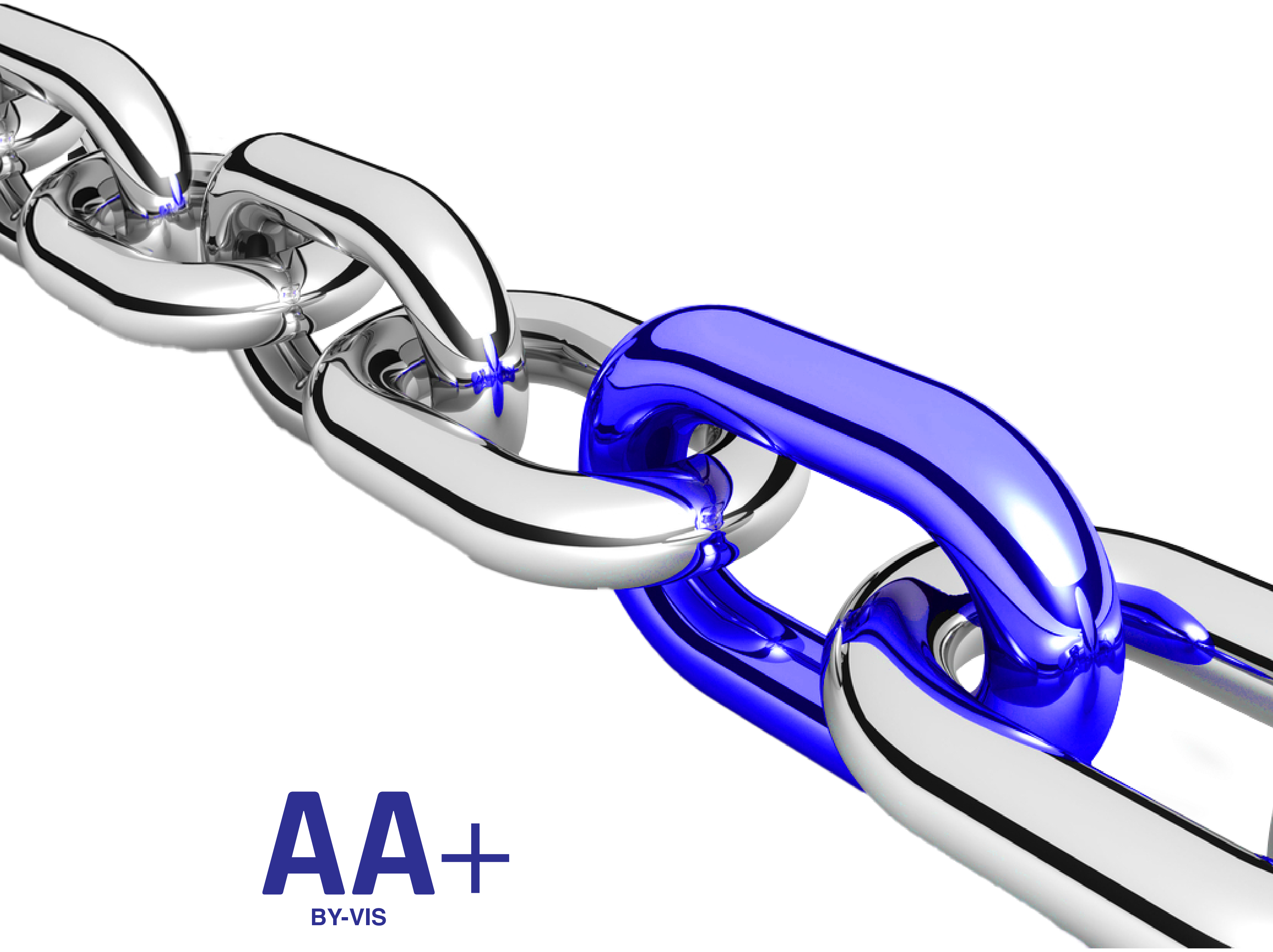
ANNUAL REPORT 2021



AA+
BY-VIS

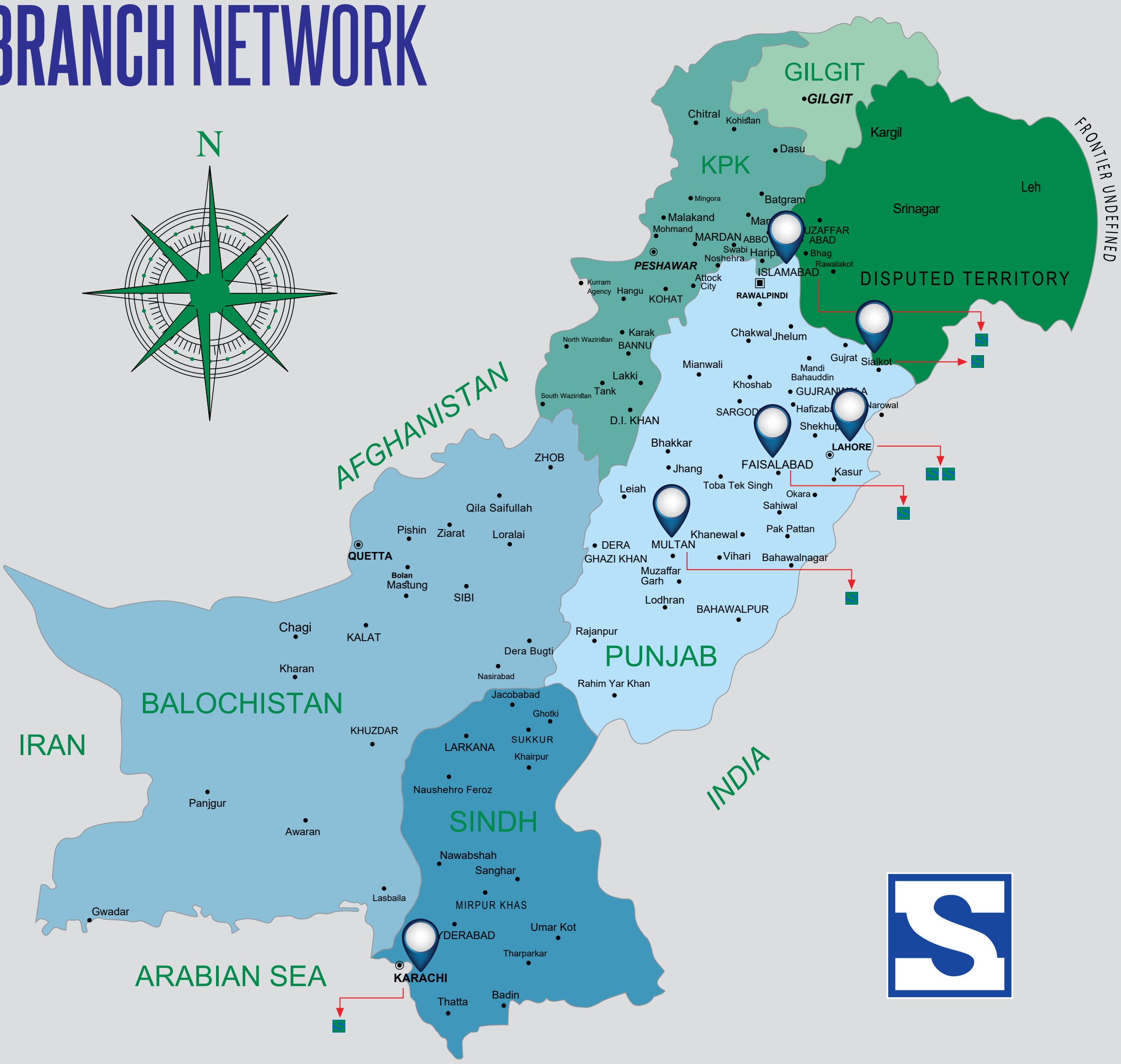
SECURITY GENERAL INSURANCE COMPANY LTD.
(Window Takaful Operations)

CONTENTS

HIGHLIGHTS

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

BRANCH NETWORK



CORPORATE BRANCH:
9-B, 3rd Floor, LDA Flats, Lawrence 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.

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.

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

Mian Hassan Mansha
Chairman

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

Nabeela Waheed
Director

Inayat Ullah Niazi
Director

Mahmood Akhtar
Director

Muhammad Azam
Director

Farrukh Aleem
Chief Executive Officer

Khalid Mahmood Chohan
Company Secretary

CEO MESSAGE

Farrukh Aleem
C.E.O

To Our Proud Policy Holders, Sponsors, Members and Employees

To Our Proud Policy Holders, Sponsors, Members and Employees

Over the past year and half, we faced a very challenging time as individuals and communities, as a company and a workplace; This changed the whole dynamics of doing business including provision of services and providing a safe environment for the employees. To meet these challenges, we focused on technological innovation, process development and providing a healthy environment to our employees.

During the year 2021, we grew net premium revenue, underwriting profit and net profit before and after tax at a very good rate and outperformed the history of the Company.

Key financial performance and strength indicators of Company are admirable and are as follows:

- **Gross Premium** = PKR 4 Billion.
- **Net Profit After Tax** = PKR 1.5 Billion
- **Investments** = PKR 19.43 Billion.
- **Equity** = PKR 16.77 Billion.

