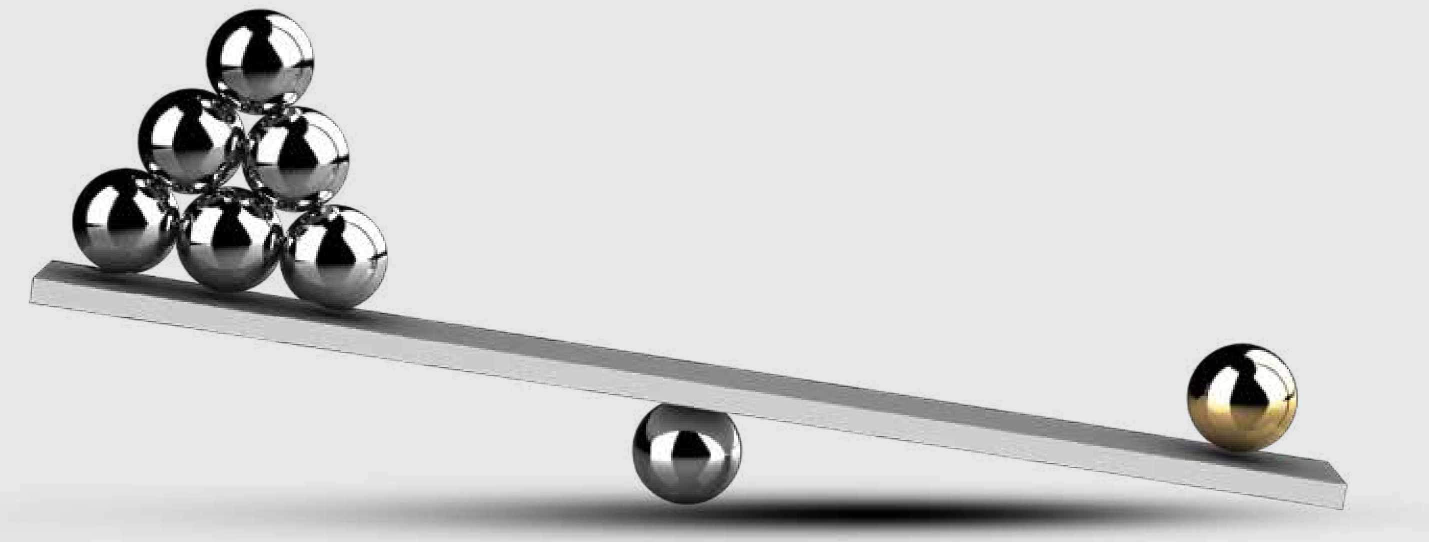
Annual Report **2020**

25
Years of Excellence



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BY-VIS

SECURITY GENERAL INSURANCE COMPANY LTD.
(Window Takaful Operations)

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369

INVESTMENT INCOME
724

NET COMMISSION
26

NET PREMIUM
816

GROSS PREMIUM WRITTEN
8,799

MANAGEMENT EXPENSES
310

PROFIT AFTER TAX
707

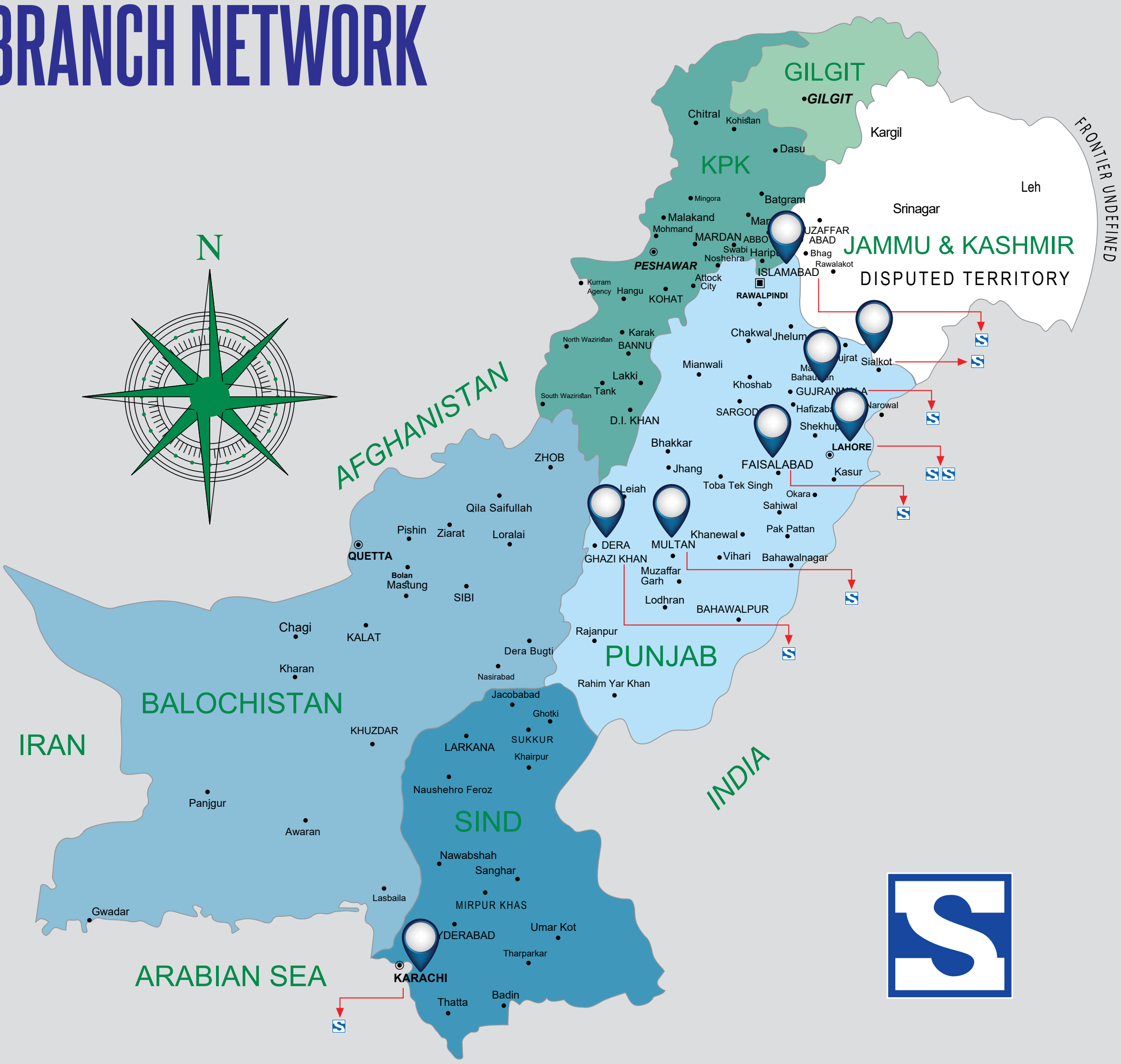
PROFIT BEFORE TAX
1,008

NET CLAIMS
111

Rupees in Million

For All Our
Progress and Success
There's Still to do.

BRANCH NETWORK



CORPORATE BRANCH:
9-B, 3rd Floor, LDA Flats, Lawrance Road, Lahore.

FAISALABAD BRANCH:
2nd Floor, Regency Plaza, New Civil Lines, Faisalabad.

MULTAN BRANCH:
1st, Floor, Business City Plaza, Bosan Road, Multan.

ISLAMABAD BRANCH:
Office No. 4, 1st Floor Vip Square, I-8 Markaz, Islamabad.

GUJRANWALA BRANCH:
Apartment No. 10,1st Floor Bhutta Center,GT road Gujranwala.

KARACHI CITY BRANCH:
House No. 59-N, Nazar-ul-Islam Road, Block No. 2, P.E.C.H.S Karachi.

KARACHI MAIN BRANCH:
1st Floor, Karachi Chamber, Hasrat Mohani Road, Off. I.I. Chundrigar Road, Karachi.

SIALKOT BRANCH:
Office No. 1 & 2, First Floor, Kashmir Centre, Kutchery Road, Sialkot.

LAHORE CITY BRANCH:
House No.65/172, 1st Floor, Street No. 3 CMA, Housing Society, Lahore, Cantt.

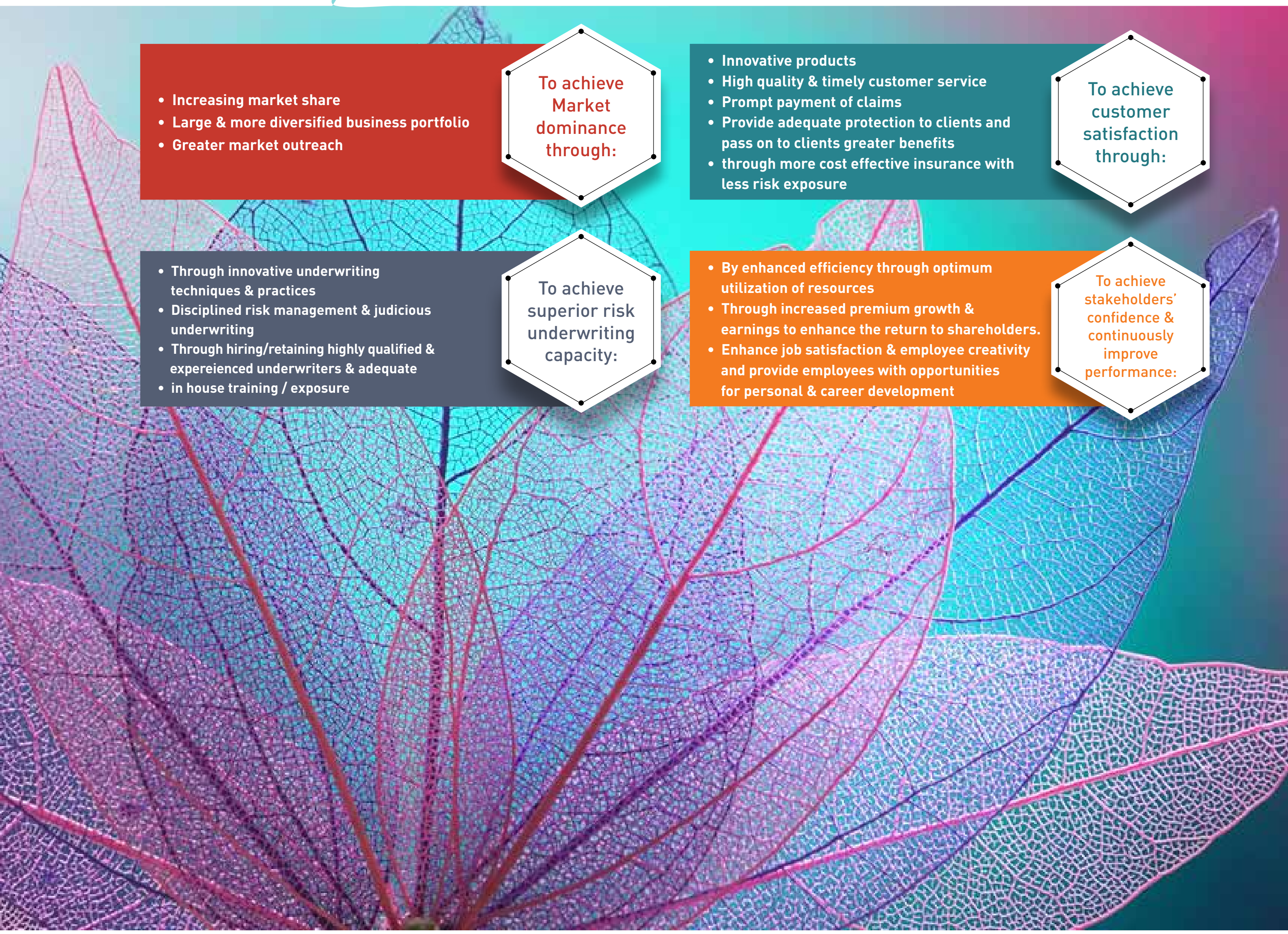
DERA GHAZI KHAN:
Dera Ghazi Khan Branch 1st Floor ,Mohib Traders Block -18 ,Jampur Road OPP: Ghazi Medical College, Dera Ghazi Khan

MISSION STATEMENT

SGI to become a leader in insurance through innovation, competitive advantage, customers' satisfaction and stakeholders' confidence.

QUALITY POLICY & OBJECTIVES

We aspire to be the lead insurance company and achieve global recognition through quality products, high quality service and superior risk underwriting capability.



To achieve Market dominance through:

- Increasing market share
- Large & more diversified business portfolio
- Greater market outreach

To achieve customer satisfaction through:

- Innovative products
- High quality & timely customer service
- Prompt payment of claims
- Provide adequate protection to clients and pass on to clients greater benefits
- through more cost effective insurance with less risk exposure

To achieve superior risk underwriting capacity:

- Through innovative underwriting techniques & practices
- Disciplined risk management & judicious underwriting
- Through hiring/retaining highly qualified & expereienced underwriters & adequate
- in house training / exposure

To achieve stakeholders' confidence & continuously improve performance:

- By enhanced efficiency through optimum utilization of resources
- Through increased premium growth & earnings to enhance the return to shareholders.
- Enhance job satisfaction & employee creativity and provide employees with opportunities for personal & career development

INSURER FINANCIAL STRENGTH RATING

BOARD OF DIRECTORS

"By adopting best practices and measures we are ensuring consistent growth in market share for Security General Insurance Company Limited"

Mian Hassan Mansha
Chairman

Farrukh Aleem
Chief Executive Officer

Aftab Ahmed Khan
Director

Inayat Ullah Niazi
Director

Mahmood Akhtar
Director

Muhammad Azam
Director

Farah Arif
Female Director

Khalid Mahmood Chohan
Company Secretary

CEO MESSAGE

Farrukh Aleem
C.E.O

To our proud policy holders and valued customers, To Our Proud Policy Holders and Valued Customers,

I am pleased to report that the Company recorded an upright growth in business for the year 2020. The beginning of this year was positive for us but before closing of first quarter entire world including Pakistan was locked due to Covid-19 pandemic and not only insurance sector but also the macro-micro segments of Economy were at stake, most developed countries reported their losses entirely for the year 2020. But, in the same year with great blessing of Allah Almighty our resilient position took great turn and we were able to underwrite first and largest insurance policy of Pakistan and closed our books at 8.8 Billion and became the 04th largest insurance company of Pakistan.

The Key financial indicator's of Company are admirable and are as follows:

- **Gross Premium =** PKR 8.8 Billion.
- **Investments =** PKR 16.59 Billion.
- **Equity =** PKR 14.41 Billion.

As Security General Insurance Company deeply rooted vision, mission, and guiding principles remain constant. Our focus is on our clients, staff and the sponsors who vested their trust on us. Our ownership enables us to make quicker decisions with greater attention on the products and services we provide to our clients where Innovative products and timely claims settlement always outstand SGICL in market, even during COVID-19 lock down period we anxiously took care of Workshops, Surveyors and Claim payments. SGICL is an organization where people come to build their careers, we have a longstanding approach supporting our employee's personal and professional development which is evidenced by the number of long-term employees working with us. Sponsor's policies and strategies are at place and results are evident as we were able to manage 03 Billion investment in last three years that will strengthen our capital base for no-doubt and this achievement gave a complete confidence and trust about the direction of company.

Our strategy for the year 2021 would be to offer Travel and Health Insurance services to our clients that will endow their trust further on us. On the other hand, we shall try to maintain our previous position with positive outgrowth this year with materialization of new business under consideration.

I shall close my words with prayer for all human beings suffering from COVID-19 and it's aftermath for the blessings of Allah Almighty to give relief and pardon from this uncontrolled disease and my best wishes and prays are for our clients and people of Pakistan to have a successful and safe year ahead.

COMPANY INFORMATION

Board of Directors

Mian Hassan Mansha
Chairman

Mahmood Akhtar
Director

Inayat Ullah Niazi
Director

Farah Arif
Female Director

Aftab Ahmed Khan
Director

Muhammad Azam
Director

Farrukh Aleem
CEO

Management

Farrukh Aleem
CEO

Hafiz Khuram Shahzad
CFO

Khalid Mahmood Chohan
Company Secretary

Audit Committee

Mian Hassan Mansha
Chairman

Aftab Ahmed Khan
Member

Inayat Ullah Niazi
Member

External Auditors

A.F. Ferguson & Co.
Chartered Accountants

Internal Auditors

Ahsan & Ahsan
Chartered Accountants

Lawyers

Hamid Law Associates

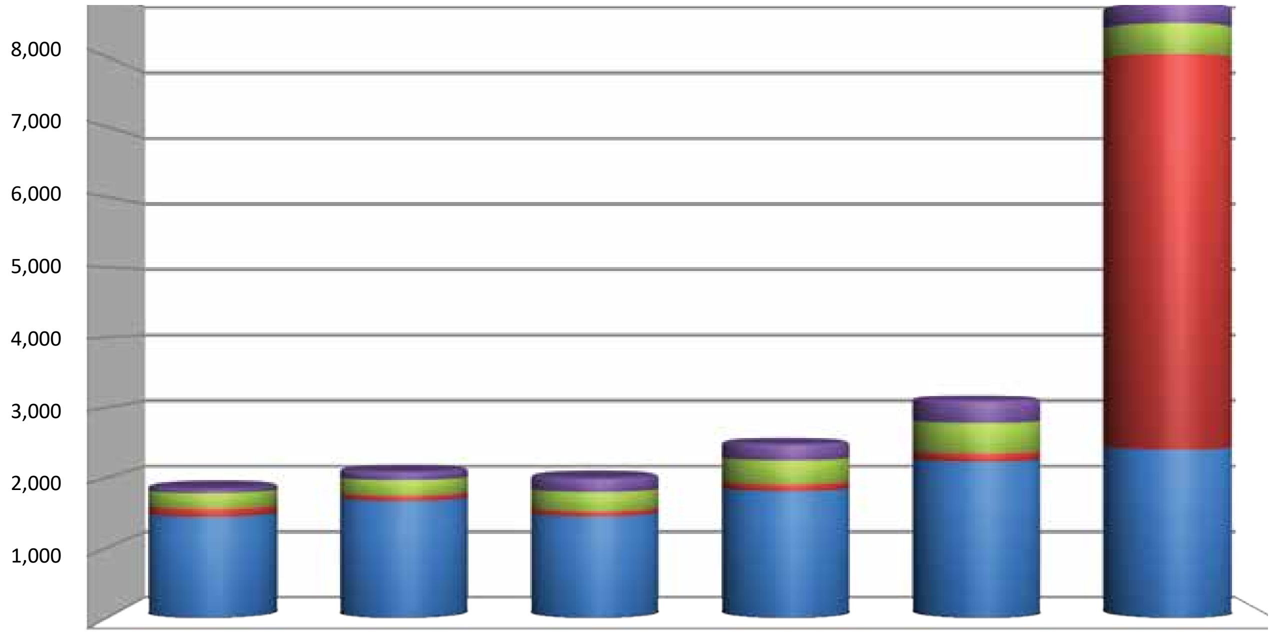
Head Office

SGI House, 18 C / E1,
Gulberg III, Lahore.
Tel: 92-42-35775024-29
Fax: 92-42-35775030
E-mail: sgi@sgicl.com
Web: www.sgicl.com

KEY FINANCIAL DATA

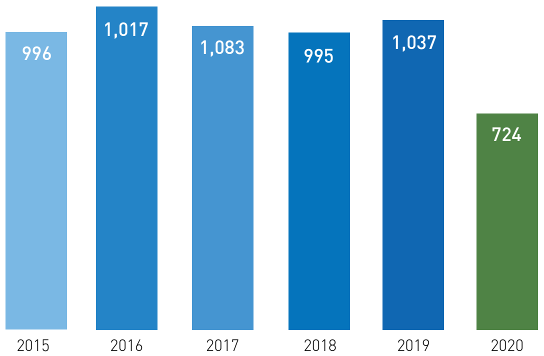
Description	2020	2019	2018	2017	2016	2015
	Rupees in Million					
Gross Premium	8,799	3,122	2,496	2,013	2,102	1,863
Profit after Tax	707	959	854	825	800	914
Profit before Tax	1,008	1,353	1,292	1,278	1,186	1,094
Investment Income	724	1,037	995	1,083	1,017	996
Underwriting Income	369	302	294	310	271	200
Net Revenue	816	696	600	503	446	441
Net Claims	111	110	83	94	75	125
Paid up Capital	681	681	681	681	681	681
Authorized Share Capital	1,000	1,000	1,000	1,000	1,000	1,000
Underwriting Reserve	8,095	2,734	2,261	2,152	1,853	1,931
Investements	16,590	16,254	14,015	17,044	16,790	14,352
Fixed Assets	160	149	124	117	107	107
Retained Profit	10,862	10,496	9,877	9,364	8,881	8,423

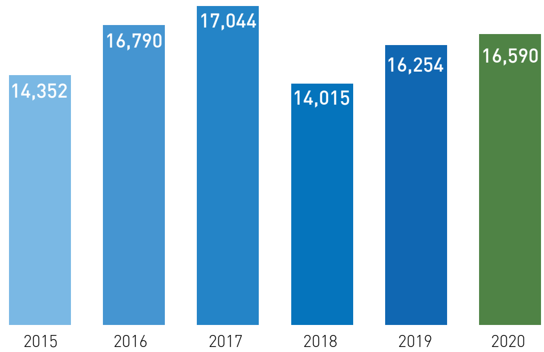
DEPARTMENT WISE GROSS PREMIUM

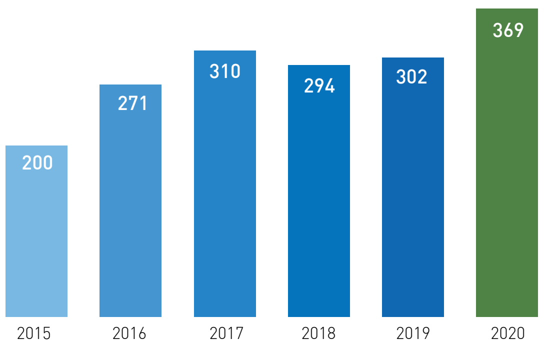


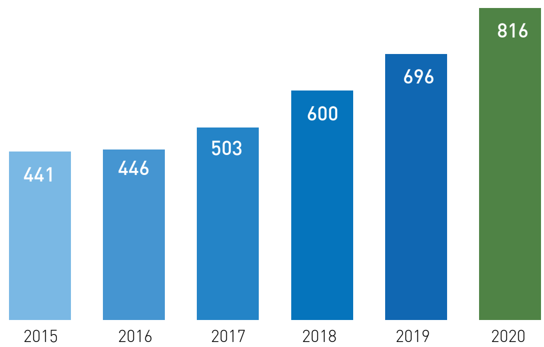
	2015	2016	2017	2018	2019	2020
	Rupees in thousand					
FIRE	1,439,869	1,668,300	1,445,751	1,809,350	2,227,944	2,400,535
MARINE	118,275	76,951	80,184	99,843	123,940	5,643,423
MOTOR	224,921	224,668	271,678	341,213	429,171	434,980
MISC. & Others	80,423	132,316	215,815	245,484	340,686	320,047
TOTAL	1,863,488	2,102,235	2,013,428	2,495,890	3,121,741	8,798,985

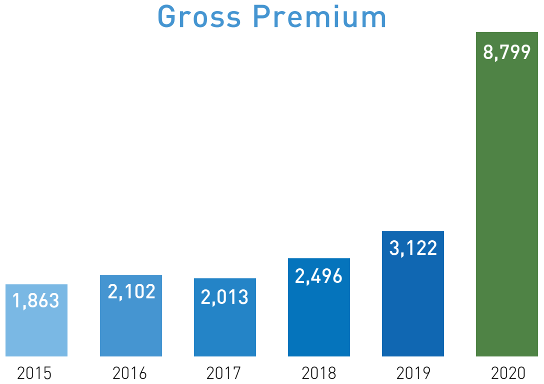
KEY FINANCIAL DATA
GRAPHICAL HIGHLIGHTS

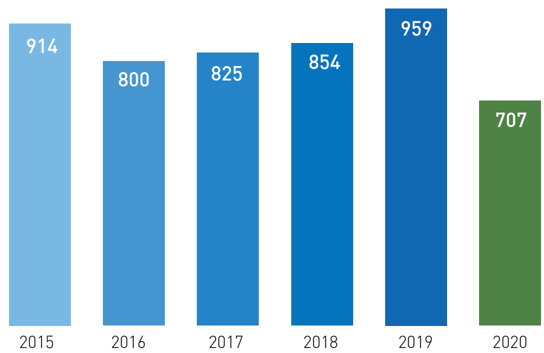
Investment Income


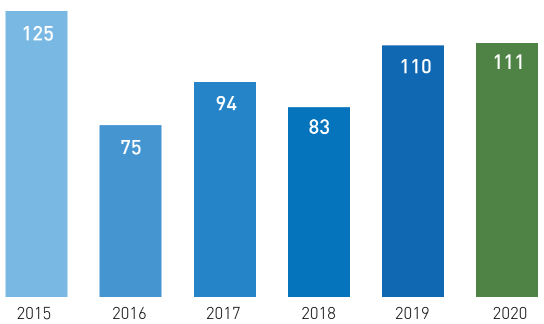
Investment


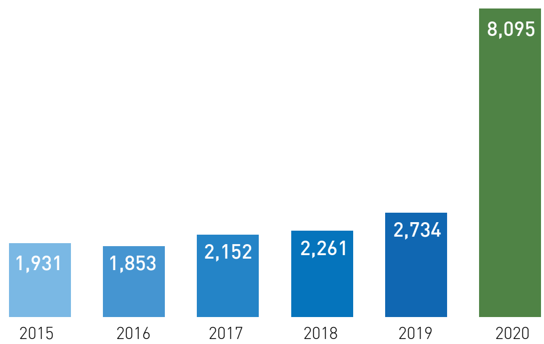
Underwriting Income


Net Revenue


Gross Premium


Profit After Tax


Net Claims


Underwrinting Reserve


FIRE & ALLIED PERILS INSURANCE

Fire is among those four natural elements which is beyond human control once engulfed and results to severe aftermath. Naturally we can take physical measures to control and financially we can take insurance cover to recover the financial loss.

Fire insurance gives the insured the requisite financial protection against assets acquired during his/her lifetime so that in the event of any misfortune the insured would be put in the same financial position he/she enjoyed just before the loss due to fire and lightning only.

There are two (2) main potential buyers of fire insurance

- the individual
- the entity (organization).

The Individuals need Fire Insurance as protection against his/her property including buildings, household goods and personal effects. The Organization including Commercial and Industrial entity could insure its buildings, plant, machinery and equipment, stock of raw materials, finished goods and profits.

Fire & Allied Perils: Adding to the above mentioned cover, this type of policy covers a number of additional perils which may differ from one policy to another but most usually include the following perils:

- Explosions
- Riot & Strike
- Malicious Damage
- Earthquake (Fire & Shock)
- Atmospheric disturbance
- Aircraft Damage
- Impact Damage

Additional Coverages:

1. **Burglary/Theft:**
   In market, it has been practiced that losses due to burglary & theft are endorse under fire policy

2. **Business Interruption (BI)**
   It is also known as Consequential Loss/Loss of Profit Insurance, any business loss that incurred due to fire covered under this policy, insurer pay certain amount till indemnity period define in policy.

MARINE CARGO INSURANCE

Lloyd's Coffee House was the first marine insurance market. It became the meeting place for parties in the shipping industry wishing to insure cargoes and ships, and those willing to underwrite such ventures. These informal beginnings led to the establishment of the insurance market Lloyd's of London and several related shipping and insurance businesses.

Under Marine Insurance Act 1906, Marine Insurance covers the loss or damage to:

- Hull Insurance: Water vessel- Hull & Machinery
- Aviation Insurance: Aero planes
- Cargo Insurance: Goods in transit by sea, air and by rail/road

The Clauses used for by Sea Shipments:

- Institute Cargo Clauses (A) – Covers all except general exclusions OR
- Institute Cargo Clauses (B) - Restricted cover than ICC (A) OR
- Institute Cargo Clauses (C) - Restricted cover than ICC (B)

The Clause used for by Air Shipments:

- Institute Cargo Clauses Air – Covers all except general exclusions

The Clauses used for Inland Transit/Rail/Road:

- Road/Rail Cargo Clauses (A) - Covers all except general exclusions OR
- Road/Rail Cargo Clauses (B) - Restricted cover than R/R (A)

War & Strike cover available in addition to above basic covers:

- Institute War Clauses (Cargo) on payment of additional premium
- Institute Strike Clauses (Cargo) on payment of additional premium
- Road/Rail Strike Clauses (Cargo) on payment of additional premium

Marine Perils

Perils of sea: Storms, lightning, snow, ice-burgs, fog, tides, rocks, sandbanks, volcanic eruption, heavy weather, Fire, explosion, Vessel Stranded, Sunk, burnt, Collision or contact of vessel, Theft, Willful Misconduct of assured, Malicious Damage, General average sacrifice, Jettison, washing overboard, Piracy and Rovers.

MOTOR INSURANCE

Motor insurance protects your vehicle against losses arising from unforeseen risks. It basically covers financial losses arising from accidents, theft and other natural calamities. Motor insurance is a contract for an automobile in which the insurance company agrees to pay for your financial loss resulting from a said specified event.

Motor Insurance is very important because too many road accidents reported on road on daily basis and fatalities in road accidents are moving up. Considering the high number and the poor state of roads, Motor insurance is a necessary requirement. By law, Motor Insurance is mandatory. Motor Insurance provides financial cover not only to you but also covers damages to third party (people travelling with you). Motor Insurance also protects you from losses arising from natural calamities like cyclone, earthquake etc.

Motor insurance covers is available for;

1. Private Motor vehicles
2. Commercial Motor vehicles

Private Motor Vehicles – Comprehensive motor covers your car and third party damages up to some extent.

Commercial Motor vehicles – offers comprehensive cover for all commercial vehicles like ambulances, carriage vans, trucks, prime movers etc.

ENGINEERING & MISCELLANEOUS INSURANCE

Engineering insurance refers to the insurance that provides economic safeguard to the risks faced by the ongoing construction project, installation project, machines and equipment in project operation. Product categories: Depending on the project, it can be divided into construction project all risks insurance and installation project all risks insurance; depending on the attribute of the object, it can be divided into project all risks insurance, and machinery breakdown insurance.

Miscellaneous Insurance refers to contracts of insurance other than these of Life, Fire and Marine insurance. This branch of insurance is of recent origin and it covers a variety of risks.

1. Personal Accident Insurance - This means insurance for individuals or groups of person against any personal accident or illness. The risk insured in personal accident insurance is the bodily injury resulting solely and directly from accident caused by violent, external and visible means.

2. Liability Insurance - Just as a person can insure himself against the risk of death and personal injury, or damage, determination or destruction of property, there can also be an insurance against the risk of incurring liability to third parties. The risk of liability arising out of the use of property, comes under the category commonly called "liability insurance". It includes -

i. Public Liability Insurance: That is, insurance against a liability imposed by law. For example, a house owner may obtain an insurance against his liability to invitees or licensees, arising from body injury or damage to property.

ii. Professional Negligence Insurance: These policies give professional indemnity cover to accountants, solicitors, lawyers, from any loss or injury due to any negligence in the conduct of their professional duties.

iii. Employer's Liability Insurance: The liability of an employer under the modern labor laws, has considerably extended and the employers are tempted to take out insurances against such liabilities. For examples, when the employees retire, substantial amount become immediately payable by way of gratuity, commuted pension, leave salary, compensation, etc. and also the uncommuted pension becomes payable in future. Employers often take insurance policies which assure payment of such amounts, as and when these becomes payable.

iv. Guarantee Insurance: The main types of policies included in guarantee insurance are WWWWinsurance for performance of contract, policies, the guarantor / underwriter insures the promisee or employer against the loss arising by non-performance by the promisor or the dishonesty of the employee.

