and bank *	6 463	–	91 336	–	–
Investments in debt securities - available-for-sale	–	–	1 270 934	–	(7 890)
Term deposits *	–	–	360 000	–	–
Loans and other receivables *	15 074	–	–	–	–
Accrued investment income *	23 575	–	–	–	–
Total	45 112	–	1 722 270	–	(7 890)

* The carrying amount of these financial assets measured applying IAS-39 are a reasonable approximation of their carrying values.

Rupees '000

	31 December 2020						
	Gross carrying amounts of debt instruments that pass the SPPI test						
	AAA	AA+	AA-	AA	A+	BBB-	Unrated
Investments in debt securities - available-for-sale	29 060	93 615	7 192	107 990	35 656	8 830	988 591
Term deposits	200 000	–	–	160 000	–	–	–
Total	229 060	93 615	7 192	267 990	35 656	8 830	988 591

3. Summary of significant accounting policies

The significant accounting policies and method of computation adopted in preparation of financial statements are consistent to all years presented in these financial statements.

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated on the straight line basis as specified in note 6 to these financial statements.

The assets' residual values, useful lives and method for depreciation are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to Property and equipment is charged from the month in which an asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Operator and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account.

Gains or losses on disposal of fixed assets are included in profit and loss account.

3.2 Takaful contracts

Takaful contracts are those contracts where the Participants' Takaful Fund (PTF) has accepted significant Takaful risk from another party (the contractholder) by agreeing to compensate the contractholders if a specified uncertain future event adversely affects the contractholders.

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

The Operator underwrites non-life takaful contracts that can be categorized into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contract holder is another Takaful Operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those, which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator.

Fire and property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties and passengers arising from their use.

Motor takaful covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other takaful contracts like cash in hand, cash in transit, personal accident, infidelity, public liabilities, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous takaful cover.

3.3 Contribution

For all the takaful contracts, contributions / cover notes issued including administrative surcharge received / receivable under a policy / cover note are recognized as written from the date of attachment of the risk to the policy / cover note and over the period of contract from inception to the expiry of policy. Where contributions for a policy are payable in instalments, full contribution for the duration of the policy is recognized as written at the inception of the policy and related assets set up for contributions receivable at a later date. Contributions are stated on gross basis and exclusive of taxes and duties levied on contributions.

3.4 Unearned contributions reserve

The unearned contribution reserve is the unexpired portion of the contribution including administrative surcharge which relates to business in force at the financial statement date. Unearned contribution has been calculated by applying 1/24th method as specified in the Insurance Rules, 2017.

3.5 Contribution deficiency reserve (liability adequacy test)

At each financial statement date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned contribution liability for that class. It is performed by comparing the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, wakala and other underwriting expenses, expected to be incurred after financial statement date in respect of policies in force at financial statement date with the carrying amount of unearned contribution liability. Any deficiency is recognized by establishing a provision (contribution deficiency reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable.

The movement in the contribution deficiency reserve is recognized as an expense or income in the profit and loss account for the year.

The expected ultimate net claim ratios for the unexpired periods of policies in force at financial statement date for each class of business is as follows:

	2020	2019
– Fire and property damage	56 %	42 %
– Marine, aviation and transport	29 %	21 %
– Motor	52 %	52 %
– Miscellaneous	79 %	87 %

3.6 Retakaful contracts

Contracts entered into by the Operator with retakaful operator under which the Operator arranges to cede takaful risks of PTF assumed during normal course of the business and according to which the PTF is compensated for losses on takaful contracts issued by the Operator are classified as retakaful contracts held.

Retakaful contribution is recognized as an expense at the time the retakaful is ceded. Commission on retakaful cessions are recognized in accordance with the policy of recognizing contribution revenue.

Retakaful assets represent balances due from retakaful companies and retakaful recoveries against outstanding claims. Retakaful recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts. Retakaful liabilities represent balances due to retakaful companies, are primarily contributions payable for retakaful contracts, and are recognized at the same time when retakaful contributions are recognized as an expense.

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

An impairment review of retakaful assets is performed at each financial statement date. If there is an objective evidence that the asset is impaired, the Operator reduces the carrying amount of the retakaful asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

3.7 Receivables and payables

3.7.1 Receivables and payables related to takaful contracts

Receivables and payables related to takaful contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the takaful receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Operator reduces the carrying amount of the takaful receivable accordingly and recognizes that impairment loss in the profit and loss account.

Provision for impairment in contribution receivables is estimated on a systematic basis after analysing the receivables as per their ageing.

3.7.2 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the 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 event 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. However, the provisions are reviewed at financial statement date and adjusted to reflect current best estimates.

3.8 Segment reporting

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

The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, Takaful Rules, 2012 and the Insurance Rules, 2017, General Takaful Accounting Regulations, 2019 as the primary reporting format.

The Operator has four primary business segments for reporting purposes namely, fire and property damage, marine, aviation and transport, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.2.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned accordingly 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.

3.9 Cash and cash equivalent

For the purposes of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand.

3.10 Revenue recognition

3.10.1 PTF

3.10.1.1 Contribution

The revenue recognition policy for contributions is given under note 3.3.

3.10.1.2 Rebate from retakaful operators

The revenue recognition policy for rebate from retakaful operator is given under note 3.17.2.

3.10.2 OPF

The revenue recognition policy for wakala fee is given under note 3.20.

3.10.3 PTF / OPF

3.10.3.1 Investment Income

Profit on investments, profit on profit and loss sharing accounts and bank deposits are recognized on accrual basis.

3.11 Investments

– In debt securities - available-for-sale

– In term deposit - held-to-maturity

3.11.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which transaction costs are charged to profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are accounted for at the trade date. Trade date is the date when the Operator commits to purchase or sell the investments.

3.11.2 Measurement

3.11.2.1 Available-for-sale

Available-for-sale Investments are those non-derivative financial instruments that are designated as available for sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, these are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to another is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss account for the period within statement of comprehensive income. Whereas, any reversal in impairment is taken in statement of comprehensive income.

These are reviewed for impairment at each reporting date and any losses arising from impairment in values are charged to the profit and loss account.

3.11.2.2 Held to maturity

At the time of acquisition, investments with fixed maturity, where management has both the intention and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment in value, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method.

The difference between the redemption value and the purchase price of the held to maturity investment is amortized and taken to the profit and loss account over the term of investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

3.12 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognized amount and the Operator intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

3.13 Claims

Claims are charged to PTF 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.

3.13.1 Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the financial statement date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

3.13.2 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the financial statement date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

3.13.3 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. In accordance with SECP circular no. 9 of 2016, the Operator has changed its method of estimation of IBNR. The Operator now takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

3.14 Taxation

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

3.14.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

3.14.2 Deferred

Deferred tax is recognized using the financial statement liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the financial statement date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

The taxation of Operators Fund is made while including in the Operator's results as a whole and accordingly taxation has been recorded.

3.15 Impairment

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each financial statement and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.16 Management expenses

Expenses allocated to the PTF represent directly attributable expenses and these are allocated to various revenue accounts on equitable basis.

All common expense between the Company and OPF are proportionately allocated.

3.17 Commission

3.17.1 Commission expense

Commission expenses incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of contribution revenue by applying the 1/24th method.

3.17.2 Rebate from retakaful operators

Rebate from retakaful operators is deferred and recognized as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates.

3.18 Foreign currencies

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions.

3.19 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, contributions due but unpaid, amount due from other takaful operators / retakaful operators, accrued investment income, retakaful recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other takaful operators / retakaful operators, accrued expenses, agents balances, other creditors, deposits and unclaimed dividends.

All the 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 de-recognition of financial assets and financial liabilities is taken to income directly.

3.20 Wakala fees

The Operator manages the general takaful operations for the participants and charges 22.50 % (2019: 22.50 %) for fire and property, 27.50 % (2019: 27.50 %) for marine, aviation and transport, 31.00 % (2019: 31.00 %) for motor, 15.00 % (2019: 15.00 %) for miscellaneous of gross contribution written including administrative surcharge as wakala fee against the services.

Wakala fee is recognized on the same basis on which the related revenue is recognized. Unexpired portion of wakala fee is recognized as a liability of OPF and an asset of PTF.

3.21 Modarib fee

The Operator also manages the participants' investment as modarib and charges 25.00 % (2019: 25.00 %) of investment income and profit on profit and loss sharing accounts and bank deposits earned by the PTF as Modarib fee. It is recognized on the same basis on which related revenue is recognized.

3.22 The profit of the Operator is taxed as part of total profit of the EFU General Insurance Limited as the Operator is not separately registered for tax purposes.

4. Change in accounting policy

Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 1416(I)/2019 dated 20 November 2019 has issued General Takaful Accounting Regulations 2019. Accordingly, the Operator has changed format for preparation and presentation of the financial statement to comply with requirement of the regulation. The application of these regulations for the purpose of preparation and presentation of the financial statements are effective from 01 January 2020.