As Security General Insurance Company, our vision, mission, and guiding principles keep us focused on our clients, human resource and the members' well being who vested their trust on us. With great focus on client needs and satisfaction, we guide and offer them the best and innovative products which not only best suites to their risk management strategy but also help them to do it better both in terms of protection and cost effectiveness. We pay full attention on timely settlement of claims to our clients, this feature outstands us in the market, even during COVID-19 lock down period we took extraordinary care of workshops, surveyors and clients' claim payments. Human resource is key to our success, we hire and train them in a most conducive culture and environment at SGICL. This helps us in achieving our objective of personal and professional well-being of the human resource and ultimately reaping maximum benefits for the Company. Sponsors are a key guiding source in formulating our vital strategies. Under their patronage, SGICL had made investments of Over 4.6 Billion Rupees over the last four years in companies with lucrative businesses. This strengthens our financial position and support to our future income growth. SGICL financials are comparable with any major player of the industry.

SGICL shall continue its regular growth while maintaining portfolio mix with a focus to improve bottom line of the company.

I convey my heartiest best wishes and thank you to all our clients, employees, sponsors and other stakeholder to keep us move forward in the right direction.

Have a prosperous and healthy year ahead!

COMPANY INFORMATION

Board of Directors

Mian Hassan Mansha
Chairman
Mahmood Akhtar
Director
Nabeela Waheed
Director
Farrukh Aleem
CEO
Inayat Ullah Niazi
Director
Muhammad Azam
Director

Management

Farrukh Aleem
CEO
Hafiz Khuram Shahzad
CFO
Khalid Mahmood Chohan
Company Secretary

Audit Committee

Mian Hassan Mansha
Chairman
Mahmood Akhtar
Member
Inayat Ullah Niazi
Member

External Auditors

A.F. Ferguson & Co.
Chartered Accountants

Internal Auditors

Ahsan & Ahsan
Chartered Accountants

Lawyers

Hamid Law Associates

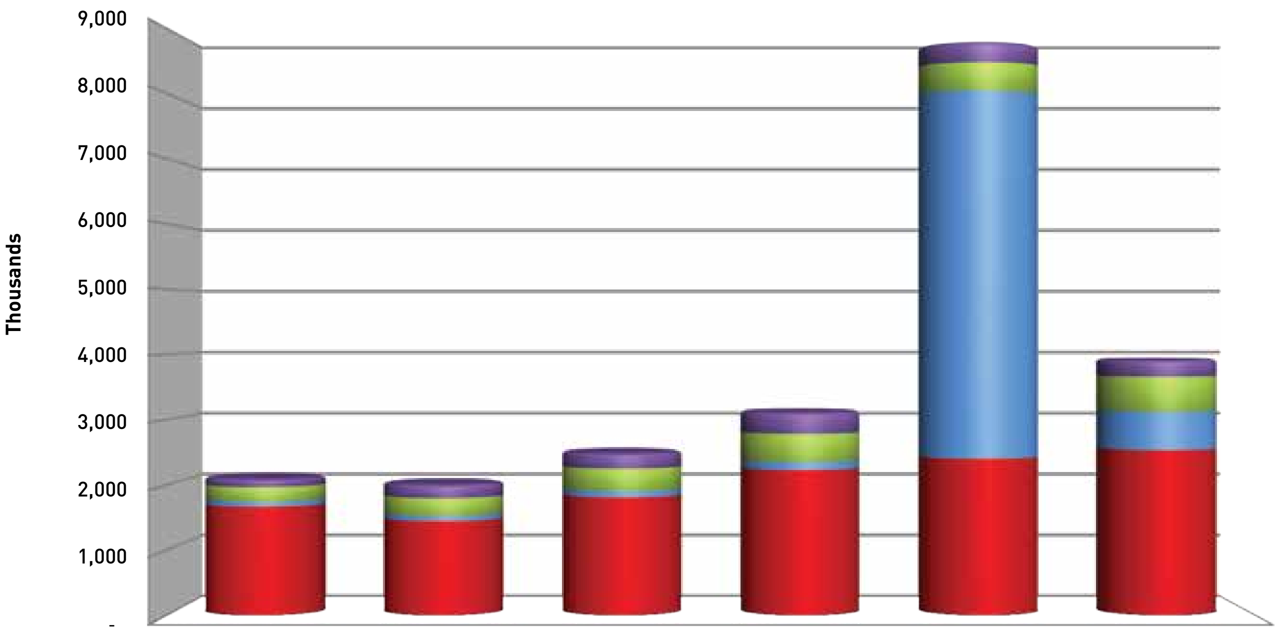
Head Office

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

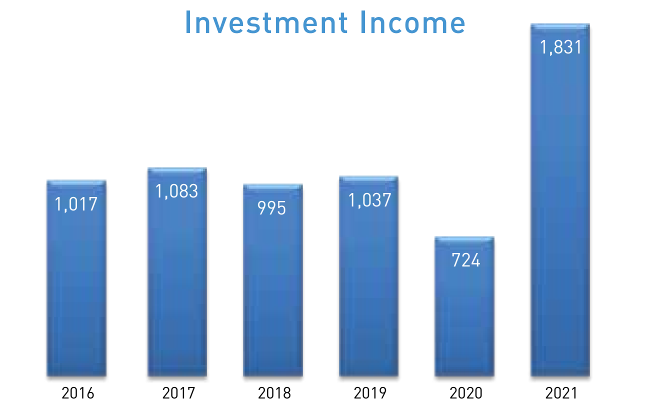
Description	2021	2020	2019	2018	2017	2016
			Rupees in Million			
Gross Premium	3,924	8,799	3,122	2,496	2,013	2,102
Profit after Tax	1,500	707	959	854	825	800
Profit before Tax	2,104	1,008	1,353	1,292	1,278	1,186
Investment Income	1,831	724	1,037	995	1,083	1,017
Underwriting Income	391	369	302	294	310	271
Net Revenue	924	816	696	600	503	446
Net Claims	120	111	110	83	94	75
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	2,818	8,095	2,734	2,261	2,152	1,853
Investments	19,430	16,590	16,254	14,015	17,044	16,790
Fixed Assets	193	160	149	124	117	107
Retained Profit	12,017	10,862	10,496	9,877	9,364	8,881

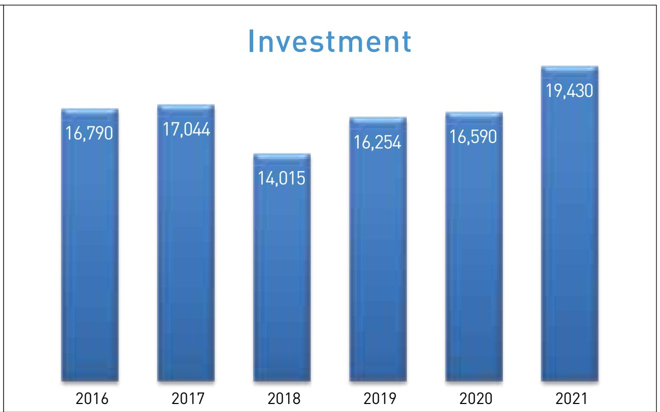
DEPARTMENT WISE GROSS PREMIUM

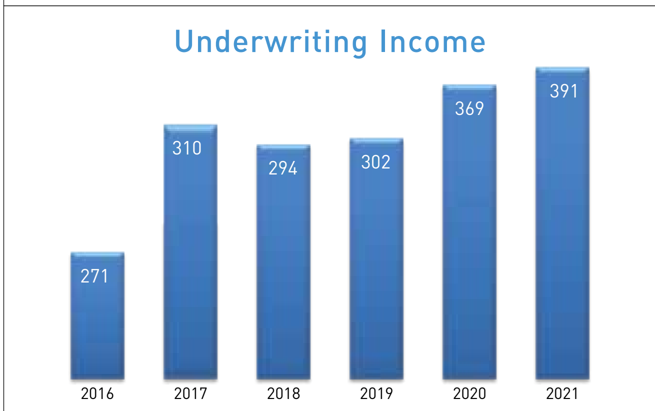


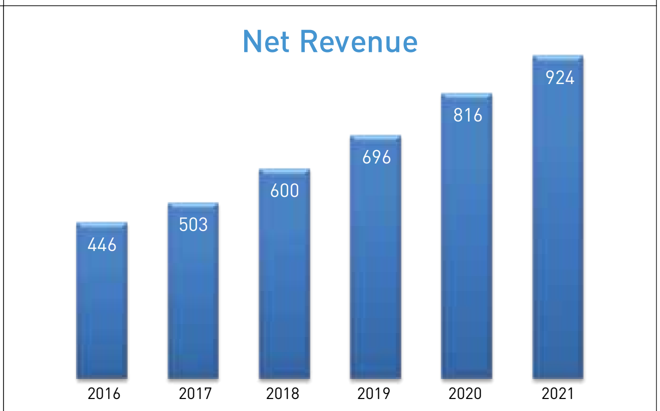
	2016	2017	2018	2019	2020	2021
MISCELLANOUS	132,316	215,815	245,484	340,686	320,047	262,569
MOTOR	224,668	271,678	341,213	429,171	434,980	538,853
MARINE	76,951	80,184	99,843	123,940	5,643,423	586,812
FIRE	1,668,300	1,445,751	1,809,350	2,227,944	2,400,535	2,535,684
TOTAL	2,102,235	2,013,428	2,495,890	3,121,741	8,798,985	3,923,918