Fidelity policies are the most common type of guarantee policies, taken under contracts of employment where the employee has an opportunity to be dishonest. Such policies cover the risk of losses arising by theft or embezzlement of money or securities, or by fraud, on the part of employees.

Money Policies – We insure "cash" either in transit or premises, two wide range of covers available

- Cash in Transit (CIT) - cash is insured while transit between designated locations.
- Cash in Safe (CIS) – cash is insured whilst in safe.

BONDS INSURANCE

Bid Bonds

Bid Bonds are required in connection with the submission of tenders for contracts with private/ public owner. The subject is to guarantee that the bidder (Contractor), if awarded the contract, will enter into the contract and furnish the Prescribed Performance Bond. If the contractor is afterwards unable to enter into the contract and to furnish the required Performance Bond, the insurance company is liable to pay the bond amount to the owner.

Mobilization Adavance Bond

Mobilization Advance Bond is required in cases where the oblige (owner) is pre-financing a contract; he may secure the repayment of the advance by means of a bond called Mobilization Advance Bond. The amount guaranteed should decrease in accordance with the portions of work performed. By this bond, the Insurance Company guaranteed the owner correct utilization of advance. In case contractor fails to fulfill their obligation and commit default the insurance company will pay the amount to the owner which is outstanding at that time.

Performance Bond

Performance bond is required of a contract (After accepting Bid and awarding of contract) to guarantee the full and the due performance of the contract according to plan and specifications. In case the contractor fails, to perform the contract in accordance with the terms and conditions of the contract, the insurance company will be liable to pay the bond amount to the owner on demand.

Supply Bonds

Supply bonds are similar in intent to performance bonds. They are issued for contracts to supply materials, goods, machinery at a specified time and place.

CROPS INSURANCE

Crop insurance is purchased by agricultural producers, including farmers, ranchers, and others to protect themselves against either the loss of their crops due to natural disasters, such as hail, drought, and floods, or the loss of revenue due to declines in the prices of agricultural commodities. The two general categories of crop insurance are called crop-yield insurance and crop-revenue insurance.

Farming is no easy task. It is one of the riskiest enterprises in the world, defined by uncontrollable conditions that are unlike any other profession. Bad weather, blight, insects, natural disasters, price fluctuations, and global subsidization all make it hard to make a living as a farmer.

That's where crop insurance comes in. It's basically no different than auto insurance or homeowner's insurance. Banks require farmers to purchase it, just as they require insurance from homebuyers, but because of the risks unique to agriculture, it can be cost prohibitive. Without a strong infrastructure and investment, crop insurance would be too costly for most farmers to afford or for most private-sector insurance companies to widely provide.

In Pakistan, Government is offering incentives for farmers by offering loan from various private and government banks, in this capacity banks as well as farmers possess this insurance for any unfortunate event(s).

This insurance is very helpful for farmers to have financial safeguard in case of calamity

HOME INSURANCE

Home Owner's Insurance:
Homeowners insurance provides you with financial protection in the event of a disaster or accident involving your home.

A standard homeowner's insurance policy insures your home's structure (house,) and your belongings in the event of a destructive event, such as a fire.

In addition, homeowner's insurance policies are generally "package policies", this means that the coverage includes not only damage to your property, but also your liability—that is, legal responsibility—for any injuries and property damage to others caused by you or members of your family.

The most common forms of household insurance are:
Home insurance – covers financial losses associated with damage or loss of a property you own.

Contents insurance – covers financial losses caused by the loss, theft or damage of your possessions. In addition to home insurance. A policy may be issue in combination of both.

Tenant's insurance – a low-cost contents policy for tenants that provides limited cover for events such as fire and theft.

Landlord's insurance – covers the risks associated with renting out a property.

LIVE STOCK INSURANCE

Cattle and livestock are the bread and butter for millions of farmers in Pakistan and all across the world. With this regard the insurance policy covers animals such as cows, buffaloes, bullocks, sheep and goats owned by the different individuals and which are used for commercial and for personal purposes against the risk of permanent total disablement or death due to accident and/or any diseases which the animal may contract during the policy period.

The policy covers death caused by: Accident inclusive of fire, lighting, flood, storm, hurricane, earthquake, cyclone, tornado etc. Diseases contracted or occurring during the period of the policy.

HEALTH INSURANCE

No one plans to get sick or hurt, but most people need medical care at some point. Health insurance covers these costs and offers many other important benefits.

- Health insurance covers essential health benefits critical to maintain your health and treating illness and accidents.
- Health insurance protects you from unexpected, high medical costs.
- You pay less for covered in-network health care.
- You get free preventive care, like vaccines, screenings, and some check-ups, even before you meet your deductible.
- SGICL Group Health Insurance plan offers following Core Benefits;

o Daily room and board charges
o Operation theatre charges
o Surgeons fee
o Anesthetist fee
o Consultant's fee
o Medicines and drugs
o Diagnostic tests
o Blood and Oxygen supplies
o Day Care Surgeries such as Cataract, Lithotripsy, Hernia, Dialysis
o Specialized Investigations such as MRI, CT Scans, Thallium Scan, Excision Biopsy,
o Endoscopy, Angiography etc.
o Traumatic Injuries such as fractures and lacerated wounds
o Dental Treatment due to Accidental Injuries. (within 48 hours – only pain relief treatment)
o Accidental Emergency treatment (within 24 Hours)
o In addition, the following expenses incurred outside the hospital are also covered provided they lead to hospitalization:
  - Charges of Pre Hospitalization carried out on an out-patient basis within 30 days prior to hospitalization covering Consultations, Prescribed Medicines and Prescribed Diagnostic Tests.
  - Charges of Post Hospitalization carried out on an out-patient basis within 30 days after the hospitalization covering Consultations, Prescribed Medicines and Prescribed Diagnostic Tests.

- Optional Riders:
  o Following optional riders are available subject to requirement of your plan;
  - Maternity Cover
  - Major Medical Cover
  - OPD

Please visit our website for detailed information about Health Insurance.

TRAVEL INSURANCE

With the increase in travel, one of the important things that travelers need to know about is Travel Insurance. This form of insurance helps cover a whole range of uncertainties and scenarios that can drain out a traveler's finances. Most countries require mandatory Travel Insurance while applying for a visa.

Travel Insurance is a type of insurance that covers different risks while travelling. It covers medical expenses, lost luggage, flight cancellations, and other losses that a traveler can incur while travelling.

Travel Insurance is usually taken from the day of travel till the time the traveler reaches back to home town. Taking Travel Insurance ensures a comprehensive coverage in case of any emergency in another country. Travel Insurance is also available for trips taken within home country of the traveler but it is a more popular option for travel abroad.

Benefits of Travel Insurance:
Some of the risks covered under Travel Insurance are:

- Personal Accident Cover, which covers:
    - Insured's Death
    - Permanent Total Disability
- Accident & sickness medical expense reimbursement
- Dental treatment relief
- Emergency evacuation
- Repatriation of remains in case of death
- Baggage delay
- Loss of checked baggage
- Loss of passport
- Flight delay
- Trip cancellation
- Missed connection/missed departure

Categories of Travel Plan:
We have travel plans for following air

1. International
2. Domestic
3. Hajj & Ummrah
4. Student

Please visit our website for detailed description or brochures for each categories.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting (AGM) of the members of **Security General Insurance Company Limited** (the "Company") will be held on Friday, April 30, 2021 at 4:00 P.M. at SGI House: 18-C/E-1, Gulberg-III, Lahore to transact the following business:

1. To receive, approve and adopt the audited accounts of the Company for the year ended December 31, 2020 together with the Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 25% (i.e. Rs.2.5 per share) for the year ended 2020, as recommended by the Board, in addition to 25% interim dividend already paid.

3. To appoint Statutory Auditors of the Company for the year 2021 and fix their remuneration.

4. To elect Five (5) Directors of the Company, as fixed by the Board of Directors, for the next term of three years, in accordance with the provisions of Section 159 of the Companies Act, 2017, in place of following retiring Directors who are also eligible to offer themselves for re-election:

   1. Mian Hassan Mansha
   2. Mr. Aftab Ahmad Khan
   3. Mr. Mahmood Akhtar
   4. Mr. Muhammad Azam
   5. Mr. Inayat Ullah Niazi

By order of the Board

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

Lahore
March 31, 2021

Notes:

1. The Register of Members of the Company will remain closed from April 24, 2021 to April 30, 2021 (both days inclusive). Transfers received in order at the registered office of the Company by the close of business on April 23, 2021 will be considered in time for entitlement of 25% Final Cash Dividend and attending of Annual General Meeting.

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

NOTICE OF ANNUAL GENERAL MEETING

Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Name of Investee Company	Nishat Hotels and Properties Ltd.			Hyundai Nishat Motor (Pvt) Limited (HNMPL)		D. G. Khan Cement. Co. Ltd.	Nishat Mills Ltd
Total Investment Approved:	PKR 200,000,000 (Rupees two Hundred Million Only) by way of purchase of shares was approved by members in AGM held on April 30, 2019 for the period of three (3) years	PKR 900,000,000 by way of purchase of shares was approved by members in AGM held on March 30, 2020 for a period of one (1) year	PKR 500,000,000 (Rupees Hive Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on February 26, 2021 for the period of three (3) years	Equity investment upto PKR 1,310.944 million was approved by members in EOGM held on March 28, 2018, December 12, 2019 and November 25, 2020.	Guarantee / continuing Stand by Letter(s) of Credit (SBLC) for an amount of up to PKR 1,277.100 Million for a tenure of 7.5years was approved by members in EOGM held on March 28, 2018 and December 12, 2019.	Equity investment upto PKR 500 million (PKR Five Hundred Million Only) was approved by members in EOGM held on August 19, 2019.	Equity investment upto PKR 500 million (PKR Five Hundred Million Only) was approved by members in EOGM held on August 19, 2019.
Amount of Investment Made to date:	Rs. 29.61 Million	Rs. 867.19 Million	Nil	Rs.1,121.047 Million	Rs.1,208.52 Million	Nil	Nil
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time:	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	No deviation from the approved timeline.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline	No deviation from the approved timeline.	No investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	No investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per then available latest financial statements for the half year ended December 31, 2018, the basic Loss per share was Rs. (0.39) and a fair value of Rs. 14.47. As per Latest available financial statements for the half year ended December 31, 2020 the Basic Loss per share is Rs. (0.04) and breakup value per Share is Rs. 20.15.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2019, the basic earnings per share was Rs. 1.42 and Break-up Value per Share was Rs. 18.09. As per Latest available financial statements for the half year ended December 31, 2020 the Basic Loss per share is Rs. (0.04) and breakup value per Share is Rs. 20.15.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2020, the basic loss per share was Rs. (0.79) and Break-up Value per Share was Rs. 20.19. As per Latest available financial statements for the half year ended December 31, 2020 the Basic Loss per share is Rs. (0.04) and breakup value per Share is Rs. 20.15.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2019, the basic loss per share was Rs.(0.79) and breakup value per share was Rs. 8.94. As per Latest available financial statements for the year ended December 31, 2020 the Basic Loss per share is Rs. (2.23) and breakup value per Share is Rs. 6.97.	At the time of last approval, as per available latest audited financial statements for the year ended December 31, 2018, the basic loss per share was Rs. (0.76) and breakup value per share was Rs. 11.33. As per Latest available financial statements for the year ended December 31, 2020 the Basic Loss per share is Rs. (2.23) and breakup value per Share is Rs. 6.97	At the time of approval, as per then available latest financial statements for the half year ended December 31, 2018, the basic earnings per share was Rs. 3.98 and a fair value of Rs. 80.15. As per Latest available financial statements for the half year ended December 31, 2020 the Basic Earnings per share is Rs. 1.83 and breakup value per Share is Rs.161.79.	At the time of approval, as per then available latest financial statements for the half year ended December 31, 2018, the basic earnings per share was Rs. 9.00 and a fair value of Rs. 126.53. As per Latest available financial statements for the half year ended December 31, 2020 the Basic Earnings per share is Rs. 5.04 and breakup value per Share is Rs.225.19.

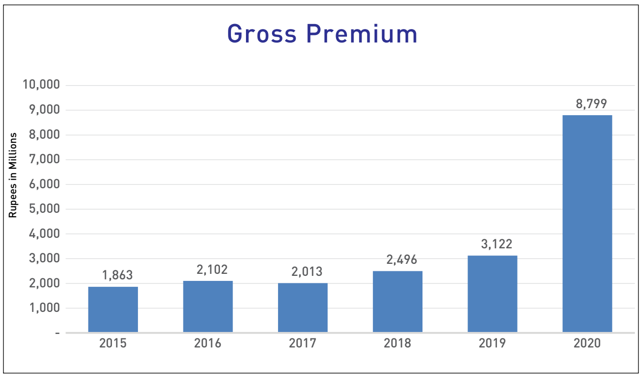
DIRECTORS' REPORT TO THE MEMBERS

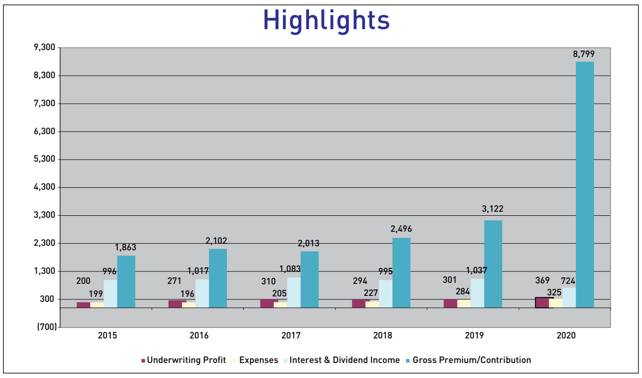
On behalf of the Board of Directors of Security General Insurance Company Limited, I am pleased to present the 25th annual report of your company for the year ended December 31, 2020.

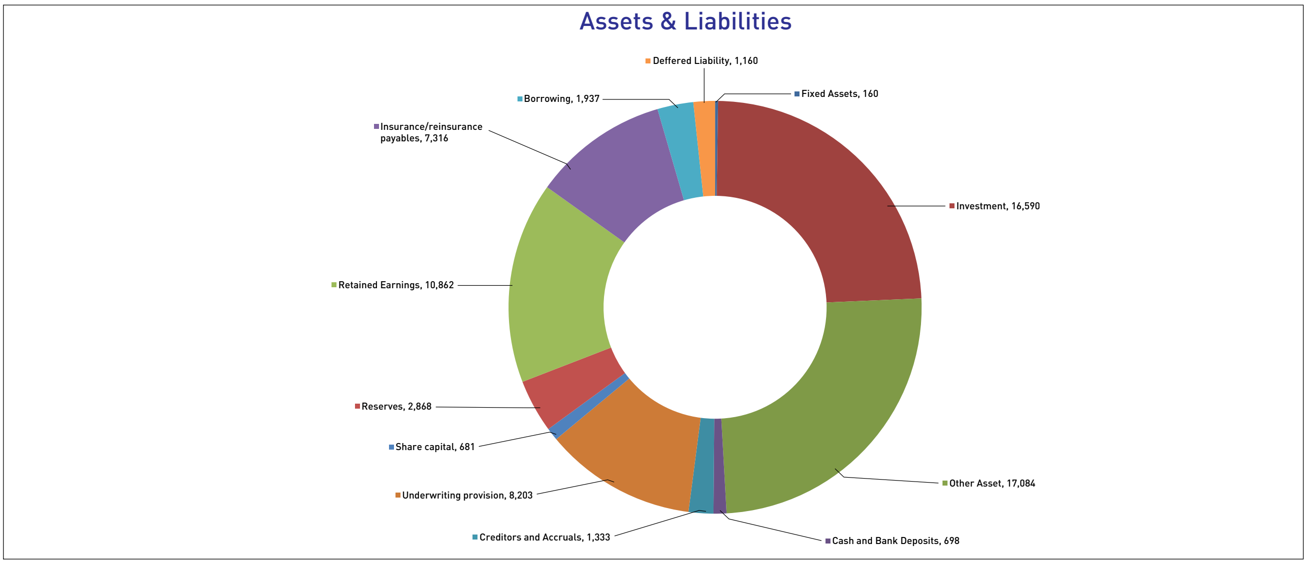
COMPANY'S PERFORMANCE DURING 2020:

SGI underwrote a gross premium of Rs.8.8 billion during the year 2020.

	Dec, 2020	Dec, 2019	Increase/ Decrease
	Rupees in Million		%
Gross Premium	8,799	3,122	182
Net Premium	816	696	17
Net Commission	26	13	99
Net Claims	111	110	1
Profit from underwriting business	369	302	22
Other income (not attributable to Investment activities)	42	48	-12
Investment income	724	1,037	-30
Financial charges	124	25	-396
Profit before tax	1,008	1,354	-26
Profit after tax	707	959	-26





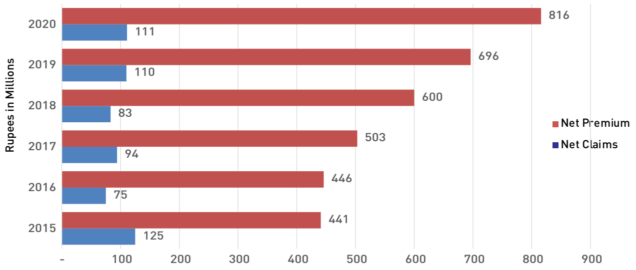


DIRECTORS' REPORT TO THE MEMBERS

UNDERWRITING ACTIVITY:

This year SGI achieved a mile stone by underwriting a gross premium of Rs. 8.8 billion during the year 2020. Underwriting profit for the year stands at Rs. 369 million (2019: Rs. 302 million). Underwriting profit bears a percentage of 45% to the net premium revenue.

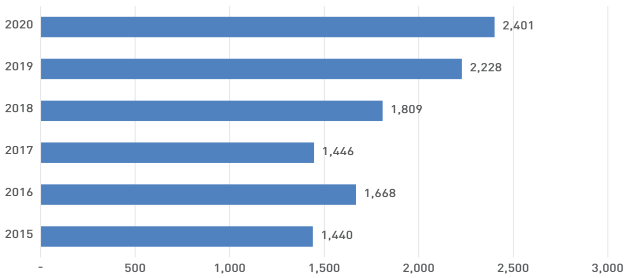
Net Losses / Net Premium



FIRE & PROPERTY DAMAGE:

Gross Premium in Fire business has increased as compared to same period during last year by 8%. The underwriting profit from fire business for period ended December 31st 2020 is 75% of net premium. Fire and property portfolio represent 27% of the total underwriting portfolio of SGI.

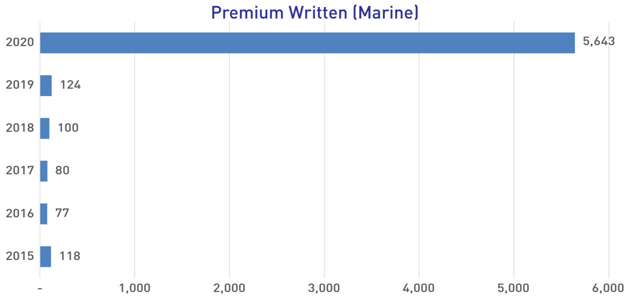
Premium Written (Fire)



MARINE, AVIATION AND TRANSPORT BUSINESS:

Gross Premium in Marine business has increased as compared to same period during last year by 4,453%. This increase is primarily related to underwriting of PIA fleet and other insurances. Marine portfolio represents 64% of the total underwriting portfolio of SGI.

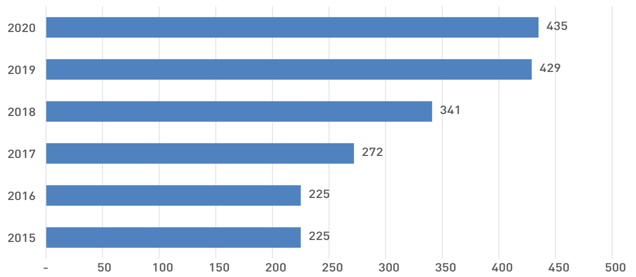
Premium Written (Marine)



MOTOR:

The Gross Premium from motor business has increased from Rs. 435 million during the period ended December 31st 2020 to Rs. 429 million during the period ended December 31st 2019. The profitability from the motor business for the period ended December 31st 2019 is 57%.

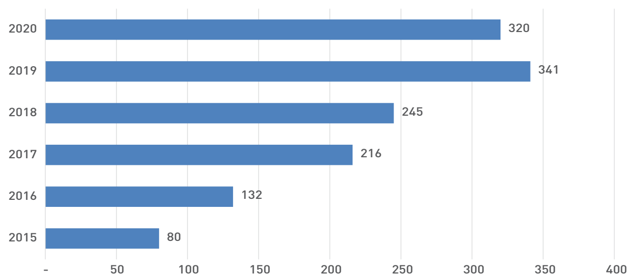
Premium Written (Motor)



MISCELLENOUS:

The Gross Premium from miscellaneous business is decreased from Rs. 341 million for the Year ended December 31st 2019 to Rs. 320 million for the year ended December 31 st 2020. A slight decline was experienced due to reduce in crop and livestock insurance.

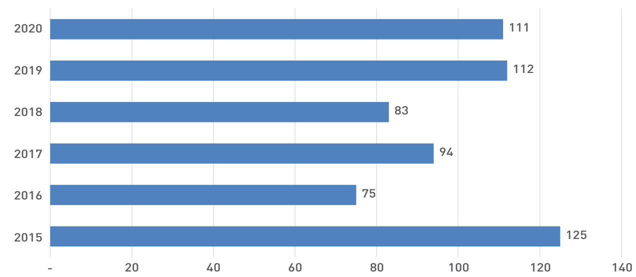
Premium Written (Misc.)



CLAIMS:

The overall claims expenses has increased from Rs. 110 million during the period ended December 31st 2019 to Rs. 111 million during the period ended December 31st 2020. Net Claims are 14% of net premium (2019: 16%).

Net Claims



DIRECTORS' REPORT TO THE MEMBERS

INVESTMENT:

The market value of our investment portfolio increased from Rs. 16.25 billion to Rs. 16.59 billion as at December 31st 2020. This increase is due to additional investments made during the year although the market value of investments decreased during the year due to Covid-19 pandemic. The Company earned dividend of Rs. 715 million from its investments portfolio (2019: 1,028 million). The dividend income decreased during the year due to non receipt of dividend from UBL and MCB Bank as per SBP instructions.

CASH FLOW:

As of December 31st 2020, the net cash flow generated from underwriting activities is negative, due to timing diffrence in Re-insurance payments.

EARNING PER SHARE:

Earnings per share has decreased from Rs. 14.10 during the Year ended December 31st 2019 to Rs. 10.39 during the Year ended December 31st 2020.

APPROPRIATIONS:

Directors, in their meeting held on March 31, 2021, have recommended a 25% cash dividend. This is in addition to 25% interim cash dividend paid on the basis of half yearly results for 2020.

CREDIT RATING:

VIS Credit Rating Company Ltd., has maintained the Insurer Financial Strength (IFS) Rating of SGI at 'AA'

HEALTH, SAFETY AND ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment to ensure the well-being of the people who work with us as well as of the communities where we operate.

EXTERNAL AUDITORS

The present Auditors, M/s. A.F. Ferguson & Co, Chartered Accountants have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). The external auditors have confirmed that their firm is in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

The external auditors attended those Audit Committee meetings in which audited / reviewed financial statements of the Company were considered by the Audit Committee. The auditors have confirmed that they have no issue of independence and they have already reported all their concerns in the Board and management letters. Audit Committee recommended appointment and remuneration of the external auditors for the financial year ended December 31, 2020, for consideration of the Board.

RELATED PARTY TRANSACTIONS

Related party transactions are placed before the Audit Committee. These transactions are reviewed / recommended by the Audit Committee and approved by the Board of Directors on quarterly basis. Details of related party transactions are disclosed in note 35 of the financial statements and note 27 of the Window Takaful Operation financial statements.

DIRECTORS' REMUNERATION

The Company does not pay remuneration to non-executive directors. Company's remuneration policy is structured in line with prevailing industry trends and business practices. Details of remuneration paid to the directors are disclosed in note 34 of the financial statements.

BOARD AUDIT COMMITTEE:

As required under the code of corporate governance for insurance companies, the board audit committee reviewed the results of all four quarter for the year. Following persons have remained its members during the year:

Name of Member	Category
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Aftab Ahmed Khan	Member

DIRECTORS' REPORT TO THE MEMBERS

STATUTORY AUDIT:

The auditors have expressed an unqualified opinion on the financial statement of the Company for the year 2020.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

In Compliance with the financial reporting framework of the code of corporate governance the directors confirm the following:

- The Financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 2017, the Insurance Ordinance 2000, the Insurance Rule 2017, the Insurance Accounting Regulations 2017, Takaful rules 2012 and General Takaful Accounting Regulations 2019. These statements present fairly the company's state of affair, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data of last six years is available in the annual report.
- All applicable statutory payments on account of taxes, duties etc were regularly and timely deposited in the Government treasury.
- Value of investment of Provident Fund as at 31st December 2020 stands at Rs. 40.6 million and investment of Gratuity fund as at December 31st 2020, stands at Rs. 47.1 million.
- During the year under review Four Board meetings were attended by the directors as follows:

Name of Member	No. of Meetings
Mian Hassan Mansha (Chairman)	3
Mr. Mahmood Akhtar	4
Mr. Inayat Ullah Niazi	4
Muhammad Azam	3
Mr. Aftab Ahmed Khan	3
Mr. Farrukh Aleem (CEO)	4

- The aggregate shares held by the Associated Companies are:

  1. Nishat Mills Limited 10,226,244

- The pattern of shareholding is given on page 34 of this report.

There are no material changes /commitments between the year end and the date of signing of this report except those mentioned in appropriations

FUTURE OUTLOOK 2021:

The economy of Pakistan, after two relatively challenging years, appears to be heading towards positive development. Whilst inflation remains high, primarily attributed to increase in food and utility prices, it is expected to go down over the course of year 2021, mainly attributed to the transition to a market-based exchange rate system, improvement in the business community's outlook of the economy, and fiscal developments remaining on track, as per commitments under the IMF program.

Our strategy for 2021 is designed to achieve steady growth in the challenging business environment in order to attain better position in the industry.

We are focusing more closely on products and customer segment where we have a competitive edge, those where we can offer a greater value proposition to our customers.

DIRECTORS' REPORT TO THE MEMBERS

Going forward, however, we expect uptick in inflation will continue in 2021 and interest rates are also expected to increase a bit for investment, the Company will adopt a balanced strategy to benefit from equity markets performance along with upward revision in interest rates through money market instruments.

ACKNOWLEDGEMENTS:

The loyalty of our patron clients has enabled us to maintain and improve our market share a period of time. We are grateful to them for reposing their confidence in us. We acknowledge the support of our shares holders which allows us to improve our sound position in the market. Thanks are due to our reinsurance brokers for their professional assistance and reinsurers for their valued support. Our gratitude and appreciation is also due to SECP for their guidance and cooperation. We acknowledge the professionalism and hard work of our developments officers, staff members and executives who helped the Company to achieve its goals.