5. Critical accounting estimates and judgements

The preparation of these financial statements are in conformity with approved accounting standards which requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. 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 revision and future periods if the revision affects both current and future periods.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

	Note
– Property and equipment	3.1
– Contribution deficiency reserve (liability adequacy test)	3.5
– Receivables related to takaful contracts	3.7.1
– Provision for outstanding claims (including IBNR)	3.13.1
– Taxation	3.14
– Impairment	3.15

6. Property and equipment

Rupees '000

OPF - 2020

	Cost					Depreciation				Written down value
	As at 01 January	Additions	(Disposal) / adjustments	As at 31 December	Rate %	As at 01 January	For the year	(Disposal) / adjustments	As at 31 December	As at 31 December
Furniture and fixtures	1 502	–	–	1 502	10	624	150	–	774	728
Office equipment	333	–	–	333	10	152	33	–	185	148
Computer equipment	695	83	–	778	30	604	58	–	662	116
Vehicles	3 376	–	–	3 376	20	2 726	395	–	3 121	255
	5 906	83	–	5 989		4 106	636	–	4 742	1 247

OPF - 2019

	Cost					Depreciation				Written down value
	As at 01 January	Additions	(Disposal) / adjustments	As at 31 December	Rate %	As at 01 January	For the year	(Disposal) / adjustments	As at 31 December	As at 31 December
Furniture and fixtures	1 502	–	–	1 502	10	474	150	–	624	878
Office equipment	333	–	–	333	10	118	34	–	152	181
Computer equipment	682	13	–	695	30	510	94	–	604	91
Vehicles	3 376	–	–	3 376	20	2 051	675	–	2 726	650
	5 893	13	–	5 906		3 153	953	–	4 106	1 800

7. Investment in debt securities - Available-for-sale

7.1 Operator's Fund

	2020			2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Fixed income securities						
Ijara Sukuks	180 563	–	180 563	30 518	–	30 518
Corporate Sukuks	200 854	–	200 854	219 258	–	219 258
	381 417	–	381 417	249 776	–	249 776
Deficit on revaluation	–	–	(2 553)	–	–	(1 752)
	381 417	–	378 864	249 776	–	248 024

Rupees '000

Name of investments	Maturity year	Effective yield %	Profit payment	Face value	31 December 2020
Ijara Sukuk					
5 Years Ijara Sukuk	2025	6.61	Half yearly	30 000	30 063
5 Years Ijara Sukuk	2025	6.60	Half yearly	43 500	43 591
5 Years Ijara Sukuk	2025	6.60	Half yearly	14 000	14 029
5 Years Ijara Sukuk	2025	6.60	Half yearly	3 000	3 006
5 Years Ijara Sukuk	2025	6.65	Half yearly	30 000	30 063
5 Years Ijara Sukuk	2025	6.71	Half yearly	30 000	30 063
5 Years Ijara Sukuk	2025	6.54	Half yearly	27 000	27 057
					177 872
Corporate Sukuk					
5 Years Fatima Fertilizer Limited Sukuk	2021	8.20	Half yearly	7 143	7 192
1.25 Years Pak Elektron Limited Sukuk	2021	8.78	Quarterly	25 000	25 050
5 Years Hascol Petroleum Limited Sukuk	2022	6.97	Quarterly	8 929	8 830
7 Years K-Electric Limited Sukuk	2022	7.47	Quarterly	12 000	12 121
5 Years AGP Limited Sukuk	2022	7.75	Quarterly	24 000	24 241
5 Years BYCO Sukuk	2023	7.87	Quarterly	29 167	29 060
5 Years Dubai Islamic Bank Limited Sukuk	2023	9.00	Quarterly	25 000	25 000
4 Years Hub Power Company Limited Sukuk	2023	8.64	Quarterly	10 000	10 225
4 Years Hub Power Company Limited Sukuk	2024	12.05	Half yearly	9 000	9 198
10 Years Meezan Bank Limited Sukuk	2026	7.03	Half yearly	19 000	19 417
10 Years Meezan Bank Limited Sukuk	2026	7.73	Half yearly	30 000	30 658
					200 992
					378 864

Name of investments	Maturity year	Effective yield %	Profit payment	Face value	31 December 2019
Ijara Sukuk					
3 Years Ijara Sukuk XVII	2020	5.11	Half yearly	20 500	20 295
3 Years Ijara Sukuk XVII	2020	5.14	Half yearly	10 000	9 900
					30 195
Corporate Sukuk					
5 Years Fatima Fertilizer Limited Sukuk	2021	13.49	Half yearly	25 001	14 398
1.25 Years Pak Elektron Limited Sukuk	2021	15.04	Quarterly	25 000	25 000
5 Years Byco Petroleum Limited Sukuk	2022	10.74	Quarterly	50 000	36 891
5 Years Hascol Petroleum Limited Sukuk	2022	10.19	Quarterly	25 001	16 192
7 Years K-Electric Limited Sukuk	2022	13.05	Quarterly	28 000	20 118
5 Years AGP Limited Sukuk	2022	13.96	Quarterly	40 000	40 300
5 Years Dubai Islamic Bank Limited Sukuk	2023	12.66	Quarterly	25 000	25 000
4 Years Hub Power Company Limited Sukuk	2023	14.86	Quarterly	10 000	10 090
10 Years Meezan Bank Limited Sukuk	2026	11.35	Half yearly	30 000	29 840
					217 829
					248 024

7.2 Participants' Takaful Fund

Rupees '000

	2020			2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Fixed income securities						
Ijara Sukuks	978 846	–	978 846	420 288	–	420 288
Corporate Sukuks	306 188	–	306 188	306 988	–	306 988
	1 285 034	–	1 285 034	727 276	–	727 276
Deficit on revaluation	–	–	(14 100)	–	–	(6 210)
	1 285 034	–	1 270 934	727 276	–	721 066

Name of investments	Maturity year	Effective yield %	Profit payment	Face value	31 December 2020
Ijara Sukuk					
5 Years Ijara Sukuk XIX	2025	6.61	Half yearly	410 000	410 861
5 Years Ijara Sukuk XIX	2025	6.60	Half yearly	60 000	60 126
5 Years Ijara Sukuk XIX	2025	6.60	Half yearly	106 500	106 724
5 Years Ijara Sukuk XIX	2025	6.60	Half yearly	68 000	68 143
5 Years Ijara Sukuk XIX	2025	6.59	Half yearly	70 000	70 147
5 Years Ijara Sukuk XIX	2025	6.60	Half yearly	82 000	82 172
5 Years Ijara Sukuk XIX	2025	6.59	Half yearly	18 000	18 038
5 Years Ijara Sukuk XIX	2025	6.65	Half yearly	25 000	25 053
5 Years Ijara Sukuk XIX	2025	6.98	Half yearly	70 000	70 189
5 Years Ijara Sukuk XIX	2025	6.98	Half yearly	15 000	15 041
5 Years Ijara Sukuk XIX	2025	6.98	Half yearly	22 000	22 059
5 Years Ijara Sukuk XIX	2025	6.98	Half yearly	15 000	15 041
					963 594
Corporate Sukuk					
1.25 Years Pak Elektron Limited Sukuk	2021	8.80	Quarterly	25 000	25 050
7 Years K-Electric Limited Sukuk	2022	6.75	Quarterly	15 000	15 151
5 Years Dawood Hercules Company Limited	2023	8.30	Quarterly	35 000	35 433
5 Years Byco Petroleum Limited Sukuk	2023	7.91	Quarterly	29 167	29 060
5 Years Fatima Fertilizer Limited Sukuk	2023	8.03	Half yearly	7 143	7 192
5 Years Hascol Petroleum Limited Sukuk	2023	7.09	Quarterly	8 929	8 830
5 Years Dubai Islamic Bank Limited	2023	9.00	Monthly	25 000	25 000
4 Years Hub Power Company Limited Sukuk	2023	8.78	Quarterly	40 000	40 899
5 Years AGP Limited Sukuk	2024	7.44	Quarterly	10 500	10 606
4 Years Hub Power Company Limited Sukuk	2024	12.05	Half yearly	16 000	16 351
7 Years K-Electric Limited Sukuk	2026	7.46	Quarterly	21 000	21 212
10 Years Meezan Bank Limited Sukuk	2026	7.03	Half yearly	21 000	21 460
10 Years Meezan Bank Limited Sukuk	2029	7.73	Half yearly	50 000	51 096
					307 340
					1 270 934

Rupees '000

Name of investments	Maturity year	Effective yield %	Profit payment	Face value	31 December 2019
Ijara Sukuk					
3 Years Ijara Sukuk XIX	2020	5.04	Half yearly	15 000	14 850
3 Years Ijara Sukuk XIX	2020	5.10	Half yearly	200 000	198 000
3 Years Ijara Sukuk XIX	2020	5.13	Half yearly	50 000	49 500
3 Years Ijara Sukuk XIX	2020	5.13	Half yearly	30 000	29 700
3 Years Ijara Sukuk XIX	2020	5.14	Half yearly	25 000	24 750
3 Years Ijara Sukuk XIX	2020	5.13	Half yearly	40 000	39 600
3 Years Ijara Sukuk XIX	2020	5.14	Half yearly	30 000	29 700
3 Years Ijara Sukuk XIX	2020	5.13	Half yearly	30 000	29 700
					415 800
Corporate Sukuk					
5 Years Fatima Fertilizer Limited Sukuk	2021	13.48	Half yearly	17 858	14 399
1.25 Years Pak Elektron Limited Sukuk	2021	15.04	Quarterly	25 000	25 000
5 Years Byco Petroleum Limited Sukuk	2022	11.26	Quarterly	45 833	36 891
5 Years Hascol Petroleum Limited	2022	10.18	Quarterly	19 643	16 191
7 Years K-Electric Limited Sukuk	2022	13.05	Quarterly	42 000	35 207
5 Years AGP Limited Sukuk	2022	13.96	Quarterly	17 500	17 631
5 Years Dawood Hercules Sukuk II	2023	13.88	Quarterly	50 000	44 854
5 Years Dubai Islamic Bank Limited Sukuk	2023	12.66	Quarterly	25 000	25 000
4 Years Hub Power Company Limited Sukuk	2023	14.86	Quarterly	40 000	40 360
10 Years Meezan Bank Limited Sukuk	2026	11.35	Half yearly	50 000	49 733
					305 266
					721 066

8. Investment in term deposit

	Note	2020		2019	
		OPF	PTF	OPF	PTF
Held to maturity					
Term deposit	8.1	195 000	360 000	150 000	440 000
		195 000	360 000	150 000	440 000

8.1 The rate of profit on term deposit certificates issued by our banks range from 6.00 % to 7.25 % per annum (2019: 11.50 % to 13.50 % per annum) depending on tenure. These term deposit certificates have maturities upto 05 May 2021.