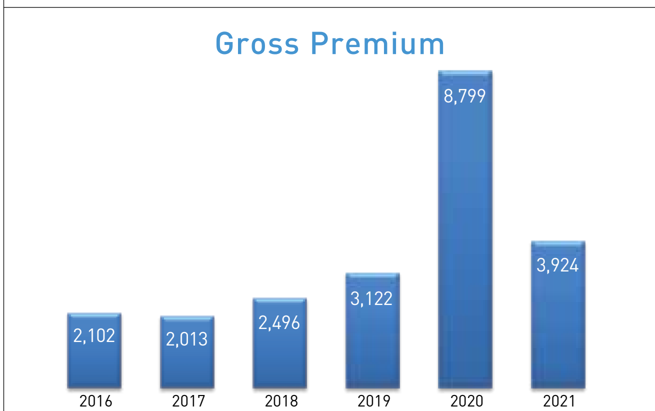
KEY FINANCIAL DATA
GRAPHICAL HIGHLIGHTS

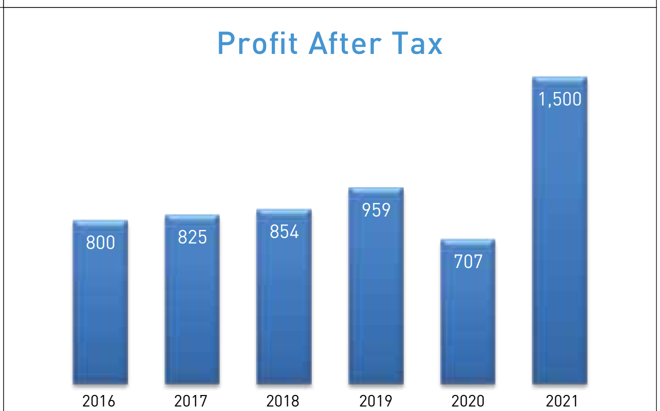


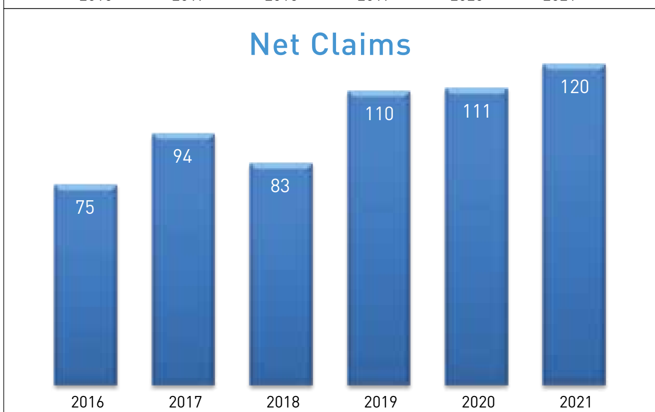


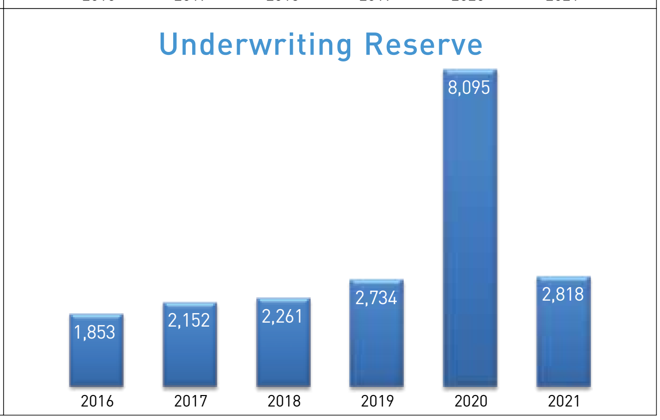












FIRE & ALLIED PERLIS INSURANCE

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-bergs, 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, and 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 example, 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 a) insurance 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 Advance 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 Annual General Meeting (AGM) of the members of **Security General Insurance Company Limited (the "Company")** will be held on Wednesday, April 27, 2022 at 11:00 A.M. at SGI House, 18-C/E-1, Gulberg III, Lahore to transact the following special business:

1. To receive, approve and adopt the Annual Audited Conventional and Window Takaful Financial Statements of the Company for the year ended December 31, 2021 together with the Directors' and Auditors' reports thereon.
2. To approve Final Cash Dividend @ 25% (i.e. Rs. 2.50 per share) for the year ended 2021, as recommended by the Board, in addition to 25% interim dividend already paid.

By order of the Board

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

Lahore
March 30, 2022

Notes:

1. The Register of Members of the Company will remain closed from April 21, 2022 to April 27, 2022 (both days inclusive). Transfers received in order at the registered office of the Company by the close of business on April 20, 2022 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.

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 500,000,000 (Rupees Five 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 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 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. 500 Million	Rs.1,151.541 Million	Rs.1,269.67 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.	No deviation from the approved timeline as approved investment has been made.	Partial investment has been made in investee company. Commercial operations of the investee company have not yet started. The Company will make fur-ther equity investment as and when further shares offered by HNMPL. There is no deviation from the approved timeline.	Partial guarantee has been extended after the approval. Further guarantee will be extended on request of the investee company. 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.	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 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, 2021 the basic earnings per share is Rs. 0.29 and breakup value per Share is Rs. 19.12.	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, 2021 the basic earnings per share is Rs. 0.29 and breakup value per Share is Rs. 19.12.	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.1.183 and breakup value per share was Rs. 8.93. As per latest available financial statements for half year ended June 30, 2021 the basic earnings per share is Rs. 0.06 and breakup value per share is Rs. 7.11.	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.1.183 and breakup value per share was Rs. 8.93. As per latest available financial statements for half year ended June 30, 2021 the basic earnings per share is Rs. 0.06 and breakup value per share is Rs. 7.11.	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, 2021 the basic earnings per share is Rs. 4.97 and breakup value per Share is Rs.168.19.	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, 2021 the basic earnings per share is Rs. 15.94 and breakup value per Share is Rs.237.18.

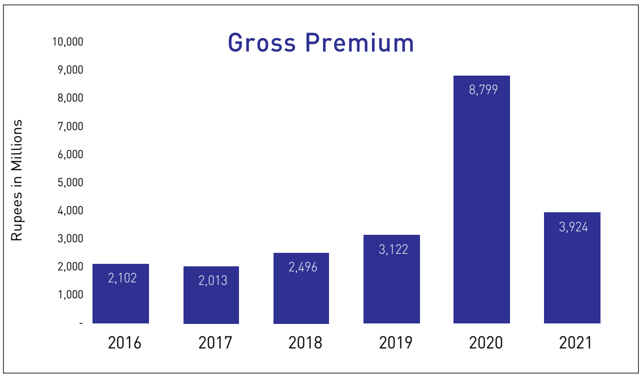
DIRECTORS' REPORT TO THE MEMBERS

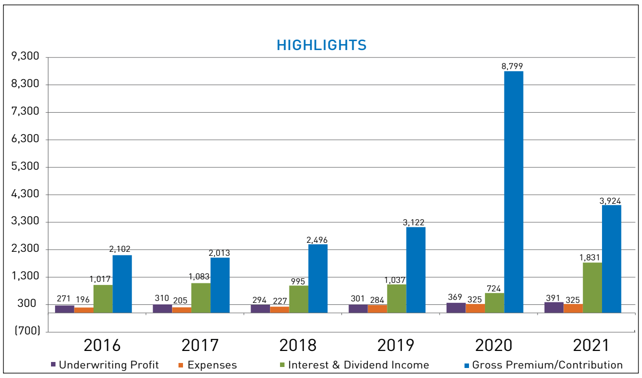
On behalf of the Board of Directors of Security General Insurance Company Limited, I am pleased to present the 26th annual report of your company for the year ended December 31, 2021.

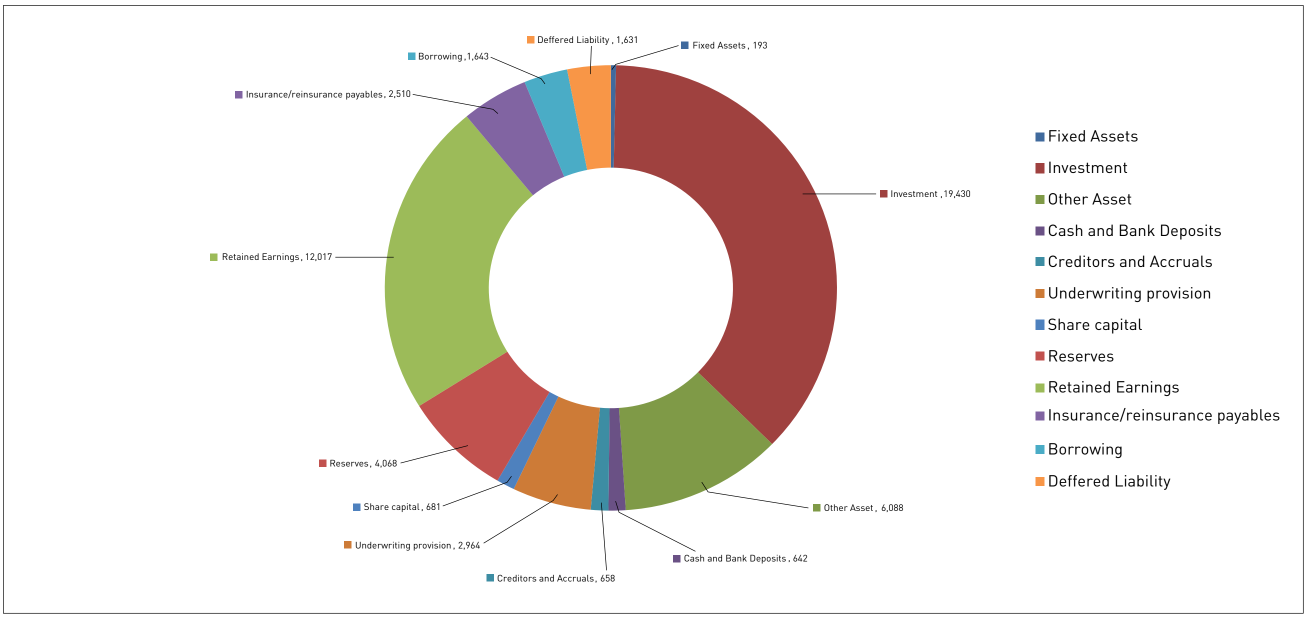
COMPANY'S PERFORMANCE DURING 2021:

SGI underwrote a gross premium of Rs.4.1 billion during the year 2021.