On behalf of Board of Directors

FARRUKH ALEEM **CEO**	**MAHMOOD AKHTAR** **DIRECTOR**

Lahore
March 31, 2021

ڈائریکٹرزکی اراکین کو رپورٹ

- داخلی کنٹرول کا نظام مستحکم طور پر ترتیب دیا گیا ہے۔ اور مؤثر طور پر عملدرآمد کے ساتھ اسکی نگرانی بھی کی جاتی ہے۔
- کاروبار کو جاری رکھنے میں کمپنی کی صلاحیت شکوک وشبہات سے بالاتر ہے۔
- کارپوریٹ گورننس کے طریقہ کار سے کوئی قابل ذکر منحرف نہیں کیا گیا۔
- گزشتہ چھ سال کے لیے نمایاں آپریٹنگ اور مالیاتی اعداد و شمار سالانہ رپورٹ میں دستیاب ہے۔
- تمام لاگو قانونی ادائیگیاں جو کہ بحساب ٹیکس، ڈیوٹیز وغیرہ باقاعدگی اور وقت کے ساتھ سرکاری خزانہ میں ادا کی گئی ہیں۔
- پروویڈنٹ فنڈ کی سرمایاکاری کی مالیت 31 دسمبر 2020 پر 40.6 ملین روپے پر ہے اور گریجوئٹی فنڈ کے اثاثوں کی منصفانہ مالیت31دسمبر 2020 پر 47.1 ملین روپے ہے۔
- زیر جائزہ سال کے دوران چار بورڈ میٹنگ منعقد ہوئیں حاضری کی پوزیشن مندرجہ ذیل ہے۔

ممبرز کے نام	میٹنگز کی تعداد
میاں حسن منشاء (چیئرمین)	3
جناب محمود اختر	4
جناب عنایت اللہ نیازی	4
جناب محمد اعظم	3
آفتاب احمد خان	3
جناب فرخ علیم (چیف ایگزیکٹوآفیسر)	4

- ایسوسی ایٹ کمپنیز کے حصص درج ذیل ہے۔

نشاط ملز لمیٹڈ 10,226,244

- پیٹرن آف شیئر ہولڈنگ رپورٹ کے صفہ نمبر34 پر دیا گیا ہے۔
اختتام سال اور اس رپورٹ کے دستخط ہونے کے دوران کوئی موثر تبدیلی یا وعدہ نہیں ہے ماسوائے ان کے جو Appropriation میں ہے۔

فیوچر آوٹ لک 2021

پاکستان کی معیشت، نسبتاً دو مشکل سال کے بعد ترقی کی طرف گامزن دکھائی دیتی ہے۔ افراط زر کی سطح زیادہ ہے جس کی بنیادی وجہ غذائی اشیا اور یوٹیلیٹی کی قیمتوں میں اضافہ ہے۔توقع ہے کہ سال 2021 کے دوران اس میں کمی واقع ہوگی،کیونکہ روپے کی قدر مارکیٹ پر مبنی شرح تبادلہ نظام میں منتقل ہو چکی ہے، کاروباری برادری کے معیشت سے متعلق نقطہ نظرمیں بہتری آئی ہے اور آئی ایم ایف پروگرام کے تحت وعدوں کے مطابق معیشت اورمالیاتی پیشرفت درست سمت میں گامزن ہیں۔

مشکل کاروباری حالات میں 2021 میں ہماری حکمت عملی مستحکم نمو حاصل کرنے کے لیے تیار کی گئی ہے جو کہ انڈسٹری میں بہتر پوزیشن حاصل کرنے کے لیے ہے

ہماری توجہ اس بات پر ہے کہ ہم اپنی ترقی کی شرح کو برقرار رکھیں گے بوجہ مارکیٹ پر زیادہ توجہ مرکوز کر کے اور مختلف قسم کےگاہکوں پر جہاں ہم مقابلہ کر کے اپنے گاہکوں کو اعلیٰ خدمات پیش کر سکتے ہیں۔

2021 میں ہم افراط زر اور سود کی شرح میں اضافہ کی توقع رکھتے ہیں۔ لہذا ہم سود کی شرح سے فائدہ اٹھانے کے لیے متوازن حکمت عملی اختیار کریں گے اور ساتھ ساتھ بازارحصص میں بھی فائدہ اٹھائیں گے۔

اظہار تشکر

ہمارے مخلص سرپرست کلائنٹ نے ہمیں اس قابل کیا ہے کہ ہم وقت کے ساتھ ساتھ اپنے مارکیٹ شئیر میں اضافہ کر سکیں۔ ہم ان کے شکر گزار ہیں کہ انہوں نے ہم پر اعتماد کیا۔ ہم اپنے شئیر ہولڈرز کے بھی ممنون ہیں کہ ان کی بھر پور معا ونت سے ہم اس قابل ہوئے کہ مارکیٹ میں اپنی مستحکم پوزیشن کو برقرار رکھ سکیں۔ ہم اپنے ری انشورر کی قابل قدر معا ونت اور ری انشورنس بروکرز کی پیشہ وارانہ مہارت پر بھی ان کے شکر گزار ہیں۔ ہم ایس ای سی پی (SECP) کے تعاون اور رہنمائی پر بھی ان کے بےحد مشکور ہیں۔ ہم اپنے ڈویلپمنٹ آفیسرز ، اسٹاف ممبرز ، اور ایگزیکٹوز کی انتھک محنت اور پیشہ وارانہ کاوشوں کی بھی تعریف کرتے ہیں جن کی مدد سے ہم اپنے اہداف مکمل کر سکے۔

بورڈ آف ڈائریکٹرز کی جانب سے

فرخ علیم
سی ای او

محمود اختر
ڈائریکٹر

31 مارچ 2021

ڈائریکٹرز کی اراکین کو رپورٹ

سرمایاکاری

اختتام سال 31 دسمبر 2020 میں ہمارے سرمایاکاری کے پورٹ فولیو کی قدر میں 16.25 ارب روپے سے 16.59 ارب روپے کا اضافہ ہوا ہے- دوران سال سرمایہ کاری میں اضافہ ہوا ہے جس کی وجہ مزید سرمایہ کاری کی گئی ہے- اس کے باوجود کہ حصص بازار میں کووڈ 19 وبا کی وجہ سے کمی آئی ہے- کمپنی نے حصص کا منافع (ڈیویڈنڈ انکم) 715 ملین روپے اپنی سرمایاکاری کے پورٹ فولیو سے کمایا (2019: 1,028 ملین روپے) ہے-حصص کی آمدنی میں کمی کی وجہ ایم سی بی بینک اور یو بی ایل سے حصص پر منافع نہ ملنا ہے جو کہ سٹیٹ بنک آف پاکستان کی ہدایات کے عین مطابق ہے

کیش فلو

سال 31 دسمبر 2019 پر خالص کیش فلو جو کہ انڈر رائٹنگ عمل سے پیدا کی گئی منفی ہے- جس کی وجہ دوران سال ری انشورنس کی ادائیگیوں میں عرصہ کا فرق ہے-

فی حصص آمدنی

فی حصص آمدنی میں کمی دیکھنے میں آئی ہے دوران سال31 دسمبر2019 میں یہ 14.10 سےاختتام سال31 دسمبر 2020 میں10.39 روپے ہے-

منافع اور فوائد کا مختص کرنا

31مارچ 2021 کو جو میٹنگ منعقد ہوئی ۔ اس میں ڈائریکٹرز نے 25% نقدمنافع برائےحصص کی تجویز کی ہے ۔ یہ حصص کا منافع جو کہ نصف سال 2020 میں25 فیصد ادا کیا گیا اس کے علاوہ ہے-

کریڈٹ ریٹنگ

VIS

کریڈٹ ریٹنگ کمپنی لمیٹڈ نے سیکورٹی جنرل انشورنس کی مالیاتی طاقت 'AA' بر قرار رکھی ہے-

صحت، حفاظت اور ماحولیات

ہم صحت ، تحفظ اور ماحول کے اعلیٰ معیار کو برقرار رکھنے پر پختہ یقین رکھتے ہیں تاکہ اپنے ساتھ کام کرنے والے لوگوں اور جہاں ہم کام کو انجام دیتے ہیں ان کیمونیٹیز کی فلاح و بہبود کو یقینی بنا سکے۔

بیرونی آڈیٹرز

موجودہ پڑتال کنندہ میسرز اے۔ ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی پروگرام کے تحت تسلی بخش درجہ بندی دی گئی ہے بیرونی آڈیٹرزنے واضح کیا ہے کہ ان کا ادارہ/ فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی ہدایت اور(ICAP)کے مروجہ اقدار کے مطابق کام کر رہی ہے۔

بیرونی پڑتال کنندگان نے اُن آڈٹ کمیٹی کے اجلاس میں شرکت کی جن میں آڈٹ کمیٹی کی جانب سے پڑتال/نظر ثانی شدہ مالی تفصیلات کو زیر غور لایا گیا۔ آڈیٹرز نے تصدیق کی کہ اُنہیں آزادی کا کوئی مسئلہ نہیں ہےاور انہوں نے اپنے تمام تر خدشات کو بورڈ کو لکھے گے خطوط میں واضح کردیا ہےآڈٹ کمیٹی نے بورڈ کی جانب سے غور و خوض کے لیے بیرونی آڈیٹرز کی تقرری اور مشاہرے کی سفارش کی ہے

متعلقہ پارٹیز سے لین دین

تمام متعلقہ پارٹیز سے لین دین کی تفصیلات آڈٹ کمیٹی کو جایزے اور سفارشات کے لیے پیش کی جاتی ہیں اور متعلقہ اجلاس میں بورڈ آف ڈائریکٹرز اس کی منظوری دیتا ہے متعلقہ پارٹیز سے لین دین کی تفصیلات مالی تفصیلات کے نوٹ نمبر35 اور WTO مالی تفصیلات کے نوٹ نمبر 27درج پر ہے

ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کا مشاہرہ بورڈ کی جانب سے منظور کیا جاتا ہے تا ہم، کوئی ڈائریکٹر اپنا مشاہرہ طے کرنے میں حصہ نہیں لیتا ہے۔ کمپنی کے مشاہرے کی پالیسی موجودہ صنعتی رجحانات اور کاروباری امور کی انجام دہی پر منحصر ہے۔

بورڈ آڈٹ کمیٹی

جیسا کہ انشورنس کمپنی کے کوڈ آف کارپوریٹ گورنر کی ضرورت کے تحت بورڈ آف آڈٹ کمیٹی نے سال کے چاروں سماہی مالیاتی نتائج کا جائزہ لیا ۔ دوران سال مندرجہ ذیل افراد اس کے ممبر رہے۔

ممبرز کے نام	کیٹیگری
میاں حسن منشا	چیئرمین
جناب عنایت اللہ نیازی	ممبر
آفتاب احمد خان	ممبر

سٹیچوٹری آڈٹ

آڈیٹر نے کمپنی کی سال 2020 کی مالیاتی رپورٹ کو (unqualified) بیان کیا ہے

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ اور فانشل رپورٹنگ فریم ورک کے مطابق مالیاتی رپورٹ کے ضمن میں ڈائریکٹرز مندرجہ ذیل کی تصدیق کرتے ہیں۔

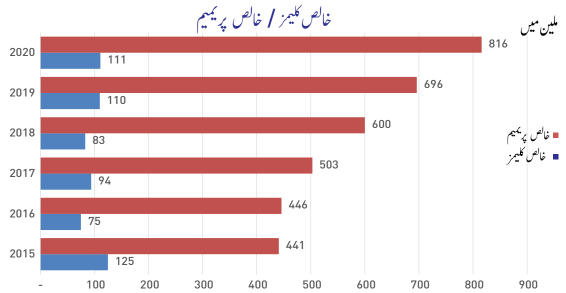
مالیاتی گوشوارے جو کہ انشورنس آرڈیننس 2000، کمپنی ایکٹ 2017، انشورنس رولز 2017، انشورنس اکاونٹنگ ریگولیشن 2017، تکافل رولز 2012 اور جنرل تکافل اکاؤنٹنگ ریگولیشن 2019 کے مطابق تیار کیے ہیں اور یہ گوشوارے کاروباری معمالات ، آپریشن ، نقد بہاؤ اور ایکوئٹی میں تبدیلی کی عکاسی کرتے ہیں۔

- کمپنی کے اکاؤنٹس باقاعدہ طور پر منعقد کیے گئے ہیں۔
- مالیاتی گوشوارے ترتیب دیتے ہوئے مناسب اکاؤنٹنگ پالیسیوں کو ملحوظ خاطر رکھا گیا ہے ۔ مالیاتی گوشوارے اور اکاؤنٹنگ تخمینے مناسب اور محتاط فیصلوں پر مبنی ہیں۔
- پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ کے معیارات کے مالیاتی گوشوارے کی تیاری میں پیروی کی گئی ہے۔ اور اگر کوئی اس میں تبدیلی ہے تو مناسب طور پر بیان کی گئی ہے۔

ڈائریکٹرز کی اراکین کو رپورٹ

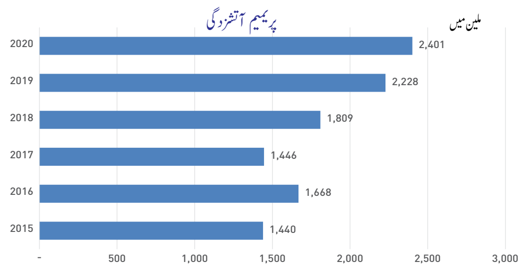
انڈر رائٹنگ عمل

سیکورٹی جنرل انشورنس میں 8.8 ارب کی انڈر رائٹنگ کر کےایک سنگ میل عبور کیا ہے- منافع انڈر رائٹنگ برائے سال 2020 میں 369 ارب روپےً ہے . (2019 میں302 ملین روپے) منافع برائے انڈر رائٹنگ بلحاظ خالص پریمیم آمدنی کا 45 فیصد ہے-



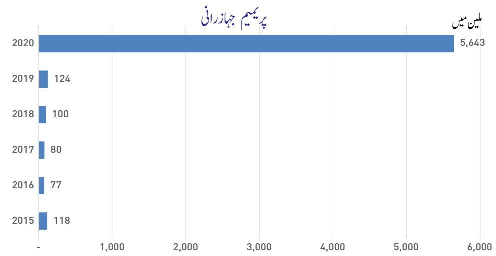
آتشزدگی اور جائیداد

آتشزدگی کے شعبے میں 8 فیصد اضافہ دیکھنے میں آیا ہے۔ منافع آتشزدگی کے شعبہ میں اختتام سال 31 دسمبر 2020 پر کے پریمیم کا 75 فیصد ہے ۔ یہ شعبہ سیکورٹی جنرل کے27 فیصد مجموعی پریمیم کی نمائندگی کرتا ہے۔



جہاز رانی ، ہوا بازی اور نقل و حمل

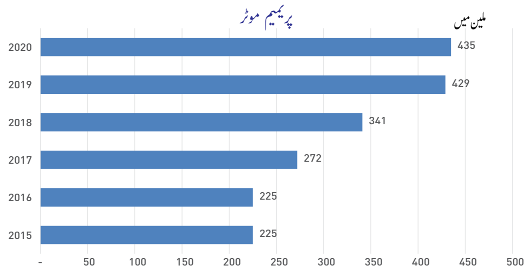
وازنہ برائے پچھلے سال کے جہاز رانی میں 4,453 فیصد اضافہ دیکھنے میں آیا ہے۔ بنیادی طور پر اس میں اضافہ پی آئی اے کے بڑے اور دوسری انشورنسز کی وجہ سے ہے سیکورٹی جنرل کے جہاز رانی کا کاروبار مجموعی پریمیم کے 64 فیصد کی نمائندگی کرتا ہے



موٹر

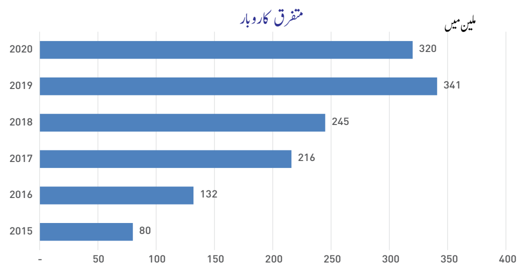
مجموعی پریمیم موٹر کے کاروبار میں 435 ملین کا دورانِ سال 31 دسمبر 2020 اِضافہ ہوا ہے۔ جو کے سال 31 دسمبر 2019 میں 429 ملین تھا۔

موٹر کے کاروبار کا انڈر رائٹنگ منافع 57 % ہے۔



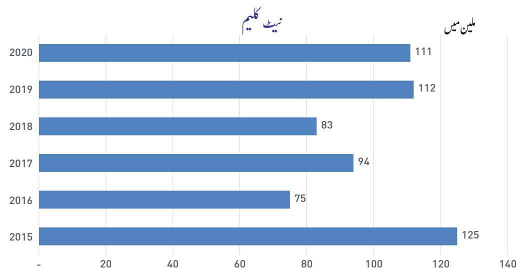
متفرق

متفرق کاروبار کے مجموعی پریمیم میں کمی کی ہے جو کہ 341 ملین اختتام سال 31 دسمبر 2019 سے 320 ملین اختتام سال 31 دسمبر 2020 ہو گیا ہے۔ فصل اور مویشیوں کی انشورنس میں کمی کے باعث معمولی کمی کا سامنا کرنا پڑا ہے۔



کلیمز

اختتام سال 31 دسمبر 2019 میں نیٹ کلیمز کا خرچہ 110 ملین روپے رہا ، جو کہ زیادہ ہو کر اختتام سال 31دسمبر 2020 پر 111 ملین روپے ہو گیا، خالص کلیمز 14 فیصد ہے بلحاظ خالص پریمیم آمدنی کے (2019 میں 16 فیصد) ہے۔



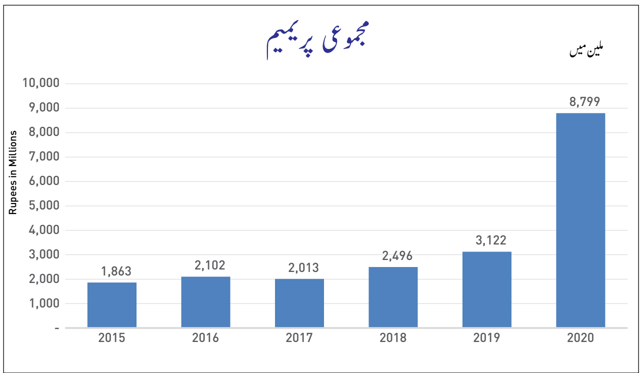
ڈائریکٹرز کی اراکین کو رپورٹ

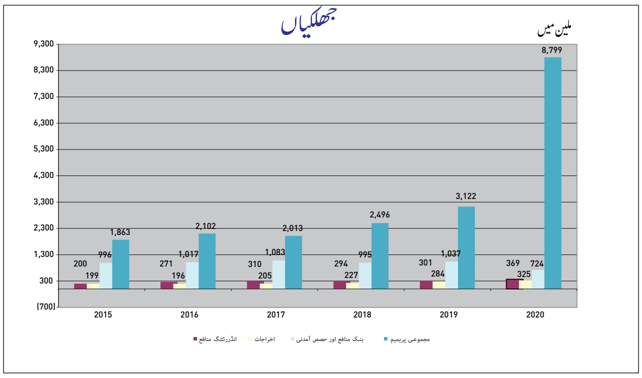
سیکورٹی جنرل انشورنس کمپنی کے بورڈ آف ڈائریکٹر کی جانب سے پچیسویں سالانہ رپورٹ برائے اختتام سال 31 دسمبر 2020 پیش کرتے ہوئے مجھے خوشی ہو رہی ہے

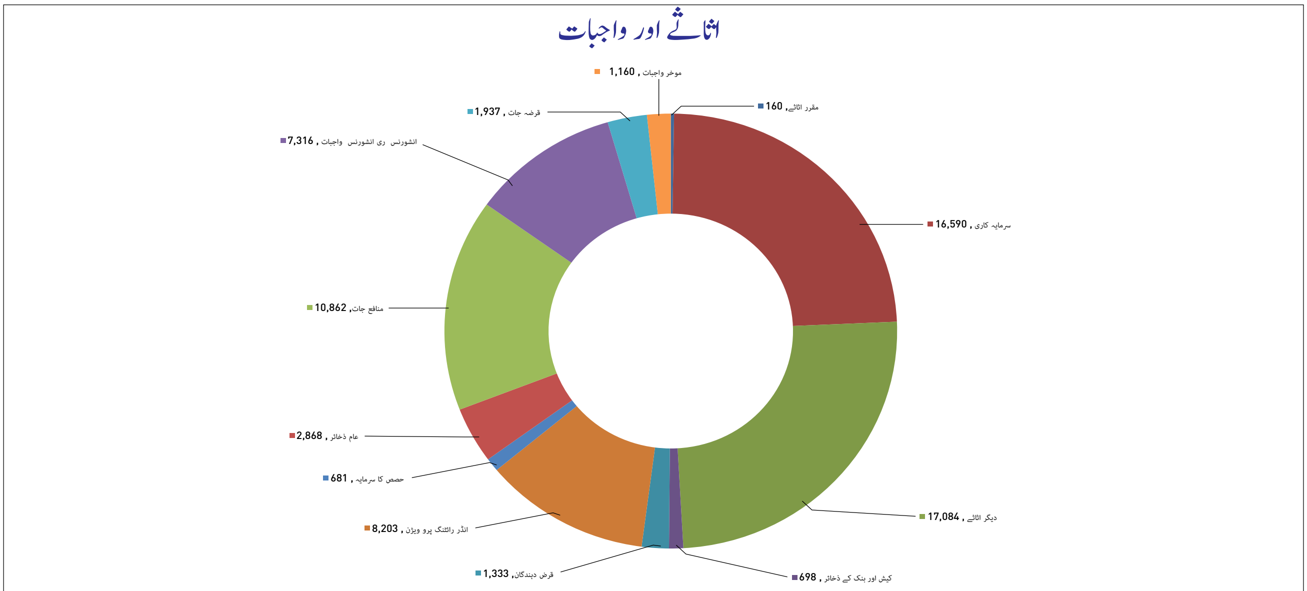
کمپنی کی کارکردگی دوران سال 2020

سیکورٹی جنرل انشورنس نے دوران سال مجموعی پریمیم 8.8ارب روپے تحریر کیا ہے۔

	دسمبر 2020	دسمبر 2019 روپیہ ملین	کمی / اضافہ %
مجموعی پریمیم	8,799	3,122	182
خالص پریمیم آمدنی	816	696	17
خالص کمیشن	26	13	99
خالص کلیمز	111	110	1
منافع انڈر رائٹنگ کاروبار	369	302	22
دوسری آمدنی (سرمایا کاری کی سرگرمیوں سے منسوب نہیں)	42	48	-12
سرمایا کاری آمدنی	724	1,037	-30
مالیاتی خرچہ	124	25	-396
قبل از ٹیکس منافع	1,008	1,354	-26
بعد از ٹیکس منافع	707	959	-26







PATTERN OF SHARE HOLDING
as at December 31, 2020

Number of Shareholders	Shareholding From	Shareholding To		Total Shares Held
6	1	500	Shares	3,000
1	455001	460000	Shares	457,038
1	640001	645000	Shares	643,667
1	915001	920000	Shares	915,903
1	2395001	2400000	Shares	2,399,454
1	5100001	5105000	Shares	5,101,740
1	5825001	5830000	Shares	5,829,991
1	6570001	6575000	Shares	6,571,880
1	8130001	8135000	Shares	8,133,467
2	9045001	9050000	Shares	18,098,742
1	9680001	9685000	Shares	9,681,374
1	10225001	10230000	Shares	10,226,244
18				68,062,500

CLASSIFICATION OF SHARES BY CATEGORIES
as at December 31, 2020

Categories of Members	Numbers	Shares Held	Percentage
Individuals	11	29,853,398	43.86
Investment Companies	0	0	0.00
Insurance Companies	2	10,138,412	14.90
Joint Stock Companies	4	21,498,810	31.59
Financial Institutions	1	6,571,880	9.66
Modaraba Companies	0	0	0.00
Foreign Investors	0	0	0.00
Others	0	0	0.00
Total	18	68,062,500	100.00

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST

as at December 31, 2020

	Name of Shareholder	Shares Held	%
1	Nishat Mills Limited	10,226,244	15.02
2	Adamjee Insurance Co. Ltd	9,681,374	14.22
3	Mian Hassan Mansha	9,049,371	13.30
4	Mian Umer Mansha	9,049,371	13.30
5	Mian Raza Mansha	8,133,467	11.95
6	Allied Bank Limited	6,571,880	9.66
7	Roomi Enterprises (Pvt) Ltd.	5,829,991	8.57
8	Mrs. Naz Mansha	5,101,740	7.50
Associated Company:-			
	Nishat Mills Limited	10,226,244	15.02

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For the Year ended December 31, 2020

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 for the purpose of establishing a framework of good governance, whereby an Insurer is managed in compliance with the best practices of corporate governance.

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

1. The Company 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	Nil
Executive Directors	Mr. Farrukh Aleem
Non Executive Directors	Mr. Hassan Mansha Mr. Inayat Ullah Niazi Mr. Aftab Ahmed Khan Mr. Muhammad Azam Mr. Mehmood Akhtar

* No Independent Director has been appointed as it is not mandatory for unlisted companies.

** Subsequent to the year ended December 31, 2020 a Female Director was appointed on March 31, 2021 upon receipt of directions from Security and Exchange Commission of Pakistan vide letter No ID/OSM/SGI/2021/90 dated February 17, 2021.

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

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

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

5. The Company has prepared a Code of Conduct, which has been disseminate among all the directors and employees of the Company.

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

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

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

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

10. The Board arranged orientation course(s)/training programs for its directors during the year to apprise them of their duties and responsibilities.

11. There was no appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. The Board has approved the revised remuneration of CFO.

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

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

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

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

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For the Year ended December 31, 2020

16. The Board has formed the following Management Committees:

Underwriting Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Sajjad Rasool	Member

Claims Settlement Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Hafiz Khuram Shahzad	Member
Mr. Imran Sohail	Member

Reinsurance and co-insurance Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Umer Haroon	Member
Mr. Muhammad Haris	Member

Risk Management & Compliance Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Hafiz Khuram Shahzad	Member

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Aftab Ahmed Khan	Member
Mr. Farrukh Aleem	Member

Investment Committee :	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Farrukh Aleem	Member
Mr. Hafiz Khuram Shahzad	Member

Nomination Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Aftab Ahmed Khan	Member

18. The Board has formed an Audit Committee. It comprises of three members, of whom three are non-executive Directors. The Chairman of the Committee is a non-executive director. The composition of audit committee is as follows:

Audit Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Aftab Ahmed Khan	Member

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance for insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.

20. The Board has outsourced the internal audit function to Ahsan and Ahsan, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for insurers, 2016. The appointed Actuary of the Company also meets the conditions as laid down in the said 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):

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For the Year ended December 31, 2020

Name of the Person	Designation
Mr.Farrukh Aleem	Chief Executive Officer
Mr. Hafiz Khuram Shahzad	Chief Financial Officer
Mr. Muhammad Asim Rauf Khan	Compliance Officer
Mr. Khalid Mahmood Chohan	Company Secretary
Ahsan and Ahsan, Chartered Accountants	Internal Auditors
Nauman Associates and Anwar Associates	Actuary
Mr. Syed Mehmood Ul Hassan	Head Of Window Takaful
Mr. Sajjad Rasool	Head of Underwriting
Mr. Imran Sohail	Head of Claims
Mr. Umer haroon	Head of Reinsurance
Mr. Muhammad Haris	Head of Risk Function
Mr. Shafiq-u-Rehman	Head of Grievance Function

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (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 insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

24. The Board ensures that the appointed Actuary complies with the requirement set out for him in the Code of Corporate Governance for Insurers, 2016.

25. The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for insurers, 2016.

26. The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for insurers, 2016.

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

28. The Board ensures that as part of this risk management system, the Company gets itself rated from VIS Credit Rating Company Ltd., which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency is AA with stable outlook on December 31, 2020.

29. The Board has set up a grievance function in compliance with the requirement of the Code of Corporate Governance for Insurers, 2016.

30. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code.

31. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied with.

On behalf of Board of Directors

(FARRUKH ALEEM)
CEO

MAHMOOD AKHTAR
DIRECTOR

Lahore
March 31, 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF SECURITY GENERAL INSURANCE COMPANY LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (herein referred to as 'the Code') prepared by the Board of Directors of Security General Insurance Company Limited (the Company) for the year ended December 31, 2020 to comply with the Code issued by the Security and Exchange Commission of Pakistan applicable to unlisted insurance companies.

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

As a part of our audit of 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.

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 December 31, 2020.

A. F. Ferguson & Co.
Chartered Accountants
Name of engagement partner: Amer Raza Mir

Lahore
Date: April 07, 2021

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Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

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A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of Security General Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

A. F. Ferguson & Co.
Chartered Accountants
Name of engagement partner: Amer Raza Mir

Lahore
Date: April 07, 2021

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	2020	2019
		---------Rupees in thousand---------	
ASSETS			
Property and equipment	6	154,833	145,332
Intangible assets under development	7	5,494	4,044
Investment property	8	461,500	464,176
Investments			
Equity securities	9	16,522,178	16,184,138
Debt securities	10	67,706	69,673
Loans and other receivables	11	33,101	34,968
Insurance/reinsurance receivables	12	8,825,466	2,289,531
Reinsurance recoveries against outstanding claims	25	955,947	1,006,088
Salvage recoveries accrued		11,050	5,120
Deferred commission expense / acquisition cost	26	134,180	110,933
Prepayments	13	6,561,949	1,151,576
Cash and bank	14	697,927	268,560
		34,431,331	21,734,139
Total assets of window takaful operations - Operator's Fund	15	100,866	86,187
TOTAL ASSETS		34,532,197	21,820,326
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS			
Ordinary share capital	16	680,625	680,625
Reserves	17	2,867,792	3,742,464
Un-appropriated profit		10,862,145	10,494,554
TOTAL EQUITY		14,410,562	14,917,643
LIABILITIES			
UNDERWRITING PROVISIONS			
Outstanding claims including IBNR	25	1,131,834	1,176,065
Unearned premium reserves	24	6,963,167	1,558,246
Unearned reinsurance commission	26	107,748	92,208
Retirement benefit obligations	18	4,824	5,831
Deferred taxation	19	1,156,084	1,507,567
Borrowings	20	1,936,663	193,228
Premium received in advance		76,131	49,020
Insurance/reinsurance payables	21	7,316,459	1,730,249
Other creditors and accruals	22	1,216,458	365,409
Taxation - provision less payments		171,743	187,826
TOTAL LIABILITIES		20,081,111	6,865,649
Total liabilities of window takaful operations - Operator's Fund	15	40,524	37,034
TOTAL EQUITY AND LIABILITIES		34,532,197	21,820,326

CONTINGENCIES AND COMMITMENTS 23

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

Chief Executive Officer	Director	Director	Chairman

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		-----Rupees in thousand-----	
Net insurance premium	24	815,915	695,996
Net insurance claims	25	(111,478)	(110,472)
Net commission and other acquisition costs	26	(25,664)	(12,927)
Insurance claims and acquisition expenses		(137,142)	(123,399)
Management expenses	27	(310,029)	(270,190)
UNDERWRITING RESULTS		368,744	302,407
Investment income	28	724,489	1,037,215
Other income	29	42,445	48,439
Other expenses	30	(15,244)	(12,507)
RESULTS OF OPERATING ACTIVITIES		1,120,434	1,375,554
Finance costs	31	(123,612)	(24,754)
Profit from window takaful operations- Operator's Fund	15	11,189	3,163
PROFIT BEFORE TAX		1,008,011	1,353,963
Income tax expense	32	(300,957)	(394,580)
PROFIT AFTER TAX		707,054	959,383
EARNINGS AFTER TAX PER SHARE - RUPEES	33	10.39	14.10

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

Chief Executive Officer | Director | Director | Hasan Mansha Chairman

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	------Rupees in thousand------	
PROFIT AFTER TAX FOR THE YEAR	707,054	959,383
OTHER COMPREHENSIVE INCOME FOR THE YEAR:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT:		
Unrealized (loss) / gain on available-for-sale investments - net of tax	(874,672)	429,207
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT AND LOSS ACCOUNT:		
Remeasurement of defined benefit obligations - net of tax	849	(1,049)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(166,769)	1,387,541

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

Chief Executive Officer	Director	Director	Chairman

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Attributable to equity holders of the Company				
		Capital Reserve	Revenue Reserve		
	Share Capital	Fair value reserve	General Reserve	Un-appropriated profit	Total capital and reserves
	--------------------Rupees in thousand--------------------				
BALANCE AS ON JANUARY 01, 2019	680,625	3,311,257	2,000	9,876,532	13,870,414
Profit after taxation for the year ended December 31, 2019	-	-	-	959,383	959,383
Other comprehensive income / (loss) for the year ended December 31, 2019	-	429,207	-	(1,049)	428,158
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019	-	429,207	-	958,334	1,387,541
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY					
Final dividend for the year ended December 31, 2018 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
Interim dividend for half year ended June 30, 2019 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
BALANCE AS ON DECEMBER 31, 2019	680,625	3,740,464	2,000	10,494,554	14,917,643
-Profit after taxation for the year ended December 31, 2020	-	-	-	707,054	707,054
- Other comprehensive (loss) / income for the year ended December 31, 2020	-	(874,672)	-	849	(873,823)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020	-	(874,672)	-	707,903	(166,769)
TRANSACTIONS WITH OWNERS, RECOGNISED DIRECTLY IN EQUITY					
Final dividend for the year ended December 31, 2019 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
Interim dividend for half year ended June 30, 2020 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
BALANCE AS ON DECEMBER 31, 2020	680,625	2,865,792	2,000	10,862,145	14,410,562

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

Chief Executive Officer	Director	Director	Hasan Mansha Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2020

		Note	2020	2019
			------Rupees in thousand------	
	OPERATING CASH FLOWS			
a)	UNDERWRITING ACTIVITIES			
	Insurance premiums received		3,135,315	3,059,231
	Reinsurance premiums paid		(2,488,362)	(1,713,052)
	Claims paid		(579,210)	(439,489)
	Reinsurance and other recoveries received		456,369	348,247
	Commissions paid		(222,165)	(173,787)
	Commissions received		234,628	221,791
	Management expenses paid		(284,432)	(213,702)
	Other underwriting payments		(11,623)	-
	Other underwriting receipts		19,178	50,711
	NET CASH INFLOW FROM UNDERWRITING ACTIVITIES		259,698	1,139,950
b)	OTHER OPERATING ACTIVITIES			
	Income tax paid		(311,259)	(383,187)
	NET CASH OUT FLOW FROM OTHER OPERATING ACTIVITIES		(311,259)	(383,187)
	TOTAL CASH (OUTFLOW) / INFLOW FROM ALL OPERATING ACTIVITIES		(51,561)	756,763
	INVESTMENT ACTIVITIES			
	Profit / return received		51,695	50,247
	Dividends received		715,230	1,028,471
	Payments for investments / investment properties		(2,346,843)	(1,590,539)
	Proceeds from investments		780,772	205,484
	Fixed capital expenditure		(40,145)	(58,452)
	Proceeds from sale of operating assets		6,872	3,419
	TOTAL CASH OUT FLOW FROM INVESTING ACTIVITIES		(832,419)	(361,370)
	FINANCING ACTIVITIES			
	Dividends paid		(340,312)	(340,312)
	Loan received		1,627,393	-
	Interest paid		(89,776)	(17,981)
	TOTAL CASH INFLOW/OUTFLOW FROM FINANCING ACTIVITIES		1,197,305	(358,293)
	NET CASH INFLOW FROM ALL ACTIVITIES		313,325	37,100
	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		75,332	38,232
	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14.3	388,657	75,332

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		------Rupees in thousand------	
Reconciliation to profit and loss account			
Operating cash flows		(51,561)	756,763
Depreciation expense		(26,876)	(23,036)
Finance costs		(127,443)	(26,612)
Loss on disposal of operating assets		(427)	(313)
Profit on disposal of investments		1,904	484
Dividend income		715,252	1,028,353
Other investment income		7,333	8,378
Other income		42,872	48,752
Increase in assets other than cash		11,910,113	464,030
Increase in liabilities other than borrowings		(6,378,088)	(1,043,687)
Increase in provision for unearned premium		(5,404,921)	(262,114)
Increase in commission income unearned		(15,540)	(11,450)
Increase in commission expense deferred		23,247	16,672
Profit from window takaful operations for the year - Operator's Fund		11,189	3,163
Profit after taxation		707,054	959,383

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

Chief Executive Officer | Director | Director | Chairman

1 LEGAL STATUS AND NATURE OF BUSINESS

Security General Insurance Company Limited (the 'Company') is a general non-life insurance company which was incorporated as an unquoted public limited company, in Pakistan on May 13, 1996 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company has 10 branches in Pakistan. The Company is engaged in providing general insurance services in spheres of fire, marine, motor and miscellaneous. The registered office and the principal place of business is situated at SGI House, 18-C, E1, Gulberg III, Lahore.