9. Loans and other receivables – considered good

Rupees '000

	OPF		PTF	
	2020	2019	2020	2019
Security deposits	302	301	–	–
Other receivables	–	34	15 074	1 411
	302	335	15 074	1 411

Rupees '000

	Note	OPF 2020	OPF 2019	PTF 2020	PTF 2019
10. Takaful / retakaful receivables – unsecred and considered good					
Due from takaful participants holders		–	–	264 590	206 068
Due from other takaful / retakaful operators		6 160	8 365	3 481	3 901
		6 160	8 365	268 071	209 969
11. Receivable (OPF) / Payable (PTF)					
Wakala fee		151 046	108 508	151 046	108 508
Modarib fee		11 623	7 475	11 623	7 475
		162 669	115 983	162 669	115 983

	2020	2019
12. Deferred taxation		
Deferred debit arising in respect of:		
Accelerated tax depreciation	268	211
Unrealized loss on available-for-sale investment	740	508
	1 008	719

	Note	OPF 2020	OPF 2019	PTF 2020	PTF 2019
13. Prepayments					
Prepaid retakaful contribution ceded		–	–	220 077	177 814
Prepaid charges for vehicle tracking devices		–	–	73 004	59 509
		–	–	293 081	237 323
14. Cash and bank					
Cash and cash equivalents					
Policy stamps		–	–	671	1 193
Cash at bank					
Current accounts		6 588	7 164	5 792	10 616
Saving accounts	14.1	51 241	103 464	91 336	331 743
		57 829	110 628	97 799	343 552

14.1 The rate of profit on profit and loss sharing accounts from various banks were 5.50 % to 6.25 % per annum (2019: 10.50 %) depending on the size of average deposits.

Rupees '000

	OPF 2020	OPF 2019	PTF 2020	PTF 2019
15. Other creditors and accruals				
Federal insurance fee payable	–	–	1 815	1 669
Sales tax payable	902	404	15 072	14 001
Accrued expenses	10 225	2 432	–	–
Agent commission payable	70 457	59 149	–	–
Retirement benefit obligations	167	–	–	–
Payable to EFU General Insurance Limited *	–	139	–	–
Other creditors	15 247	47	79	724
	96 998	62 171	16 966	16 394

* This represents amount payable in respect of common expenses incurred by EFU General Insurance Limited on behalf of Operator's Fund.

16. Contingencies and commitments

There are no contingencies and commitments as at 31 December 2020 (31 December 2019: Nil)

Rupees '000

	2020	2019
17. Net contribution revenue		
Written gross contribution	2 397 736	2 289 407
Wakala fee	(688 711)	(672 510)
Contribution net of wakala fee	1 709 025	1 616 897
Unearned contribution reserve - opening	778 955	741 000
Unearned contribution reserve - closing	(834 798)	(778 955)
Contribution earned	1 653 182	1 578 942
Less:		
Retakaful contribution ceded	490 696	368 527
Prepaid retakaful contribution - opening	177 814	129 406
Prepaid retakaful contribution - closing	(220 077)	(177 814)
Retakaful expense	448 433	320 119
	1 204 749	1 258 823

Rupees '000

	2020	2019
18. Retakaful rebate earned		
Rebate received or recoverable	73 117	67 170
Unearned retakaful rebate-opening	32 617	20 657
Unearned retakaful rebate-closing	(29 852)	(32 617)
	75 882	55 210
19. Takaful benefits / claims expense		
Benefits / claims paid	1 146 131	1 005 435
Outstanding benefits / claims including IBNR - opening	(615 868)	(396 875)
Outstanding benefits / claims including IBNR - closing	1 252 165	615 868
Claim expense	1 782 428	1 224 428
Less:		
Retakaful and other recoveries received	230 456	100 311
Retakaful and other recoveries in respect of outstanding claims - opening	(127 576)	(104 603)
Retakaful and other recoveries in respect of outstanding claims - closing	730 638	127 576
Retakaful and other recoveries revenue	833 518	123 284
	948 910	1 101 144

19.1 Benefit / claim development

The Operator maintains adequate reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before re-takaful.

Rupees '000

Accident year	2016 and prior	2017	2018	2019	2020 (including IBNR)	Total
Estimate of ultimate claims costs:						
– At end of accident year	395 008	707 341	974 144	1 303 862	1 980 788	–
– One year later	332 384	620 089	912 701	1 117 591	–	–
– Two years later	322 709	607 037	901 237	–	–	–
– Three years later	317 770	606 440	–	–	–	–
– Four years later	317 741	–	–	–	–	
Current estimate of cumulative claims	317 741	606 440	901 237	1 117 591	1 980 788	4 923 797
Cumulative payments to date	317 736	599 554	873 921	1 063 510	816 911	3 671 632
Liability recognized in statement of financial position	5	6 886	27 316	54 081	1 163 877	1 252 165

19.2 The provision for IBNR on the basis of actuarial valuation carried out as at 31 December 2020 amounted to Rs 56,990 thousand (2019: Rs. 52,972 thousand)

Rupees '000

	Note	2020	2019
20. Commission expense			
Commission paid or payable		254 317	240 666
Deferred commission expense - opening		117 290	106 313
Deferred commission expense - closing		(125 049)	(117 290)
		246 558	229 689
21. General, administrative and management expense			
Salaries, wages and benefits	21.1	225 239	207 690
Bonus		20 020	15 780
Gratuity		3 190	2 854
Rent, rates and taxes		1 154	1 154
Telephone		2 166	1 764
Postage and telegram		2 323	2 793
Gas, electricity and fuel		5 782	5 791
Printing and stationery		3 618	3 594
Travelling and entertainment		3 794	10 454
Depreciation		17 038	17 647
Repair and maintenance		5 309	3 491
Annual supervision fee of SECP		4 065	3 134
Service charges		(3 016)	(3 481)
Bank charges and commission		3	31
Training		438	741
Insurance		202	215
Legal and professional		–	37
Business procurement		7 300	942
Miscellaneous		23 836	14 301
		322 461	288 932

21.1 This includes Rs.193 thousand (2019: Rs. 167 thousand) being contribution for employees' provident fund.

Rupees '000

	OPF 2020	OPF 2019	PTF 2020	PTF 2019
22. Investment income				
Income from debt securities - available-for-sale				
– Return on debt securities (Sukuk)	28 269	23 686	71 485	57 641
Income from term deposits				
– Return on term deposits	15 978	13 715	38 376	29 548
	44 247	37 401	109 861	87 189
23. Other income				
Profit on bank deposits	5 516	8 437	19 632	26 358
Exchange gain / (loss)	–	–	185	(63)
	5 516	8 437	19 817	26 295

Rupees '000

	Note	2020	2019
24. Direct expense - OPF			
Auditor's remuneration	24.1	650	634
Subscription to association		74	–
		724	634
24.1 Auditor's remuneration			
Audit fee		450	450
Shari'ah compliance audit fee		150	150
Out of pocket expenses		50	34
		650	634
25. Taxation			
For current year			
Current	25.1	53 900	62 240
Deferred		(56)	(138)
		53 844	62 102

25.1 Relationship between tax expense and accounting profit

	Effective tax rate % 2020	Effective tax rate % 2019	Rupees '000 2020	Rupees '000 2019
Profit before taxation			185 669	214 143
Tax at the applicable rate	29.00	29.00	53 844	62 102
Total average effective tax rate	29.00	29.00	53 844	62 102

26. Related party transactions

Related parties comprise of directors, major shareholders, key management personnel, associated companies, entities with common directors and employees' retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel, which are on employment terms. The transactions and balances with related parties are as follows:

Rupees '000

	2020	2019
26.1 Participants' Takaful Funds		
Associate		
Contributions written	6 807	18 262
Premium paid	58	–
Claims paid	4 810	7 881
Key management personnel		
Contributions written	–	38
Others		
Contributions written	1 592	1 625
Claims paid	338	901
Balances Receivable / (Payable)	478	(25)

27. Segment reporting

27.1 Operator's Fund

Rupees '000

Current year — For the year ended 31 December 2020

	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
Wakala fee	75 301	19 732	563 683	14 560	–	673 276
Commission expense	(46 329)	(11 780)	(182 938)	(5 511)	–	(246 558)
General, administrative and management expenses	(8 330)	(4 094)	(302 650)	(7 387)	–	(322 461)
Net commission and expenses	(54 659)	(15 874)	(485 588)	(12 898)	–	(569 019)
	20 642	3 858	78 095	1 662	–	104 257
Modarib's share of PTF investment income						32 373
Investment income						44 247
Direct expenses						(724)
Other income						5 516
Profit before taxation						185 669
Taxation						(53 844)
Profit after taxation						131 825
						As at 31 December 2020
Corporate segment assets	54 704	7 402	217 416	2 733	–	282 255
Corporate unallocated assets						656 445
Total assets						938 700
Corporate segment liabilities	57 656	8 356	331 655	10 688	–	408 355
Corporate unallocated liabilities						33 645
Total liabilities						442 000

Prior year — For the year ended 31 December 2019

	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
Wakala fee	55 365	20 035	570 817	12 957	–	659 174
Commission expense	(32 720)	(11 785)	(183 713)	(1 471)	–	(229 689)
General, administrative and management expenses	(6 530)	(3 548)	(275 450)	(3 404)	–	(288 932)
Net commission and expenses	(39 250)	(15 333)	(459 163)	(4 875)	–	(518 621)
	16 115	4 702	111 654	8 082	–	140 553
Modarib's share of PTF investment income						28 386
Investment income						37 401
Direct expenses						(634)
Other income						8 437
Profit before taxation						214 143
Taxation						(62 102)
Profit after taxation						152 041
						As at 31 December 2019
Corporate segment assets	50 093	5 656	170 040	8 374	–	234 163
Corporate unallocated assets						525 579
Total assets						759 742
Corporate segment liabilities	57 216	6 641	321 788	6 913	–	392 558
Corporate unallocated liabilities						1 741
Total liabilities						394 299