	Dec, 2021	Dec, 2020	Increase/ Decrease
	Rupees in Million		%
Gross Premium	3,924	8,799	-55
Net Premium	924	816	13
Net Commission	48	26	85
Net Claims	120	111	8
Profit from underwriting business	391	369	6
Other income (not attributable to Investment activities)	42	42	-
Investment income	1,831	724	153
Financial charges	163	124	31
Profit before tax	2,104	1,008	109
Profit after tax	1,500	707	112



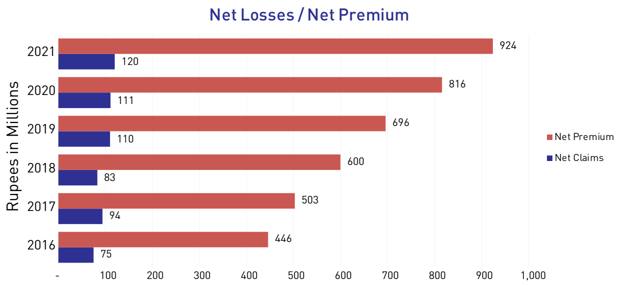




DIRECTORS' REPORT TO THE MEMBERS

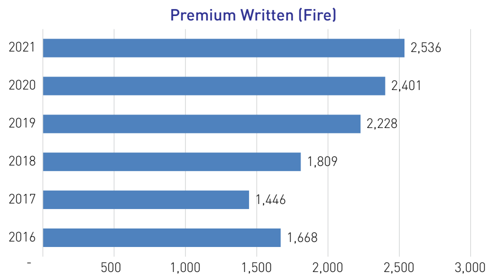
UNDERWRITING ACTIVITY:

This underwriting gross premium of Rs. 4.1 billion during the year 2021 and gross premium 8.9 billion during the year 2020. The Underwriting profit for the year stands at Rs. 391 million (2020: Rs. 369 million). Underwriting profit bears a percentage of 42% to the net premium revenue.



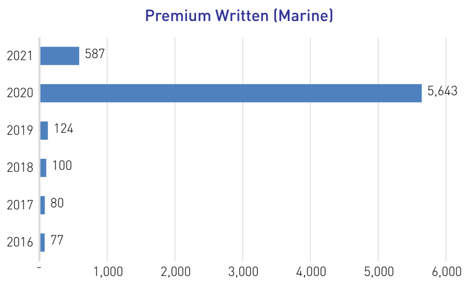
FIRE & PROPERTY DAMAGE:

Gross Premium in fire business has increased as compared to same period during last year by 6%. The underwriting profit from fire business for period ended December 31st 2021 is 58% (2020: 75%) The Fire and property portfolio represent 65% (2020:64%) of the total underwriting portfolio of SGI.



MARINE AVIATION AND TRANSPORT BUSINESS:

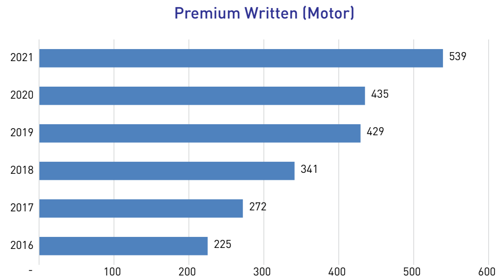
Premium written in marine business has decreased as compared to same period during last year by 90%. The underwriting profit from the Marine business for the year ended December 31st 2021 is 42% (2020: -706%) The Marine portfolio represents 15%(2020: 64%) of the total underwriting portfolio of SGI.



DIRECTORS' REPORT TO THE MEMBERS

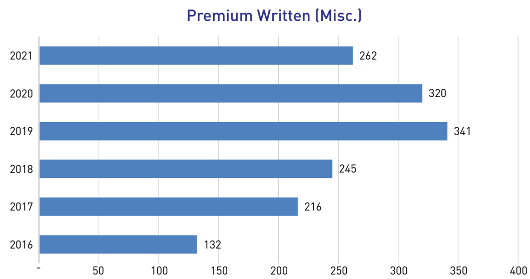
MOTOR:

The gross premium from the motor business has increased from Rs. 435 million during the year ended December 31st 2020 to Rs. 539 million during the year ended December 31st 2021. The profitability from the motor business for the year ended December 31st 2021 is 13% (2020: 57%) of net premium from this business. Motor Business represents 14% (2020: 5%) of the total underwriting portfolio of the company.



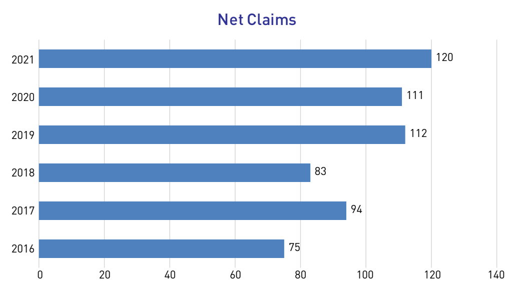
MISCELLANEOUS:

The Gross Premium from miscellaneous business is decreased from Rs. 320 million for the year ended December 31st 2020 to Rs. 263 million for the year ended December 31 st 2021. A slight decline was experienced due to reduce in crop and livestock insurance.



CLAIMS:

The overall net claims expenses increased from Rs.111 million during the year ended December 31st 2020 to Rs.120 million during the year ended December 31st 2021. Net Claims are 13% of the net premium (2020: 14%).



INVESTMENT:

The company has made an investment of Rs. 500 million in NHPL (2020: Rs.874 million) Rs.30 million in HNMPL (2020: 424 million) Rs.51 million in NCL, Rs.72 million in UBL, Rs.21 million in MTL, and Rs.48 million in ENGRO during the year 2021. The market value of our investment portfolio has increased from Rs. 16.59 billion to Rs.19.43 billion as at December 31st 2021. The Company earned a dividend of Rs.1,856 billion from its investment portfolio (2020: 715 million).

DIRECTORS' REPORT TO THE MEMBERS

CASH FLOW:

As of December 31st 2021, the net cash flow generated from all underwriting activities is Rs.699 million. And total inflow from all operating activities is Rs.77 million.

EARNING PER SHARE:

Earnings per share have increased from Rs.10.39 for the year ended December 31st 2020 to Rs.22.03 for the year ended December 31st 2021. This increase in earnings per share is attributed to an increase in dividend income from MCB. MCB did not pay a dividend for two quarters during the last year due to SBP restrictions on the distribution of dividends to its shareholders.

APPROPIRATIONS:

Directors, in their meeting held on March 30, 2022, have recommended a 25% cash dividend. This is in addition to 25% interim cash dividend paid on the basis of half yearly results for 2021.

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, 2021, 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 36 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 35 of the financial statements.

DIRECTORS' REPORT TO THE MEMBERS

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

STATUTORY AUDIT:

The auditors have expressed an unqualified opinion on the financial statements of the Company for the year 2021.

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 2021 stands at Rs. 43.75 million and investment of Gratuity fund as at December 31st 2021, stands at Rs. 55. 711 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)	4
Mr. Mahmood Akhtar	4
Mr. Inayat Ullah Niazi	4
Mr. Muhammad Azam	3
Mr. Aftab Ahmed Khan	1
Ms. Nabeela Waheed	2
Mr. Farrukh Aleem (CEO)	4

- The aggregate shares held by the Associated Companies are:

DIRECTORS' REPORT TO THE MEMBERS

1. Nishat Mills Limited 10,226,244

- The pattern of shareholding is given on page 36 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.

The Company is exposed to certain risks and uncertainties, which are evaluated by the management and board of directors at all times.

FUTURE OUTLOOK 2022:

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 2022, 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 2022 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.

Going forward, however, we expect uptick in inflation will continue in 2022 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 30, 2022

ڈائریکٹرز کی اراکین کو رپورٹ

- داخلی نظم وضبط کا ایک مربوط نظام موجود ہے اور اس کا موثر نفاذ اور نگرانی کی جاتی ہے۔
- کمپنی کی کاروبار جاری رکھنے کی صلاحیت میں کوئی ابہام موجود نہیں ہے۔
- لسٹنگ ضوابط میں بیان کردہ کارپوریٹ گورننس کی بہترین عمل داری میں کوئی بنیادی سقم موجود نہ ہے ۔
- گذشتہ چھ برس کا اہم آپریٹنگ اور مالیاتی ڈیٹا لف ہذا ہے۔
- ٹیکس، ڈیوٹی وغیرہ کی بابت تمام قانونی واجبات سرکاری خزانے میں بروقت جمع کرائے گئے ہیں۔
- 31 دسمبر 2021ء کو اختتام پذیر سال کے لئے پراویڈنٹ فنڈ کی مالیت 43.75 ملین روپے اور گریجویٹی فنڈ کی مالیت 55.711 ملین روپے رہی۔
- زیر جائزہ سال کے دوران مندرجہ ذیل ڈائریکٹرز نے چار بورڈ اجلاسوں میں حسب ذیل شرکت کی:

نام رکن	تعداد اجلاس
میاں حسن منشا (چیئر مین)	4
مسٹر محمود اختر	4
مسٹر عنایت اللہ نیازی	4
محمد اعظم	3
مسٹر آفتاب احمد خان	1
مسز نبیلہ وحید	2
مسٹر فرخ علیم (CEO)	4