The Company was granted license to work as Window Takaful Operator (WTO) dated May 07, 2018 by the Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on Window Takaful Operations in Pakistan.

2 BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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

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

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

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

2.2 Basis of preparation

These financial statements have been presented on the format of the financial statements issued by SECP through Insurance Rules, 2017 vide S.R.O 89(1)/2017 dated February 09, 2017 .

Total assets, total liabilities and profit of the Window Takaful Operations of the Company referred to as the Operator's Fund (OPF) have been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated July 9, 2015 issued by the SECP. Further, a separate set of the financial statements of the Window Takaful Operations has been annexed to these financial statements as per the requirements of Takaful Rules, 2012.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value of the defined benefit obligation less fair value of plan assets and certain investments which are carried at market value. All transactions reflected in the financial statements are on accrual basis except those reflected in cash flow statement.

2.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency and all figures in these financial statements have been rounded off to the nearest thousand rupees, except otherwise stated.

2.5 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

2.6 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Company's operations although they may affect the accounting for future transactions and events upon initial application and are, therefore, not disclosed in these financial statements, except for the following:

a) IFRS 17 - Insurance contracts

'This standard has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023 and yet to be notified by the SECP. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

This standard has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023 and yet to be notified by the SECP. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The management is currently in the process of assessing the impact of changes laid down by the standard on its financial statements.

b) IFRS 9 - Financial Instruments and IFRS 4 - Insurance Contracts

This standard was notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective from annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model.

The Company has continued to take advantage of an election under IFRS 4 that permits an insurer which meets certain conditions to temporarily be exempt from adopting IFRS 9 'Financial Instruments', that would have otherwise become effective from January 1, 2019, until January 1, 2023. Disclosures required under the temporarily exemption have been made by the Company and detailed in note 4 to these financial statements.

c) Other standards, amendments and interpretations	Effective date (period beginning on or after)
- IAS 16 – Property, Plant and Equipment (Amendments)	January 1, 2022
- IAS 37 – Onerous contracts (Amendments)	January 1, 2022
- IAS 1 – Presentation of financial statements' , definition of materiality and classification of liabilities (Amendment)	January 1, 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Leases

3.1.1 Lessee Accounting

At inception of a contract, the company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases having lease term of less than 12 months are accounted for as short-term leases and the expense charged to profit or loss on straight line basis over the lease term.

The lessee at the commencement of lease term shall recognize right of use asset and a lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the company is reasonably certain to exercise these options.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

These include an assessment of:

- Whether, there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).

- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

3.1.2 Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset i.e. retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

3.2 Property and equipment

3.2.1 Operating assets

Operating assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost of operating assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation on all operating assets is charged to profit and loss account on reducing balance method at the rates given in note 6.1 to the financial statements so as to write off the cost of operating asset over its estimated useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged in the month in which the asset is derecognized or retired from active use. Management judgement and estimates are involved in determining the useful lives of assets that best reflects the expected pattern of consumption of the future economic benefits embodied in the asset by the Company.

Maintenance and normal repairs are charged to profit and loss account as and when incurred whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain and loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense, in the profit and loss account.

The operating assets' residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its operating assets as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably.

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

3.2.2 Capital work-in-progress

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

3.3 Intangible assets

Software development cost are only capitalized to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

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

3.4 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprise of land and buildings. The investment property, except freehold land are stated at cost less accumulated depreciation and any identified impairment losses. Freehold land is stated at cost less any identified impairment loss.

Depreciation on all investment property is charged to the profit and loss account, by applying the reducing balance method at the rates given in note 7 to write off the cost of investment property over its expected useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, whereas no depreciation is charged in the month of disposal.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual values and useful lives of its investment property as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

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

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

3.5 Insurance contracts

Insurance contracts are those contracts where the Company has accepted significant insurance risk from the policy holders by agreeing to compensate the policy-holders on the occurrence of a specified uncertain future event i.e. insured event, that adversely affects the policy holders. Significant insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event.

The Company underwrites non-life insurance contracts only under four main classes of business i.e. fire and property damage, marine aviation and transport, motor and others including miscellaneous and are issued to corporate and individual clients. The tenure of these insurance contracts depend upon terms of the policies written and vary accordingly. Nonetheless, 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 liabilities are extinguished or expired.

The classification of an insurance contract / policy into the aforementioned categories is based on management's judgment regarding the incident / cause of loss effecting the majority of asset(s) insured under the insurance contract. The Company performs its segment reporting activities based on the classifications of insurance contracts made, as disclosed in note 36 to these financial statements.

a) Fire and property damage insurance:

i) Insurance risks and events insured

Fire and property damage insurance contracts generally cover the policy holders against damages caused by one or more of the following: fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, burglary, etc. according to the terms and conditions of the policy. 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).

ii) Revenue recognition policy

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct insurance business, premium is recognized evenly over the period of the policy and for proportional reinsurance business, evenly over the period of underlying insurance policies. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017, except in rare circumstances where the coverage period materially differs, the same is recognized in accordance with the ratio of unexpired period of policy and the total period.

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

b) Marine, aviation and transport insurance:

i) Insurance risks and events insured

Marine, aviation and transport insurance contracts generally provide cover against one or more of the following: cargo risk, war risk and damages occurring during transit between the points of origin and final destination according to the terms and conditions of the policy.

ii) Revenue recognition policy

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional reinsurance business, evenly over the period of underlying insurance policies. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for three months period, premium written during last three months of the financial year, is taken to the provision for unearned premium at the reporting date by using 1/6th method.

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

c) Motor insurance:

i) Insurance risks and events insured

Motor insurance contracts provide indemnity against one or more of the following: total or partial loss of vehicle, third party loss and other comprehensive car coverage, etc. according to the terms and conditions of the policy.

ii) Revenue recognition policy

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates to its expiry. For direct business, evenly over the period of the policy and for proportional reinsurance business, evenly over the period of underlying insurance policies. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017.

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

d) Miscellaneous insurance:

i) Insurance risks and events insured

All other insurances like crop, cash in hand, cash in transit, personal accident, infidelity, public liabilities, 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. As per guidance of Insurance Accounting Regulations, 2017 amounts constituting less than 10% of the gross premium revenue are clubbed together under this class of insurance contract.

ii) Revenue recognition policy

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional reinsurance business, evenly over the period of underlying insurance policies. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017, except in rare circumstances where the coverage period materially differs, the same is recognized in accordance with the ratio of unexpired period of policy and the total period.

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

Detailed accounting policies for recording and measurement of reinsurance contracts held, receivables / payables related to insurance contracts and provision for outstanding claims including Incurred But Not Reported (IBNR) are mentioned in note 3.9, 3.10 and 3.20, respectively.

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

3.6 Deferred commission expense / acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of the insurance coverage at the reporting date. The same is amortized systematically, through the profit and loss account, over the reporting periods over which the related premium revenue is recognized. Accordingly, deferred commission expense is also effected by the judgement and estimates involved in the determination of premium revenue.

The Company maintains its provision for deferred commission expense by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in the Insurance Accounting Regulation, 2017 for non life insurance companies. In case of marine, commission expense relating to last three months is taken as deferred commission expense, consistent with 1/6th method above.

3.7 Unearned premium reserves

Provision for unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. The method selected by management involves judgement and estimates regarding the expected pattern of incidence of risk in relation to a particular type of policy. Majority of the insurance contracts entered into by the Company are for a period of 12 months. Policy for recognition of premium revenue is disclosed in note 3.13 to these financial statements.

The Company maintains its provision for unearned premium by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017. However, in case of marine, premium written during last three months is taken as provision for unearned premium, consistent with 1/6th method above.

3.8 Premium deficiency reserve (liability adequacy test)

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

An estimate of loss ratios for the expired period is carried out, at each operating segment level, keeping in view historical claim development and experience during the expired period of the contracts. Where ratios are adverse, an assessment is made to determine if it is due to one off claim that are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable. If determined to be inadequate, a deficiency in premium is recognized in the current reporting period. The loss ratios for the current and prior year are as follows:

	Loss ratios based on current estimated of known claims	
	2020	2019
Fire and property damage	7%	7%
Marine, aviation and transport	15%	25%
Motor	37%	36%
Miscellaneous	50%	45%

As per management's assessment and in line with the provisions of the Insurance Ordinance, 2000, the Insurance Rules 2017 and the Insurance Accounting Regulations, 2017, a premium deficiency reserve is not required as on december 31, 2020 and accordingly no provision for the same has been made in these financial statements of the current year.

3.9 Reinsurance contracts held

The Company enters into reinsurance contracts with reinsurance companies by arranging treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Company.

The risks undertaken by the Company under these contracts for each operating segment are stated in note 3.11 to the financial statements.

The benefits to which the Company is entitled under reinsurance contracts held are recognized as reinsurance assets. These assets include reinsurance receivables as well as receivables that are dependent on the expected claims and benefits arising under the related reinsured contracts.

Reinsurance liabilities primarily include premium payable and commission payable (in case of facultative acceptance). Reinsurance assets and liabilities are measured consistently with the terms of the underlying reinsurance contracts.

Reinsurance assets and liabilities are derecognized when the contractual rights are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities.

Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligation to its policyholders.

Premium ceded to reinsurers is recognized as follows:

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

b) for reinsurance contracts operating on a non-proportional basis, a liability is recognized on inception of the reinsurance contract, while an asset is recognized for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of indemnity.

3.10 Receivables and payables related to insurance contracts

Insurance/reinsurance receivables and payables are recognized when due and carried at cost less provision for impairment. Cost is the fair value of the consideration to be received/ paid in the future for services rendered/ received. These include amounts due to and from agents, brokers, insurance contract holders and other insurance companies.

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

3.11 Segment reporting

The Company accounts for segment reporting based on the guidelines of the Insurance Accounting Regulations, 2017 and the operating segments as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017, as the primary reporting format based on the Company's practice of internal reporting to the management on the same basis. The Company has determined its primary segments based on insurance risks covered under four types of insurance contracts as stated in note 3.5 to these financial statements.

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.

As the operations of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments along with any short term finance borrowing arrangement carried out with banks.

3.13 Revenue recognition

a) Premium income earned

Premium income under an insurance contract is recognized over the period of insurance from the date of the issue of the policy/cover note to which it relates to its expiry as detailed in note 3.7 to the financial statements.

b) Commission income

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

c) Investment income

Following are recognized as investment income:

- Income on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on investments.

- Gain / loss on sale of investments is taken to the profit and loss account in the year of sale as per settlement date.

d) Dividend income and bonus shares

Dividend income and entitlement of bonus shares are recognized when the right to receive such dividends and bonus shares is established.

e) Rent and other income

Rental and other income is recognized on accrual basis.

f) Administrative surcharge

Administrative surcharge includes documentation and other charges recovered by the Company from insurance contract holders in respect of insurance policies issued, at a rate of 5% of the gross premium, restricted to a maximum of Rs 2,000 in case of all insurance contracts. Administrative surcharge is recognized as revenue at the time of issuance of policy.

For the purpose of these financial statements, administrative surcharge is included in gross premiums written during the year.

3.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.15 Taxation

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

Current tax

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

Deferred tax

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

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

3.16 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

3.16.1 Defined contribution plan

There is an approved funded contributory provident fund for all permanent employees. Equal monthly contributions are made by the company and employees to the fund, at the rate of 10% of basic salary. Contributions made by the company are recognized as expense. The Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

3.16.2 Defined benefit plan

There is an approved funded Gratuity Fund for all of its permanent employees. Retirement benefits are payable to staff on resignation, retirement or termination from service, subject to completion of prescribed qualifying period of service under the scheme.

The latest actuarial evaluation was carried out as at December 31, 2020 using the "Projected Unit Credit Method". Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognized in the statement of financial position immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

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

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Actuarial gains or losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

3.17 Impairment of assets

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

The carrying amount of non financial assets is reviewed at each statement of financial position 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.

In the case of reinsurance assets, if an event occurs before or after the statement of financial position date, that gives rise to a reasonable and measurable probability that the amounts recoverable from any of the counter parties to the reinsurance contract are not recoverable, in whole or in part, an impairment loss is charged to profit for the year.

3.18 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.19 Management expenses

Expenses of management include both directly and indirectly attributable expenses allocated to various classes of business / operating segments on the basis of gross premium written. Management judgement is involved in determining the nature of expenses that are not allocable to the underwriting business and based thereon are classified as other expenses.

Allocation of management expenses effects the underwriting results of the operating segments, as disclosed in relevant note to these financial statements.

3.20 Provision for outstanding claims including Incurred But Not Reported (IBNR)

The Company recognizes a liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts in relation to unpaid reported claims, IBNR and expected claim settlement costs.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date, whether reported or not. The Company engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred but not Reported claim reserve, 2016".

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

The 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 retakaful recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance arrangements.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium 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 reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

3.21 Reinsurance recoveries against outstanding claims

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

3.22 Provision for doubtful receivables

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any, provision for impairment of premium receivables is established when the chances of recovery are less. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis. The provision is made while taking into consideration of expected recoveries, if any.

3.23 Unearned reinsurance commission

Unearned commission income from the reinsurers represents the portion of income relating to the unexpired period of coverage and is recognized as a liability.

3.24 Creditors and accruals

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

3.25 Loan to employees

These are recognized at cost, which is the fair value of the consideration given.

3.26 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

3.27 Financial assets

3.27.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise insurance/reinsurance receivables, loans, advances, deposits and other receivables, reinsurance recoveries against outstanding claims and cash and bank balances in the statement of financial position.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non current.

The Company has no financial assets classified as financial assets at fair value through profit or loss on any of the reporting dates, presented in these financial statements.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

d) Held-to-maturity

Investments with fixed maturity, that the management has the intent and ability to hold till maturity are classified as held-to-maturity and are initially recognized at cost being the fair value of consideration given and include transaction costs.

Income from held-to-maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

3.27.2 Recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date; the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognized in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the Company's right to receive payments is established.

The Company assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the statement of profit or loss. Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. Impairment testing of insurance/reinsurance receivables and other receivables is described in note 3.21.

3.27.3 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss.

3.27.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.28 Borrowings

Loans and borrowings from banks are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are included in creditors and accruals to the extent of the remaining unpaid amount.

3.29 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.30 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. All investments in equity securities, debt securities and term deposits are accounted for under IAS-39 and based thereon can be classified into any of the following categories:

- Held to maturity; and
- Available for sale

i) Equity securities

Currently the company classifies investment in equity securities such as listed / unlisted shares in other companies, mutual fund units / investments, etc. as 'Available for sale'.

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as 'held to maturity' or 'investment at fair value through profit and loss account'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates. Investments classified as 'available for sale' are initially measured at cost, being the fair value of consideration given.

At each subsequent reporting date, available for sale investments are remeasured at fair market value. Changes in fair market value are recognized in other comprehensive income / (loss) until derecognized or determined to be impaired. Gains / losses on derecognition and impairment losses / reversals are recognized in profit and loss account.

ii) Debt securities

The Company classifies its investment in debt securities as either 'Held to maturity' or 'Available for sale' depending upon the maturity of the investment.

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as 'held to maturity', while debt investments having an indefinite term / perpetual maturity are classified as 'available for sale'. These investments are initially measured at the cost being the fair value of consideration paid.

Subsequently 'held to maturity' investments are measured at amortized cost using the effective yield method. Any premium paid or discount availed on acquisition of held to maturity investments is deferred and included in the income for the period on a straight line basis over the term of investment. While 'available for sale' investments are remeasured at fair market value at each subsequent reporting date. Changes in fair market value, if any are recognized in other comprehensive income / (loss) until derecognized or determined to be impaired. Gains / losses on derecognition and impairment losses / reversals are recognized in profit and loss account.

The Company has classified debt investments in Pakistan Investment Bonds as 'Held to maturity' at the reporting date.

4 TEMPORARY EXEMPTION FROM APPLICATION OF IFRS 9 - FINANCIAL INSTRUMENTS

As allowed by the International Accounting Standards Board (IASB) the Company's management has opted for a temporary exemption from IFRS 9 on the basis that its activities are predominantly connected with insurance.

The Company qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance, with the carrying amount of its liabilities within the scope of IFRS 4 being greater than the required threshold of the total carrying amount of all its liabilities at December 31, 2015, and with no subsequent change in its activities that warrant a reassessment of the same.

Furthermore, the amendment of IFRS 4 - Insurance Contracts requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest ('SPPI') and other financial assets separately. The fair value measurement of investments has been documented in note 37.1 and credit exposure of assets that pass the SPPI test has been documented in note 39.2 to these financial statements.

Security General Insurance Company Limited has assessed that the following financial asset have contractual cash flows that meet the SPPI criteria:

a) Investments in debt securities - Pakistan Investment Bonds
b) Insurance debtors and other short term receivables
c) Balances with banks

The remaining financial assets held by the entity have contractual cash flows that do not represent solely payments of principal and interest. The group includes the following financial assets:

a) Investments in equity securities - Shares in listed / unlisted companies
b) Investments in equity securities - Mutual funds

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continuously evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both periods. The major areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Premium deficiency reserve (liability adequacy test) (note 3.8)
b) Provision for outstanding claims including, incurred but not reported claims (IBNR) (notes 3.20 and 25)
c) Provision for taxation and deferred tax (notes 3.15 ,19 and 32)

d) Provision for doubtful receivables (notes 3.22 and 12)
e) Useful lives of property and equipment and investment property (notes 3.2.1, 3.4, 6 and 8)
f) Defined benefit plan (notes 3.16.2 and 18)
g) Classification of investments and its impairment (notes 3.27.1,9 and 10)

	Note	2020	2019
		------Rupees in thousand------	
6 PROPERTY AND EQUIPMENT			
Operating assets	6.1	154,833	145,332
Capital work-in-progress - Advance to suppliers		-	-
		154,833	145,332

6.1 Operating assets

	2020							
	Cost			Accumulated depreciation			Written down value as at December 31	Depreciation rate %
	As at January 1	Addition/ (disposals)	As at December 31	As at January 1	Charge for the year/ (disposals)	As at December 31		
	Rupees in thousand							
Freehold land	22,672	-	22,672	-	-	-	22,672	0%
Buildings on freehold land	63,884	-	63,884	44,983	1,890	46,873	17,011	10%
Leasehold improvements	3,679	-	3,679	1,224	211	1,435	2,244	10%
Furniture and fixtures	12,474	806	13,280	5,494	761	6,255	7,025	10%
Office equipment	18,211	1,879	18,824	11,425	1,120	11,709	7,115	15%
		(1,266)			(836)			
Computer equipment	8,043	863	8,521	4,031	686	4,495	4,026	15%
		(385)			(222)			
Motor vehicles	142,735	36,597	163,086	59,209	19,532	68,346	94,740	20%
		(16,246)			(10,395)			
	271,698	22,248	293,946	126,366	12,747	139,113	154,833	

	2019							
	Cost			Accumulated depreciation			Written down value as at December 31	Depreciation rate %
	As at January 1	Addition/ (disposals)	As at December 31	As at January 1	Charge for the year/ (disposals)	As at December 31		
	Rupees in thousand							
Freehold land	22,672	-	22,672	-	-	-	22,672	0%
Buildings on freehold land	62,656	1,228	63,884	43,003	1,980	44,983	18,901	10%
Leasehold improvements	2,561	1,118	3,679	1,060	164	1,224	2,455	10%
Furniture and fixtures	10,381	2,158	12,474	4,904	627	5,494	6,980	10%
		(64)			(37)			
Office equipment	16,951	3,041	18,211	11,476	969	11,425	6,786	15%
		(1,781)			(1,020)			
Computer equipment	7,422	1,046	8,043	3,701	623	4,031	4,012	15%
		(424)			(294)			
Motor vehicles	109,388	40,658	142,735	47,770	15,700	59,209	83,526	20%
		(7,311)			(4,261)			
	232,031	39,669	271,698	111,914	14,451	126,366	145,332	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

6.1.1 Disposal of Fixed Asset

Particulars of the assets	Particulars of buyer	2020 Cost	Book value	Sale proceeds	Mode of disposal
Vehicles		------ Rupees in thousand ------			
Honda Cd-70	East West Insurance	77	64	79	Claim settlement
Daihatsu Mira	Ishaq Hussain	1,189	414	423	Company Policy
Daihatsu Mira	Muhammad Boota	1,248	435	451	Company Policy
Daihatsu Mira	Kamran Ahmed Khan	1,222	426	440	Company Policy
Suzuki Swift	Babar Imran	1,335	412	426	Company Policy
Honda Civic	Tariq Butt	2,747	1,337	1,365	Company Policy
Toyota Corolla Altis	Hafiz Khuram Shahzad	2,344	916	946	Company Policy
Suzuki Cultus	Muhammad Suleman Rasheed	782	87	600	Company Policy
Honda City	Sabar Salam	1,533	303	314	Company Policy
Suzuki Alto	Kousar Abbas Paracha	748	102	170	Company Policy
Honda Civic	Farrukh Aleem	2,958	1,340	1,394	Company Policy
		16,183	5,836	6,608	
Office equipment					
Samsung Note-9	Max Technology	143	114	30	Company's Policy
		143	114	30	
Computers					
Laptop Envy Ae-132	Oxbow International Impex	158	78	35	Negotiation
		158	78	35	
Sale of other assets having book value less than Rs. 50,000.	Various	1,413	416	198	Negotiation
		1,413	416	198	
December 31, 2020		17,897	6,444	6,871	
December 31, 2019		9,580	3,968	3,419	

6.1.2 The depreciation charge/expense for the year has been allocated to management expenses as disclosed in note 27.

6.1.3 The Company owns 2 buildings and the resulting area of land. First one is the Head Office situated at 18 C/E1 Gulberg 3, Lahore. The land for head office was purchased in 2004 and the Company shifted to this office in 2007.The second one is an office in Gujranwala, which was purchased in the year 2009. The amount of Gujranwala building is approx. Rs 1.6 million. The owned buildings are insured under insurance policy. The Company charges depreciation on building at the rate of 10% per annum.

	Note	2020	2019
		------ Rupees in thousand -----	
7 INTANGIBLE ASSETS			
Capital work-in-progress	7.1	5,494	4,044

7.1 No amortization of intangible asset has been charged as it is under development.

8 INVESTMENT PROPERTY

2020

	Cost			Accumulated depreciation			Written down value as at December 31	Deprecia-tion rate
	As at January 1	Addition/ (disposals)	As at December 31	As at January 1	Charge for the year/ (disposals)	As at December 31		%
	---------Rupees in thousand---------							
Freehold land	437,419	-	437,419	-	-	-	437,419	0%
Building	30,759	-	30,759	4,002	2,676	6,678	24,081	10%
	468,178	-	468,178	4,002	2,676	6,678	461,500	

2019

	Cost			Accumulated depreciation			Written down value as at December 31	Deprecia-tion rate
	As at January 1	Addition/ (disposals)	As at December 31	As at January 1	Charge for the year/ (disposals)	As at December 31		%
	---------Rupees in thousand---------							
Freehold land	428,217	9,202	437,419	-	-	-	437,419	0%
Building	30,759	-	30,759	1,028	2,974	4,002	26,757	10%
	458,976	9,202	468,178	1,028	2,974	4,002	464,176	

8.1 The depreciation charge/expense for the year has been allocated to management expenses as disclosed in note 27.

8.2 The market value of the investment property as per valuation carried out by professional valuer as at the year ended December 31, 2020 is Rs. 520.143 million (2019:Rs 514.690 million).

		Note	2020 Cost	2020 Carrying value	2019 Cost	2019 Carrying value
			------ Rupees in thousand ------			
9	**INVESTMENTS IN EQUITY SECURITIES**					
	Available-for-sale					
	Related parties					
	Listed shares	9.1	218,375	218,375	218,375	218,375
	Unlisted shares	9.2	3,354,428	3,354,428	2,057,352	2,057,352
			3,572,803	3,572,803	2,275,727	2,275,727
	Unrealized gain on revaluation			526,412		500,279
				4,099,215		2,776,006
	Others					
	Listed shares	9.3	8,649,693	8,649,693	8,639,691	8,639,691
	Mutual funds	9.4	263,357	263,357	460	460
			8,913,050	8,913,050	8,640,151	8,640,151
	Unrealized gain on revaluation			3,509,913		4,767,981
				12,422,963		13,408,132
	Total investments available-for-sale			16,522,178		16,184,138

9.1 Listed shares - related parties

Number of shares		Face value	Company's name	Cost		Market value	
2020	2019			2020	2019	2020	2019
				------ Rupees in thousand ------			
6,837,097	6,837,097	10	Lalpir Power Limited Equity held 1.8% (2019: 1.8%)-note 9.1.1	92,720	92,720	87,652	99,206
6,407,796	6,407,796	10	Pakgen Power Limited Equity held 1.72% (2019: 1.72%)-note 9.1.1	88,900	88,900	126,234	117,391
228,500	228,500	10	D.G. Khan Cement Company Limited Equity held 0.05% (2019: 0.05%)	19,516	19,516	26,182	16,971
			Textile				
338,000	338,000	10	Nishat Chunian Limited Equity held 0.14% (2019: 0.14%)	17,239	17,239	14,226	14,416
				218,375	218,375	254,294	247,984

9.1.1 The investments include 500 shares of Pakgen Power Limited and 550 shares of Lalpir Power Limited held in the name of nominee director of the Company.

9.2 Unlisted shares - related parties

Number of shares		Face value	Company's name	Cost		Market value	
2020	2019			2020	2019	2020	2019
				------ Rupees in thousand ------			
168,519,966	111,821,737	10	Nishat Hotels and Properties Limited Equity held 16.85% (2019: 11.65%)-note 9.2.1	2,233,381	1,359,852	2,477,244	1,830,522
112,104,708	69,750,000	10	Hyundai Nishat Motors (Private) Limited Equity held 13.22% (2019: 10%)	1,121,047	697,500	1,367,677	697,500
				3,354,428	2,057,352	3,844,921	2,528,022

9.2.1 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ('NHPL') a related party (based on common directorship) which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore, by the name of Nishat Emporium. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs 14.70 per ordinary share as at December 31, 2020 through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 38 to these financial statements. The fair value gain of Rs 19.826 million is included in the fair value loss recognised during the year in other comprehensive income.

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

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL.
- Long term growth rate is estimated based on historical performance of NHPL and current market information for similar type of companies.

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

- Discount rate of 9.01%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 5.99% per annum.

Sensitivity analyses

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:
If the discount rate increases by 1% with all other variables held constant, the fair value as at December 31, 2020 would decrease by Rs 539.264 million.
If the long term growth rate decreases by 1% with all other variables held constant, the fair value as at December 31, 2020 would decrease by Rs 315.132 million.
If inflation decreases by 1% with all other variables held constant, the fair value as at December 31, 2020 would decrease by Rs 161.779 million.

9.3 Listed shares - others

Number of shares 2020	Number of shares 2019	Face value	Company's name	Cost 2020	Cost 2019	Market value 2020	Market value 2019
				------ Rupees in thousand ------			
			Banks				
59,136,076	59,136,076	10	MCB Bank Limited Equity held 4.99% (2019: 4.99%)-note 9.3.1	7,356,906	7,356,906	10,956,732	12,119,347
70,413	70,413	10	United Bank Limited Equity held 0.01% (2019: 0.01%)	11,126	11,126	8,862	11,583
			Insurance Companies				
27,771,587	27,771,587	10	Adamjee Insurance Company Limited. Equity held 7.93% (2019: 7.93%)-note 9.3.2	1,160,299	1,160,299	1,091,979	1,168,906
			Electricity				
30,000	30,000	10	Kohinoor Energy Limited Equity held 0.02% (2019: 0.02%)	578	578	1,020	1,212
			Oil and Gas				
599,998	599,998	10	Pakistan Petroleum Limited Equity held 0.002% (2019: 0.002%)	95,217	95,217	54,198	82,284
			Automobile Assembler				
26,100	26,100	10	Millat Tractors Limited Equity held 0.05% (2019: 0.05%)	15,565	15,565	28,556	18,385
			Technology & Communication				
833,350	-	10	TPL Trakkar Limited Equity held 0.45% (2019: 0.00%)	10,002	-	8,459	-
				8,649,693	8,639,691	12,149,806	13,401,717

9.3.1 The Company holds 4.99% shareholding in MCB Bank Limited. In order that the Company is not considered as a sponsor of MCB Bank Limited, the Company had filed a writ petition in the Honourable Lahore High Court in 2010, Lahore to declare null and void the State Bank of Pakistan's BPRD Circular No 4 dated May 22, 2008 which requires a person(s) holding 5% or more of sponsor shares, acquired individually or in concert with his family members, group companies, subsidiaries and affiliates / associates, of a bank to be placed in a blocked account with Central Depository Company (CDC). The court has suspended the operation of the impugned circular and reserved its judgment after hearing the case. The management is confident that the outflow of financial resources as a result of the eventual outcome of the above matter is unlikely.

9.3.2 32,936,698 shares (2019: 1,000,000 shares) of MCB Bank Limited are pledged with banks.

9.3.3 16,373,400 shares (2019: 8,650,000 shares) of Adamjee Insurance Company Limited are pledged with banks.

9.4 **Mutual funds - others**

Number of units		Face value	Company's name	Cost		Market value	
2020	2019			2020	2019	2020	2019
				------ Rupees in thousand ------			
53,565	53,565	100	JS Large Capital Fund	460	460	7,114	6,414
610,874	-	100	MCB - Arif Habib Saving and Investment Limited: Cash Management Optimizer	61,483	-	61,624	-
3,639,313	-	100	MCB - Arif Habib Saving and Investment Limited: Pakistan Income Fund	201,414	-	204,419	-
				263,357	460	273,157	6,414

		Note	2020		2019	
			Cost	Carrying value	Cost	Carrying value
			------ Rupees in thousand ------			
10	INVESTMENTS IN DEBT SECURITIES					
	Held to maturity - Government securities					
	Pakistan Investment Bonds	10.1	67,706	67,706	69,673	69,673

10.1 This represents carrying amount of government securities placed as statutory deposit with the State Bank of Pakistan ('SBP') in accordance with the requirements of clause (a) of sub-section 2 of section 29 of the Insurance Ordinance, 2000.