27.2 Participants' Takaful Fund

Rupees '000

Current year — For the year ended 31 December 2020

	Fire and property damage	Marine, aviation & transport	Motor	Misce-llaneous	Treaty	Total
Contribution receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	408 366	89 113	2 104 056	144 962	–	2 746 497
Less: Sales tax	49 483	9 180	244 733	16 537	–	319 933
Stamp duty	41	4 595	206	8	–	4 850
Federal insurance fee	3 553	746	18 408	1 271	–	23 978
Gross written contribution (inclusive of administrative surcharge)	355 289	74 592	1 840 709	127 146	–	2 397 736
Gross direct contribution	352 008	70 869	1 626 111	126 921	–	2 175 909
Administrative surcharge	3 281	3 723	214 598	225	–	221 827
Wakala fee	(78 482)	(20 513)	(570 645)	(19 071)	–	(688 711)
Contributions earned	265 064	51 040	1 254 571	82 507	–	1 653 182
Contributions ceded to retakaful	(312 299)	(53 935)	(12 630)	(69 569)	–	(448 433)
Net contribution revenue	(47 235)	(2 895)	1 241 941	12 938	–	1 204 749
Retakaful rebate earned	53 540	12 130	48	10 164	–	75 882
Net underwriting income	6 305	9 235	1 241 989	23 102	–	1 280 631
Takaful claims	(821 528)	(32 494)	(915 476)	(12 930)	–	(1 782 428)
Takaful claims recovered from retakaful	798 140	25 995	4 758	4 625	–	833 518
Net claims	(23 388)	(6 499)	(910 718)	(8 305)	–	(948 910)
Other direct expenses	(16)	(10)	(155 871)	(16)	–	(155 913)
Surplus / (deficit) before investment income	(17 099)	2 726	175 400	14 781	–	175 808
Investment income						109 861
Other income						19 817
Modarib's share of investment income						(32 373)
Surplus transferred to accumulated surplus						273 113
						As at 31 December 2020
Corporate segment assets	957 026	39 009	489 142	109 991	–	1 595 168
Corporate unallocated assets						1 837 662
Total assets						3 432 830
Corporate segment liabilities	980 498	62 492	1 248 097	138 142	–	2 429 229
Corporate unallocated liabilities						366 488
Total liabilities						2 795 717

Rupees '000

Prior year — For the year ended 31 December 2019

	Fire and property damage	Marine, aviation & transport	Motor	Misce-llaneous	Treaty	Total
Contribution receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	334 548	82 694	2 140 526	64 019	–	2 621 787
Less: Sales tax	40 459	8 645	248 146	7 449	–	304 699
Stamp duty	41	4 532	206	7	–	4 786
Federal insurance fee	2 911	688	18 736	560	–	22 895
Gross written contribution (inclusive of administrative surcharge)	291 137	68 829	1 873 438	56 003	–	2 289 407
Gross direct contribution	287 786	65 270	1 603 829	55 751	–	2 012 636
Administrative surcharge	3 351	3 559	269 609	252	–	276 771
Wakala fee	(64 409)	(18 928)	(580 771)	(8 402)	–	(672 510)
Contributions earned	180 131	49 884	1 298 591	50 336	–	1 578 942
Contributions ceded to retakaful	(211 502)	(53 227)	(6 578)	(48 812)	–	(320 119)
Net contribution revenue	(31 371)	(3 343)	1 292 013	1 524	–	1 258 823
Rebate from retakaful operator	36 540	11 976	20	6 674	–	55 210
Net underwriting income	5 169	8 633	1 292 033	8 198	–	1 314 033
Takaful claims	(111 138)	(16 125)	(1 053 223)	(43 942)	–	(1 224 428)
Takaful claims recovered from retakaful	100 960	12 878	–	9 446	–	123 284
Net claims	(10 178)	(3 247)	(1 053 223)	(34 496)	–	(1 101 144)
Other direct expense	(8)	(6)	(215 226)	(5)	–	(215 245)
Net insurance claims and expenses	(10 186)	(3 253)	(1 268 449)	(34 501)	–	(1 316 389)
(Deficit) / surplus before investment income	(5 017)	5 380	23 584	(26 303)	–	(2 356)
Investment income						87 189
Other income						26 295
Modarib's share of investment income						(28 386)
Surplus transferred to accumulated surplus						82 742
						As at 31 December 2019
Corporate segment assets	332 940	22 583	452 121	64 140	–	871 784
Corporate unallocated assets						1 577 785
Total assets						2 449 569
Corporate segment liabilities	436 659	56 583	1 448 345	112 223	–	2 053 810
Corporate unallocated liabilities						23 869
Total liabilities						2 077 679

28. Movement in investment

28.1 Operator's Fund

Rupees '000

Name of investment	Available-for-sale debt securities	Held to maturity term deposit	Total
At beginning of previous year	176 593	35 000	211 593
Additions	147 896	550 000	697 896
Disposals (sale and redemptions)	(76 143)	(435 000)	(511 143)
Fair value net losses (excluding net realized gains / (losses))	(322)	–	(322)
At beginning of current year	248 024	150 000	398 024
Additions	209 873	594 500	804 373
Disposals (sale and redemptions)	(78 232)	(549 500)	(627 732)
Fair value net losses (excluding net realized gains / (losses))	(801)	–	(801)
At end of current year	378 864	195 000	573 864

28.2 Participants' Takaful Fund

Name of investment	Available-for-sale debt securities	Held to maturity term deposit	Total
At beginning of previous year	858 660	180 000	1 038 660
Additions	214 476	1 090 000	1 304 476
Disposals (sale and redemptions)	(354 777)	(830 000)	(1 184 777)
Fair value net gains (excluding net realized gains / (losses))	2 707	–	2 707
At beginning of current year	721 066	440 000	1 161 066
Additions	1 038 892	1 015 000	2 053 892
Disposals (sale and redemptions)	(481 134)	(1 095 000)	(1 576 134)
Fair value net losses (excluding net realized gains / (losses))	(7 890)	–	(7 890)
At end of current year	1 270 934	360 000	1 630 934

29. Management of takaful and financial risk

29.1 Takaful risk

The principal risk that is faced under takaful contracts is the possibility that the covered event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. By the very nature of the takaful contract, this risk is random and therefore unpredictable. The objective of the Operator is to ensure that sufficient reserves are available to cover these liabilities.

The Operator manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. The underwriting strategy aims to minimise takaful risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Operator underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of takaful are generally regarded as short-term takaful contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate takaful risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Operator has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Retakaful arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such retakaful arrangements is that the PTF may not suffer ultimate net takaful losses beyond the PTF's risk appetite in any one year.

The Operator's arrangement of retakaful is diversified such that it is neither dependent on a single retakaful operator nor the operations of the Operator are substantially dependent upon any single retakaful contract. The Operator obtains retakaful cover only from companies with sound financial health.

29.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Operator manages these risk through the measures described above. The Operator has limited its exposure to catastrophic and riot events by use of retakaful arrangements.

The Operator monitors concentration of takaful risks primarily by class of business. The table below sets out the concentration of the claims and contribution liabilities (in percentage terms) by class of business at financial statement date:

	2020				2019			
Class	Gross claims liabilities	Net claims liabilities	Gross contribution liabilities	Net contribution liabilities	Gross claims liabilities	Net claims liabilities	Gross contribution liabilities	Net contribution liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	55	3	15	2	13	2	10	1
Marine, aviation and transport	2	1	1	–	1	–	1	–
Motor	39	93	79	97	67	90	85	97
Miscellaneous	4	3	5	1	19	8	4	2
	100	100	100	100	100	100	100	100

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

The Operator evaluates the concentration of exposures to individual and cumulative takaful risks and establishes its retakaful policy to reduce such exposures to levels acceptable to the Operator.

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

Rupees '000

Class	2020	2019
Fire and property damage	16 067 000	16 870 000
Marine, aviation and transport	435 000	150 340
Motor	45 000	34 350
Miscellaneous	1 650 000	1 072 500

Since the Operator operates in Pakistan only, hence, all the takaful risks relate to policies written in Pakistan.

29.1.2 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the financial statement 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 contractholders arising from claims made under takaful contracts. Such estimates are necessarily 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 public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external 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 financial statement date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the financial statement date. The details of estimation of outstanding claims (including IBNR) are given under note 3.13.

29.1.3 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by 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 are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. The Operator has taken actuarial advice for the determination of IBNR claims, which has been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

The 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 financial statement 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.

29.1.4 Sensitivity analysis

The Operator believes that the claim liabilities under takaful contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the PTF surplus of the changes in the claim liabilities net of retakaful is analyzed below. The sensitivity to changes in claim liabilities net of retakaful is determined separately for each class of business while keeping all other assumptions constant.

Rupees '000

	2020		2019	
	PTF		PTF	
	Revenue	Equity	Revenue	Equity
Impact of change in claim liabilities by + 10 %				
Fire and property damage	(1 658)	(1 658)	(825)	(825)
Marine, aviation and transport	(450)	(450)	(169)	(169)
Motor	(48 233)	(48 233)	(45 901)	(45 901)
Miscellaneous	(1 812)	(1 812)	(1 935)	(1 935)
	(52 153)	(52 153)	(48 830)	(48 830)
Impact of change in claim liabilities by - 10 %				
Fire and property damage	1 658	1 658	825	825
Marine, aviation and transport	450	450	169	169
Motor	48 233	48 233	45 901	45 901
Miscellaneous	1 812	1 812	1 935	1 935
	52 153	52 153	48 830	48 830

29.2 Financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, profit rate risk and other price risk). The Operator's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Operator's financial performance.