- الحاق شدہ کمپنیوں کے مجموعی ملکیتی حصص مندرجہ ذیل ہیں:
  - 1. نشاط ملز لمیٹڈ 10,226,244
- شیئر ہولڈنگ کی وضع اس رپورٹ کے صفحہ 36 میں دی گئی ہے۔
- تخصیصات میں بیانات کے علاوہ سال کے اختتام اور رپورٹ ہذا پر سائننگ کی تاریخ کے دوران کسی قسم کی ٹھوس تبدیلی/عہد نہیں کئے گئے ہیں۔

کمپنی بعض خطرات اور غیر یقینی صورتحال سے دوچار ہے۔ جس کا ہر وقت انتظامیہ اور بورڈ آف ڈائریکٹرز کے ذریعہ جائزہ لیا جاتا ہے۔

مستقبل کا منظر نامہ

دو مشکل ترین برسوں کے بعدپاکستان کی معیشت مثبت پیش رفت کی جانب گامزن ہے۔ اشیائے خوردونوش کی قیمتوں میں اضافے کے باعث افراط زر میں اضافے کے باوجود توقع کی جارہی ہے کہ سال 2022ء کے دوران مارکیٹ کی بنیاد پر شرح مبادلہ کے نظام اور معیشت کے کاروباری منظر نامے میں بہتری کے باعث اس میں کمی واقع ہو گی اور IMF پروگرام کے تحت عہد نامے کے باعث مالیاتی ترقی کی سمت بہتر ہو گی ۔

مشکل ترین کاروباری ماحول میں نمو کے تسلسل کو حاصل کرنے کے لئے2022 میں ہماری حکمت عملی انڈسٹری میں ہمیں بہتر مقام حاصل کرنے میں مدد دے گی۔

ہم پروڈکٹس اور کسٹمر سیگمنٹ پر بھرپور توجہ دے رہے ہیں جہاں ہمیں سبقت حاصل ہے جہاں ہم اپنے صارفین کو بہترین قیمت کی پیشکش کر سکتے ہیں۔

مزید برآں، سال 2022ء میں افراط زر کا گراف بڑھنے کا اندیشہ ہے اور سرمایہ کاری کے لئے شرح سود میں اضافہ بھی متوقع ہے۔ کمپنی ایکویٹی مارکیٹ پرفارمنس اور منی مارکیٹ انسٹرومنٹس کے ذریعے شرح سود میں نظر ثانی سے مستفید ہونے کے لئے متوازن حکمت عملی اپنائے گی ۔

اظہار تشکر

ہمارے معزز کلائنٹس کی وفاداری نے ہمیں مارکیٹ میں اپنے کردار میں بہتری کے قابل بنایا ہے۔ ہم ان کے شکر گزار ہیں کہ انہوں نے ہم پر بھروسہ رکھا۔ ہم اپنے شیئر ہولڈرز کی حمایت کو سراہتے ہیں جس کی وجہ سے ہم مارکیٹ میں مستحکم پوزیشن حاصل کرنے میں کامیاب ہوئے ہیں۔ ہم پیشہ ورانہ معاونت کے لئے ری انشورنس بروکرز اور مسلسل حمایت کے لئے ری انشوررز کا شکریہ ادا کرتے ہیں۔ ہم رہنمائی اور تعاون کے لئے SECP کا بھی شکریہ ادا کرتے ہیں۔ ہم اپنے ڈیویلپمنٹ افسران، سٹاف ممبرز اور ایگزیکٹوز کی پیشہ ورانہ اور انتھک محنت کو بھی سراہتے ہیں جس کی وجہ سے کمپنی اپنے اہداف حاصل کرنے میں کامیاب ہوئی ہے۔

منجانب بورڈ آف ڈائریکٹرز

فرخ علیم
CEO

محمود اختر
ڈائریکٹر

لاہور: 30مارچ، 2022ء

ڈائریکٹرز کی اراکین کو رپورٹ

حفظان صحت اور ماحولیات

ہم صحت، تحفظ اور ماحولیات میں اعلیٰ ترین معیار کو برقرار رکھنے پر یقین رکھتے ہیں تا کہ ان افراد کی فلاح کو یقینی بنایا جا سکے جو ہمارے ساتھ کام کرتے ہیں یا ہمارے کاروباری مقام کی ملحقہ آبادیوں میں مقیم ہیں۔

بیرونی آڈیٹرز

حالیہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش درجہ بندی دی ہے۔ بیرونی آڈیٹرز نے تصدیق کی ہے کہ اُن کی فرم ICAP کے زیر انتظام ضابطہ اخلاق پر انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) ہدایات کی تعمیل کرتی ہے۔

بیرونی آڈیٹرز نے ان آڈٹ کیمٹیوں کے اجلاس میں شرکت کی ہے جس میں آڈٹ کمیٹی کمپنی کی پڑتال/نظر ثانی شدہ مالیاتی اسٹیٹمنٹس کو زیر بحث لائی۔ آڈیٹرز نے تصدیق کی ہے کہ انہیں خود مختاری کا کوئی مسئلہ نہیں اور انہوں نے بورڈ اور انتظامی خطوط میں اپنے تحفظات پہلے ہی پیش کر دیئے ہیں ۔ آڈٹ کمیٹی نے 31 دسمبر 2021ء کو اختتام پذیر مالیاتی سال کے لئے بیرونی آڈیٹرز کی تقرری اور مشاہیرہ طے کرنے کی سفارش کی ہے جسے بورڈ زیر غور لائے گا۔

متعلقہ فریقین سے لین دین

متعلقہ فریقین سے لین دین کو آڈٹ کمیٹی کے سامنے رکھا گیا۔ ان لین دین پر آڈٹ کمیٹی نے نظرثانی کی ہے اور ان کی تجویز دی ہے۔ اور بورڈ آف ڈائریکٹرز نے انہیں سہ ماہی بنیادوں پر منظور کیا ہے۔ متعلقہ فریقین سے لین دین کی تفصیلات مالیاتی اسٹیٹمنٹس کے نوٹ 36 اور ونڈو تکافل آپریشن مالیاتی اسٹیٹمنٹس کے نوٹ 27 میں بیان کی گئی ہیں۔

ڈائریکٹرز کا مشاہرہ

کمپنی نان ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرتی۔ کمپنی کی ریمونریشن پالیسی حالیہ انڈسٹری رجحانات اور کاروباری عمل داری کو مد نظر رکھ کر مرتب کی گئی ہے۔ مالیاتی اسٹیٹمنٹس کے نوٹ 36 میں ڈائریکٹرز کو ادا شدہ مشاہرہ کی تفصیلات موجود ہیں۔

بورڈ آڈٹ کمیٹی

انشورنس کمپنیوں کے کوڈ آف کارپوریٹ گورننس کے تحت بورڈ آڈٹ کمیٹی نے سال بھر کی چاروں سہ ماہیوں کے نتائج پر نظر ثانی کی ہے۔ سال بھر میں مندرجہ ذیل افراد کمیٹی کے رکن رہے۔

نام رکن	عہدہ
میاں حسن منشا	چیئر مین
مسٹر عنایت اللہ نیازی	رکن
مسٹر محمود اختر	رکن

لازمی آڈٹ

آڈیٹرز نے سال 2021 ء کے لئے کمپنی کی مالیاتی اسٹیٹمنٹس پر اپنی غیر مصدقہ رائے کا اظہار کیا ہے۔

کاروباری و مالیاتی رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ گورننس کے مالیاتی رپورٹنگ فریم ورک کی تعمیل میں ڈائریکٹرز حسب ذیل توثیق کرتے ہیں:

- مالیاتی اسٹیٹمنٹس اور ان پر نوٹس کمپنیز ایکٹ 2017ء، انشورنس آرڈیننس 2000ء، انشورنس قواعد 2017ء، انشورنس اکاؤنٹنگ ضوابط 2017ء، تکافل ضوابط 2012ء اور جنرل تکافل اکاؤنٹنگ قواعد 2019ء کی پیروی میں تیار کی گئی ہیں۔ کمپنی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس اس کے امور، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بھرپور عکاسی کرتی ہیں۔
- کمپنی نے کھاتوں کی باقاعدہ کتابیں تیار کر رکھی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا باقاعدگی سے اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور معقول فیصلوں کی بنیاد پر لگائے جاتے ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں رائج بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) پر عمل کیا گیا ہے اور اس میں ہر قسم کے سقم کو مناسب انداز میں ظاہر کیا گیا ہے۔

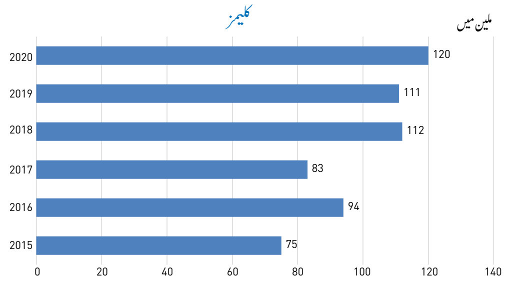
ڈائریکٹرز کی اراکین کو رپورٹ

متفرقات

متفرق کاروبار سے کل پریمیم گزشتہ برس کی اسی مدت میں 320 روپے سے کم ہو کر31 دسمبر 2021ء کو اختتام پذیر سال کے لئے 263 ملین روپے ہو گیا۔ یہ معمولی کی فصلوں اور لائیو سٹاک انشورنس میں کم دلچسپی کے باعث سامنے آئی۔