		Maturity	Effective yield	2020	2019
				--- Rupees in thousand ---	
10.2	Particulars of debt securities are as follows :				
	Pakistan Investment Bonds	18-Aug-21	12.00%	1,997	1,991
	Pakistan Investment Bonds	19-Jul-22	12.00%	1,984	1,976
	Pakistan Investment Bonds	09-Aug-28	12.18%	63,725	63,713
	Pakistan Investment Bonds	22-Jul-20	12.00%	-	1,993
				67,706	69,673

10.1.1 Pakistan Investment Bonds

Face value	Type of security	Profit payment	Profit rate	Maturity date	Carrying value	
					2020	2019
					--- Rupees in thousand ---	
100	10 year Pakistan Investment Bond	Bi-annually	12.00%	18-Aug-21	1,997	1,991
100	10 year Pakistan Investment Bond	Bi-annually	12.00%	19-Jul-22	1,984	1,976
100	10 year Pakistan Investment Bond	Bi-annually	6-months Kibor%+0.5%	9-Aug-28	63,725	63,713
100	10 year Pakistan Investment Bond	Bi-annually	12.00%	22-Jul-20	-	1,993
					67,706	69,673

		Note	2020	2019
			----- Rupees in thousand -----	
11	**LOANS AND OTHER RECEIVABLES - CONSIDERED GOOD**			
	Receivable from related parties	11.1	5,884	5,168
	Accrued investment income		2,825	4,673
	Security deposit		7,571	6,858
	Loans to employees		693	1,010
	Other receivable	11.2	16,128	17,259
			33,101	34,968

11.1 This represents receivable from Hyundai Nishat Motor Private Limited, a related party (due to common directorship).

11.2 These include a receivable from takaful operations amounting to Nil (2019 : Rs 1.569 million).

		Note	2020	2019
12	**INSURANCE/REINSURANCE RECEIVABLES**			
	Due from insurance contract holders - unsecured			
	- Considered good		7,839,667	1,221,472
	- Considered doubtful		66,920	62,183
		12.1	7,906,587	1,283,655
	Provision for impairment of receivables from insurance contract holders	12.2	(66,920)	(62,183)
			7,839,667	1,221,472
	Due from other insurer/reinsurer- unsecured			
	- Considered good		985,799	1,068,059
	- Considered doubtful		30,046	30,046
			1,015,845	1,098,105
	Provision for impairment of receivables from other insurer/ reinsurer	12.3	(30,046)	(30,046)
			985,799	1,068,059
			8,825,466	2,289,531

12.1 This includes amounts due from the following related parties:

	2020	2019
Nishat Mills Limited	1,700	1,581
Nishat Power Limited	146,885	134,495
Nishat Dairy (Pvt) Limited	19	17
Nishat Hotels and Properties Limited	29,156	106
Nishat Linen (Pvt) Ltd	-	224
Nishat Paper Product Co. Ltd.	915	96
Nishat Developers (Pvt) Limited	6	6
D.G. Khan Cement Co. Ltd	66,397	49,401
Hyundai Nishat Motor (Private) Limited	994	44
Pakistan Aviators & Aviation (Pvt) Ltd.	18,845	1
Pakgen Power Limited	394,423	370,858
Lalpir Power Limited	380,684	357,300
Nishat Spinning (Pvt) Ltd.	-	46
	1,040,024	914,175

Age analysis of the amounts due from related parties is as follows :

	1 year	More than 1 Year	2020	2019
	------ Rupees in thousand ------			
Nishat Mills Limited	1,297	403	1,700	1,581
Nishat Power Limited	142,260	4,625	146,885	134,495
Nishat Hospitality (Pvt) Limited	4	(4)	-	-
Nishat Dairy (Pvt) Limited	2	17	19	17
Nishat Hotels and Properties Limited	29,052	104	29,156	106
Nishat Linen (Pvt) Ltd	-	-	-	224
Nishat Paper Product Co. Ltd.	819	96	915	96
Nishat Developers (Pvt) Limited	-	6	6	6
D.G. Khan Cement Co. Ltd	62,939	3,458	66,397	49,401
Hyundai Nishat Motor (Private) Limited	950	44	994	44
Pakistan Aviators & Aviation (Pvt) Ltd.	18,844	1	18,845	1
Pakgen Power Limited	386,248	8,175	394,423	370,858
Lalpir Power Limited	372,081	8,603	380,684	357,300
Nishat Spinning (Pvt) Ltd.	-	-	-	46
	1,014,496	25,528	1,040,024	914,175

	Note	2020	2019
		---- Rupees in thousand ----	
12.2 Provision for doubtful receivables from insurance contract holders			
Opening as at Jan 01		62,183	57,823
Provision made during the year		4,737	4,360
Balance as at December 31		66,920	62,183
12.3 Provision for doubtful receivables from other insurer/reinsurer			
Opening as at Jan 01		30,046	30,046
Provision made during the year		-	-
Balance as at December 31		30,046	30,046
13 PREPAYMENTS			
Prepaid reinsurance premium ceded	13.1	6,557,538	1,148,842
Prepaid rent		521	598
Others		3,890	2,136
		6,561,949	1,151,576

	Note	2020	2019
		---- Rupees in thousand ----	
13.1 Movement in prepaid reinsurance premium ceded			
As at January 01		1,148,842	1,003,893
Reinsurance premium ceded during the year		7,986,845	2,308,580
Reinsurance expense for the year		(2,578,149)	(2,163,631)
As at December 31		6,557,538	1,148,842
14 CASH AND BANK			
Cash and cash equivalent			
Cash in hand		-	6
Cash at bank			
Current accounts		143,925	26,369
Saving accounts	14.1	542,652	232,835
Deposit with SBP	14.2	11,350	9,350
		697,927	268,554
		697,927	268,560

14.1 The balance in savings accounts bears mark-up which ranges from 5.5% to 11.75% (2019: 8.65% to 12.25%) per annum.

14.2 This represents statutory deposit with the SBP in accordance with the requirements of clause (a) of sub-section 2 of section 29 of the Insurance Ordinance, 2000.

14.3 Cash and short term borrowing include the following for the purposes of the cash flow statement:

	Note	2020	2019
		---- Rupees in thousand ----	
Cash and cash equivalents		697,927	268,560
Short term borrowings	20	(309,270)	(193,228)
		388,657	75,332
15 WINDOW TAKAFUL OPERATIONS			
15.1 Operator's Fund			
Assets			
Property and equipment		2,224	2,625
Loans and other receivables		947	2,151
Takaful/retakaful receivables		762	11
Receivable from OPF/ PTF		18,235	27,118
Deferred commission expense/ acquisition cost		8,854	9,956
Cash and bank		4,844	39,326
Qard-e-Hasna to Participants' Takaful Fund		65,000	5,000
Total assets		100,866	86,187

	Note	2020	2019
		----- Rupees in thousand -----	
15.2 Total liabilities			
Retirement benefit obligations		118	60
Unearned wakala fee		20,485	20,673
Takaful/retakaful payables		372	41
Other creditors and accruals		18,453	15,416
Payable to OPF / PTF		1,096	844
Total liabilities		40,524	37,034
15.3 Profit and loss account			
Wakala fee		36,425	21,065
Other expenses		(869)	(534)
Management expenses		(9,070)	(7,674)
Commission expenses		(16,539)	(11,373)
Other income		1,242	1,679
Profit for the year		11,189	3,163

16 ORDINARY SHARE CAPITAL

16.1 Authorized share capital

2020	2019		2020	2019
Number of Shares			--- Rupees in thousand ---	
100,000,000	100,000,000	Ordinary shares of Rs 10 each	1,000,000	1,000,000

16.2 Issued, subscribed and paid up share capital

2020	2019		2020	2019
68,062,500	68,062,500	Ordinary shares of Rs 10 each fully paid in cash	680,625	680,625

16.2.1 There has been no movement in share capital of the Company.

	Note	2020	2019
		--- Rupees in thousand ---	
17 RESERVES			
Capital reserve			
Fair value reserve	17.1	2,865,792	3,740,464
Revenue reserve			
General reserve		2,000	2,000
		2,867,792	3,742,464

17.1 This represents unrealized gain on re-measurement of available-for-sale investments at fair value and is not available for distribution. This shall be transferred to profit and loss account on de-recognition of investments.

18 RETIREMENT BENEFIT OBLIGATIONS

18.1 Defined benefit plan - gratuity fund

18.1.1 Salient features

The Company operates an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, the Trust Deed and the Rules of the Fund, the Income Tax Ordinance, 2001 , the Income Tax Rules, 2002 and the applicable local regulations. An actuarial valuation is carried out every year to determine the liability of the Company in respect of the benefit. The most recent valuation in this regard has been carried out as at December 31 , 2020 using the Projected Unit Credit (PUC) Actuarial Cost Method as allowed under the International Accounting Standard (IAS) 19-'Employee Benefits' for valuation of the Fund.

The Company faces the following risks on account of gratuity fund:

Final salary risks
The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility
Most assets are invested in risk free investments. However, investments in shares, are subject to adverse fluctuation as a result of change in market price.

Discount rate fluctuation
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

Investment risks
The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

Mortality risks
The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service, age distribution and the benefit.

Longevity risks
The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Withdrawal risks
The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service, age distribution and the benefit.

		2020	2019
18.1.2	**Principal actuarial assumptions**		
	Valuation discount rate	11.75%	13.75%
	Valuation discount rate for statement of comprehensive income	10.25%	11.75%
	Salary increase rate - short term	9.25%	10.75%
	Salary increase rate - long term	9.25%	10.75%
	Normal retirement age	60	60
	Withdrawal rate	Moderate	Moderate
	Mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005
	Net salary increase date	01/01/2020	01/01/2019
	Duration of plan	10 years	10 years

		Note	2020	2019
			--- Rupees in thousand ---	
18.1.3	**The amounts recognized in statement of financial position are as follows:**			
	Reconciliation			
	Present value of defined benefit obligations	18.1.4	51,917	42,929
	Fair value of plan assets	18.1.5	(47,093)	(37,098)
	Net payable to defined benefit plan		4,824	5,831
	Opening balance of payable		5,831	5,184
	Expense recognized		5,673	4,782
	Contributions to the fund during the year		(5,831)	(5,184)
	Recognition in other comprehensive income - net		(849)	1,049
	Closing balance of payable		4,824	5,831
18.1.4	**Movement in the present value of defined benefit obligations is as follows;**			
	Present value of obligations as at January 01		42,929	35,523
	Current service cost		5,331	4,426
	Interest cost		5,031	4,838
	Benefits paid		(216)	(672)
	Actuarial gains from changes in financial assumptions		(183)	(206)
	Experience adjustments		(975)	(980)
	Present value of defined benefit obligations as at December 31		51,917	42,929

		Note	2020	2019
			--- Rupees in thousand ---	
18.1.5	**Movement in the fair value of plan assets is as follows;**			
	Fair value of plan assets as at January 01		37,098	30,339
	Contribution made to the fund during the year		5,831	5,184
	Interest income on plan assets		4,689	4,482
	Benefits paid		(216)	(672)
	Return on plan assets, excluding interest income		(309)	(2,235)
	Fair value of plan assets as at December 31		47,093	37,098
18.1.6	**Composition of plan assets**			
	Fair value of investments		26,843	25,469
	Cash at bank		20,250	11,629
	Fair value of plan assets as at December 31		47,093	37,098
18.1.7	**Charge for the year**			
	The following amounts have been charged to the profit and loss account in respect of defined benefit plan:			
	Current service cost		5,331	4,426
	Interest cost on defined benefit obligations		5,031	4,838
	Interest income on plan asset		(4,689)	(4,482)
			5,673	4,782

		Note	2020	2019
			--- Rupees in thousand ---	
18.1.8	**Recognition in other comprehensive income**			
	The following amounts have been recognized in other comprehensive income:			
	Experience adjustments		(975)	(980)
	Actuarial gains from changes in financial assumptions		(183)	(206)
	Return on plan assets, excluding interest income		309	2,235
			(849)	1,049

	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
	------ Rupees in thousand ------			
18.1.9 Sensitivity analysis				
Year end sensitivity analysis (±100 bps) on present value of defined benefit obligations is as follows:				
	46,917	57,723	57,801	46,761

18.1.10 The Company expects to pay Rs 6.058 million in contributions to defined benefit plan during the year ending December 31, 2021.

	2020	2019	2018	2017	2016
	-------------------Rupees in thousand-------------------				
18.1.11 5 year historical data on the deficit of defined benefit plan is as follows:					
Present value of defined benefit obligations	51,917	42,929	35,523	28,448	22,427
Fair value of plan assets	(47,093)	(37,098)	(30,339)	(23,963)	(17,411)
Deficit	4,824	5,831	5,184	4,485	5,016
Experience adjustments					
(Loss) / gain on plan assets (as percentage of plan assets)	1.80%	6.02%	-1.00%	1.00%	0.00%
(Gain) / loss on obligations (as percentage of obligations)	-1.64%	2.00%	1.00%	2.00%	5.00%

18.2 Defined contribution plan - provident fund

The Company has set up a provident fund for its permanent employees and contributions were made by the Company to the Trust in accordance with the requirements of Section 218 of the Companies Act, 2017. The total charge against provident fund for the year ended December 31, 2020 was Rs 5.6 million . The net assets based on unaudited financial statements of Provident Fund as at December 31, 2020 are Rs 46.02 million out of which 88.40% are invested in different financial instruments categories as provided in Section 218 of the Companies Act, 2017 and the rules formulated therein. The above investments out of provident fund have been made in accordance with the requirements of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Un-audited			
	2020		2019	
	Rupees in thousand	% of investment	Rupees in thousand	% of investment
Investment in Government securities	19,516	48%	19,547	49%
Bank balances	10,994	27%	10,764	28%
Mutual funds	10,148	25%	9,180	23%
	40,658	100%	39,491	100%

The figures for 2020 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Note	2020	2019
		Number of employees	
18.3 Staff strength			
Number of employees as at December 31		176	157
Average number of employees during the year		167	147
19 DEFERRED TAXATION			
Deferred debits arising in respect of:			
Provision for doubtful receivables - insurance / reinsurance receivables		28,120	26,746
Deferred credits arising due to:			
Accelerated tax depreciation		13,669	6,056
Unrealized gain on remeasurement of investment		1,170,535	1,528,257
		1,184,204	1,534,313
		1,156,084	1,507,567
20 BORROWINGS			
Bank loans:			
Running finance	20.1	309,270	193,228
Short term advance	20.2	1,627,393	-
		1,936,663	193,228
Long term finance :			
Current Portion		270,000	-
Non-Current Portion		1,357,393	-

20.1 Short term running finance

Short term running finances available from commercial banks under mark-up arrangements amount to Rs 1,440 million (2019: Rs 1,440 million), out of which the amount Rs 309.27 million (2019: Rs 193.22 million) has been availed as at December 31, 2020. The rate of mark-up range from 3 month KIBOR plus 1.5% margin for Habib Bank Limited, The Bank of Punjab and First Women Bank and 3 month KIBOR plus 1.25% margin for Habib Metro Bank and is payable quarterly. The average mark-up rate charged during the year on the outstanding balance ranged from 8.75% to 15.05% (2019: 12.05% to 15.35%) per annum. These facilities are secured against pledge of 8.65 million shares of Admajee Insurance Company Limited in favour of Habib Bank Limited and 1 million shares of MCB Bank Limited in favour of Habib Metro Bank Limited.

20.2 Long term finance

Long term running finance of Rs 1,800 million (2019: Nil) is obtained from Bank Alfalah at mark-up rate ranging from three months KIBOR plus fixed spread of 1.35% per annum, payable quarterly, on the balance outstanding. The unavailed facility from Bank Alfalah amounts to Rs 172.60 million (2019: Nil) during the current period.

- Facility of Rs 300 million is obtained against pledge of Shares of MCB (Approved Value Rs. 2,307.7 Million) with minimum 35% margin on market value against outstanding TF Facility and first charge over company's Current Assets with 25% margin (Approved Value Rs. 2,000 Million).

- Facility of Rs 1,500 million is obtained against pledge of Shares of MCB (Approved Value Rs. 2,770 Million) with minimum 35% margin on market value against outstanding TF Facility and first charge over Insurance/ Reinsurance and Investments (excluding debt securities and shares pledged with other banks) with 25% margin (Approved Value Rs. 2,400 Million).

		Note	2020	2019
			---- Rupees in thousand ----	
21	INSURANCE / REINSURANCE PAYABLE			
	Due to other co-insurers		978,901	891,174
	Due to other re-insurers		6,337,558	839,075
			7,316,459	1,730,249
22	OTHER CREDITORS AND ACCRUALS			
	Agent commission payable		238,386	191,976
	Federal excise duty / sales tax		739,403	9,836
	Federal insurance fee		56,657	690
	Accrued expenses		38,385	33,032
	Other tax payable		2,060	2,737
	Cash margin		72,994	80,372
	Leave encashment payable		8,819	7,886
	Provident fund payable		1,152	892
	Mark-up accrued on finances under mark-up arrangements		40,889	7,052
	Others		17,713	30,936
			1,216,458	365,409

23 CONTINGENCIES AND COMMITMENTS

a) Contingencies

23.1 The company is contingently liable for Rs 5.863 million (2019: Rs 5.858 million) on account of claims lodged against the company but not acknowledged as debts. The management, based on advice of the legal counsels, is confident that the outcome of the cases is likely to be in favor of the company.

23.2 Guarantee issued by Habib Metro Bank Limited on behalf of the company, fixed at GBP 5,000 amounting to Rs 1.036 million (2019: Rs 1.017 million).

23.3 For tax years 2009 and 2011 to 2014, the tax authorities raised an aggregate demand of Rs 664.953 million that primarily pertains to difference in rate of tax on dividend income under normal tax regime (NTR) and fixed tax regime (FTR). The Company filed appeal before Appellate Tribunal Inland Revenue('ATIR') against the above demands and ATIR decided the case in the favor of the Company. However, the Commissioner Inland Revenue filed a petition against the order of ATIR in Honorable Lahore High Court and the case is now pending adjudication. The management and the legal advisor of the Company is of the view that there are meritorious grounds avaliable to defend the case. Consequently, no provision has been made in these financial statements.

b) Commitments

These represent commitments arising from short-term and immaterial leases recognized on a straight-line basis as expense under the practical expedients applied by the Company with respect to IFRS-16. The amount of future payments under these operating leases and the period in which these payments will become due are as follows:

	2020	2019
	----- Rupees in thousand -----	
Not later than one year	5,700	5,145
	5,700	5145

	Note	2020	2019
		----- Rupees in thousand -----	
24 NET INSURANCE PREMIUM			
Written gross premium		8,798,985	3,121,741
Unearned premium reserve opening		1,558,246	1,296,132
Unearned premium reserve closing		(6,963,167)	(1,558,246)
Premium earned		3,394,064	2,859,627
Reinsurance premium ceded		(7,986,845)	(2,308,580)
Prepaid reinsurance premium opening		(1,148,842)	(1,003,893)
Prepaid reinsurance premium closing		6,557,538	1,148,842
Reinsurance expense		(2,578,149)	(2,163,631)
		815,915	695,996

		Note	2020	2019
			--- Rupees in thousand ---	
25	NET INSURANCE CLAIMS			
	Claims paid		573,265	437,968
	Outstanding claims including IBNR-closing	25.1, 25.2 and 25.3	1,131,834	1,176,065
	Outstanding claims including IBNR-opening		(1,176,065)	(964,731)
	Claims expense		529,034	649,302
	Reinsurance and other recoveries received		(467,697)	(346,870)
	Reinsurance and other recoveries in respect of outstanding claims - closing		(955,947)	(1,006,088)
	Reinsurance and other recoveries in respect of outstanding claims - opening		1,006,088	814,128
	Reinsurance expense		(417,556)	(538,830)
			111,478	110,472

25.1 The provision for IBNR on the basis of actuarial valuation carried out as at December 31, 2020 amounting to Rs 0.099 million (2019: Nil).

25.2 Claim development note

The following table shows the development of fire, marine, motor and others including miscellaneous claims compared to the last four years. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Accident year	2016	2017	2018	2019	2020
	-------------------Rupees in thousand-------------------				
Estimate of ultimate claims costs:					
At the end of accident year	421,180	612,367	504,940	749,598	596,097
One year later	383,941	510,900	473,892	692,045	-
Two years later	366,782	509,361	495,919	-	-
Three years later	368,230	507,975	-	-	-
Four years later	367,757	-	-	-	-
Current estimate of cumulative claims	367,757	507,975	495,919	692,045	596,097
Cumulative payments to date	(293,278)	(455,604)	(403,853)	(541,705)	(168,673)
Liability recognized in the statement of financial position	74,479	52,371	92,066	150,340	427,424

		Note	2020	2019
			--- Rupees in thousand ---	
25.3	**This includes the following related parties balances:**			
	Name			
	Nishat Mills Limited (Investor)		8,633	5,491
	Nishat Power Limited (due to common directorship)		543	457
	Nishat Hospitality (Pvt.) Limited (due to common directorship)		50	39
	Nishat Dairy (Pvt.) Limited (due to common directorship)		60	129
	Nishat Hotels and Properties Limited (due to common directorship)		197	162
	Nishat Paper Product Company Limited (due to common directorship)		6	3,506
	D.G. Khan Cement Company Limited (other related party)		114,785	6,469
	Hyundai Nishat Motor (Private) Limited		2,297	29,968
	Pakistan Aviators & Aviation (Pvt) Ltd.		669	569
	Nishat (Chunian) Limited		306	345
	Nishat Linen (Pvt) Limited		-	13
			127,546	47,148

		Note	2020	2019
26	**NET COMMISSION EXPENSE**			
	Commission paid or payable		267,999	239,940
	Deferred commission expense - opening		110,933	94,261
	Deferred commission expense - closing		(134,180)	(110,933)
	Net commission		244,752	223,268
	Commission received or recoverable		(234,628)	(221,791)
	Unearned reinsurance commission - opening		(92,208)	(80,758)
	Unearned reinsurance commission - closing		107,748	92,208
	Commission from reinsurers		(219,088)	(210,341)
			25,664	12,927

		Note	2020	2019
27	**MANAGEMENT EXPENSES**			
	Employee benefit cost	27.1	191,711	164,286
	Travelling expenses		3,091	2,773
	Advertisements and sales promotion		46	95
	Printing and stationery		5,194	4,638
	Depreciation on operating assets	6.1	24,200	20,063
	Depreciation on investment property	8.1	2,676	2,973
	Rent, rates and taxes		9,227	6,623
	Legal and professional- business related		4,874	6,551
	Electricity, gas and water		5,853	6,120
	Entertainment		4,791	4,860
	Vehicle running expenses		24,800	22,485
	Office repairs and maintenance		8,549	7,588

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		--- Rupees in thousand ---	
Bank charges		3,831	1,858
Postages, telegrams and telephone		5,594	5,350
Annual supervision fee SECP		3,680	2,995
Provision for doubtful receivables	12.2 &12.3	4,737	4,360
Service charges		4,244	5,074
Miscellaneous		2,931	1,498
		310,029	270,190
27.1 Employee benefit cost			
Salaries, allowances and other benefits		179,507	153,879
Provision for post employment benefit plan-Gratuity		5,673	4,782
Provision for post employment benefit plan-Provident fund		6,531	5,625
		191,711	164,286
28 INVESTMENT INCOME			
Income from equity securities			
Available-for-sale			
Dividend income	28.1	715,252	1,028,353
Income from debt securities			
Held to maturity			
Return on debt securities		8,063	9,440
Income from term deposits			
Return on term deposits		132	-
Net realized gains on investments		723,447	1,037,793
Available-for-sale financial assets			
Realized gains on:			
- Equity securities		1,904	484
Total investment income		725,351	1,038,277
Reversal of impairment in value of available-for-sale securities			
- Equity securities		-	-
Investment related expenses		(862)	(1,062)
		724,489	1,037,215

			Note	2020	2019
				--- Rupees in thousand ---	
	28.1	**This includes dividend income from the following related parties:**			
		D.G. Khan Cement Company Limited (other related party)		-	229
		Pakgen Power Limited (due to common directorship)		14,418	9,612
		Lalpir Power Limited (due to common directorship)		15,383	6,837
		Nishat Chunian Limited (due to common directorship)		338	1,352
				30,139	18,030
29	**OTHER INCOME**				
	Return on bank balances			35,644	48,297
	Miscellaneous			6,801	142
				42,445	48,439
30	**OTHER EXPENSES**				
	Legal and professional fee other than business related			3,600	3,600
	Auditor's remuneration		30.1	2,713	3,225
	Subscription			4,552	2,821
	Insurance expense			2,964	2,661
	Professional charges			103	100
	Others			1,312	100
				15,244	12,507
	30.1	**Auditor's remuneration**			
		Fee for statutory audit		1,437	990
		Fee for interim review		450	445
		Fee for audit of gratuity fund		-	103
		Special certifications and sundry advisory services		360	295
		Tax services		386	1,260
		Out of pocket		80	132
				2,713	3,225
31	**FINANCE COSTS**				
	Markup on running finance			123,612	24,754
				123,612	24,754

	Note	2020	2019
		--- Rupees in thousand ---	
32 TAXATION			
For the year			
Current		295,177	393,818
Deferred		5,780	762
		300,957	394,580
For prior years		-	-
Current		300,957	394,580

	2020	2019
	%	%
32.1 Relationship between tax expense and accounting profit		
Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows :		
Applicable tax rate	29.00	29
Effect of:		
- Prior year tax	-	-
- Super tax	-	-
- Change in tax rate and others	0.86	0.14
Effective tax rate	29.86	29.14

	2020	2019
	--- Rupees in thousand ---	
33 EARNINGS PER SHARE		
Profit after tax for the year- Rupees in thousand	707,054	959,383
Weighted average number of ordinary shares- Number	68,063	68,063
Earnings per share - (basic / diluted)- Rupees	10.39	14.10

There is no dilutive effect on basic earnings per share.

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

34.1 Aggregate amounts charged in the accounts for remuneration, including all benefits to Chief Executive Officer, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	-------------------Rupees in thousand-------------------					
Managerial remuneration	6,182	5,519	-	-	11,073	7,860
Leave encashment	773	690	-	-	1,384	982
Bonus	3,008	2,070	-	-	5,409	2,947
Charge for defined benefit plan	515	460	-	-	923	655
Contribution to defined contribution plan	618	552	-	-	1,107	786
Rent and house maintenance	2,473	2,208	-	-	4,429	3,144
Utilities	618	552	-	-	1,107	786
Medical	154	319	-	-	958	898
Others	404	1,000	-	-	3,101	2,410
Total	14,745	13,370	-	-	29,491	20,468
Number of persons	1	1	5	5	6	4

34.2 Executive means an employee, other than the Chief Executive and Directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year

34.3 Chief Executive and some of the executives of the Company are provided with Company maintained cars.

35 RELATED PARTY TRANSACTIONS

The related parties include the investors, related parties on the basis of common directorship, group companies, key management personnel including directors and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these financial statements other than the following:

	Note	2020	2019
		--- Rupees in thousand ---	
(i) Post employment benefit plans			
Transactions during the year			
Charge in respect of gratuity fund		5,674	4,782
Charge in respect of provident fund		6,531	5,625
Contribution to gratuity fund		5,831	5,184
Contribution to provident fund		13,063	11,251
		31,099	26,842

	Note	2020	2019
		--- Rupees in thousand ---	
Year end balances			
Payable to gratuity fund		4,824	5,831
Payable to provident fund		1,152	892
		5,976	6,723
(ii) Key Management Personnel			
Transactions during the year			
Premium underwritten		44,236	38,038
Claims paid		3,646	-
Dividends paid		45,257	45,247
		93,139	83,285
Year end balances			
Advances against salaries		75	310
(iii) Related parties based on common directorship			
Premium underwritten		1,243,051	1,161,926
Claims paid		24,929	68,233
Dividends paid		30,139	51,141
Payment in respect of services		487	5,009
		1,298,606	1,286,309

36 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing services that are subject to risk and returns that are different from those of other business segments. The Company has identified four (2019: four) primary business segments for reporting purposes in accordance with the requirements of the Insurance Ordinance, 2000 and the Insurance Rules, 2017. These include fire, marine, aviation and transport, motor and miscellaneous class of business/operating segment. As per Insurance Rules, 2017, information for other segments under which business is less than 10%, is classified under miscellaneous class of operating/business segment.

Assets and liabilities, wherever possible, have been assigned to each reportable segment based on specific identification or allocated on the basis of the gross premium written by the segments.

	2020				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	---------- Rupees in thousand ----------				
Premium receivable (inclusive of federal insurance fee, federal excise duty and administrative surcharge)	2,717,861	6,389,427	492,480	362,354	9,962,122
Federal excise duty	(295,673)	(695,101)	(53,577)	(39,420)	(1,083,771)
Federal insurance fee	(21,653)	(50,903)	(3,923)	(2,887)	(79,366)
Gross written premium (inclusive of administrative surcharge)	2,400,535	5,643,423	434,980	320,047	8,798,985
Gross direct premium	1,534,478	5,639,653	427,898	316,235	7,918,264
Facultative inward premium	861,542	-	-	-	861,542
Administrative surcharge	4,515	3,770	7,082	3,812	19,179
	2,400,535	5,643,423	434,980	320,047	8,798,985
Insurance premium earned	2,302,968	342,359	435,321	313,416	3,394,064
Insurance premium ceded to reinsurers	(1,797,111)	(317,142)	(218,653)	(245,243)	(2,578,149)
Net insurance premium	505,857	25,217	216,668	68,173	815,915
Commission income	105,439	28,284	52,635	32,729	219,087
Net underwriting income	611,296	53,501	269,303	100,902	1,035,002
Insurance claims	(238,623)	(34,083)	(180,862)	(75,466)	(529,034)
Insurance claims recovered from reinsurers	222,175	29,123	100,816	65,442	417,556
Net claims	(16,448)	(4,960)	(80,046)	(10,024)	(111,478)
Commission expense	(131,063)	(27,438)	(50,316)	(35,934)	(244,751)
Management expenses	(84,607)	(199,145)	(15,110)	(11,167)	(310,029)
Net insurance claims and expenses	(232,118)	(231,543)	(145,472)	(57,125)	(666,258)
Underwriting results	379,178	(178,042)	123,831	43,777	368,744

					2020
					Rupees in thousand
Net investment income					724,489
Other income					42,445
Other expenses					(15,244)
Finance costs					(123,612)
Profit before taxation from window takaful operations - Operator's Fund					11,189
Profit before tax					1,008,011
Segment assets - Conventional	3,811,631	10,385,108	596,464	754,317	15,547,520
Segment assets - Takaful Operator's Fund	10,367	3,570	12,854	298	27,089
Unallocated assets - Conventional					18,883,811
Unallocated assets - Takaful Operator's Fund					73,777
					34,532,197
Segment liabilities - Conventional	2,086,570	5,383,084	373,126	671,349	8,514,129
Segment liabilities - Takaful Operator's Fund	15,509	5,341	19,228	446	40,524
Unallocated liabilities - Conventional					11,566,982
					20,121,635

	2019				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------ Rupees in thousand ------				
Premium receivable (inclusive of federal insurance fee, federal excise duty and administrative surcharge)	2,493,635	138,909	481,561	381,849	3,495,954
Federal excise duty	(249,294)	(14,045)	(49,157)	(38,623)	(351,119)
Federal insurance fee	(16,397)	(924)	(3,233)	(2,540)	(23,094)
Gross written premium (inclusive of administrative surcharge)	2,227,944	123,940	429,171	340,686	3,121,741
Gross direct premium	1,412,837	119,910	422,144	335,746	2,290,637
Facultative inward premium	810,337	-	-	-	810,337
Administrative surcharge	4,770	4,030	7,027	4,940	20,767
	2,227,944	123,940	429,171	340,686	3,121,741
Insurance premium earned	2,028,081	124,781	390,682	316,084	2,859,628
Insurance premium ceded to reinsurers	(1,616,130)	(92,184)	(183,075)	(272,243)	(2,163,632)
Net insurance premium	411,951	32,597	207,607	43,841	695,996
Commission income	102,128	32,333	43,704	32,177	210,342
Net underwriting income	514,079	64,930	251,311	76,018	906,338
Insurance claims	(340,817)	(8,920)	(169,181)	(130,384)	(649,302)
Insurance claims recovered from reinsurers	328,856	12,831	86,689	110,454	538,830
Net claims	(11,961)	3,911	(82,492)	(19,930)	(110,472)
Commission expense	(123,645)	(28,175)	(43,078)	(28,371)	(223,269)
Management expenses	(193,707)	(10,448)	(36,782)	(29,253)	(270,190)
Net insurance claims and expenses	(329,313)	(34,712)	(162,352)	(77,554)	(603,931)
Underwriting results	184,766	30,218	88,959	(1,536)	302,407
Net investment income					1,037,215
Other income					48,439
Other expenses					(12,507)
Finance costs					(24,754)
Loss before taxation from window takaful operations - Operator's Fund					3,163
Profit before tax					1,353,963
Segment assets - Conventional	2,453,098	95,289	351,505	627,666	3,527,558
Segment assets - Takaful Operator's Fund	13,076	2,729	20,906	363	37,074
Unallocated assets - Conventional					18,206,581
Unallocated assets - Takaful Operator's Fund					49,113
					21,820,326
Segment liabilities - Conventional	2,026,843	61,338	363,950	646,734	3,098,865
Segment liabilities - Takaful Operator's Fund	13,062	2,726	20,883	363	37,034
Unallocated liabilities - Conventional					3,766,784
					6,902,683

As the operations of the company are carried out in Pakistan, information relating to geographical segment is not considered relevant.