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

29.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises 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 similar manner. Due to the nature of financial assets, the Operator believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Operator's maximum exposure to credit risk:

Rupees '000

	2020		2019	
	OPF	PTF	OPF	PTF
Financial assets:				
Term deposits	195 000	360 000	150 000	440 000
Loans and other receivables	302	15 074	335	1 411
Takaful / retakaful receivables	6 160	268 071	8 365	209 969
Retakaful recoveries against outstanding claims	–	730 638	–	127 576
Receivable to PTF	162 669	–	115 983	–
Accrued investment income	10 572	23 575	6 598	14 784
Cash and bank	57 829	97 799	110 628	343 552
	432 532	1 495 157	391 909	1 137 292

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

Rupees '000

Rating	2020		2019	
	OPF	PTF	OPF	PTF
AAA	–	4 693	–	2 893
AA+	3 975	20 880	15 728	78 304
AA	39 502	48 359	57 242	129 080
A+	9 345	6 735	20 435	67 242
A	5 007	16 461	17 223	64 840
	57 829	97 128	110 628	342 359

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables.

The credit quality of claim recoveries from retakaful operators can be assessed with reference to external credit ratings as follows:

a. Operator's Fund

Rupees '000

Rating	2020	2019
	Amounts due from takaful / retakaful	Amounts due from takaful / retakaful
A or above	6 160	6 059
B or above	–	58
	6 160	6 117

As at 31 December 2020, the amount due from takaful / retakaful operator includes amount receivable within one year and above one year amounting to Rs. 3,317 thousand (2019: Rs. 4,270 thousand) and Rs. 193 thousand (2019: Rs. 4,095 thousand) respectively.

b. Participants' Takaful Fund

Rupees '000

Rating	2020		2019	
	Amounts due from takaful / retakaful	Retakaful recoveries against outstanding claims	Amounts due from takaful / retakaful	Retakaful recoveries against outstanding claims
A or above	3 481	126 968	–	103 789
B or above	–	608	–	814
	3 481	127 576	–	104 603

As at 31 December 2020, the amount due from takaful / retakaful operator includes amount receivable within one year and above one year amounting to Rs. 31 thousand (2019: Rs. 3,901 thousand) and Rs. 63 thousand (2019: Rs. Nil) respectively.

29.2.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected retakaful recoveries.

The objective of the Operator's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Operator's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Operations liabilities as at financial statement date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

Rupees '000

	OPF 2020		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Takaful / retakaful payables	2 649	2 649	–
Other creditors and accruals	96 998	96 998	–
	99 647	99 647	–

	PTF 2020		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Provision for outstanding claims (including IBNR)	1 252 165	1 252 165	–
Takaful / retakaful payables	158 920	158 920	–
Payable to OPF	162 669	162 669	–
Other creditors and accruals	16 966	16 966	–
	1 590 720	1 590 720	–

	OPF 2019		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Takaful / retakaful payables	2 416	2 416	–
Other creditors and accruals	62 171	62 171	–
	64 587	64 587	–

	PTF 2019		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Provision for outstanding claims (including IBNR)	615 868	615 868	–
Takaful / retakaful payables	192 209	192 209	–
Payable to OPF	115 983	115 983	–
Other creditors and accruals	16 394	16 394	–
	940 454	940 454	–

29.2.3 Market risk

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

The Operator limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates' markets. In addition, the Operator actively monitors the key factors that affect the underlying value of these securities.

29.2.3.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Operator has securities and deposits that are subject to profit rate risk. The Operator limits profit rate risk by monitoring changes in profit rates in the currencies in which its financial assets are denominated.

Maturity profile of financial assets and liabilities:

Rupees '000

OPF 2020

	Profit / Markup bearing			Non-Profit / Non-Markup bearing			
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	Total
Financial assets							
Investments							
Debt securities	–	378 864	378 864	–	–	–	378 864
Term deposits	195 000	–	195 000	–	–	–	195 000
Loans and other receivables	–	–	–	302	–	302	302
Accrued investment income	–	–	–	10 572	–	10 572	10 572
Takaful / retakaful receivables	–	–	–	6 160	–	6 160	6 160
Receivable from OPF	–	–	–	162 669	–	162 669	162 669
Cash and bank	51 241	–	51 241	6 588	–	6 588	57 829
	246 241	378 864	625 105	186 291	–	186 291	811 396
Financial liabilities							
Takaful / retakaful payables	–	–	–	2 649	–	2 649	2 649
Other creditors and accruals	–	–	–	96 998	–	96 998	96 998
	–	–	–	99 647	–	99 647	99 647
On-balance sheet sensitivity gap							
Total yield / mark-up rate risk sensitivity gap	246 241	378 864	625 105	86 644			
	246 241	378 864	625 105	86 644			

OPF 2019

	Profit / Markup bearing			Non-Profit / Non-Markup bearing			
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	Total
Financial assets							
Investments							
Debt securities	–	248 024	248 024	–	–	–	248 024
Term deposits	150 000	–	150 000	–	–	–	150 000
Loans and other receivables	–	–	–	335	–	335	335
Accrued investment income	–	–	–	6 598	–	6 598	6 598
Takaful / retakaful receivables	–	–	–	8 365	–	8 365	8 365
Receivable from OPF	–	–	–	115 983	–	115 983	115 983
Cash and bank	103 464	–	103 464	7 164	–	7 164	110 628
	253 464	248 024	501 488	138 445	–	138 445	639 933
Financial liabilities							
Takaful / retakaful payables	–	–	–	2 416	–	2 416	2 416
Other creditors and accruals	–	–	–	62 171	–	62 171	62 171
	–	–	–	64 587	–	64 587	64 587
On-balance sheet sensitivity gap							
Total yield / mark-up rate risk sensitivity gap	253 464	248 024	501 488	73 858			
	253 464	248 024	501 488	73 858			

Rupees '000

PTF 2020

	Profit / Markup bearing			Non-Profit / Non-Markup bearing			
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	Total
Financial assets							
Investments							
Debt securities	–	1 270 934	1 270 934	–	–	–	1 270 934
Term deposits	360 000	–	360 000	–	–	–	360 000
Loans and other receivables	–	–	–	15 074	–	15 074	15 074
Accrued investment income	–	–	–	23 575	–	23 575	23 575
Takaful / retakaful receivables	–	–	–	268 071	–	268 071	268 071
Retakaful recoveries against outstanding claims / benefits	–	–	–	730 638	–	730 638	730 638
Cash and bank	91 336	–	91 336	6 463	–	6 463	97 799
	451 336	1 270 934	1 722 270	1 043 821	–	1 043 821	2 766 091
Financial liabilities							
Outstanding claims / benefits including IBNR	–	–	–	1 252 165	–	1 252 165	1 252 165
Takaful / retakaful payables	–	–	–	158 920	–	158 920	158 920
Payable to OPF	–	–	–	162 669	–	162 669	162 669
Other creditors and accruals	–	–	–	16 966	–	16 966	16 966
	–	–	–	1 590 720	–	1 590 720	1 590 720
On-balance sheet sensitivity gap	451 336	1 270 934	1 722 270	(546 899)			
Total yield / mark-up rate risk sensitivity gap	451 336	1 270 934	1 722 270	(546 899)			

PTF 2019

	Profit / Markup bearing			Non-Profit / Non-Markup bearing			
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	Total
Financial assets							
Investments							
Debt securities	–	721 066	721 066	–	–	–	721 066
Term deposits	440 000	–	440 000	–	–	–	440 000
Loans and other receivables	–	–	–	1 411	–	1 411	1 411
Accrued investment income	–	–	–	14 784	–	14 784	14 784
Takaful / retakaful receivables	–	–	–	209 969	–	209 969	209 969
Retakaful recoveries against outstanding claims / benefits	–	–	–	127 576	–	127 576	127 576
Cash and bank	331 743	–	331 743	11 809	–	11 809	343 552
	771 743	721 066	1 492 809	365 549	–	365 549	1 858 358
Financial liabilities							
Outstanding claims / benefits including IBNR	–	–	–	615 868	–	615 868	615 868
Takaful / retakaful payables	–	–	–	192 209	–	192 209	192 209
Payable to OPF	–	–	–	115 983	–	115 983	115 983
Other creditors and accruals	–	–	–	16 394	–	16 394	16 394
	–	–	–	940 454	–	940 454	940 454
On-balance sheet sensitivity gap	771 743	721 066	1 492 809	365 549			
Total yield / mark-up rate risk sensitivity gap	771 743	721 066	1 492 809	365 549			

Sensitivity analysis

As on 31 December 2020, the Operator had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in profit rates during the year 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 profit rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

Operator's Fund

Rupees '000

	Change in basis points	Effect on profit and loss before tax	Operator's Fund
31 December 2020	100	512	364
	(100)	(512)	(364)
31 December 2019	100	1 035	735
	(100)	(1 035)	(735)

Participants' Takaful Fund

	Change in basis points	Effect on PTF Revenue	Participants' Takaful Fund
31 December 2020	100	913	913
	(100)	(913)	(913)
31 December 2019	100	3 317	3 317
	(100)	(3 317)	(3 317)

29.2.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of 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 Pakistani Rupees.