کلیمز

مجموعی خالص کلیمز میں 31 دسمبر 2020 ء کو اختتام پذیر سال کے لئے 111 ملین روپے کے مقابلے میں اضافے کے ساتھ 31 دسمبر 2021ء کو اختتام پذیر سال میں 120 ملین روپے رہا۔ خالص کلیمز خالص پریمیم کا 13 فی صد (2020: 14 فی صد)ہیں۔



سرمایہ داری

کمپنی نے سال 2021ء کے دوران NHPL میں 500 ملین روپے (2020: 874 ملین روپے) ، HNMPL میں 30ملین روپے (2020:424 ملین روپے)، NCLمیں 51 ملین روپے، UBL میں 72 ملین روپے، MTL میں 21 ملین روپے اور ENGRO میں 48 ملین روپے کی سرمایہ کاری کی۔ ہمارے انویسٹمنٹ پورٹ فولیو کی منڈی کی قیمت میں 31 دسمبر 2021ء تک 16.59 ارب روپے سے 19.43 ارب روپے اضافہ ہوا۔ کمپنی نے اپنے انویسٹمنٹ پورٹ فولیو سے 1,856 ارب روپے (2020: 715) ملین روپےکا منافع منقسمہ کمایا۔

کیش فلو

31دسمبر 2021ء تک تمام انڈر رائٹنگ سرگرمیوں سے 669 ملین روپے خالص کیش فلو اخذ ہوا۔ اور تمام آپریٹنگ سرگرمیوں سے کل ان فلو 77 ملین روپے رہا۔

فی حصص آمدنی

فی حصص آمدنی میں 31 دسمبر 2020ء کو اختتام پذیر سال کے لئے 10.39 روپے سے 31دسمبر 2021ء کو اختتام پذیر سال کے لئے 22.03 روپے فی حصص اضافہ ہوا۔ فی حصص آمدنی میں یہ اضافہ MCB سے ڈیویڈنڈ انکم میں اضافے سے منسوب کیا جاتا ہے۔SBP کی جانب سے حصص داران کو منافع منقسمہ کی تقسیم پر پابندی کی وجہ سے MCB نے گذشتہ برس کے دوران دو سہ ماہیوں میں منافع منقسمہ ادا نہیں کیا۔

تخصیص

ڈائریکٹرز نے 30مارچ، 2022ء کو منعقد ہونے والے اپنے اجلاس میں 25 فی صد نقد منافع منقسمہ تجویز کیا ہے۔ یہ منافع منقسمہ 2021ء کے نصف سالہ نتائج کی بنیاد پر 25 فی صد کے عبوری نقد منافع منقسمہ کے علاوہ ہے۔

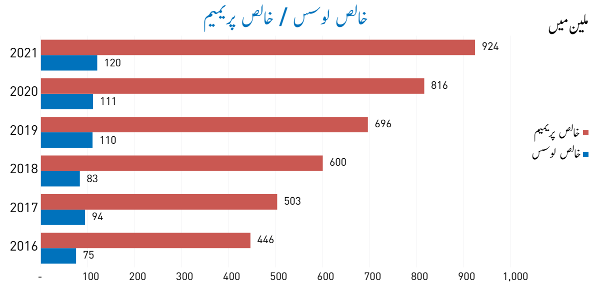
کریڈٹ ریٹنگ

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے SGI کی انشورر فائنشیئل سٹرینتھ (IFS) ریٹنگ ’AA‘ برقرار رکھی ہے۔

ڈائریکٹرز کی اراکین کو رپورٹ

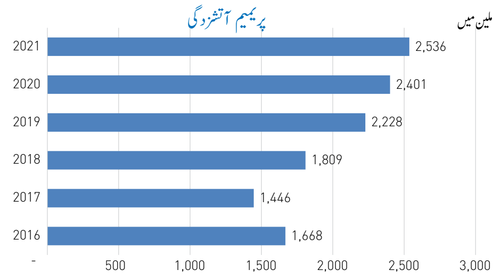
انڈر رائٹنگ عمل

سال 2021ء کے دوران 4.1 ارب روپے اورسال 2020ء میں 8.9 ارب روپے کاکل انڈررائٹنگ پریمیم رہا۔ اسی سال کے لئے انڈر رائٹنگ منافع 391 ملین روپے (سال 2020: 369 ملین روپے) رہا۔ انڈر رائٹنگ پریمیم خالص پریمیم ریوینیو کا 42 فی صد رہا۔



آتشزدگی اورجائیداد

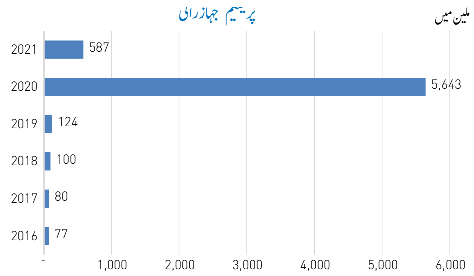
آتشزدگی کاروبار میں کل پریمیم گذشتہ برس کی اسی مدت کے مقابلے میں 6 فی صد زیادہ رہا۔ 31 دسمبر 2021ء کو اختتام پذیر مدت کے لئے آتشزدگی کے کاروبار سے انڈر رائٹنگ منافع 58 فی صد رہا (2020: 75 فی صد) ۔ آتشزدگی اورجائیداد پورٹ فولیوSGI کے کل انڈررائٹنگ پورٹ فولیو کا 65 فی صد (2020: 64 فی صد) ظاہر کرتا ہے۔



بحری، ہوا بازی اور نقل و حمل

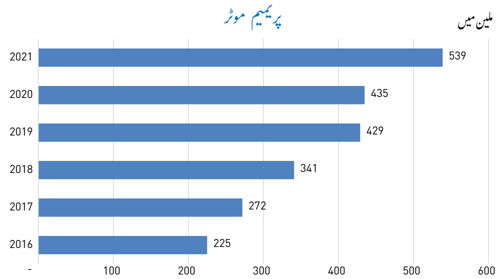
بحری کاروبار میں تحریری پریمیم میں گذشتہ برس کی اسی مدت کے مقابلے میں 90 فی صد کمی واقع ہوئی۔ 31 دسمبر 2021ء کو اختتام پذیر سال کے لئے بحری کاروبار سے انڈر رائٹنگ منافع 42 فی صد (سال 2020: 706 فی صد)رہا ۔ میرین پورٹ فولیو SGI کے کل انڈر رائٹنگ پورٹ فولیو کا 15 فی صد (سال 2020: 64 فی صد)ہے۔

تحریری پریمیم (میرین)



موٹر

موٹر کاروبار سے کل پریمیم گذشتہ برس کی اسی مدت میں 435 ملین روپے سے بڑھ کر 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران 539ملین روپے ہو گیا۔ 31 دسمبر 2021ء کو اختتام پذیر سال کے لئے موٹر کاروبار سے منافع خالص پریمیم کا 13 فی صد (2020: 57 فی صد)ہے۔ موٹر کاروبار ظاہر کرتا ہے۔ 14 فی صد (2020: 5 فی صد) جو کہ کمپنی کے مجموی انڈر رائٹنگ کا منافع ہے۔



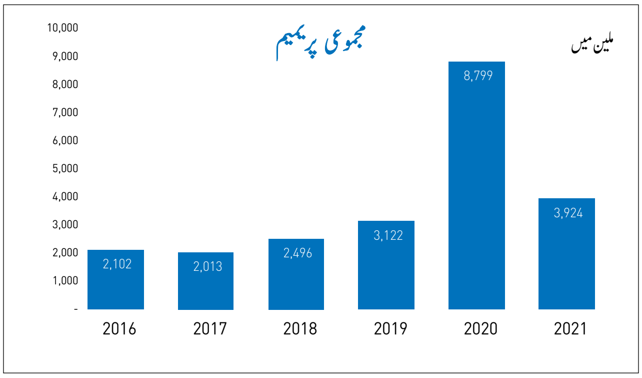
ڈائریکٹرزکی اراکین کو رپورٹ

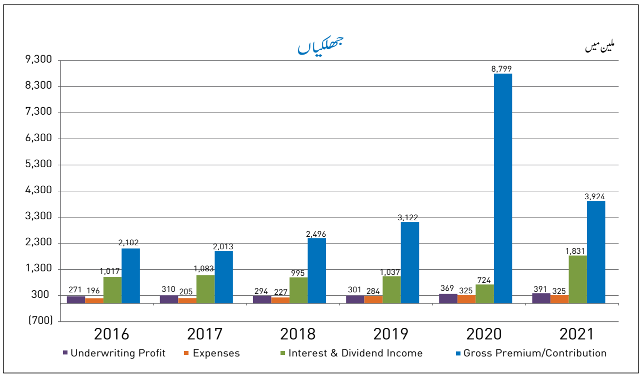
سیکیورٹی جنرل انشورنس کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں 31دسمبر 2021ء کو اختتام پذیر سال کے لئے آپ کی کمپنی کی چھبیسویں(26ویں)سالانہ رپورٹ ازراہِ مسرت پیش کرتاہوں۔