36.1 Information about major customers

Included in the net insurance premium is premium from four (2019: three) customers of the Company from the fire and property damage and marine, aviation and transport (2019: fire and property damage) segment which represents approximately Rs 7,327.353 million (2019: Rs 1,677.641 million) of the Company's total gross premium written. The Company's revenue from other segments is earned from a large mix of customers.

37 MOVEMENT IN INVESTMENTS

	Held to maturity debt securities	Available-for-sale equity securities	Total
	------ Rupees in thousand ------		
At the beginning of previous year - January 1, 2019	74,607	13,940,348	14,014,955
Additions	200,000	1,390,539	1,590,539
Disposals (sale & redemptions)	(205,000)	-	(205,000)
Fair value net gains (excluding net realized gains)	-	853,249	853,249
Amortization of premium	66	-	66
At end of current year - Dec 31, 2019	69,673	16,184,136	16,253,809
At beginning of current year - January 1, 2020	69,673	16,184,136	16,253,809
Additions	-	1,049,767	1,049,767
Disposals (sale & redemptions)	(2,000)	(776,868)	(778,868)
Fair value net gains (excluding net realized gains)	-	65,143	65,143
Amortization of discount	33	-	33
At end of current year - December 31, 2020	67,706	16,522,178	16,589,884

37.1 Fair value measurement of financial instruments - IFRS 9

Following is the fair value of financial assets as on December 31, 2020 under IFRS 9 classifications and the change in their fair value during the year ended December 31, 2020:

	Financial instruments with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
	Amortised cost	Fair value through OCI	Total	Other financial instrument*
	------ Rupees in thousand ------			
Pakistan Investment Bonds				
Opening fair value - December 31, 2019	69,673	-	69,673	-
Additions				
Unwinding on debt securities	33	-	33	-
Disposals	(2,000)	-	(2,000)	-
Closing fair value - December 31, 2020	67,706	-	67,706	-
Shares in listed / unlisted equity securities				
Opening fair value - December 31, 2019	-	-	-	16,177,723
Additions	-	-	-	1,307,078
Increase in fair value - net	-	-	-	(1,235,782)
Reversal of impairment	-	-	-	-
Disposals	-	-	-	-
Closing fair value - December 31, 2020	-	-	-	16,249,019
Mutual fund investments				
Opening fair value - December 31, 2019	-	-	-	6,414
Additions	-	-	-	1,012,765
Increase in fair value - net	-	-	-	3,848
Reversal of impairment	-	-	-	-
Disposals	-	-	-	(749,868)
Closing fair value - December 31, 2020	-	-	-	273,159

* Other financial instruments are measured at fair value through other comprehensive income.

38 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	Carrying value					Fair value			
	Availa-ble-for- sale	Held to maturity	Receivables and other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	---Rupees in thousand---								
As at December 31, 2020									
Financial assets									
Investments									
Equity securities	16,522,178	-	-	-	16,522,178	12,677,257	-	3,844,921	16,522,178
Debt securities	-	67,706	-	-	67,706	-	67,706	-	67,706
Loan and other receivables	-	-	33,101	-	33,101	-	-	-	-
Insurance/reinsurance receivables	-	-	8,825,466	-	8,825,466	-	-	-	-
Reinsurance recoveries againts outstanding claims	-	-	955,947	-	955,947	-	-	-	-
Salvage recoveries accrued	-	-	11,050	-	11,050	-	-	-	-
Cash and bank	-	-	697,927	-	697,927	-	-	-	-
Total assets from Window Takaful Operations - Operator's fund	-	-	100,866	-	100,866	-	-	-	-
	16,522,178	67,706	10,624,357	-	27,214,241	12,677,257	67,706	3,844,921	16,589,884
Financial liabilities									
Outstanding claims (including IBNR)	-	-	-	1,131,834	1,131,834	-	-	-	-
Retirement benefit obligation	-	-	-	4,824	4,824	-	-	-	-
Insurance/reinsurance payables	-	-	-	7,316,459	7,316,459	-	-	-	-
Premium received in advance	-	-	-	76,131	76,131	-	-	-	-
Other creditors and accruals	-	-	-	1,216,458	1,216,458	-	-	-	-
	-	-	-	9,745,706	9,745,706	-	-	-	-

	Carrying value					Fair value			
	Availa-ble-for- sale	Held to maturity	Receivables and other financial assets	Other finan-cial liabilities	Total	Level 1	Level 2	Level 3	Total
	-----Rupees in thousand-----								
As at December 31, 2019									
Financial assets									
Investments									
Equity securities	16,184,138	-	-	-	16,184,138	13,656,116	-	2,528,022	16,184,138
Debt securities	-	69,673	-	-	69,673	-	69,673	-	69,673
Loan and other receivables	-	-	34,968	-	34,968	-	-	-	-
Insurance/reinsurance receivables	-	-	2,289,531	-	2,289,531	-	-	-	-
Reinsurance recoveries against outstanding claims	-	-	1,006,088	-	1,006,088	-	-	-	-
Salvage recoveries accrued	-	-	5,120	-	5,120	-	-	-	-
Cash and bank	-	-	268,560	-	268,560	-	-	-	-
Total assets from Window Takaful Operations - Operator's fund	-	-	86,187	-	86,187	-	-	-	-
	16,184,138	69,673	3,690,454	-	19,944,265	13,656,116	69,673	2,528,022	16,253,811
Financial liabilities									
Outstanding claims (including IBNR)	-	-	-	1,176,065	1,176,065	-	-	-	-
Retirement benefit obligation	-	-	-	5,831	5,831	-	-	-	-
Insurance/reinsurance payables	-	-	-	1,730,249	1,730,249	-	-	-	-
Premium received in advance	-	-	-	49,020	49,020	-	-	-	-
Other creditors and accruals	-	-	-	365,409	365,409	-	-	-	-
	-	-	-	3,326,574	3,326,574	-	-	-	-

Movement in the above mentioned assets has been disclosed in note 9 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years. Since the ordinary shares of Nishat Hotels and Properties Limited are not listed, an investment advisor engaged by the Company has estimated a fair value of Rs 14.70 per ordinary share as at December 31, 2020 through a valuation technique based on its discounted cash flow analysis. Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed and since its operations have not commenced as of the reporting date, management assesses the fair value of such investment equal to its cost. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

39 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

39.1 Insurance risk

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

The Company 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 Company underwrites mainly fire, marine, motor 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. This helps to mitigate the 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.

39.1.1 Frequency and severity of claims

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims whether reported or not. The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported and expected claim settlement costs including but not limited to the expenses incurred by the surveyors.

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.

The details of estimation of outstanding claims (including IBNR) are given under note 3.20.

Statement of age wise breakup of unclaimed Insurance Benefits

	Age Wise Breakup					
	Total Amount	"1 to 6 Months"	"7 to 12 Months"	"13 to 24 Months"	"25 to 36 Months"	"Beyond 36 Months"
	-------------------Rupees in thousand-------------------					
Claims not encashed	11,733	9,585	98	450	475	1,125
	11,733	9,585	98	450	475	1,125

39.1.2 Concentration of insurance risk

The spread of risk is of extreme importance to optimize benefits. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. The Company measures concentration of insurance risk by class of business as summarized below:

	Gross aggregate exposure		Maximum reinsurance cover		Net	
	2020	2019	2020	2019	2020	2019
	-------------------Rupees in thousand-------------------					
Fire and property damage	732,234,670	819,963,249	702,374,137	782,824,290	29,860,533	37,138,959
Marine, aviation and transport	191,608,739	24,789,469	185,978,977	19,736,467	5,629,762	5,053,002
Motor	16,536,958	13,248,743	10,992,466	8,176,082	5,544,492	5,072,661
Others including miscellaneous	54,454,834	66,223,791	50,597,445	56,539,158	3,857,389	9,684,633
	994,835,201	924,225,252	949,943,025	867,275,997	44,892,176	56,949,255

For the analysis of insurance risk concentration in fire, marine, motor and miscellaneous segments, the shared characteristic has been taken as the territory (Pakistan). Cash outflows involved for settlement of incurred insurance liabilities may vary significantly as compared to the total contractual liabilities under insurance contracts. Historical data for such outflows is given below:

	Gross claims paid		Reinsurance recoveries		Net	
	2020	2019	**2020**	2019	**2020**	2019
	-------------------Rupees in thousand-------------------					
Fire and property damage	276,912	228,018	265,738	219,241	11,174	8,777
Marine, aviation and transport	28,408	12,262	23,155	8,479	5,253	3,783
Motor	179,823	153,293	99,093	80,701	80,730	72,592
Others including miscellaneous	88,122	44,394	79,711	38,449	8,411	5,945
	573,265	437,967	467,697	346,870	105,568	91,097

Risk assessment is carried out on a regular basis for the evaluation of physical hazards associated with commercial / industrial / residential occupation of the policy holders. Any one risk shall be defined to never be less than the property contained within an area which is separated from another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area. Details regarding the fire separation / segregation with respect to manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Reference is also made to the standard construction specifications as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within the insured's premises.

Concentration of various insurance risks, with reference to geocoding, are monitored through MIS reports generated from the IT system.

The Company follows a policy of obtaining sufficient reinsurance covers to mitigate the accumulation of risk in case of catastrophic events.

39.1.3 Reinsurance risk

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

In common with other insurance companies, in order to minimize the financial exposure arising from large claims, the Company in the normal course of business, enters into agreements with a panel of reinsurers for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company considers the credit rating of the reinsurers before finalizing treaty agreements with them every year. Furthermore, the Company obtains reinsurance from a number of reinsurers, who are dispersed over several geographical regions, to spread the concentration of its reinsurance risk to different geographical regions.

39.1.4 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policy holders arising from claims made under insurance contracts. Such estimates are 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 statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date. The details of estimation of outstanding claims (including IBNR) are given under note 3.20.

39.1.5 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. Each notified claim is assessed on a separate, case to case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available. Reinsurance recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

The Company engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred but not Reported claim reserve, 2016". The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed method "Chain Ladder Method" and other alternate method as allowed under the provisions of the guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

39.1.6 Changes in assumptions

There have been no changes in assumptions, and the same have been consistently applied.

39.1.7 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 financial statements. The Company enters into short term insurance contracts, therefore, it does not assume any significant impact of changes in market conditions on unexpired risks. The risks associated with the insurance contracts are complex and subject to a number of variables which complicate the quantitative sensitivity analysis. However, some results of sensitivity testing are set out below, showing the impact on profit before tax (net of reinsurance) and shareholders' equity:

Particulars	Profit before taxation		Shareholders' equity	
	2020	2019	**2020**	2019
	------ Rupees in thousand ------			
Effect of 10% increase/(decrease) in amount of claims:				
Fire and property damage	1,645	1,251	1,168	888
Marine, aviation and transport	496	(327)	352	(232)
Motor	8,005	8,251	5,684	5,858
Miscellaneous	1,002	2,010	711	1,427
	11,148	11,185	7,915	7,941

39.2 Financial risk

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in market interest rates such as KIBOR, credit and liquidity risk associated with various financial assets and liabilities, respectively, and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 20 to the financial statements. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Board of Directors (the Board) has overall responsibility for establishment and oversight of the companies risk management framework. There are management committees for developing and monitoring the risk management policies. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Company finances its operations through equity, borrowings and management of working capital. The Company's overall risk management procedures to minimize the potential adverse effects of financial market on the Company's performance are as follows:

(a) Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date, if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its receivables from other insurers/reinsurers, receivable from customers and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

Concentration of credit risk occurs when a number of counter parties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and review and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as it's financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying amount of financial assets represents the maximum credit exposure, as specified below:

	2020	2019
	----Rupees in thousand----	
Financial assets		
Investments	16,589,884	16,253,811
Loans and other receivables	30,276	30,295
Accrued investment income	2,825	4,673
Insurance / Reinsurance receivables	8,825,466	2,289,531
Reinsurance recoveries against outstanding claims	955,947	1,006,088
Salvage recoveries accrued	11,050	5,120
Cash and bank	697,927	268,560
Total assets from window takaful operations - Operator's fund	100,866	86,187
	27,214,241	19,944,265

As of December 31, 2020, premium due but unpaid and amount due from other insurers/ reinsurers of Rs 8,830.203 million (2019: Rs 2,289.530 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An analysis of the age of premium due but unpaid and amount due from other insurers/ reinsurers that are past due but not impaired is as follows:

	2020	2019
	----Rupees in thousand----	
- Up to one year	8,313,766	1,296,717
- Past one but less than three years	239,803	554,360
- Over three but less than five years	135,012	192,118
- More than five years	141,622	246,336
	8,830,203	2,289,531

The management estimates the recoverability of premium due but unpaid and amounts due from other insurers/reinsurers on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to profit and loss account.

Reinsurance assets bearing credit risk together with their credit rating are summarized below :

Rating	Amounts due from reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2020	2019
	---------------------------- Rupees in thousand				----------------------------
A and above (including Pakistan Reinsurance Company Limited)	382,075	534,174	462,839	1,379,088	1,166,763
A-	20,694	117,388	173,053	311,135	340,014
BBB	20,393	14,722	6,752	41,867	29,945
Others	117,967	289,663	5,914,894	6,322,524	1,217,477
	541,129	955,947	6,557,538	8,054,614	2,754,199

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

	Rating Short term	Long term	Rating Agency	2020	2019
				----Rupees in thousand----	
Current and other accounts					
Albaraka Islamic Bank	A1	A	PACRA	33	129
Allied Bank Limited	A1+	AAA	PACRA	-	902
Apna Micro Finance Bank Ltd	A3	BBB+	PACRA	42,843	8,821
Askari Bank Limited	A1+	AA+	PACRA	100,616	5
Bank Alfalah Limited	A1+	AA+	PACRA	5,518	8,354
Dubai Islamic Bank Limited	A1+	AA	VIS	83,517	81,434
Faysal Bank Limited	A1+	AA	PACRA	16,367	4,635
Habib Bank Limited	A1+	AAA	VIS	447	447
JS Bank Limited	A1+	AA-	PACRA	2,579	15,542
MCB Bank Limited	A1+	AAA	PACRA	353,107	120,045
MCB Islamic Bank Limited	A1	A	PACRA	1,339	14
Silk Bank Limited	A2	A-	VIS	-	211
Soneri Bank Limited	A1+	AA-	PACRA	10,605	956
Summit Atlas Bank	A3	BBB-	VIS	-	2
Summit bank	A3	BBB-	VIS	-	157
National Bank of Pakistan	A1+	AAA	PACRA	2,215	1,272
Khushhali Microfinance Bank	A1	A+	VIS	21,642	6,109
BANK OF AZAD JAMU AND KASHMIR			N/A	5,116	399
The Punjab Provincial Co-Operative Bank Ltd,			N/A	260	214
Samba Bank Ltd,	A1	AA	PACRA	31,996	1,040
United Bank Limited	A1+	AAA	PACRA	8,347	8,516
The Bank Of Punjab	A1+	AA	PACRA	30	-
Deposits with State Bank of Pakistan			N/A	11,350	9,350
				697,927	268,554

	Rating	Rating Agency	2020	2019
			----Rupees in thousand----	
Mutual Funds				
JS Large Capital Fund	AM2	VIS	460	460
			460	460

Credit Risk exposure for assets that pass the SPPI test - IFRS 9

The following table represents the Company's exposure to credit risk on financial assets that meet the SPPI criteria

	AA	A	BBB	Unrated	Total
				----Rupees in thousand----	
Pakistan Investment Bonds	-	-	-	67,706	67,706
				67,706	67,706

(b) **Liquidity risk**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2020, the Company had Rs 600 million (2019: Rs 300 million) of available borrowing limits from financial institutions and Rs 256.516 million (2019: Rs 233.097 million) of cash and bank balances.

The table below provides the maturity analysis of the Company's liabilities as at statement of financial position 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.

	2020			
	Carrying amount	Less than one year	One to five years	More than five years
	----------------Rupees in thousand----------------			
Financial liabilities				
Outstanding claims including IBNR	1,131,834	427,523	584,273	120,038
Insurance/reinsurance payables	7,316,459	6,846,118	360,892	109,449
Accrued expenses	38,385	38,385	-	-
Other creditors and accruals	1,178,073	1,178,073	-	-
Borrowings	1,936,663	1,936,663	-	-
	11,601,414	10,426,762	945,165	229,487

	2019			
	Carrying amount	Less than one year	One to five years	More than five years
	----------------Rupees in thousand----------------			
Financial Liabilities				
Outstanding claims including IBNR	1,176,065	470,940	349,172	355,953
Insurance/reinsurance payables	1,730,249	1,075,766	599,839	54,644
Accrued expenses	33,032	33,032	-	-
Other creditors and accruals	381,397	381,397	-	-
Borrowings	193,228	193,228	-	-
	3,513,971	2,154,363	949,011	410,597

(c) 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 mutual funds units. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

(i) Cash flow and fair value interest rate risk

Interest/yield rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. Yield risk is the risk of decline in earnings due to adverse movement of the yield rate. The Company is exposed to interest/yield rate risk for certain deposits with the banks.

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short term borrowings. These borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2020	2019	2020	2019
	Effective interest rate		---Rupees in thousand---	
Fixed rate instruments				
Financial assets				
Investments - Government securities	12.0%	12.0%	4,000	6,000
Total Exposure			4,000	6,000
Financial liabilities				
Variable rate instruments				
Borrowings	8.6%	13.7%	1,936,663	193,228
Bank balances - saving accounts	6.8%	6.2%	542,652	232,835
Investments - Government securities	12.0%	14.8%	64,000	64,000
Total Exposure			2,543,315	490,063

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rate at the statement of financial position date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on borrowings, at the statement of financial position date, fluctuate by 1% higher/ lower with all the other variables held constant, profit before taxation for the year would have been lower/higher by Rs 0.147 million (2019: Rs 0.093 million) and shareholders equity would have been lower/higher by Rs 0.104 million (2019: Rs 0.061 million), mainly as a result of higher/ lower interest expense on floating rate borrowings.

(ii) 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 is exposed to equity securities price risk because of investments held by the Company and classified as available-for-sale. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Company's investment strategy is to maximise investment returns.

The Company's investments in equity of other entities that are publicly traded are included in the Pakistan Stock Exchange.

The table below summarises the impact of increases/decreases of the KSE-100 index on the Company's pre-tax profit for the year and on equity. The analysis is based on the assumption that the KSE-100 index had increased/decreased by 10% with all other variables held constant and all the Company's equity investments moved according to the historical correlation with the index:

	Impact on pre-tax profit		Impact on other components of equity	
	2020	2019	**2020**	2019
Pakistan Stock Exchange Limited	-	-	1,267,790	1,365,383

As at December 31, 2020, the Company had no investments classified as at fair value through profit or loss.

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign reinsurers. The Company is not exposed to any significant currency risk at the statement of financial position date.

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's objective when managing capital are:

- to be in compliance with the paid-up capital requirement set by the SECP. The Company's current paid-up capital is in excess of the limit prescribed by the SECP vide SRO 828(I)2015.

- In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP which are not met by the Company.

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

- to maintain strong ratings and provide an adequate return to shareholders; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company manages the capital structure in context of economic conditions and the risk characteristics of the underlying assets. In order to meet solvency requirments and maintain or adjust the capital structure, the Company may, for example, realign existing investments, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debts.

39.2.1 Maturity analysis of financial assets and liabilities

	2020						
	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	----------Rupees in thousand----------						
Financial assets							
On statement of financial position							
Loans and receivables							
Cash and bank	542,652	-	542,652	155,275	-	155,275	697,927
Insurance/reinsurance receivables	-	-	-	8,825,466	-	8,825,466	8,825,466
Reinsurance recoveries against outstanding claims	-	-	-	955,947	-	955,947	955,947
Loans and other receivables	-	-	-	33,101	-	33,101	33,101
	542,652	-	542,652	9,969,789	-	9,969,789	10,512,441
Available- for- sale							
Investments - Equity securities	-	-	-	-	16,522,178	16,522,178	16,522,178
Held to maturity							
Investments - Debt securities	1,997	65,709	67,706	-	-	-	67,706
	544,649	65,709	610,358	9,969,789	16,522,178	26,491,967	27,102,325
Off statement of financial position	-	-	-	-	-	-	-
Total	544,649	65,709	610,358	9,969,789	16,522,178	26,491,967	27,102,325
Financial liabilities							
On statement of financial position							
Outstanding claims including IBNR	-	-	-	1,131,834	-	1,131,834	1,131,834
Insurance/reinsurance payables	-	-	-	7,316,459	-	7,316,459	7,316,459
Accrued expenses	-	-	-	38,385	-	38,385	38,385
Other creditors and accruals	-	-	-	1,178,073	-	1,178,073	1,178,073
Borrowings	1,936,663	-	1,936,663	-	-	-	1,936,663
	1,936,663	-	1,936,663	9,664,751	-	9,664,751	11,601,414
Off statement of financial position							
Guarantees	-	-	-	1,036	-	1,036	1,036
Contingencies	-	-	-	670,816	-	670,816	670,816
	-	-	-	671,852	-	671,852	671,852
Total	1,936,663	-	1,936,663	10,336,603	-	10,336,603	12,273,266
On statement of financial position gap	(1,392,014)	65,709	(1,326,305)	305,038	16,522,178	16,827,216	15,500,911
Off statement of financial position gap	-	-	-	(671,852)	-	(671,852)	(671,852)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

39.2.1 Maturity analysis of financial assets and liabilities (cont'd)

	2019						
	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	-----Rupees in thousand-----						
Financial assets							
On statement of financial position							
Loans and receivables							
Cash and bank	235,372	-	235,372	33,188	-	33,188	268,560
Insurance/reinsurance receivables	-	-	-	2,289,531	-	2,289,531	2,289,531
Reinsurance recoveries against outstanding claims	-	-	-	1,006,088	-	1,006,088	1,006,088
Loans and other receivables	-	-	-	34,968	-	34,968	34,968
	235,372	-	235,372	3,363,775	-	3,363,775	3,599,147
Available- for- sale							
Investments - Equity securities	-	-	-	-	16,184,138	16,184,138	16,184,138
Held to maturity							
Investments - Debt securities	1,993	67,680	69,673	-	-	-	69,673
	237,365	67,680	305,045	3,363,775	16,184,138	19,547,913	19,852,958
Off statement of financial position	-	-	-	-	-	-	-
Total	237,365	67,680	305,045	3,363,775	16,184,138	19,547,913	19,852,958
Financial liabilities							
On statement of financial position							
Outstanding claims including IBNR	-	-	-	1,176,065	-	1,176,065	1,176,065
Insurance/reinsurance payables	-	-	-	1,730,249	-	1,730,249	1,730,249
Accrued expenses	-	-	-	33,032	-	33,032	33,032
Other creditors and accruals	-	-	-	381,397	-	381,397	381,397
Borrowings	193,228	-	193,228	-	-	-	193,228
	193,228	-	193,228	3,320,743	-	3,320,743	3,513,971
Off statement of financial position							
Guarantees	-	-	-	1,017	-	1,017	1,017
Contingencies	-	-	-	670,811	-	670,811	670,811
	-	-	-	671,828	-	671,828	671,828
Total	193,228	-	193,228	3,992,571	-	3,992,571	4,185,799
On statement of financial position gap	44,137	67,680	111,817	43,032	16,184,138	16,227,170	16,338,987
Off statement of financial position gap	-	-	-	(671,828)	-	(671,828)	(671,828)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

40 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The COVID-19 pandemic had spread with alarming speed, infecting millions and bringing economic activity to a near-standstill as countries imposed tight restrictions on movement to halt the spread of the virus. This crisis continues to have a significant impact on individuals, society, business and the wider economy across the globe. The Company has not escaped its impact but has responded quickly to the crisis by providing the facilities to its employees to work from home, informing employees regularly about the risk of infection, good hygiene standards and ways to manage customer contact at Company offices. Consequently, at this stage, impact on the Company's business and results is limited. Gross premium for the year ended December 31, 2020 stood at Rs. 8,798.985 million with a 181.86% increase for the last year of Rs. 3,121.741 million. Moreover, a decrease is witnessed in profit before tax of Rs. 707.054 million against Rs. 959.383 million in the last year. The decrease in profit before tax is due to non receipt of dividends from MCB Bank Limited and United Bank Limited as per the instructions so State Bank of Pakistan (SBP) vide its circular BPRD/BA&CPD/006315/20 dated April 22, 2020.

The management of the Company believes that their current liquidity availability provides them with sufficient financial resources to meet their obligations as they come due and no such indication exists for the Company that triggered impairment of its assets. Potential valuation adjustments to asset / liability base, as a result of the possible impact of COVID-19 on Company's future profitability and cash flow were assessed and no adjustments were required. According to the management's assessment, there is no material accounting impact of the effects of COVID-19 in these financial statements.

Further, the Company will continue to follow the policies and advice published by the Government of Pakistan and in parallel will do the utmost to continue its operations in the best and safest way possible without jeopardizing the health of its staff.

41 SUBSEQUENT EVENT-NON ADJUSTING EVENT

The Board of Directors has proposed a final dividend for the year ended December 31, 2020 of Rs 2.5 per share (2019: Rs 2.5 per share), amounting to Rs 170.156 (2019: Rs 170.156 million) at their meeting held on March 31, 2021 for approval of the members at the Annual General Meeting to be held on April 30, 2021.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 31, 2021 by the Board of Directors of the Company.

43 CORRESPONDING FIGURES

Figures in these financial statements have been rounded off to the nearest thousand rupees.

Chief Executive Officer	Director	Director	Chairman

Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2020

الحمد لله ربِ العالمین والصلاۃ والسلام علی سیدالانبیاء والمرسلین وعلی اٰلہٖ واصحابہٖ اجمعین، وبعد

Being a Shari'ah Advisor of **Security General Company Limited (Window Takaful Operations)** (hereafter referred to as"SGICL WTO") it is my responsibility to ensure that the participant membership documents, underwriting procedures, Re-Takaful arrangements, and financial activities related to the Participants and stakeholders should be compliant as per Shari'ah rulings.

On the other hand it is the responsibility of "SGICL WTO" management to follow the Takaful rules and guidelines set by the Shari'ah Advisor and to take prior approval of Shari'ah Advisor for all policies and services being offered by the "SGICL WTO".

In my opinion, and the best of my understanding based on Shariah complince review and explanations provided by " SGICL WTO" below are the findings:

i. Underwriting, investments and financial transactions undertaken by the "SGICL WTO" for the year ended 31 December 2020, were in accordance with Takaful Rules 2012 and Shariah Guidelines issued by Shariah Advisor.

ii. Appropriate accounting policies and basis of measurement have been consistently applied in preparation of the financial statements of "Participant Takaful Fund (Waqf Fund)" and "Operator Fund".

iii. Shariah Compliance review has been conducted and related matters have been discussed and duly resolved.

iv. Any cases which were required to be consulted in accordance with the Shariah and Takaful Rules have been discussed and duly resolved.

I concluded my report with the words that Allah Almighty grant **"Security General Insurance Company Limited, Window Takaful Operations"** remarkable success and help the entire team at every step and keep away from every hindrance and difficulty.

"And Allah Knows Best"

Mufti Muhammad Umar.
Shariah Advisor
Window Takaful Operations
SGI Insurance Company Limited.
Date : March 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Security General Insurance Company Limited – Window Takaful Operations

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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.