29.3 Fair value

29.3.1 IFRS 13 defines fair value as an exit price. 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.

29.3.2 All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets where fair value is only disclosed and is different from their carrying value:

29.3.3 Operator's Fund

Rupees '000

As at 31 December 2020

	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Ijara Sukuks	177 872				177 872		177 872	
Corporate Sukuks	200 992				200 992		200 992	
Financial assets not measured at fair value								
Investments								
Term deposits *			195 000		195 000			
Loans and other receivables *		302			302			
Takaful / retakaful receivables *		6 160			6 160			
Receivable from PTF *		162 669			162 669			
Accrued investment income *		10 572			10 572			
Cash and bank balances *			57 829		57 829			
	378 864	179 703	252 829	–	811 396	–	378 864	–
Financial liabilities not measured at fair value								
Other creditors and accruals *				(96 998)	(96 998)			
	378 864	179 703	252 829	(96 998)	714 398	–	378 864	–

As at 31 December 2019

	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Ijara Sukuks	30 195				30 195		30 195	
Corporate Sukuks	217 829				217 829		217 829	
Financial assets not measured at fair value								
Investments								
Term deposits *			150 000		150 000			
Loans and other receivables *		335			335			
Takaful / retakaful receivables *		8 365			8 365			
Receivable from PTF *		115 983			115 983			
Accrued investment income *		6 598			6 598			
Cash and bank balances *			110 628		110 628			
	248 024	131 281	260 628	–	639 933	–	248 024	–
Financial liabilities not measured at fair value								
Other creditors and accruals *				(62 171)	(62 171)			
	248 024	131 281	260 628	(62 171)	577 762	–	248 024	–

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

29.3.4 Participants' Takaful Fund

Rupees '000

As at 31 December 2020

	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Ijara Sukuk	963 594				963 594		9 63 594	
Corporate Sukuk	307 340				307 340		307 340	
Financial assets not measured at fair value								
Investments								
Term deposits *			360 000		360 000			
Loans and other receivables *		15 074			15 074			
Takaful / retakaful receivables *		268 071			268 071			
Retakaful recoveries against outstanding claims *		730 638			730 638			
Accrued investment income *		23 575			23 575			
Cash and bank balances *			97 799		97 799			
	1 270 934	1 037 358	457 799	–	2 766 091	–	1 270 934	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR *				(1 252 165)	(1 252 165)			
Contributions received in advance *				(2 448)	(2 448)			
Takaful / retakaful payable *				(158 920)	(158 920)			
Payable to OPF*				(162 669)	(162 669)			
Other creditors and accruals *				(16 966)	(16 966)			
	1 270 934	1 037 358	457 799	(1 593 168)	1 172 923	–	1 270 934	–

As at 31 December 2019

	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Ijara Sukuk	415 800				415 800		415 800	
Corporate Sukuk	305 266				305 266		305 266	
Financial assets not measured at fair value								
Investments								
Term deposits *			440 000		440 000			
Loans and other receivables *		1 411			1 411			
Takaful / retakaful receivables *		209 969			209 969			
Retakaful recoveries against outstanding claims *		127 576			127 576			
Accrued investment income *		14 784			14 784			
Cash and bank balances *			343 552		343 552			
	721 066	353 740	783 552	–	1 858 358	–	721 066	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR *				(615 868)	(615 868)			
Contributions received in advance *				(3 190)	(3 190)			
Takaful / retakaful payable *				(192 209)	(192 209)			
Payable to OPF *				(115 983)	(115 983)			
Other creditors and accruals *				(16 394)	(16 394)			
	721 066	353 740	783 552	(943 644)	914 714	–	721 066	–

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

30. Corresponding Figures

The General Takaful Accounting Regulations 2019 have introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified wherever considered necessary to comply with the requirement of General Takaful Accounting Regulations, 2019.

Following major reclassifications have been made during the year other than disclosed elsewhere in these financial statements.

Rupees'000

Reclassified from	Reclassified to	OPF	PTF
Loans and other receivable	Accrued investment income	10 572	23 575
Modarib's fee receivable / payable Wakala fee receivable / payable	Receivable from PTF and payable to OPF	162 669	162 669

31. Impact of COVID-19 on the financial statements

During the year, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Operator based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the Operator.

32. General

Figures have been rounded off to the nearest thousand rupees.

33. Date of authorization for issue of financial statements

These financial statements were authorized for issue by the Board of Directors in its meeting held on 25 February 2021.

RAFIQUE R. BHIMJEE	TAHER G. SACHAK	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 25 February 2021

Pattern of Shareholding
As at 31 December 2020

Number of shareholders	Shareholdings		Shares held
	From	To	
307	1	100	11 463
312	101	500	83 320
189	501	1000	145 644
301	1001	5000	762 875
115	5001	10000	859 989
67	10001	15000	849 399
32	15001	20000	569 528
29	20001	25000	667 602
19	25001	30000	527 095
12	30001	35000	384 700
16	35001	40000	620 508
7	40001	45000	307 071
8	45001	50000	385 614
7	50001	55000	359 180
7	55001	60000	404 204
1	60001	65000	63 554
5	65001	70000	337 144
8	70001	75000	578 261
11	75001	80000	867 269
2	80001	85000	163 055
3	85001	90000	261 405
2	90001	95000	186 467
10	95001	100000	989 200
2	100001	105000	204 300
4	105001	110000	427 057
2	110001	115000	225 574
6	115001	120000	711 896
3	125001	130000	380 599
1	135001	140000	138 534
2	150001	155000	302 514
2	155001	160000	318 397
1	160001	165000	162 162
1	165001	170000	169 300
2	200001	205000	403 387
2	205001	210000	414 993
1	215001	220000	215 093
1	235001	240000	237 600
1	240001	245000	243 000
1	250001	255000	250 300
1	275001	280000	277 992
3	295001	300000	910 079
2	315001	320000	644 300
2	365001	370000	735 065
2	370001	375000	749 662
1	390001	395000	391 907
2	395001	400000	796 000
1	450001	455000	450 001
1	455001	460000	456 393
1	530001	535000	530 684
1	595001	600000	600 000
1	620001	625000	623 610
1	675001	680000	679 200
1	765001	770000	769 100
2	790001	795000	1 584 181
1	800001	805000	802 008
1	860001	865000	861 114
3	930001	935000	2 800 000
1	1010001	1015000	1 011 392
1	1340001	1345000	1 343 972
1	2015001	2020000	2 018 205
1	2490001	2495000	2 491 760
1	2700001	2705000	2 704 126
2	4315001	4320000	8 865 676
2	4680001	4685000	9 524 860
2	5440001	5445000	11 820 113
1	6660001	6665000	6 663 900
1	10785001	10790000	10 786 619
1	13845001	13850000	13 845 355
1	15965001	15970000	16 259 642
1	16575001	16580000	16 579 935
1	24040001	24045000	24 042 744
1	42190001	42195000	42 191 152
1547			200 000 000

Categories of shareholders	Shareholders	Shares held	Percentage
Associated Companies, Undertakings and Related Parties			
EFU Life Assurance Limited		4 680 961	
Jahangir Siddiqui & Co. Limited		42 191 152	
JS Bank Limited		5 455 675	
JS Infocom Limited		679 200	
Jahangir Siddiqui & Sons Limited		30 100	
Jahangir Siddiqui Securities Services Limited		200 987	
Energy Infrastructure Holding (Private) Limited		10 786 619	
Trustee - Future Trust		6 663 900	
Trustee EFU General Insurance Ltd. Staff Provident Fund		215 093	
Trustees EFU General Ins. Limited Officer's Pension Fund		116 900	
Trustees EFU General Insurance Limited Employees Gratuity Fund		209 261	
Trustees EFU Life Assurance Limited Employees Provident Fund		733	
Trustees Of Allianz EFU Health Ins. E.P.F		44 800	
	13	71 275 381	35.64
NIT	–	–	–
Directors, CEO, & their Spouse and Minor Children			
Saifuddin N. Zoomkawala		316 800	
Abdul Rehman Haji Habib		8 323	
Hasanali Abdullah		374 958	
Rafique R. Bhimjee		16 579 935	
Taher G. Sachak		2 046	
Ali Raza Siddiqui		800	
Mohammed Iqbal Mankani		625	
Saad Bhimjee		842	
Tanveer Sultan Moledina		20 000	
Yasmin Hyder		5 000	
Naila R Bhimjee		1 343 972	
Lulua Saifuddin Zoomkawala		792 000	
	12	19 445 301	9.72
Executives	12	570 657	0.29
Public sector companies & corporations	1	4 315 676	2.16
Banks, Development Finance Institutions, Non-Banking Finance Companies	8	1 762 047	0.88
Insurance Companies	1	4 800	0.00
Modarabas and Mutual Funds	2	75 575	0.04
Charitable Institutions	4	24 216 406	12.11
Local Individuals / Others	1 488	67 970 373	34.00
Foreiger Investors (repatriable basis)	6	10 363 784	5.18
Total	1 547	200 000 000	100
Shareholders holding 5% or more voting interest			
Jahangir Siddiqui & Co. Limited		42 191 152	21.10
Managing Committee Of Ebrahim Alibhai Foundation		24 042 744	12.02
Rafique R. Bhimjee		16 579 935	8.29
Muneer R. Bhimjee		16 259 642	8.13
Bano R. Bhimjee		13 845 355	6.92
Energy Infrastructure Holding (Private) Limited		10 786 619	5.39