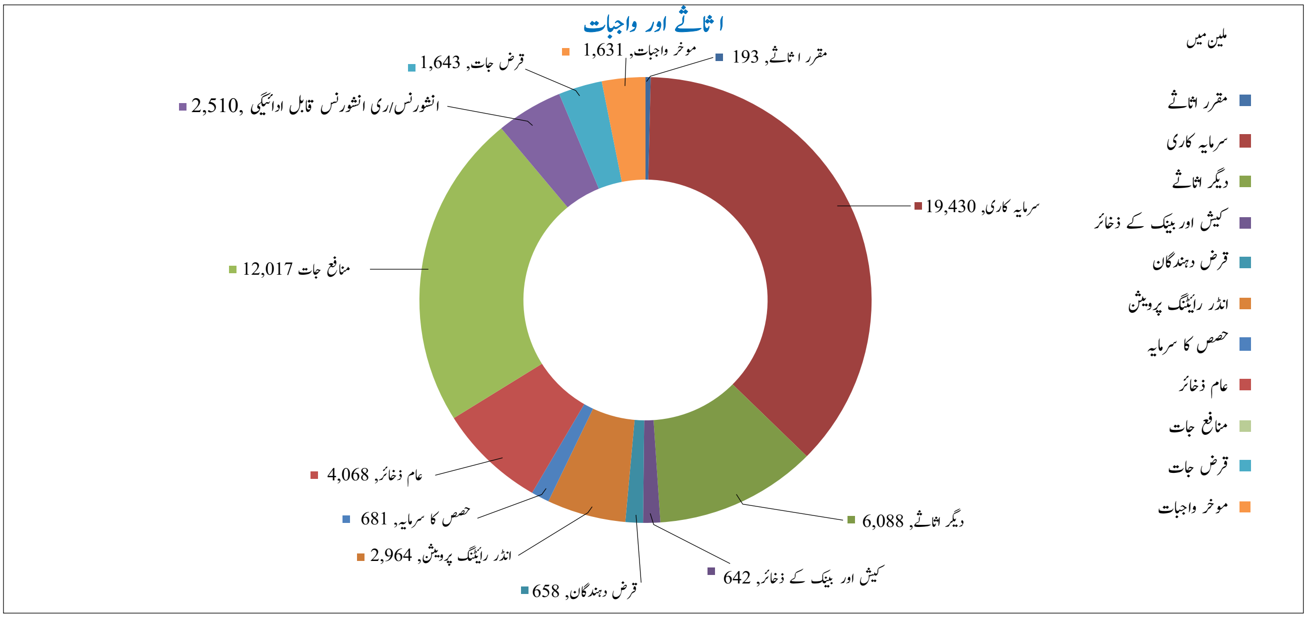
سال 2021ء کے دوران کمپنی کی کارکردگی

SGI نے 2021 کے دوران 4.1 ارب روپے کا مجموعی پریمیم انڈر رائٹ کیا۔

	دسمبر 2021ء	دسمبر 2020ء	اضافہ/کمی (فی صد)
	ملین روپوں میں		
کل پریمیم	3,924	8,799	55-
خالص پریمیم	924	816	13
خالص کمیشن	48	26	85
خالص کلیمز	120	111	8
انڈر رائٹنگ امور سے نفع	391	369	6
دیگر آمدنی (سرمایہ داری سرگرمیوں سے غیر منسوب)	42	42	-
سرمایہ داری آمدنی	1,831	724	153
مالیاتی اخراجات	163	124	31
نفع بمعہ ٹیکس	2,104	1,008	109
نفع علاوہ ٹیکس	1,500	707	112







PATTERN OF SHARE HOLDING
as at December 31, 2021

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

CLASSIFICATION OF SHARES BY CATEGORIES
as at December 31, 2021

Categories of Members	Numbers	Shares Held	Percentage
Individuals	11	32,252,852	47.38
Investment Companies	1	6,571,880	9.66
Insurance Companies	2	10,138,412	14.90
Joint Stock Companies	4	19,099,356	28.06
Financial Institutions	0	0	0.00
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, 2021

	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	9,049,871	13.30
5	Mian Raza Mansha	8,133,467	11.95
6	Roomi Holdings (Pvt) Ltd.	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, 2021

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. Hassan Mansha Mr. Inayat Ullah Niazi Mr. Mehmood Akhtar
Female Director	Mrs.Nabeela Waheed

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

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. One casual vacancy occurred during the period and the same was filled up within stipulated time.

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

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

7. All 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 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 to apprise them of their duties and responsibilities.

11. There was no appointment of Chief Financial Officer (CFO) and Company Secretary. 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.

16. The Board has formed the following Management Committees:

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

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For the Year ended December 31, 2021

Claims Settlement Committee:	
Name of Member	**Category**
Mr. Inayat Ullah Niazi	Chairman
Mr. Farrukh Aleem	Member
Mr. Imran Sohail	Member

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

Risk Management & Compliance Committee:	
Name of Member	**Category**
Mr. Inayat Ullah Niazi	Chairman
Mr. Farrukh Aleem	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**
Mr. Mian Hassan Mansha	Chairman
Mr. Mahmood Akhtar	Member
Mr. Farrukh Aleem	Member

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

Nomination Committee:	
Name of Member	**Category**
Mr. Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Mahmood Akhtar	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**
Mr. Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Mahmood Akhtar	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, 2021

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
Nauman Associates/ Anwar Associates	Actuary
Ahsan and Ahsan, Chartered Accountants	Internal Auditors
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-ur-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 January 31, 2022.

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

Lahore
March 30, 2022

A·F·FERGUSON&CO.

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, 2021 to comply with the Code issued by the Securities and Exchange Commission of Pakistan

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, 2021.

A F Ferguson & Co.

A. F. Ferguson & Co.
Chartered Accountants
Lahore
Dated: April 06, 2022
UDIN: CR202110070ubNmFwrS9

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KARACHI LAHORE ISLAMABAD

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

The incharge of the management of the business is Farrukh Aleem, Chief Executive Officer and the report on the affairs of business during the year 2021 signed by him , and approved by the Board of Directors is part of the Annual Report 2021 under the title of "Directors' Report to Members" and

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

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

c. As at the date of the statement, the Security General Insurance Company Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements.

Lahore.
Dated: March 30, 2022

Chief Executive Officer	Director	Director	Chairman

Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

pwc

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, 2021, 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 the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 reports thereon.

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

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

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KARACHI LAHORE ISLAMABAD

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of 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 Khurram Akbar Khan.

A. F. Ferguson & Co.
Chartered Accountants
Lahore
Dated: April 06, 2022
UDIN: AR202110070ANK0b2o9h

STATEMENT OF FINANCIAL POSITION

as at December 31, 2021

	Note	2021	2020
		---------Rupees in thousand---------	
ASSETS			
Property and equipment	6	186,098	154,833
Intangible assets under development	7	6,644	5,494
Investment property	8	459,094	461,500
Investments			
Equity securities	9	19,319,968	16,522,178
Debt securities	10	75,739	67,706
Term Deposits	11	34,000	-
Loans and other receivables	12	39,765	33,101
Insurance/reinsurance receivables	13	2,988,283	8,825,466
Reinsurance recoveries against outstanding claims	26	869,258	955,947
Salvage recoveries accrued		9,419	11,050
Deferred commission expense / acquisition cost	27	160,164	134,180
Prepayments	14	1,419,492	6,561,949
Cash and bank	15	641,628	697,927
		26,209,552	34,431,331
Total assets of window takaful operations - Operator's fund	16	143,086	100,866
TOTAL ASSETS		26,352,638	34,532,197
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS			
Ordinary share capital	17	680,625	680,625
Reserves	18	4,068,134	2,867,792
Un-appropriated profit		12,017,443	10,862,145
TOTAL EQUITY		16,766,202	14,410,562
LIABILITIES			
UNDERWRITING PROVISIONS			
Outstanding claims including IBNR	26	1,032,425	1,131,834
Unearned premium reserves	25	1,785,663	6,963,167
Unearned reinsurance commission	27	146,340	107,748
Retirement benefit obligations	19	10,089	4,824
Deferred taxation	20	1,621,311	1,156,084
Borrowings	21	1,643,189	1,936,663
Premium received in advance		37,806	76,131
Insurance/reinsurance payables	22	2,509,978	7,316,459
Other Creditors and Accruals	23	557,614	1,216,458
Taxation - provision less payments		173,743	171,743
TOTAL LIABILITIES		9,518,158	20,081,111
Total liabilities of window takaful operations - Operator's Fund	16	68,278	40,524
TOTAL LIABILITIES		9,586,436	20,121,635
TOTAL EQUITY AND LIABILITIES		26,352,638	34,532,197
CONTINGENCIES AND COMMITMENTS	24		

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, 2021

	Note	2021	2020
		Rupees in thousand	
Net insurance premium	25	924,430	815,915
Net insurance claims	26	(119,900)	(111,478)
Net commission and other acquisition costs	27	(47,652)	(25,664)
Insurance claims and acquisition expenses		(167,552)	(137,142)
Management expenses	28	(366,144)	(310,029)
UNDERWRITING RESULTS		390,734	368,744
Investment income	29	1,831,301	724,489
Other income	30	41,944	42,445
Other expenses	31	(17,200)	(15,244)
RESULTS OF OPERATING ACTIVITIES		2,246,779	1,120,434
Finance costs	32	(162,781)	(123,612)
Profit from Window Takaful Operations- Operator's Fund	16	20,374	11,189
PROFIT BEFORE TAXATION		2,104,372	1,008,011
Income tax expense	33	(604,784)	(300,957)
PROFIT AFTER TAX		1,499,588	707,054
EARNINGS AFTER TAX PER SHARE - RUPEES	34	22.03	10.39

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

Hasan Mansha

Chief Executive Officer	Director	Director	Chairman

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	2021	2020
	Rupees in thousand	
PROFIT AFTER TAX FOR THE YEAR	1,499,588	707,054
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		
Unrealized gain / (loss) on available-for-sale investments - net of tax	1,201,438	(874,672)
Reclassification adjustment for net gain on sale of available-for-sale investments included in the profit and loss account - net of tax	(1,096)	-
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT AND LOSS ACCOUNT		
Remeasurement of defined benefit obligations - net of tax	(3,978)	849
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	2,695,952	(166,769)