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and 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 operator fund and participants' takaful fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;

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

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

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

A. F. Ferguson & Co.
Chartered Accountants
Name of engagement partner: Amer Raza Mir

Lahore
Date: April 07, 2021

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	OPERATOR'S FUND		PARTICIPANTS' TAKAFUL FUND	
		2020	2019	2020	2019
		----------------Rupees in thousand----------------			
ASSETS					
Property and equipment	6	2,224	2,625	-	-
Loans and other receivables	7	947	2,151	1,074	17,167
Takaful/retakaful receivables	8	762	11	77,544	45,984
Deferred wakala fee	22	-	-	20,485	20,673
Receivable from OPF/ PTF	9	18,235	27,118	1,096	844
Retakaful recoveries against outstanding claims	20	-	-	51,689	22,719
Salvage recoveries accrued		-	-	2,600	900
Deferred commission expense	23	8,854	9,956	-	-
Prepayments	18	-	-	46,375	46,466
Cash and bank	10	4,844	39,326	70,567	27,892
		35,866	81,187	271,430	182,645
Qard-e-Hasna to Participants' Fund	12	65,000	5,000	-	-
TOTAL ASSETS		100,866	86,187	271,430	182,645
EQUITY AND LIABILITIES					
Statutory fund	11	50,000	50,000	-	-
Accumulated profit/ (loss)		10,342	(847)	-	-
TOTAL SHAREHOLDERS EQUITY		60,342	49,153	-	-
PARTICIPANTS' TAKAFUL FUND (PTF)					
Ceded money		-	-	550	550
Accumulated deficit		-	-	(9,325)	(2,966)
BALANCE OF PARTICIPANTS' TAKAFUL FUND (PTF)		-	-	(8,775)	(2,416)
Qard-e-Hasna from Operator's Fund		-	-	65,000	5,000
LIABILITIES					
UNDERWRITING PROVISIONS					
Outstanding claims including IBNR	20	-	-	61,785	27,422
Unearned contribution reserve	18	-	-	58,232	58,922
Reserve for unearned retakaful rebate	19	-	-	11,911	12,569
Retirement benefit obligations	13	118	60	-	-
Unearned wakala fee	22	20,485	20,673	-	-
Takaful/retakaful payables	14	372	41	61,859	51,981
Other creditors and accruals	15	18,453	15,416	3,183	2,049
Payable to OPF / PTF	16	1,096	844	18,235	27,118
TOTAL LIABILITIES		40,524	37,034	215,205	180,061
TOTAL FUND AND LIABILITIES		100,866	86,187	271,430	182,645
CONTINGENCIES AND COMMITMENTS	17				

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		--- Rupees in thousand ---	
PARTICIPANT'S TAKAFUL FUND			
Contribution earned	18	67,894	39,679
Less: Contribution ceded to retakaful	18	(82,773)	(50,239)
Net contribution loss		(14,879)	(10,560)
Retakaful rebate earned	19	22,189	13,444
Net underwriting income		7,310	2,884
Net claims - Reported / settled		(13,155)	(6,199)
- IBNR		(1,973)	-
	20	(15,128)	(6,199)
Other direct expenses	21	(442)	(337)
Surplus before investment income		(8,260)	(3,652)
Other income	26	1,901	831
DEFICIT TRANSFERRED TO ACCUMULATED DEFICIT		(6,359)	(2,821)
OPERATOR'S FUND			
Wakala fee	22	36,425	21,065
Commission expense	23	(16,539)	(11,373)
General administrative and management expenses	24	(9,070)	(7,674)
		10,816	2,018
Other income	26	1,242	1,679
Other expenses	25	(869)	(534)
PROFIT FOR THE YEAR		11,189	3,163

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		------Rupees in	thousand------
PARTICIPANT'S TAKAFUL FUND			
Deficit transferred to accumulated deficit		(6,359)	(2,821)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently		-	-
to profit and loss account			
Items that will not be subsequently reclassified			
to profit and loss account		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,359)	(2,821)
OPERATOR'S FUND			
Profit for the year		11,189	3,163
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently		-	-
to profit and loss account			
Items that will not be subsequently reclassified			
to profit and loss account		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,189	3,163

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer   Director   Director   Chairman

STATEMENT OF CHANGES IN OPERATOR FUND AND PARTICIPANT'S TAKAFUL FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	Attributable to Operator's Fund		
	Statutory fund	Un-appropriated profit/(Loss)	Total
	------ Rupees in thousand ------		
BALANCE AS AT DECEMBER 31, 2018	50,000	(4,010)	45,990
Contribution made during the period	-	-	-
Profit for the year ended December 31, 2019	-	3,163	3,163
Other comprehensive income for the year ended December 31, 2019	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	3,163	3,163
BALANCE AS AT DECEMBER 31, 2019	50,000	(847)	49,153
Profit for the year ended December 31, 2020	-	11,189	11,189
Other comprehensive income for the year ended December 31, 2020	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	11,189	11,189
BALANCE AS AT DECEMBER 31, 2020	50,000	10,342	60,342

	Attributable to Participant's Takaful Fund		
	Ceded money	Accumulated (deficit)	Total
	------ Rupees in thousand ------		
BALANCE AS AT DECEMBER 31, 2018	550	(145)	405
Loss for the year ended December 31, 2019	-	(2,821)	(2,821)
Other comprehensive income for the year ended December 31, 2019	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	(2,821)	(2,821)
BALANCE AS AT DECEMBER 31, 2019	550	(2,966)	(2,416)
Loss for the year ended December 31, 2020	-	(6,359)	(6,359)
Other comprehensive income for the year ended December 31, 2020	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	(6,359)	(6,359)
BALANCE AS AT DECEMBER 31, 2020	550	(9,325)	(8,775)

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer | Director | Director | Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	OPERATOR'S FUND		PARTICIPANTS' TAKAFUL FUND	
		2020	2019	2020	2019
		----------------Rupees in thousand----------------			
OPERATING CASH FLOWS					
(a) TAKAFUL ACTIVITIES					
Contributions received		-	-	74,014	74,663
Retakaful contributions paid		-	-	(75,704)	(46,538)
Claims paid		-	-	(91,506)	(4,836)
Retakaful and other recoveries received		-	-	80,071	4,050
Retakaful reward received		-	-	21,531	22,468
Commission paid		(12,038)	(8,015)	-	-
Wakala fee received/ (paid)		45,838	13,662	(45,838)	(13,662)
Other takaful payments		-	-	(442)	(19,116)
Other takaful receipts		-	-	1,811	1,334
Net cash used in takaful activities		33,800	5,647	(36,063)	18,363
(b) OTHER OPERATING ACTIVITIES					
General and other expenses paid		(10,716)	(5,907)	-	-
Other operating receipts		-	-	16,819	-
NET CASH USED IN FROM OTHER OPERATING ACTIVITIES		(10,716)	(5,907)	16,819	-
TOTAL CASH GENERATED / (USED IN) FROM ALL OPERATING ACTIVITIES		23,084	(260)	(19,244)	18,363
INVESTMENT ACTIVITIES					
Profit / return received		2,576	708	1,919	215
Fixed capital expenditure		(142)	(1,346)	-	-
TOTAL CASH GENERATED / (USED IN) FROM INVESTING ACTIVITIES		2,434	(638)	1,919	215
FINANCING ACTIVITIES					
Qard-e-Hasna to PTF		(60,000)	(5,000)	-	-
Qard-e-Hasna from OPF		-	-	60,000	5,000
TOTAL CASH GENERATED FROM FINANCING ACTIVITIES		(60,000)	(5,000)	60,000	5,000
NET CASH (USED IN)/GENERATED FROM ALL ACTIVITIES		(34,482)	(5,898)	42,675	23,578
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		39,326	45,224	27,892	4,314
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	9	4,844	39,326	70,567	27,892
RECONCILIATION TO PROFIT AND LOSS ACCOUNT					
Operating cash flows		23,084	(260)	(19,244)	18,363
Depreciation expense		(543)	(628)	-	-
Bank profit		1,242	1,679	1,901	831
Increase in assets other than cash		(9,104)	30,554	46,128	123,998
Decrease in liabilities other than borrowings		(3,490)	(28,182)	(35,144)	(146,013)
Deficit for the year		11,189	3,163	(6,359)	(2,821)

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer | Director | Director | Chairman

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

Security General Insurance Company Limited (the 'Operator') has been allowed to undertake Window Takaful Operations (the Operations) on May 7, 2018 by the Securities and Exchange Commission of Pakistan ('SECP') under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The registered office of the Operator is situated at SGI House, 18-C, E1, Gulberg III, Lahore. The objects of the Operator include providing general insurance services (in spheres of Fire and property damage, Marine and aviation, Motor and Miscellaneous) and general takaful services.

The Operator was granted authorization on May 7, 2018 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations ("WTO") by the SECP under Takaful Rules, 2012 to carry on general takaful in Pakistan.

The Operator transferred statutory fund of Rs 50 million in a separate bank account for the WTO as per the requirement of Circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated February 27, 2018 and deposited a cede money of Rs 0.55 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator. The Operator commenced activities of WTO on May 7, 2018.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan 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, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019.

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

2.1.2 Basis Of Preparation

These financial statements have been presented on the format of financial statements issued by the SECP through General Takaful Accounting Regulations, 2019 vide S.R.O. 1416(I)/2019 dated November 20, 2019.

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

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention, except that certain investments that are carried at fair market value and the recognition of certain employee retirement benefits that are measured at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Operator operates. The financial statements are presented in Pakistani Rupees, which is the Operator's functional and presentation currency and has been rounded off to the nearest thousand of rupees.

2.4 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:

2.4.1 General Takaful Accounting Regulations, 2019

The Securities and Exchange Commission of Pakistan (SECP) issued the General Takaful Accounting Regulations, 2019 (the Regulation), through S.R.O. 1416 (I)/2019 dated November 20, 2019. These Regulations came into force for the accounting periods commencing on or after January 1, 2020.

The Regulations provide the principles based on which accounting and reporting of general takaful business of general takaful operators and window general takaful operators shall be made. The Regulations also contain the formats for reporting of published financial statements and regulatory returns of general takaful /window takaful operators.

As per the Regulations, the provision of Rule 19 of the Insurance Rules, 2017 along with Annexure – II and the provision of the Insurance Accounting Regulations, 2017 shall stand applicable on the Window Takaful Operator to the extent of its conventional insurance business modified to the extent stated at regulation 6 of these Regulations in respect of its Window Takaful business.

In accordance, with directives of SECP, with effect from January 1, 2020 the Operator has adopted these Regulations and changed its accounting policy in respect of the presentation of its financial statements, as explained in note 3.1 to these financial statements.

2.4.2 Standards, interpretations and amendments effective in the current period but are not relevant

There are certain new and amended standards and interpretations that are mandatory for the Operator's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or to have any significant effect on the Operator's operations and are therefore not detailed in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2.5 Standards, amendments and interpretations to accounting and reporting standards that are not effective at year end

2.5.1 - IFRS 9 'Financial Instruments' and IFRS 4 'Insurance Contracts'

This standard was notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective from annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model.

The Operator has continued to take advantage of an election under IFRS 4 that permits an insurer which meets certain conditions to temporarily be exempt from adopting IFRS 9 'Financial Instruments', that would have otherwise become effective from January 1, 2019, until January 1, 2023. Disclosures required under the temporarily exemption have been made by the Operator and detailed in note 4 to these financial statements.

2.5.2 - IFRS 17 'Insurance contracts'

This standard has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023 and yet to be notified by the SECP. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the contribution allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts include the measurement of the present value of future cash flows incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows); a contractual service margin equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

2.5.3 - Other Standards, amendments and interpretations

- IAS 16 – Property, Plant and Equipment (Amendments)
- IAS 37 – Onerous contracts (Amendments)
- IAS 1 – Presentation of financial statements', definition of materiality and classification of liabilities (Amendment)

In addition to the above, there are certain new standards, amendments and interpretations to accounting and reporting standards that are mandatory for the Operator's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or to have any significant effect on the Operator's operations and are, therefore, not detailed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except for change in accounting policy relating to presentation and disclosure as mentioned below in note 3.1 to these financial statements. Further, a change in presentation has been made in accordance with the revised accounting and reporting standards as detailed in note 2.4.1 to these financial statements.

3.1 Change in presentation and disclosure of financial statements

As per General Takaful Accounting Regulations, 2019 ("the Regulations"), the presentation and disclosure requirements of the financial statements were changed for general and window takaful operators for accounting periods commencing on or after January 1, 2020. Accordingly, with effect from January 01, 2020 the format prescribed in the Regulation has been adopted, and changes to the presentation and disclosures in these financial statements have been applied.

Key changes in the prescribed Annexure include a change in the presentation of assets / liabilities in the statement of financial position. Disaggregation of underwriting results and other elements of the profit and loss account. Other than these there have also been certain changes in the nomenclature of various elements of the financial statements. These do not have any financial impact on the profitability and opening retained earnings. Some of the key changes resulting from the change in accounting policy, as aforementioned, on the prior period financial statements have been summarized below:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3.1.1 Statement of financial position

Serial no.	New classification and presentation	Previous classification and presentation	December 31, 2019 (Rupees in thousand)
(a)	Separately disclosed in the statement of financial position, as "Accrued investment income".	Classified under "Loans and other receivables"	-
(b)	Classified under "Receivable from PTF", as "Wakala fee receivable".	Separately disclosed in the financial position, as "Wakala fees receivable".	27,023
(c)	Classified under "Payable to OPF", as "Wakala fee payable".	Separately disclosed in the financial position, as "Wakala fee payable".	27,023
(d)	Classified under Receivable from PTF", as "Modarib's share receivable".	Classified under "Loans and other receivable", as part of "Accrued investment income".	-
(e)	Classified under "Payable to OPF", as "Modarib's share payable".	Classified under "Other creditors and accruals", as "Modarib share of investment".	-

3.1.2 Profit and loss account

(a)	Classified and deducted from "Contribution earned" in the profit and loss account for PTF, as "Wakala fee".	Disclosed separately in the profit and loss account for PTF as "Wakala expense".	21,065
(b)	Separately disclosed in the profit and loss account for PTF, as "Contributions ceded to retakaful".	Deducted from contribution earned under "Net Contribution Revenue" in the profit and loss account for PTF, as "Retakaful expense".	50,239
(c)	Separately disclosed in the profit and loss account for PTF / OPF, as "Modarib's share of investment income".	Classified under "Investment (loss) / income" in the profit and loss account for PTF / OPF.	-

3.2 Property and equipment

3.2.1 Operating assets - owned

Operating assets except freehold land are stated at cost less accumulated depreciation and impairment, if any. Cost of tangible operating assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation is charged to income, through the profit and loss account, by applying the reducing balance method at the rates given in note 6 to write off the cost of operating assets over their expected useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, whereas no depreciation is charged in the month of disposal. Management judgement and estimates are involved in determining the residual values and useful lives of assets that best reflects the expected pattern of consumption of the future economic benefits embodied in the asset by the Operator.

Maintenance and normal repairs are charged to income as and when incurred whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain and loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense, in the profit and loss account.

The operating assets' residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Operator's estimate of the residual value of its operating asset as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

3.2.2 Operating assets - leased

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation on leased assets is charged by applying the reducing balance method at the rates used for similar owned operating assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

3.2.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3.3 Takaful contracts

Takaful contracts are based on the principles of Wakala where the Participants' Takaful Fund (PTF) accepts significant Takaful risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event adversely affects the policyholders. Once a contract has been classified as a Takaful contract, it remains a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Operator underwrites non-life takaful contracts categorized into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. The contracts may have a fixed term of one year or less and in some cases for more than one year. 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 based on its assessment of the takaful risk involved.

The classification of a takaful contract into the aforementioned categories is based on management's judgment regarding the incident / cause of loss affecting the majority of asset(s) covered under the takaful contract. The Operator performs its segment reporting activities based on the classifications of takaful contracts made, as disclosed in note 28 to these financial statements.

a) Fire and property and damage

i) Takaful risks and events insured

Cover is provided to the takaful contract holders against damages caused by fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact and burglary etc. and loss of profit followed by the incident of fire. These takaful contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

ii) Revenue recognition policy

Contribution income is recognized over the period of takaful from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct takaful business, contribution is recognized evenly over the period of the policy and for proportional retakaful business, evenly over the period of underlying takaful policies. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognized as revenue in accordance with the pattern of the incidence of risk. Contributions for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross contribution underwritten is adjusted against the unearned contribution reserves / liabilities existing at each reporting date to determine the net contribution underwritten during the year.

Since majority of policies are for one year, the Operator maintains its provision for unearned contribution by applying the 1/24th method as stipulated in regulation 9(4)(b) of General Takaful Accounting Regulations, 2019.

In addition to direct takaful, at times the Operator also participates in risks under cotakaful from other companies and also accepts risks through retakaful inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Operator. Contribution recognized against cotakaful policies is limited to the share of the Operator only.

Contribution income includes administrative surcharge that represents documentation and other charges recovered by the Operator from takaful contract holder in respect of policies issued, at the rate of 5% of the gross contribution written restricted to a maximum of Rs. 2,000 per policy.

ii) **Claims recognition**

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

b) **Marine, aviation and transport takaful:**

i) **Takaful risks and events insured**

Cover is provided upon the assets of the takaful contract holders against loss of or damage to cargo while in transit to and from foreign lands and inland transit due to various insured perils including loss of or damage to carrying vessel etc. This product is normally provided to commercial organizations. These takaful contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

ii) **Revenue recognition policy**

Contribution income is recognized over the period of takaful from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, contribution is recognized evenly over the period of the policy and for proportional retakaful business, evenly over the period of underlying takaful policies. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognized as revenue in accordance with the pattern of the incidence of risk. Contribution for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross contribution underwritten is adjusted against the unearned contribution reserves / liabilities existing at each reporting date to determine the net contribution underwritten during the year.

Since majority of policies are for three months period, contribution written during last three months of the financial year is taken to the provision for unearned contribution at the reporting date.

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In addition to direct takaful, at times the Operator also participates in risks under cotakaful from other companies and also accepts risks through retakaful inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Operator. Contribution recognized against cotakaful policies is limited to the share of the Operator only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Contribution income includes administrative surcharge that represents documentation and other charges recovered by the Operator from takaful contract holder in respect of policies issued, at the rate of 5% of the gross contribution written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

c) Motor takaful:

i) Takaful risks and events insured

Cover is provided to assets of the takaful contract holders against accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage. This product is normally availed by individual customers, however are available to both commercial organization and individuals.

ii) Revenue recognition policy

Contribution income is recognized over the period of takaful from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional retakaful business, evenly over the period of underlying takaful policies. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognized as revenue in accordance with the pattern of the incidence of risk. Contributions for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross contribution underwritten is adjusted against the unearned contribution reserves / liabilities existing at each reporting date to determine the net contribution underwritten during the year.

Since majority of policies are for one year, the Operator maintains its provision for unearned contribution by applying the 1/24th method as stipulated in regulation 9(4)(b) of General Takaful Accounting Regulations, 2019.

In addition to direct takaful, at times the Operator also participates in risks under cotakaful from other companies and also accepts risks through retakaful inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Operator. Contribution recognized against cotakaful policies is limited to the share of the Operator only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Contribution income includes administrative surcharge that represents documentation and other charges recovered by the Operator from takaful contract holder in respect of policies issued, at the rate of 5% of the gross contribution written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

d) Miscellaneous takaful:

i) Takaful risks and events insured

Cover is provided to assets of the takaful contract holders against damage / loss occurring due to burglary, loss of cash in safe, cash in transit and cash on counter, health, travel and crop etc. As per guidance of Insurance Accounting Regulations, 2017 amounts constituting less than 10% of the gross contribution revenue are clubbed together under this class of takaful contract. Normally personal takaful contracts e.g. cash in hand, cash in transit, personal accident, infidelity, public liabilities, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are provided to individual customers.

ii) Revenue recognition policy

Contribution income is recognized over the period of takaful from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional retakaful business, evenly over the period of underlying takaful policies. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognized as revenue in accordance with the pattern of the incidence of risk. Contributions for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross contribution underwritten is adjusted against the unearned contribution reserves / liabilities existing at each reporting date to determine the net contribution underwritten during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Since majority of policies are for one year, the Operator maintains its provision for unearned contribution by applying the 1/24th method as stipulated in regulation 9(4)(b) of General Takaful Accounting Regulations, 2019.

In addition to direct takaful, at times the Operator also participates in risks under co-takaful from other companies and also accepts risks through retakaful inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Operator. Contribution recognized against co-takaful policies is limited to the share of the Operator only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Contribution income includes administrative surcharge that represents documentation and other charges recovered by the Operator from takaful contract holder in respect of policies issued, at the rate of 5% of the gross contribution written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

Detailed accounting policies for recording and measurement of retakaful contracts held, receivables / payables related to takaful contracts and provision for outstanding claims including Incurred But Not Reported (IBNR) are mentioned in note 3.4, 3.6 and 3.8 respectively.

3.4 Revenue recognition

a) Contribution income earned

Contribution income under a takaful contract is recognized over the period of takaful from the date of the issue of the policy/cover note to which it relates, to its expiry.

b) Rebate from retakaful operators

Rebate from retakaful operators is recognised at the same time of insurance of the underlying takaful policy by the Operator and is deferred in accordance with the pattern of recognition of the retakaful contribution to which it relates.

c) Investment income

Return on Islamic investment products i.e. investments, profit on profit and loss sharing accounts and bank deposits are recognized on accrual basis.

d) **Wakala and Modarib's share**

The Operator manages the general takaful operations for the participants and charges wakala fee at following rates of gross contribution written including administrative surcharge as Wakala fee against the services.

	2020	2019
	Rupees in thousand	
Class	Percentage	Percentage
Fire and property damage	35.0%	35.0%
Marine, aviation and transport	40.0%	40.0%
Motor	35.0%	35.0%
Miscellaneous	30.0%	30.0%

The deferred portion of wakala fee is recognised as a prepayment in PTF and unearned wakala fee in OPF. The deferred portion of wakala fee is calculated by using 1/24 method.

e) **Administration surcharge**

Administrative surcharge includes documentation and other charges recovered by the Operator from takaful contact holders in respect of takaful policies issued, at a rate of 5% of the gross contribution, restricted to a maximum of Rs. 2,000. Administrative surcharge is recognized as revenue at the time of issuance of policy.

For the purpose of these financial statements, administrative surcharge is included in gross contribution written during the year.

3.5 **Retakaful ceded**

The Operator enters into retakaful contracts with retakaful companies by arranging treaty retakaful, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times retakaful of excess of capacity is also placed on case to case basis under facultative retakaful arrangement. The Operator also accepts facultative retakaful from other local takaful companies provided the risk meets the underwriting requirements of the Operator.

"The risks undertaken by the Operator under these contracts for each operating segment are stated in note 3.3 to the financial statements."

The benefits to which the Operator is entitled under retakaful contracts held are recognized as retakaful assets. These assets include retakaful receivables as well as receivables that are dependent on the expected claims and benefits arising under the related retakaful contracts. Retakaful liabilities primarily include contribution payable and retakaful rebate payable (in case of facultative acceptance). Retakaful assets and liabilities are measured consistently with the terms of the underlying retakaful contracts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired. Furthermore, Retakaful assets are not offset against related takaful liabilities.

Assets, liabilities and income and expense arising from ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the PTF from its direct obligation to its policy holders.

The deferred portion of retakaful contribution is recognised as a prepayment in PTF. The deferred portion of retakaful contribution ceded is calculated by using 1/24 method.

3.6 Receivables and payables related to takaful / retakaful contracts

Takaful/retakaful receivables and payables are recognized when due and carried at cost less provision for impairment. Cost is the fair value of the consideration to be received/ paid in the future for services rendered/ received. These include amounts due to and from agents, brokers, takaful contract holders and other takaful companies.

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

3.7 Segment reporting

The Operator accounts for segment reporting based on the guidelines of the Insurance Accounting Regulations, 2017 and the operating segments as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017, as the primary reporting format based on the Operator's practice of internal reporting to the management on the same basis. The Operator has determined its primary segments based on takaful risks covered under four types of takaful contracts as stated in note 3.3, to the financial statements.

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.

As the operations of the Operator are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

3.8 Provision for outstanding claims / benefits including Incurred But Not Reported (IBNR)

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

The Operator recognises liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an takaful contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date, whether reported or not. The Operator engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred but not Reported claim reserve, 2016".

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

The 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 retakaful recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance arrangements.

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 reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3.9 Retakaful recoveries against claims

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

3.10 Deferred commission expense

Commission expenses incurred in obtaining and recording takaful are deferred and recognised as an asset. The deferred amount represents the portion of commission expense relating to the unexpired period of the takaful coverage at the reporting date.

The same is amortized systematically, through the profit and loss account, over the reporting periods over which the related contribution revenue is recognized. Accordingly, deferred commission expense is also effected by the judgement and estimates involved in the determination of contribution revenue.

The Operator maintains its provision for deferred commission expense by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in the General Takaful Accounting Regulations, 2019 for non life insurance companies. In case of marine, aviation and transport commission expense relating to last three month is taken as deferred commission expense.

3.11 Unearned contribution reserves

The unearned portion of contribution written is set aside as an unearned contribution reserve. The provision for unearned contribution accordingly, represents the portion of contribution written relating to the unexpired period of takaful coverage at the reporting date. The method selected by management involves judgement and estimates regarding the expected pattern of incidence of risk in relation to a particular type of policy.

The Operator maintains its provision for unearned contribution by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in regulation 9(4)(b) of the General Takaful Accounting Regulations, 2019. However, in case of marine, aviation and transport, contribution written during last month is taken to the provision for unearned contribution.

3.12 Contribution deficiency reserve

In order to comply with the requirements of section 34(2)(d) of the Insurance Ordinance, 2000, a contribution deficiency reserve is maintained for each operating segment, where the unearned contribution liability for any class of business is not adequate to meet the expected future liability, after re-takaful, for claims, commissions, and other underwriting expenses, expected to be incurred after the reporting date in respect of the policies in force at the reporting date, in that operating segment. The movement in the contribution deficiency reserve is recorded as an expense / income as part of the underwriting results for the year.

An estimate of loss ratios for the expired period is carried out, at each operating segment level, keeping in view historical claim development and experience during the expired period of the contracts. Where ratios are adverse, an assessment is made to determine if it is due to one off claim that are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable. If determined to be inadequate, a deficiency in contribution is recognized in the current reporting period.

As per Operator's assessment and in line with the provisions of the Insurance Ordinance, 2000, the Insurance Rules 2017 and the General Takaful Accounting Regulations, 2019, a contribution deficiency reserve is not required as on December 31, 2020 and accordingly no provision for the same has been made in these financial statements of the current year.

3.13 Takaful surplus

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

3.14 Qard-e-Hasna

Qard-e-Hasna is provided by Operator's fund to PTF in case of deficit or to fulfill cash flow requirements.

3.15 Creditors, accruals and provisions

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

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

3.16 Taxation

The profit of the Operator is taxed as part of total profit of the SGI General Insurance Company Limited as the Operator is not separately registered for tax purposes.

3.17 Cash and cash equivalents

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3.18 Financial assets

3.18.1 Classification

The Operator invests in Shariah compliant financial instruments only. All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the statement of comprehensive income. These are classified into the following categories:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise insurance/reinsurance receivables, loans, advances, deposits and other receivables, reinsurance recoveries against outstanding claims and bank balances in the statement of financial position.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

c) Held-to-maturity

Investments with fixed maturity, which the management has the intent and ability to hold till maturity are classified as held-to-maturity and are initially recognized at cost being the fair value of consideration given and include transaction costs.

Income from held-to-maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

3.18.2 Recognition and measurement

All financial assets are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date; the date on which the Operator commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Operator has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss as part of other income when the Operator's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the other comprehensive income as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognized in the profit and loss. Dividends on available-for-sale equity instruments are recognized in the profit and loss when the Operator's right to receive payments is established.

The Operator assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss. Impairment losses recognized in the profit and loss on equity instruments are not reversed through the profit and loss. Impairment testing of insurance/reinsurance receivables and other receivables is described in note 3.19.

3.18.3 Financial liabilities

All financial liabilities are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3.18.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Operator intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.19 Impairment of assets

The carrying values of the Operator's non-financial assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to profit and loss account.

3.20 Provision for doubtful receivables

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any, provision for impairment of premium receivables is established when the chances of recovery are less. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis. The provision is made while taking into consideration of expected recoveries, if any.

3.21 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

3.22 Management expenses

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

4 TEMPORARY EXEMPTION FROM APPLICATION OF IFRS 9 - FINANCIAL INSTRUMENTS

4.1 Operator's activities are predominantly connected with takaful

As allowed by the International Accounting Standards Board (IASB) the Operator's management has opted for a temporary exemption from IFRS 9 on the basis that its activities are predominantly connected with takaful.

The Operator qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance, with the carrying amount of its liabilities within the scope of IFRS 4 being greater than the required threshold of the total carrying amount of all its liabilities at December 31, 2019 i.e. first reporting date of the Operator subsequent to December 31, 2018. Furthermore there was no subsequent change in its activities that warrant a reassessment of the same.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Operator's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where various assumptions and estimates are significant to the Operator's financial statements are as follows:

i) provision for outstanding claims including IBNR and retakaful recoveries there against (note 3.8)

ii) contribution deficiency reserve (note 3.12)

iii) useful lives of operating assets (note 6)

	Note	2020	2019
		--- Rupees in thousand ---	
6. PROPERTY AND EQUIPMENT			
Operating assets	6.1	2,224	2,625

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6.1 Operating assets - OPF

2020

	Cost			Accumulated depreciation			Written down value as at December 31	Depreciation rate %
	As at January 01	Addition/ (disposals)	As at December 31	As at January 01	Charge for the year/ (disposals)	As at December 31		
	-------------------------Rupees in thousand-------------------------							
Vehicles	3,429	-	3,429	803	526	1,329	2,100	20%
Office equipment	-	65	65	-	8	8	57	15%
Computer equipment	-	77	77	-	10	10	67	15%
	3,429	142	3,571	803	544	1,347	2,224	

2019

	Cost			Accumulated depreciation			Written down value as at December 31	Depreciation rate %
	As at January 01	Addition/ (disposals)	As at December 31	As at January 01	Charge for the year/ (disposals)	As at December 31		
	-------------------------Rupees in thousand-------------------------							
Vehicles	2,083	1,346	3,429	175	628	803	2,625	20%
	2,083	1,346	3,429	175	628	803	2,625	

6.1.1 The depreciation charge / expense for the year has been allocated to management expenses as disclosed in note 24.

6.1.2 There is no disposal of fixed assets during the current year.

	Operator's Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	------------ Rupees in thousand ------------			
7 LOANS AND OTHER RECEIVABLES				
Accrued income	347	1,681	672	690
Receivable from Security General Insurance Company Limited	-	271	-	16,306
Advance income tax	484	95	298	-
Sales tax recoverable	-	-	104	171
Others	116	104	-	-
	947	2,151	1,074	17,167
8. TAKAFUL/RETAKAFUL RECEIVABLES				
-Unsecured and considered good				
Due from takaful contract holders	-	-	30,485	21,978
Amount due from other takaful/retakaful operators	762	11	47,059	24,006
	762	11	77,544	45,984

		Note	Operator's Fund 2020	Operator's Fund 2019	Participants' Takaful Fund 2020	Participants' Takaful Fund 2019
			------------ Rupees in thousand ------------			
9.	RECEIVABLE FROM OPF/ PTF					
	Wakala fee receivable		17,422	27,023	-	-
	Receivable from Operator's Takaful Fund		-	-	1,096	844
	Receivable from Participation's Takaful Fund		813	95	-	-
			18,235	27,118	1,096	844
10.	CASH AND BANK					
	Cash and cash equivalents					
	Cash in hand		-	57	-	-
	Cash at bank					
	Profit and loss sharing accounts	10.1	4,844	39,269	70,567	27,892
			4,844	39,326	70,567	27,892

10.1 The rate of profit and loss sharing accounts range from 4.55% to 5.61% (2019: 3.7% to 5.6%) per annum, depending on the size of average deposits.

		Note	2020	2019
			--- Rupees in thousand ---	
11	STATUTORY FUND			
	Statutory reserves	11.1	50,000	50,000

11.1 Amount of Rs. 50,000 thousand (2019: Rs. 50,000 thousand) is deposited as statutory reserves to comply with provisions of para 4 of Circular No 8 of 2014 read with section 11(c) of Takaful Rules, 2012 issued by Securities and Exchange Commission of Pakistan which states that "Every insurer who is interested to commence window takaful business shall transfer an amount of not less than 50 million Rupees to be deposited in a separate bank account for window takaful business duly maintained in a scheduled bank".

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		2020	2019
		--- Rupees in thousand ---	
12	QARD-E-HASNA - PTF		
	Opening balance of Qard-e-Hasna	5,000	-
	Qard-e-Hasna transferred from OPF during the year	60,000	5,000
	Closing balance of Qard-e-Hasna	65,000	5,000
13	RETIREMENT BENEFIT OBLIGATIONS		
	These are other long term benefits amounting to Rs. 118,433 (2019: Rs 60,000)		

		2020	2019	2020	2019
		Operator's Fund		Participants' Takaful Fund	
		------------ Rupees in thousand ------------			
14	TAKAFUL/RETAKAFUL PAYABLE				
	Amount due to co-takaful/retakaful operators	372	41	61,859	51,981
15	OTHER CREDITORS AND ACCRUALS				
	Accrued expenses	1,816	951	-	-
	Commission payable	16,214	12,815	-	-
	Federal excise duty and sales tax	-	-	2,319	1,517
	Federal takaful fee	-	-	156	102
	Withholding tax payable	25	39	83	27
	Payable to Security General Insurance Company Limited	-	1,201	-	336
	Others	398	410	625	67
		18,453	15,416	3,183	2,049
16	PAYABLE TO OPF/ PTF				
	Wakala fee payable	-	-	17,422	27,023
	Payable to Operator's Takaful Fund	-	-	813	95
	Payable to Participant's Takaful Fund	1,096	844	-	-
		1,096	844	18,235	27,118

17 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2020.