Glossary

- **Authorised Share Capital** - The maximum value of share that a Company can issue.
- **Bonus Shares** - Free shares given to current shareholders out of profit.
- **Book Value** - The value of an asset as entered in a company's books.
- **Capital Expenditure** - The cost of long-term improvements and fixed assets.
- **Capital Gain** - Portion of the total gain recognised on the sale of investments.
- **Claims** - The amount payable under a contract of insurance arising from occurrence of an insured event.
- **Claims Incurred** - The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
- **Commission** - Remuneration to an intermediary for services such as selling and servicing an insurer's products.
- **Contribution** - The amount payable by a Participant to the Participants' Takaful Fund under a Takaful Contract for the purpose of mutual protection and assistance.
- **Corporate Social Responsibility** - Is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
- **Deferred Commission** - Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
- **Deferred Tax** - An accounting concept (also known as future income taxes), meaning a future tax liability or asset in respect of taxable temporary differences.
- **Defined Benefit Plans** - Are post-employment benefit plans.
- **Depreciation** - Is the systematic allocation of the cost of an asset over its useful life.
- **Doubtful Debts** - Is a debt where circumstances have rendered its ultimate recovery uncertain.
- **Earnings per Share** - Amounts of after tax profit or loss attributable to ordinary shareholders of the entity.
- **Equity Method** - Method of accounting whereby the investment is initially recognized at cost and adjusted periodically for the post-acquisition change in the investor's share of net assets of the investee.
- **Exchange Gain / (Loss)** - Difference resulting from translating a given number of units of one currency into another currency at different exchange rates.
- **Facultative Reinsurance** - The reinsurer assumes a share of selected individual risks. The primary insurer can offer an individual risk in reinsurance, which the reinsurer accepts on a case by case basis.
- **Fair Value** - The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing business partners in an arm's length transaction.
- **General Insurance** - All kinds of non-life Insurance i.e., Fire, Marine, Motor and all Other Insurance as defined in the Insurance Ordinance, 2000.
- **General Takaful** - Takaful other than Family Takaful.
- **Gross Premium** - Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
- **Group Health Insurance** - A single health policy covering a group of individuals, usually employees of the same company or members of the same association and their dependents.
- **Human Resource Development** - A framework for the expansion of within an organization through the development of both the organization and the individual to achieve performance improvement.
- **Impairment** - The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
- **Incurred but not Reported (IBNR)** - Claim incurred but not reported to the insurer until the financial statements reporting date.
- **Inflation** - A general increase in prices and fall in the purchasing value of money.
- **Insurance Contract** - A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event at an agreed consideration.
- **Insurer Financial Strength Rating** - Provides an assessment of the financial strength of an insurance company.
- **Intangible** - An identifiable non-monetary asset without physical substance.
- **Internal Control** - An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.
- **Loss Ratio** - Percentage ratio of claims expenses to premium.
- **Market Share** - The portion of a market controlled by a particular company or product.
- **Market Value** - The highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.
- **Mudaraba** - A Mudaraba is an Investment partnership, whereby the investor (the Rab-ul-Mal) provides capital to another party / entrepreneur (the Mudarib) in order to undertake a business / investment activity. While profits are shared on a pre-agreed ratio, loss of investment is born by the investor only. The mudarib loses its share of the expected income.
- **Mudaraba Based Contract** - An investment Contract based on the principle of Mudaraba.
- **National Exchequer** - The account into which tax funds and other public funds are deposited.
- **Net Asset Value** - The value of all tangible and intangible assets of a company minus its liabilities.
- **Net Premium Revenue** - Gross earned premium less Reinsurance expense.
- **Non-Life Insurance** - Non Life Insurance and General Insurance have the same meaning.
- **Operator** - A Takaful Operator or a Window Takaful Operator, authorized under SECP Takaful Rules, 2012.
- **Operator Fund** - A fund set up by a General Takaful Operator which shall undertake all transactions which the Operator undertakes other than those which pertain to Participant Takaful Funds set up by the Operator.
- **Outstanding Claim** - A type of technical reserve or accounting provision in the financial statements of an insurer to provide for the future liability for claims.
- **Paid-up Capital** - The amount paid or contributed by shareholders in exchange for shares of a company's Stock.
- **Participant** - A Person who participates in a Takaful scheme and to whom a Takaful Contract is issued.
- **Participants' Membership Documents** - The documents detailing the benefits and obligations of a Participant under a Takaful Contract.
- **Participant Takaful Fund (PTF)** - A Separate Waqf Fund set up into which the Participant's Risk related contributions are paid and from which risk related benefits are paid out.
- **Period of Takaful or Policy Period** - The length of time for which the Takaful protection will be effective.
- **Premium** - The amount that has to be paid as consideration for the insurance cover provided by an insurer.
- **Present Value** - Future amounts that have been discounted to the present.

- **Proxy** - Power of attorney by which the shareholder transfers the voting rights to another shareholder.
- **Qard-e-Hasna** - An interest free loan to the PTF from the Operator's Fund, when the PTF is in deficit and insufficient to meet their all liabilities.
- **Quoted** - Being listed on a Stock Exchange.
- **Registered Office** - The registered office is an address which is registered with the government registrar as the official address of a company.
- **Reinsurance** - A method of insurance arranged by insurers to share the exposure of risks accepted.
- **Reinsurance Commission** - Commission received or receivable in respect of premium paid or payable to a reinsurer.
- **Reinsurance Premium** - The premium payable to the reinsurer in respect of reinsurance contract.
- **Related Party** - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
- **Retrocession** - Transfer of risk from a reinsurer to another reinsurer.
- **Revenue Reserves** - Reserve that is normally regarded as available for distribution through the profit and loss account, including general reserves and other specific reserves created out of profit and unappropriated profit.
- **Risk** - Condition in which there is a possibility of loss.
- **Risk Management** - Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.
- **Shariah Advisor** - Shariah Advisor of the Operator working in such capacity appointed by the Operator under Rule 26 of the SECP Takaful Rules, 2012.
- **Statutory Levies** - Fee charged (levied) by a government on a product, income, or activity.
- **Strategic Objective** - A broadly defined objective that an organization must achieve to make its strategy succeed.
- **Subsequent Event** - Non Adjusting - Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading.
- **Takaful** - Takaful is an arrangement based on the principles of brotherhood and mutual help wherein participants contribute in a fund to help those who need it most in times of financial difficulties.
- **Takaful Contract** - Any contract of Family Takaful or General Takaful.
- **Tangible** - An asset whose value depends on particular physical properties.
- **Term Finance Certificate** - A debt instrument issued by an entity to raise funds.
- **Underwriting Profit** - This is the profit generated purely from the General Insurance business without taking into account the investment income and other non-technical income and expenses.
- **Unearned Premium** - It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.
- **Window Takaful Operator** - A Registered Insurer authorized under SECP Takaful Rules, 2012 to carry on Takaful business as Window Operations in addition to Conventional Insurance Business.
- **Wakala** - Agent-principal relationship, where a person nominates another to act on his behalf.
- **Wakala Based Contract** - A contract based on the principle of Wakala (agency).

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Nadeem Ahmed
Senior Vice President

Shahab Saleem
Senior Vice President

Arshad Hussain
Vice President

Aziz Ahmed
Vice President

Kausar Hamad, M.B.A.
Vice President

Mohammad Moosa
Vice President

Faisal Masood
Assistant Vice President

Mahmood Sualeh
Assistant Vice President

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Vice President

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32 Saddar Road, Rawalpindi Cantt.
Rawalpindi
5794634 - 5563065 5562024
5516085 - 5514323
Fax: 5565406

Syed Aftab Hussain Zaidi, M.A., M.B.A.
Executive Director

Mannam Mehboob
Senior Executive Vice President

Rehan Ul Haq Qazi
Executive Vice President

Saifullah
Executive Vice President

Muhammad Mobeen
Senior Vice President

Noman Mehboob, A.C.I.I., M.B.A.
Senior Vice President

Muhammad Haroon Akbar, M.B.A.
Senior Vice President
(Development)

Akhtar Ali
Chief Manager (Development)

Zafar Ali Khokhar
Chief Manager (Development)

City Branch Rawalpindi

2nd Floor, Ferozsons Building
32 Saddar Road, Rawalpindi Cantt.
Rawalpindi. 5584563 - 5516882
5794684. Fax: 5794685

Agha Ali Khan
Senior Vice President

Faraz Javed
Executive Vice President
(Development)

Syed Zeeshan Abbas Abidi
Assistant Vice President
(Development)

ABBOTTABAD

112 Iqbal Shopping Complex
The Mall. 336371, 334186

Ejaz Ali
Chief Manager (Development)

GOTH MACHI
Goth Machi Branch

6, Commercial Area, (F.F.C.)
Distt. Rahim Yar Khan
5954550, Ext: 5154
Fax: 5954518

Altaf Hussain
Vice President

Peshawar Branch

2nd Floor, Mall Tower, 35, The Mall,
Peshawar. 5608508 - 5608504
5608507 - 5608503. Fax: 5608506

S. M. Aamir Kazmi, LL.B.
Executive Vice President

Salimullah Khan, M.Com
Senior Vice President

Ali Farman, M.A.
Vice President

Guhar Aziz
Vice President (Development)

Najma Riaz, M.A.
Vice President

Inayatullah Khalil
Senior Vice President
(Development)

Muhammad Riaz
Chief Manager (Development)

Zia-ul-Hasan
Manager (Development)

Jamrud Road Branch

7 -10, Upper Ground Floor
Azam Tower, Jamrud Road
Peshawar. 5846120 - 5850190
Fax: 5846121

Farman Ali Afridi B.E.
Executive Vice President

Taimoor Zaib
Assistant Vice Presidnet
(Development)

MARDAN (Sub Office)
Room No. 18, 2nd Floor
Arman Tower Moqaam
Chowk Mardan
0937-862294
Fax: 866096

Arshad Iqbal, M.B.A.
Vice President (Development)

Branch Network of Window Takaful Operations

Central Division
Corporate Division
Jinnah Division
Metropolitan Division
Multan Division
SITE Division

Northern Zone

Lahore Division
Bank Square Branch, Lahore
Al-Hamd Branch
Rawalpindi Division

GENERAL

Form Of Proxy

I / We ____________________

of ____________________

being a member of E F U GENERAL INSURANCE LIMITED hereby appoint

Mr. ____________________

of ____________________

or failing him ____________________

of ____________________

as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 88th Annual General Meeting of the Company to be held on Wednesday March 31, 2021 at 10:00 a.m. and at any adjournment thereof.

Signed this ____________ day of ______ 2021.

WITNESSES:

1. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____
   CNIC Or Passport No: ____________________

Revenue Stamp

Signature of Member(s)

2. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____
   CNIC Or Passport No: ____________________

Shareholder's Folio No. ____________
and / or CDC
Participant I.D.No. ____________
and Sub Account No. ____________

Important:

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Kamran Centre, 1st Floor, 85 East, Jinnah Avenue, Blue Area, Islamabad, not later than 48 hours before the time appointed for the meeting.

CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

EFU GENERAL

پراکسی فارم

میں/ہم ____________________

ساکن ____________________

بحیثیت ممبر ای ایف یو جنرل انشورنس لمیٹڈ بذریعہ ہذا مسمی ____________________

ساکن ____________________

کو یا ان کی عدم دستیابی کی صورت میں مسمی ____________________

ساکن ____________________

کو اپنی/ ہماری جانب سے پراکسی مقرر کر دہا/ رہی ہوں تا کہ وہ بدھ ۳۱ مارچ ۲۰۲۱ء بوقت ۱۰:۰۰ بجے صبح منعقد ہونے والے ۸۸ واں سالانہ اجلاسِ عام یا اس کے کسی بھی التواء میں میری/ ہماری جگہ شرکت کرے اور ووٹ ڈالے۔

دستخط بروز ________ بتاریخ ________ ۲۰۲۱ء

گواہان:

۱۔ دستخط: ____________________

نام: ____________________

پتہ: ____________________

____

سی این آئی سی یا پاسپورٹ نمبر ____________________

ریونیو اسٹیمپ

ممبر (ممبران) کے دستخط

۲۔ دستخط: ____________________

نام: ____________________

پتہ: ____________________

____

سی این آئی سی یا پاسپورٹ نمبر ____________________

شیئر ہولڈر کا فولیو نمبر اور/ یا سی ڈی سی ____________________

پارٹیسپینٹ کا آئی ڈی نمبر ____________________

اور ذیلی اکاؤنٹ نمبر ____________________

اہم نوٹ:

پراکسی کا یہ فارم جو ہر طرح سے مکمل ہو، لازماً کمپنی کے رجسٹرڈ آفس واقع کامران سینٹر، پہلی منزل، ۸۵ ایسٹ، جناح ایونیو، بلیو ایریا، اسلام آباد میں اجلاس کے طے شدہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرادیا جائے۔

سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز سے درخواست ہے کہ ہر ایک اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) یا پاسپورٹ کی مصدقہ نقل کمپنی کو پراکسی فارم جمع کرانے سے قبل اس کے ساتھ منسلک کرے۔

سی ڈی سی شیئر ہولڈرز یا ان کے پراکسیز سے درخواست ہے کہ اپنے اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ بشمول پارٹیسپینٹ کا آئی ڈی نمبر اور ان کے اکاؤنٹ نمبر اپنی شناخت میں سہولت کی غرض سے سالانہ اجلاسِ عام میں شرکت کے وقت ہمراہ لائیں۔

GENERAL

Form Of E-Voting

I / We ____

of ______________________ being a member of EFU GENERAL INSURANCE LIMITED hereby opt for e-voting through intermediary as proxy and will exercise e-voting as per the Companies (Postal Ballot) Regulations, 2018 and hereby demand for poll for resolutions at the Annual General Meeting of the Company to be held on Wednesday March 31, 2021 at 10:00 a.m. and at any adjournment thereof.

My secured email address is ______________________, please send login details, password and electronic signature through email.

Signed this __________ day of ______ 2021.

WITNESSES:

1. Signature: ______________
   Name: ______________
   Address: ______________
   ____
   CNIC Or Passport No: ______________

Revenue Stamp

Signature of Member(s)

2. Signature: ______________
   Name: ______________
   Address: ______________
   ____
   CNIC Or Passport No: ______________

Shareholder's Folio No. ______________
and / or CDC
Participant I.D.No. ______________
and Sub Account No. ______________

Note:

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Kamran Centre, 1st Floor, 85 East, Jinnah Avenue, Blue Area, Islamabad or through email: amin.punjani@efuinsurance.com.

GENERAL

ای۔ووٹنگ فارم

میں/ہم ____________ ساکن ____________

بحیثیت ای ایف یو جنرل انشورنس لمیٹڈ کی/ کے ممبر بذریعہ ہٰذا ای۔ووٹنگ کیلئے بذریعہ ثالثی بطور پراکسی کی اجازت دیتا ہوں/ دیتے ہیں اور یہ کمپنیز (پوسٹل بیلوٹ) ریگولیشنز ۲۰۱۸ء کے مطابق ای۔ووٹنگ کا حق استعمال کریں گے اور بذریعہ ہٰذا کمپنی کے سالانہ اجلاسِ عام منعقدہ بروز بدھ ۳۱ مارچ ۲۰۲۱ء بوقت صبح ۱۰:۰۰ بجے یا کسی زیرِ التواء تاریخ پر میں قرارداد کیلئے پول کا مطالبہ کرتا ہوں/کرتے ہیں۔

میرا محفوظ ای میل ایڈریس ____________ ہے۔ برائے مہربانی لاگ ان تفصیلات، پاس ورڈ اور الیکٹرونک دستخط بذریعہ ای میل ارسال کریں۔

دستخط بروز ________ بتاریخ ________ ۲۰۲۱ء

گواہان:

۱۔ دستخط: ____________

نام: ____________

پتہ: ____________

____

سی این آئی سی یا پاسپورٹ نمبر ____________

ریونیو اسٹیمپ

ممبر (ممبران) کے دستخط

۲۔ دستخط: ____________

نام: ____________

پتہ: ____________

____

سی این آئی سی یا پاسپورٹ نمبر ____________

شیئر ہولڈر کا فولیو نمبر اور/ یا سی ڈی سی ____________

پارٹیسپنٹ کا آئی ڈی نمبر ____________

اور ذیلی اکاؤنٹ نمبر ____________

نوٹ:

پراکسی کا یہ فارم باقاعدہ مکمل کر کے لازماً کمپنی کے رجسٹرڈ آفس واقع کامران سینٹر، پہلی منزل، ۸۵ ایسٹ، جناح ایونیو، بلیو ایریا، اسلام آباد یا بذریعہ ای میل: amin.punjani@efuinsurance.com ارسال کریں۔

GENERAL

Bank Mandate Form

Date ___________________

Bank Mandate Form For Electronic
Credit of Cash Dividend

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information:

(i) Shareholder's detail	
Name of Shareholder	
Folio No. / CDC Account No.	
CNIC No.	
Passport No. (in case of foreign shareholder)	
Cell Number of Shareholder	
Landline Number of Shareholder, if any	
E-mail Address	

(ii) Shareholder's bank detail	
Title of the Bank Account	
IBAN **24 Digits**	
Bank's Name	
Branch Name and Code No.	
Branch Address	

It is stated that the above mentioned information is correct and in case of any change therein, I/we will immediately intimate to my Broker / CDC Participant / CDC Investor Account Services or Share Registrar accordingly.

____

Signature of Shareholder

You are requested to kindly send this Form duly filled in and signed along with legible photocopy of your valid CNIC to your Broker / CDC Participant / CDC Investor Account Service (in case your shareholding is in Book Entry Form) or in case your shareholding is in physical form to our Share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S., Shahra-e-Faisal, Karachi-74400, Pakistan.

بینک مینڈیٹ فارم

تاریخ ____________

بینک مینڈیٹ فارم برائے نقد منافع منقسمہ کا الیکٹرونک کریڈٹ

معزز شیئر ہولڈر،

آپ کو بذریعہ ہٰذا اطلاع دی جاتی ہے کہ کمپنیز ایکٹ ۲۰۱۷ء کے سیکشن ۲۴۲ کے مطابق نقد کی صورت میں قابل ادائی کوئی بھی منافع منقسمہ صرف بذریعہ الیکٹرونک طریقہ کار براہِ راست استحقاق کے حامل شیئر ہولڈر کی جانب سے نامزد کردہ بینک اکاؤنٹ میں جمع کرادیا جائے گا۔ برائے مہربانی آگاہ رہیں کہ منافع منقسمہ کی ادائیگیوں کیلئے بینک مینڈیٹ فراہم کرنا لازم ہے اور اس قانونی شرط پر عملدرآمد کے ضمن میں اور اپنے بینک اکاؤنٹ میں منافع منقسمہ کی رقم براہِ راست جمع کرانے کی سہولت حاصل کرنے کے لئے آپ سے درخواست ہے کہ درج ذیل معلومات فراہم کریں۔

(i) شیئر ہولڈر کی تفصیل	
شیئر ہولڈر کا نام	
فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر	
سی این آئی سی نمبر	
پاسپورٹ نمبر (غیر ملکی شیئر ہولڈر ہونے کی صورت میں)	
شیئر ہولڈر کا موبائل نمبر	
شیئر ہولڈر کا لینڈ لائن نمبر، اگر کوئی ہو	
ای میل ایڈریس	

(ii) شیئر ہولڈر کے بینک کی تفصیل	
بینک اکاؤنٹ کا ٹائٹل	
آئی بی اے این "**۲۴ ہندسوں پر مشتمل**"	
بینک کا نام	
برانچ کا نام اور کوڈ نمبر	
برانچ کا پتہ	

یہ واضح کیا جاتا ہے کہ مذکورہ بالا معلومات درست ہیں اور ان میں کسی بھی تبدیلی سے میں/ہم فوری طور پر اپنے بروکر/سی ڈی سی پارٹیسپنٹ/سی ڈی سی انویسٹر اکاؤنٹ سروسز یا شیئر رجسٹرار کو لازمی آگاہ کروں گا۔

____

شیئر ہولڈر کے دستخط

آپ سے درخواست ہے کہ اس فارم کو مکمل طور پر بھریں اور دستخط شدہ صورت میں اپنی کارآمد اور واضح سی این آئی سی کی کاپی کے ساتھ اپنے بروکر/سی ڈی سی پارٹیسپنٹ/سی ڈی سی انویسٹر اکاؤنٹ سروس (شیئر ہولڈنگ بک انٹری کی صورت میں) یا اپنی شیئر ہولڈنگ فزیکل ہونے کی صورت میں ہمارے شیئر رجسٹرار، سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، ۹۹۔بی، بلاک۔بی، ایس ایم سی ایچ ایس، شاہراہِ فیصل، کراچی۔۷۴۴۰۰، پاکستان کو ارسال کردیں۔