		Note	'Participants' Takaful Fund 2020	2019
			--- Rupees in thousand ---	
18	NET CONTRIBUTION LOSS			
	Written gross contribution		103,629	105,373
	Less: wakala fee	22	(36,425)	(21,065)
	Contribution net of wakala fee		67,204	84,308
	Unearned contribution reserve - opening		58,922	14,293
	Unearned contribution reserve - closing		(58,232)	(58,922)
	Contribution earned		67,894	39,679
	Retakaful contribution ceded		(82,682)	(83,685)
	Prepaid retakaful contribution ceded - opening		(46,466)	(13,020)
	Prepaid retakaful contribution ceded - closing		46,375	46,466
	Retakaful expense		(82,773)	(50,239)
			(14,879)	(10,560)
19	RETAKAFUL REBATE			
	Retakaful rebate received		21,531	22,468
	Unearned retakaful rebate - opening		12,569	3,545
	Unearned retakaful rebate - closing		(11,911)	(12,569)
	Net retakaful rebate		22,189	13,444
20	TAKAFUL BENEFITS / CLAIMS EXPENSE			
	Benefits / Claims paid		89,806	5,736
	Outstanding benefits / claims (including IBNR) - opening		(27,422)	(708)
	Outstanding benefits / claims (including IBNR) - closing		61,785	27,422
	Claims expense		124,169	32,450
	Retakaful and other recoveries received		(80,071)	(4,050)
	Retakaful and other recoveries in respect of outstanding claims - opening		22,719	518
	Retakaful and other recoveries in respect of outstanding claims - closing		(51,689)	(22,719)
			(109,041)	(26,251)
	Net claims expense		15,128	6,199

20.1 It includes provision for IBNR on the basis of actuarial valuation carried out as at December 31, 2020 amounting to Rs 1.973 million (2019: Nil).

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20.2 Claim development

The following table shows the development of fire, marine, motor and others including miscellaneous claims compared to the last four years. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Accident year	2018	2019	2020
	------ (Rupees in thousand) ------		
Estimate of ultimate claims costs:			
At the end of accident year	1,017	34,408	79,204
One year later	662	85,013	-
Two years later	662	-	-
Current estimate of cumulative claims	662	85,013	79,204
Cumulative payments to date	(608)	(84,681)	(17,805)
Liability recognized in the statement of financial position	54	332	61,399

	Participants' Takaful Fund	
	2020	2019
	--- Rupees in thousand ---	
21 OTHER DIRECT EXPENSES		
Service charges	408	337
Bank charges	30	-
Bank charges	4	-
	442	337

	Operator's Fund	
	2020	2019
	--- Rupees in thousand ---	
22 WAKALA FEE		
Gross wakala fee	36,237	36,736
Deferred wakala fee - opening	20,673	5,002
Deferred wakala fee - closing	(20,485)	(20,673)
Wakala fee	36,425	21,065
23 NET COMMISSION EXPENSE		
Commission paid or payable	15,437	18,276
Deferred commission - opening	9,956	3,053
Deferred commission - closing	(8,854)	(9,956)
	16,539	11,373

	Operator's Fund	
	2020	2019
	--- Rupees in thousand ---	
24 GENERAL ADMINISTRATIVE ANDMANAGEMENT EXPENSES		
Salaries, allowances and other benefits	5,958	4,930
Shari'ah advisor fees	1,020	1,020
Printing and stationery	298	188
Legal and professional	295	127
Depreciation	543	628
Motor expenses	768	630
Others	188	151
	9,070	7,674

24.1 Compensation of executive

Aggregate amounts charged in the accounts for remuneration, including all benefits to executive of the company is as follows

	Operator's Fund	
	2020	2019
	--- Rupees in thousand ---	
Executive		
Managerial remuneration	1,350	1,227
Leave encashment	169	153
Bonus paid	660	460
Contribution to defined benefit plan	112	102
Contribution to defined contribution plan	135	123
Rent and house maintenance	540	491
Utilities	135	123
Medical	167	191
Others (Communication, Entertainment, Travelling & Fuel)	301	324
Total	3,569	3,194
Number of Persons	1	1

24.2 Executive means an employee other than Chief Executive and Directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

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		Operator's Fund	
		2020	2019
		--- Rupees in thousand ---	
25	OTHER EXPENSES		
	Auditors' remuneration	768	534
	Fee and Subscription	101	-
		869	534
	25.1 Auditor's remuneration		
	Fee for statutory audit	440	400
	Fee for interim review	220	122
	Special certifications and sundry advisory services	100	-
	Out of pocket	8	12
		768	534
26	OTHER INCOME		
	Operator's Fund		
	Profit on profit and loss sharing account	1,242	1,679
	Participant's Takaful Fund		
	Profit on profit and loss sharing accounts	1,901	831
		3,143	2,510

27 RELATED PARTY TRANSACTIONS

Related parties comprises of associated entities, entities under common control, entities with common directors, major shareholders, post employment benefit plans and key management personnel, inclusive of directors, and their close family members. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties are summarized as follows:

Participant's Takaful Fund

		2020	2019
		--- Rupees in thousand ---	
(i)	**Associated companies based on common directorship**		
	Transactions during the year		
	Gross contribution written	3,053	1,014
	Claims paid	314	-
		3,367	1,014

Participant's Takaful Fund	2020	2019
	--- Rupees in thousand ---	
Year end balances		
Outstanding claims	150	-
Contribution due but unpaid	553	442
	703	442
Operator's Fund		
(i) Key management personnel		
Transactions during the year		
Employee benefits	2,474	2,150
	2,474	2,150
Year end balances		
Advances against salaries	100	150
	100	150

28 SEGMENT REPORTING

The Operator has identified four (2019: four) primary operating / business segments for reporting purposes in accordance with the requirements of the Insurance Ordinance, 2000, Insurance Accounting Regulations, 2017 and the Insurance Rules, 2017. These include fire and property damage, marine, aviation and transport, motor and miscellaneous class of operating / business segments. As per Insurance Rules, 2017, information for other segments under which business is less than 10%, is classified under miscellaneous class of operating / business segment.

Assets and liabilities, wherever possible, have been assigned to the following segments based on specific identification or allocated on the basis of the gross contribution written by the segments.

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28.1 Current Year

28.1.1 Participants' Takaful fund (PTF)

Particulars	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------------------------------- Rupees in thousand -------------------------------				
Contribution receivable (inclusive of federal excise duty, federal takaful fee and administrative surcharge)	45,935	15,827	56,964	1,316	120,042
Federal Excise Duty	(5,885)	(2,027)	(7,296)	(169)	(15,377)
Federal Takaful Fee	(396)	(137)	(492)	(11)	(1,036)
Gross written contribution (inclusive of administrative surcharge)	39,654	13,663	49,176	1,136	103,629
Gross direct contribution	39,126	13,120	48,472	1,100	101,818
Administrative surcharge	528	543	704	36	1,811
	39,654	13,663	49,176	1,136	103,629
Wakala expense	(12,506)	(4,848)	(18,720)	(351)	(36,425)
Contribution earned	36,260	12,664	54,189	1,206	104,319
Retakaful expense	(33,276)	(11,393)	(37,021)	(1,083)	(82,773)
Net contribution revenue	(9,522)	(3,577)	(1,552)	(228)	(14,879)
Net rebate on retakaful	9,953	3,716	8,211	309	22,189
Net underwriting income	431	139	6,659	81	7,310
Takaful claims	(93,267)	(7,983)	(21,946)	(973)	(124,169)
Retakaful and other recoveries	86,344	7,167	14,710	820	109,041
Net claims	(6,923)	(816)	(7,236)	(153)	(15,128)
Direct expense	(169)	(58)	(210)	(5)	(442)
Net claims and expenses	(7,092)	(874)	(7,446)	(158)	(15,570)
Underwriting surplus/(deficit)	(6,661)	(735)	(787)	(77)	(8,260)
Other income					1,901
Deficit for the period					**(6,359)**
Corporate segment assets	75,045	25,845	93,046	2,157	196,093
Corporate unallocated assets					75,337
Total Assets					**271,430**
Corporate segment liabilities	81,142	27,944	100,604	2,332	212,022
Corporate unallocated liabilities					3,183
Total liabilities					**215,205**

28.1.2 Operator's fund (OPF)

Particulars	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
Wakala fee	12,506	4,848	18,720	351	36,425
Commission expense	(8,081)	(2,285)	(6,058)	(115)	(16,539)
Management expenses	(3,471)	(1,195)	(4,304)	(100)	(9,070)
	954	1,368	8,358	136	10,816
Other income					1,242
Other expense					(869)
Profit for the year					**11,189**
Corporate segment assets	10,367	3,570	12,854	298	27,089
Corporate unallocated assets	-	-	-	-	73,777
Total Assets					**100,866**
Corporate segment liabilities	15,509	5,341	19,228	446	40,524
Corporate unallocated liabilities					-
Total liabilities					**40,524**

28.2 Prior Year

28.2.1 Participants' Takaful fund (PTF)

Particulars	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------------------------------- Rupees in thousand -------------------------------				
Contribution receivable (inclusive of federal excise duty, federal takaful fee and administrative surcharge)	43,154	8,952	69,009	1,206	122,321
Federal Excise Duty	(5,521)	(1,104)	(8,834)	(161)	(15,620)
Federal Takaful Fee	(470)	(94)	(752)	(12)	(1,328)
Gross written contribution (inclusive of administrative surcharge)	37,163	7,754	59,423	1,033	105,373
Gross direct contribution	36,644	7,430	58,972	993	104,039
Administrative surcharge	519	324	451	40	1,334
	37,163	7,754	59,423	1,033	105,373
Wakala expense	(8,931)	(2,398)	(9,565)	(171)	(21,065)
Contribution earned	26,037	6,318	27,779	610	60,744
Retakaful expense	(23,266)	(5,565)	(20,892)	(516)	(50,239)
Net contribution revenue	(6,160)	(1,645)	(2,678)	(77)	(10,560)
Net rebate on retakaful	7,011	1,714	4,570	149	13,444
Net underwriting income	851	69	1,892	72	2,884
Takaful claims	(21,054)	(1,149)	(10,247)	-	(32,450)
Retakaful and other recoveries	20,057	1,110	5,084	-	26,251
Net claims	(997)	(39)	(5,163)	-	(6,199)
Direct expense	(124)	(24)	(186)	(3)	(337)
Net claims and expenses	(1,121)	(63)	(5,349)	(3)	(6,536)
Underwriting surplus/(deficit)	(270)	6	(3,457)	69	(3,652)
Other income					831
Deficit for the period					**(2,821)**
Corporate segment assets	65,733	5,979	62,988	1,246	135,946
Corporate unallocated assets					46,699
Total Assets					**182,645**
Corporate segment liabilities	78,771	7,936	89,626	1,584	177,917
Corporate unallocated liabilities					2,144
Total liabilities					**180,061**

28.2.2 Operator's fund (OPF)

Particulars	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
Wakala fee	8,931	2,398	9,565	171	21,065
Commission expense	(6,139)	(1,477)	(3,700)	(57)	(11,373)
Management expenses	(2,707)	(565)	(4,327)	(75)	(7,674)
	85	356	1,538	39	2,018
Other income					1,679
Other expense					(534)
Profit for the year					**3,163**
Corporate segment assets	13,076	2,729	20,906	363	37,074
Corporate unallocated assets					49,113
Total Assets					**86,187**
Corporate segment liabilities	13,062	2,726	20,883	363	37,034
Corporate unallocated liabilities					-
Total liabilities					**37,034**

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29 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

The Operator issue contracts that transfer takaful risk or financial risk or both. This section summarizes the takaful risks and the way the Operator manages them.

29.1 Takaful risk management

29.1.1 Takaful risk

The risk under any one takaful contract is the possibility of the covered event occurring and the uncertainty of the amount of the resulting claim. The Operator is exposed to the uncertainty surrounding the timing, frequency and severity of claims under takaful contracts and there is a risk that actual claims exceed the carrying amount of the takaful liabilities.

Experience shows that the larger the portfolio of similar takaful contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Operator has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories the Operator's takaful contract are for a maximum period of one year.

Factors that aggravate takaful risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(a) Frequency and severity of claims

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

Takaful contracts which are divided into direct and facultative arrangements are further subdivided into four segments: fire and property damage, marine ,aviation and transport, motor and miscellaneous. The takaful risk arising from these contracts is concentrated in the territories in which the Operator operates, and there is a balance between commercial and personal properties/assets in the overall portfolio of covered properties/assets. The Operator underwrites takaful contracts in Pakistan only.

The Operator manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Operator has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Takaful contracts also entitle the Operator to pursue third parties for payment of some or all costs (for example subrogation). The claims payments are limited to the extent of sum covered on occurrence of the covered event.

The Operator has entered into retakaful cover/arrangements, with local and foreign retakaful operators having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative retakaful arrangements are in place to protect the net account in case of a major catastrophe. The effect of such retakaful arrangements is that the Operator recovers the share of claims from retakaful companies thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional retakaful arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Operator.

In compliance of the regulatory requirement, the retakaful agreements are duly submitted with the SECP on an annual basis.

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

Statement of age wise breakup of unclaimed takaful benefits

	Age Wise Breakup					
	Total Amount	"1 to 6 Months"	"7 to 12 Months"	"13 to 24 Months"	"25 to 36 Months"	"Beyond 36 Months"
			------ (Rupees in thousand) ------			
Claims not encashed	1,022	1,022	-	-	-	-
	1,022	**1,022**	**-**	**-**	**-**	**-**

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

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

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The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, retakaful and other recoveries. The Operator's claim are for shorter settlement period generally and Operator takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Operator estimation techniques are a combination of loss-ratio based estimates (where the loss ratio is defined as the ratio between the ultimate cost of takaful claims and takaful contribution earned in prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

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

(c) Process used to decide on assumptions

The risks associated with takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in Pakistan only.

The Operator uses internal data to measure its related estimated claim liabilities. Internal data is derived mostly from the Operator's monthly claims reports, surveyor's report for particular claim and screening of the actual takaful contracts carried out to derive data for the contracts held. The Operator has reviewed the individual contracts and in particular the industries in which the participant companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The principal assumption underlying the liability estimation of IBNR and contribution deficiency reserve is that the Operator's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors and economic conditions etc.

(d) Changes in assumptions

The Operator has not changed its assumptions for the takaful contracts as disclosed in above (b) and (c).

(e) **Sensitivity analysis**

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

The Operator makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Operator considers that the liability for takaful claims recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and balance of waqf is set out below.

	2020		2019	
	Under writing results	Balance of Waqf	Under writing results	Balance of Waqf
	------ Rupees in thousand ------			
10% increase in average claim cost				
Fire and property damage	(692)	(692)	(107)	(107)
Marine, aviation and transport	(81)	(81)	-	-
Motor	(723)	(723)	(516)	(516)
Miscellaneous	(15)	(15)	-	-
	(1,511)	(1,511)	(623)	(623)
10% decrease in average claim cost				
Fire and property damage	692	692	107	107
Marine, aviation and transport	81	81	-	-
Motor	723	723	516	516
Miscellaneous	15	15	-	-
	1,511	1,511	623	623

Concentration of takaful risk

A concentration of risk may also arise from a single takaful contract issued to a particular type of participant, within a geographical location or to types of commercial business. In order to minimize the financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreement with other retakaful operators, who are dispersed over several geographical regions.

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The Operator has certain single takaful contracts, which it considers as risk of high severity but very low frequency. The Operator cedes substantial part of these risks to the retakaful companies on its panel and its maximum exposure on any single policy is limited to the amount of Rs 25 million.

The maximum class wise risk exposure (in a single policy) is as follows:

	2020			2019		
	Gross sum covered	Retakaful cover	Highest net liability	Gross sum covered	Retakaful cover	Highest net liability
	------ Rupees in thousand ------					
Fire and property damage	5,236,147	5,208,221	27,926	6,861,703	6,837,687	24,016
Marine, aviation and transport	368,206	364,524	3,682	284,396	281,552	2,844
Motor	24,800	23,560	1,240	14,200	13,206	994
Others including miscellaneous	21,920	19,728	2,192	10,000	9,600	400
	5,651,073	5,616,033	35,040	7,170,299	7,142,045	28,254

30 FINANCIAL RISK MANAGEMENT

The Operator has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Operator's risk management framework. The Board is also responsible for developing and monitoring the Operator's risk management policies.

Risk management framework

Every takaful operator is exposed to a wide range of risks, some discrete and some interdependent; integrated risk management entails strong governance processes; ensuring greater accountability, transparency and risk awareness in underwriting, investment and strategic decisions. The Board of Directors take ultimate responsibility for supervising the Operator's risk management framework. Risk management framework covers the need to review the strategy of an Operator and to assess the risk associated with it.

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

30.1 Credit risk

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

30.1.1 Exposure to credit risk

Credit risk of the Operator arises principally from the deposit and account placement with banks, contribution due but unpaid, amount due from other takaful/retakaful operators, retakaful and other recoveries against outstanding claims and other receivables. To reduce the credit risk, Operator's management monitors exposure to credit risk through its regular review, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts.

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

		Operator's Fund		Participants' Takaful Fund	
	Note	2020	2019	2020	2019
		------ Rupees in thousand ------			
Cash at bank	10	4,844	39,326	70,567	27,892
Takaful/retakaful receivables	8	762	11	77,544	45,984
Receivable from OPF/ PTF	9	18,235	27,118	1,096	844
Retakaful recoveries against outstanding claims	20	-	-	51,689	22,719
Loans and other receivables	7	947	2,151	1,074	17,167
		24,788	68,606	201,970	114,606

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

	2020			2019		
	Short term	Long term	Agency	Short term	Long term	Agency
Meezan Bank Limited	AA+	A1+	VIS	AA+	A1+	VIS
MCB Islamic Bank Limited	A1	A	PACRA	A1	A	PACRA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Contribution due but unpaid

Contribution due but unpaid is mostly recoverable from corporate customers.

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of gross "contribution due but unpaid" (before charging of provision for impairment) at the reporting date was:

	2020		2019	
	Rupees in thousand	%	Rupees in thousand	%
Engineering	-	0.00%	21	0.10%
Food	5,715	19%	11,794	53%
Other manufacturing	8,467	28%	5,267	24%
Others	16,303	53%	4,896	23%
	30,485	100%	21,978	100%

Age analysis of "contribution due but unpaid" at the reporting date was:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	------ Rupees in thousand ------			
Upto 1 year	23,999	-	21,978	-
Over one year	6,486	-	-	
	30,485	-	21,978	-

Retakaful ceded does not relieve the Operator from its obligation to participants and as a result the Operator remains liable for the portion of outstanding claims covered by retakaful to the extent that retakaful fails to meet the obligation under the retakaful agreements.

In common with other takaful companies, in order to minimize the financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreement with other retakaful companies.

The Operator enters into retakaful arrangements with retakaful companies having sound credit ratings accorded by reputed credit rating agencies. An analysis of all retakaful assets relating to outward treaty cessions recognized by the rating of the entity from which it is due is as follows:

	2020			2019		
	Amount due from retakaful operators	Retakaful recoveries against outstanding claims	Prepaid retakaful contribution ceded	Amount due from retakaful operators	Retakaful recoveries against outstanding claims	Prepaid retakaful contribution ceded
	------ Rupees in thousand ------					
A or above	-	19,063	19,880	-	18,933	19,801
A-	13,707	22,982	18,039	2,109	-	15,274
BBB	9,028	1,858	3,647	-	3,752	-
Others	526	7,786	4,809	-	34	11,391
	23,261	51,689	46,375	2,109	22,719	46,466

Age analysis of "Amount due from other takaful companies" at the reporting date was:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	------ Rupees in thousand ------			
Upto 1 year	12,091	-	21,905	-
Over one year	12,469	-	-	-
	24,560	-	21,905	-

In respect of the aforementioned takaful and retakaful assets, the Operator takes into account its track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, retakaful recoveries are made when corresponding liabilities are settled.

30.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. The diversified funding sources and assets of the Operator are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date on an undiscounted cash flow basis.

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	2020			
	Carrying amount	Contractual cash flows	" Upto one year "	Over one year
	------ Rupees in thousand ------			
Financial liabilities-OPF				
Takaful/retakaful payables	372	372	372	-
Retirement benefit obligations	118	118	118	-
Payable to OPF / PTF	1,096	1,096	1,096	-
Other creditors and accruals	18,453	18,453	18,453	-
	20,039	20,039	20,039	-
Financial liabilities-PTF				
Provision for outstanding claims (including IBNR)	61,785	61,785	61,399	386
Takaful/retakaful payable	61,859	61,859	59,188	2,671
Payable to OPF / PTF	18,235	18,235	18,235	-
Other creditors and accruals	3,183	3,183	3,183	-
	145,062	145,062	142,005	3,057
	165,101	165,101	162,044	3,057

	2019			
	Carrying amount	Contractual cash flows	" Upto one year "	Over one year
	------ Rupees in thousand ------			
Financial liabilities-OPF				
Takaful/retakaful payables	41	41	41	-
Retirement benefit obligations	60	60	60	-
Payable to OPF / PTF	844	844	844	-
Other creditors and accruals	15,416	15,416	15,416	-
	16,361	16,361	16,361	-
Financial liabilities-PTF				
Provision for outstanding claims (including IBNR)	27,422	27,422	27,265	157
Takaful/retakaful payable	51,981	51,981	51,981	-
Payable to OPF / PTF	27,118	27,118	27,118	-
Other creditors and accruals	2,049	2,049	2,049	-
	108,570	108,570	108,413	157
	124,931	124,931	124,774	157

30.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at reporting date there are no financial instruments denominated in foreign currencies. Therefore, the Operator is not exposed to risk from foreign currency exchange rate fluctuations.

30.3.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from balances held with reputable banks.

At the reporting date, the profit rate profile of the operator's significant profit-bearing financial instrument is:

	2020							
		Profit bearing			Non-profit bearing			
	Profit Rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	-----Rupees in thousand-----							
Financial assets								
Operator's Fund								
Bank balances	4.55% - 5.61%	4,844	-	4,844	-	-	-	4,844
Receivable from OPF/ PTF		-	-	-	18,235	-	18,235	18,235
Amount due from other takaful/retakaful operators		-	-	-	762	-	762	762
Loans and other receivables		-	-	-	947	-	947	947
		4,844	-	4,844	19,944	-	19,944	24,788
Participants' Takaful Fund								
Bank balances	4.55% - 5.61%	70,567	-	70,567	-	-	-	70,567
Contribution due from policyholders		-	-	-	30,485	-	30,485	30,485
Amount due from other takaful/retakaful operators		-	-	-	47,059	-	47,059	47,059
Retakaful recoveries against outstanding claims		-	-	-	51,689	-	51,689	51,689
Loans and other receivables		-	-	-	1,074	-	1,074	1,074
		70,567	-	70,567	130,307	-	130,307	200,874
Financial liabilities								
Operator's Fund								
Other creditors and accruals		-	-	-	18,453	-	18,453	18,453
Takaful/retakaful payables		-	-	-	372	-	372	372
Payable to OPF / PTF		-	-	-	1,096	-	1,096	1,096
Retirement benefit obligations		-	-	-	118	-	118	118
		-	-	-	20,039	-	20,039	20,039
Participants' Takaful Fund								
Outstanding claims including IBNR		-	-	-	61,785	-	61,785	61,785
Takaful/retakaful payable		-	-	-	61,859	-	61,859	61,859
Payable to OPF / PTF		-	-	-	18,235	-	18,235	18,235
Other creditors and accruals		-	-	-	3,183	-	3,183	3,183
		-	-	-	145,062	-	145,062	145,062

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FOR THE YEAR ENDED DECEMBER 31, 2020

		2019						
		Profit bearing			Non-profit bearing			
	Profit Rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		-----Rupees in thousand-----						
Financial assets								
Operator's Fund								
Bank balances	3.7% - 5.6%	39,326	-	39,326	-	-	-	39,326
Receivable from OPF/ PTF		-	-	-	27,118	-	27,118	27,118
Amount due from other takaful/retakaful operators		-	-	-	11	-	11	11
Loans and other receivables		-	-	-	2,151	-	2,151	2,151
		39,326	-	39,326	29,280	-	29,280	68,606
Participants' Takaful Fund								
Bank balances	3.7% - 5.6%	27,892	-	27,892	-	-	-	27,892
Contribution due from policyholders		-	-	-	21,978	-	21,978	21,978
Amount due from other takaful/retakaful operators		-	-	-	24,006	-	24,006	24,006
Retakaful recoveries against outstanding claims		-	-	-	22,719	-	22,719	22,719
Loans and other receivables		-	-	-	17,167	-	17,167	17,167
		27,892	-	27,892	85,870	-	85,870	113,762
Financial liabilities								
Operator's Fund								
Other creditors and accruals		-	-	-	15,416	-	15,416	15,416
Takaful/retakaful payables		-	-	-	41	-	41	41
Payable to OPF / PTF		-	-	-	844	-	844	844
Retirement benefit obligations		-	-	-	60	-	60	60
		-	-	-	16,361	-	16,361	16,361
Participants' Takaful Fund								
Outstanding claims including IBNR		-	-	-	27,422	-	27,422	27,422
Takaful/retakaful payable		-	-	-	51,981	-	51,981	51,981
Payable to OPF / PTF		-	-	-	27,118	-	27,118	27,118
Other creditors and accruals		-	-	-	2,049	-	2,049	2,049
		-	-	-	108,570	-	108,570	108,570

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow profit rate risk in respect of its balances with banks. In case of 100 basis points (bp) increase/decrease in profit rates at period end, assuming that all other variables remain constant, the net income and equity would have been higher/lower approximately by Rs 0.012 million (2019: 0.017) in Operator's fund. Similarly, in case of Participants' Takaful Fund the net income and balance of Waqf/PTF would have been higher/lower approximately by Rs 0.019 million (2019: 0.008).

30.3.2 Profit rate risk

Price risk is the risk of changes in the fair value of investments. The Operator is not exposed to price risk since it has no investments.

30.4 Fund management

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

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

31 CAPITAL MANAGEMENT

The Operator's objectives when managing capital are to safeguard the Operator's ability to continue as a going concern in order to provide return for participants and to maintain an optimal capital structure to reduce the cost of capital.

The Operator's objective when managing capital are:

(i) to be in compliance with the solvency requirements as prescribed under Takaful Rules, 2012.

(ii) to safeguard the Fund's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(iii) to provide an adequate return to the participants.

The Operator manages the capital structure in context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure.

32 FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair value measurement of available for sale investments is based on quoted market prices i.e. level 1 inputs. In case of other financial assets and financial liabilities that are expected to be settled within one year, carrying amounts are considered to be a reasonable approximation of their fair values.

There are no financial instruments as at December 31, 2020.

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33 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The COVID-19 pandemic had spread with alarming speed, infecting millions and bringing economic activity to a near-standstill as countries imposed tight restrictions on movement to halt the spread of the virus. This crisis continues to have a significant impact on individuals, society, business and the wider economy across the globe. The Operator has not escaped its impact but has responded quickly to the crisis by providing the facilities to its employees to work from home, informing employees regularly about the risk of infection, good hygiene standards and ways to manage customer contact at Operator offices. Consequently, at this stage, impact on the Operator's business and results is limited. Gross contribution for year ended December 31, 2020 stood at Rs. 103,629 thousand with a 1.66% decline from the last year of Rs. 105,373 thousand. Similarly, a increase is witnessed in deficit of Rs. 6,359 thousand was transferred to accumulated fund against Rs. 2,821 thousand in the same last year.

Operator believes their current liquidity availability provides them with sufficient financial resources to meet their obligations as they come due and no such indication exists for the Operator that triggered impairment of its assets. Potential valuation adjustments to asset / liability base, as a result of the possible impact of COVID-19 on Operator's future profitability and cash flow generation, were assessed and no significant adjustments were required.

According to Operator's assessment, there is no material accounting impact of the effects of COVID-19 in these financial statements.

Further, the Operator will continue to follow the policies and advice published by the Government of Pakistan and in parallel will do the utmost to continue its operations in the best and safest way possible without jeopardizing the health of its staff.

34 SUBSEQUENT EVENTS

There are no significant events that need to be disclosed for the year ended December 31, 2020.

35 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Operator on March 31, 2021.

36 CORRESPONDING FIGURES & GENERAL

The corresponding figures have been reclassified or rearranged, wherever considered necessary, to comply with the requirements of General Takaful Accounting, regulations 2019. Accordingly, no other significant reclassification or rearrangement have been made during the year, except for those mentioned in note 3.1.

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

Chief Executive Officer	Director	Director	Chairman

NOTES

FORM OF PROXY

Security General Insurance Company Limited

I/We, ____

________of________________________________FOLIO NO. ________________________________

being a shareholder of the Security General Insurance Company Limited (The Company) do hereby appoint.

Mr./Miss/Ms. ____

_________of________________________________FOLIO NO.________________________________

and or failing him/her ________________________________ of ________________________________

____

who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to vote for me/us at the Annual General Meeting of the Company to be held on April 30, 2021(Friday) at 04:00 P.M. at SGI House 18-C/E-1, Gulberg III, Lahore and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

As witness my/our hands in this day of_________________ 2021.

Revenue Stamp

Signature ____________________________________

Address ____________________________________

____

CNIC No. ___________________________________

No. of shares held ____________________________

Witness:-

Name ______________________________________

Address ____________________________________

____

CNIC No. ___________________________________

IMPORTANT:

a. This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at 53-A Lawrance Road, Lahore not later than 48 hours before the time of holding the Annual General Meeting. For Appointing Proxies.
b. Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
c. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
d. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished along with proxy form to the Company

پراکسی فارم

سیکورٹی جنرل انشورنس کمپنی لمیٹڈ

میں/ہم ---

کا/کے--

بحیثیت رکن سیکورٹی جنرل انشورنس کمپنی لمیٹڈ فولیو نمبر --------------------------- بذریعہ ہذا

محترم/محترمہ-------------------------- کا/کی--------------------------فولیو نمبر----------------------------

یا اسکی غیر موجودگی میں--کا/کے--

جو مذکورہ کمپنی کا حصص دار بھی ہے

کو اپنے /ہمارے ایماء پر 30 اپریل 2021بروز جمعہ 00 :04 بجے بمقام ایس جی آئی ہاؤس 18-سی / ای- 1 ، گلبرگ 3 ، لاہور پر

منعقد ہونے والے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے ، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار

(پراکسی)مقرر کرتا ہوں

آج بروز------- بتاریخ-------2021 کو میرے/ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

رسیدی ٹکٹ

گواہ

نام :-----------------------------

پتہ :-----------------------------

شناختی کارڈ نمبر :---------------------

دستخط :---------------------------

اہم نوٹ

ا۔ پراکسی کی تقرری کے آلات، باقاعدہ مکمل شدہ، کمپنی کے 53۔اے لارنس روڈ لاہور ۴۸ گھنٹے قبل پراکسیز مقرر کرنے کے لیے لازماً وصول ہوجانے چاہئیں۔

ب۔ بینیفشل اونرز کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول، پراکسی فارم مختارنامہ کے ہمراہ کمپنی میں جمع کرانا ہو گی۔

ج۔ پراکسی اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ مہیا کرے گا۔

د۔ بصورت کارپوریٹ اینٹٹی، بورڈ کی قرارداد/مختارنامہ معہ پراکسی ہولڈر کے دستخط پراکسی فارم مختارنامہ کے ہمراہ کمپنی میں جمع کرانا ہوگا۔

تكافل
TAKAFUL
Window Operations

SGI HOUSE

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