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, 2021

	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, 2020	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 LOSS 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
- Profit after taxation for the year ended December 31, 2021	-	-	-	1,499,588	1,499,588
- Other comprehensive income/(loss) for the year ended December 31, 2021	-	1,201,438	-	(3,978)	1,197,460
Reclassification adjustment for net loss on sale of available-for-sale investments included in the profit & loss account - net of tax	-	(1,096)	-	-	(1,096)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021	-	1,200,342	-	1,495,610	2,695,952
TRANSACTIONS WITH OWNERS, RECOGNISED DIRECTLY IN EQUITY					
Final dividend for the year ended December 31, 2020 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
Interim dividend for half year ended June 30, 2021 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
BALANCE AS ON DECEMBER 31, 2021	680,625	4,066,134	2,000	12,017,443	16,766,202

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

Chief Executive Officer   Director   Director   Chairman

CASH FLOW STATEMENT

For the year ended December 31, 2021

		Note	2021	2020
			Rupees in thousand	
	OPERATING CASH FLOWS			
a)	**UNDERWRITING ACTIVITIES**			
	Insurance premiums received		9,033,232	3,135,315
	Reinsurance premiums paid		(7,909,680)	(2,488,362)
	Claims paid		(709,225)	(579,210)
	Reinsurance and other recoveries received		572,905	456,369
	Commissions paid		(297,457)	(222,165)
	Commissions received		322,486	234,628
	Management expenses paid		(372,955)	(284,432)
	Other underwriting payments		-	(11,623)
	Other underwriting receipts		59,831	19,178
	NET CASH INFLOW FROM UNDERWRITING ACTIVITIES		699,137	259,698
b)	**OTHER OPERATING ACTIVITIES**			
	Income tax paid		(621,930)	(311,259)
	NET CASH OUT FLOW FROM OTHER OPERATING ACTIVITIES		(621,930)	(311,259)
	TOTAL CASH INFLOW / (OUTFLOW) FROM ALL OPERATING ACTIVITIES		77,207	(51,561)
	INVESTMENT ACTIVITIES			
	Profit / return received		50,361	51,695
	Dividends received		1,855,903	715,230
	Payments for investments / investment properties		(3,714,610)	(2,346,843)
	Proceeds from investments		2,533,614	780,772
	Fixed capital expenditure		(68,058)	(40,145)
	Proceeds from sale of operating assets		7,021	6,872
	TOTAL CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		664,231	(832,419)
	FINANCING ACTIVITIES			
	Dividends paid		(340,312)	(340,312)
	Loan (paid) / received		(270,000)	1,627,393
	Interest paid		(163,951)	(89,776)
	TOTAL CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES		(774,263)	1,197,305
	NET CASH (OUTFLOW) / INFLOW FROM ALL ACTIVITIES		(32,825)	313,325
	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		388,657	75,332
	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15.3	355,832	388,657

CASH FLOW STATEMENT

For the year ended December 31, 2021

	Note	2021	2020
		Rupees in thousand	
Reconciliation to profit and loss account			
Operating cash flows		77,207	(51,561)
Depreciation expense		(31,848)	(26,876)
Finance costs		(162,781)	(127,443)
Gain on disposal of operating assets		603	(427)
Profit on disposal of investments		15,509	1,904
Dividend income		1,855,929	715,252
Impairment on Investments		(47,793)	-
Other investment income		7,656	7,333
Other income		41,341	42,872
(Decrease) / Increase in assets other than cash		(11,026,037)	11,910,113
Decrease / (Increase) in liabilities other than borrowings		5,584,532	(6,378,088)
Decrease / (Increase) in provision for unearned premium		5,177,504	(5,404,921)
Increase in commission income unearned		(38,592)	(15,540)
Increase in commission expense deferred		25,984	23,247
Profit from window takaful operations for the year - Operator's Fund		20,374	11,189
Profit after taxation		1,499,588	707,054

The annexed notes 1 to 43 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, 2021

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. Further, the list of business units of the company is given below:

Business Unit	Address
Head Office	SGI House, 18-C/E-1, Gulberg-III Lahore
Corporate Lhr.	9-B, 3rd Floor, LDA Flats, Lawrance Road, Lahore
Faisalabad	2nd Floor, Regency Plaza, New Civil Lines, Faisalabad
Gujranwala	Apartment No. 10, 1st Floor Bhutta Center, GT Road Gujranwala
Islamabad	Office No. 4, 1st Floor Vip Square, I-8 Markaz, Islamabad.
Karachi	Karachi City Branch 77 Q-Block, 11 Ghazali Road, OPP. Automatic Bakery, Block-2, P.E.C.H.S. Karachi
Sialkot	Sialkot Branch Office No. 12 & 13, Ist Floor Taseer Centre, Kutchery Road Sialkot.
Karachi City	House No. 59-N, Nazar-ul-Islam Road, Block No. 2, P.E.C.H.S Karachi
Multan New	1st, Floor, Business City Plaza, Bosan Road, Multan
Lahore City Branch	House No.65/172, 1st Floor, Street No. 3 CMA, Housing Society, Lahore, Cantt.

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, 2021 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, 2022 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.

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, 2020. 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, 2021, 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)
- IFRS 16 – Leases (Amendments)	01 April 2021
- IAS 16 – Property, Plant and Equipment (Amendments)	01 January 2022
- IAS 37 – Provisions, contingent liabilities and contingent assets (Amendments)	01 January 2022
-IAS 1 – Presentation of financial statements (Amendments)	01 January 2024
-IAS 12 – Income taxes (Amendments)	01 January 2023
-IAS 8 – Accounting policies, changes in accounting estimates and errors (Amendments)	01 January 2023

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 Property and equipment

3.1.1 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, 2021 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.

3.1.2 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.

3.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset.

Intangibles having indefinite useful life

These are stated at cost less impairment losses, if any.

Intangibles having definite useful life

These are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over its estimated useful life as specified in note 6 to these financial statements after taking into account residual values, if significant. Amortisation on additions is charged from the month in which the asset is put to use, whereas no amortisation is charged in the month the asset is disposed of. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss account when the asset is derecognised.

3.3 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 8 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, 2021 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.

3.4 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 37 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.

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 3.8, 3.9 and 3.21, 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.

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.

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 3.8, 3.9 and 3.21, 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.

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.

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 3.8, 3.9 and 3.21, 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.

d) Miscellaneous insurance:

i) Insurance risks and events insured

All other insurances like crop, cash in safe, cash in transit, personal accident, health, travel, 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 3.8, 3.9 and 3.21, 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.

3.5 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.

3.6 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 3.12 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.

3.7 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	
	2021	2020
Fire and property damage	4%	7%
Marine, aviation and transport	7%	15%
Motor	38%	37%
Miscellaneous	36%	50%

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, 2021 and accordingly no provision for the same has been made in these financial statements of the current year.

3.8 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 3.10 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.

3.9 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.

3.10 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 3.4 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.

3.11 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.

3.12 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 3.6 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.

3.13 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.

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, 2021 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 Leases

3.17.1 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 and 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 Company 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 and loss if the carrying amount of right-of-use asset has been reduced to zero.

3.17.2 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.

3.18 Impairment of assets

An assessment is made at each reporting 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.

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.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an objective evidence of impairment. In case of impairment of available-for-sale equity securities, the cumulative loss previously recognised in the statement of comprehensive income is removed therefrom and included in the profit and loss account. Impairment losses recognised in the profit and loss account on equity securities are only reversed when the equity securities are derecognised.

3.19 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.

3.20 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.

3.21 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.

3.22 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.

3.23 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.

3.24 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.

3.25 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.

3.26 Loan to employees

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

3.27 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.

3.28 Financial assets

3.28.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit and 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 reporting 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 and loss

Financial assets at fair value through profit and loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and 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 and 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.

3.28.2 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 and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the statement of profit and 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 and 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 and loss' category are presented in the statement of profit and loss in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognized in the statement of profit and 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 and 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 and loss. Dividends on available-for-sale equity instruments are recognized in the statement of profit and 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 and loss. Impairment losses recognized in the statement of profit and loss on equity instruments are not reversed through the statement of profit and loss. Impairment testing of insurance/reinsurance receivables and other receivables is described in note 3.23.

3.28.3 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 and loss.

3.28.4 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.

3.29 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.

3.30 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.

3.31 Contingencies and commitments

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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 38.1 and credit exposure of assets that pass the SPPI test has been documented in note 40.2 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
d) Term Deposits

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 3.7)
b) Provision for outstanding claims including incurred but not reported claims (IBNR) (notes 3.21 and 26)
c) Provision for taxation and deferred tax (notes 3.15 ,20 and 33)
d) Provision for doubtful receivables (notes 3.23 and 13)
e) Useful lives of property and equipment and investment property (notes 3.1.1, 3.3, 6 and 8)
f) Defined benefit plan (notes 3.16.2 and 19)
g) Classification of investments and its impairment (notes 3.28.1, 9 and 10)

	Note	2021	2020
		Rupees in thousand	
6 PROPERTY AND EQUIPMENT			
Operating assets	6.1	177,008	154,833
Capital work-in-progress - Advance to suppliers		9,090	-
		186,098	154,833

6.1 Operating assets

	2021							
	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	840	64,724	46,873	1,701	48,574	16,150	10%
Leasehold improvements	3,679	-	3,679	1,435	224	1,659	2,020	10%
Furniture and fixtures	13,280	836	14,116	6,255	817	7,072	7,044	10%
Office equipment	18,824	1,353	20,057	11,709	1,189	12,864	7,193	15%
		(120)			(34)			
Computer equipment	8,521	3,689	11,869	4,495	919	5,151	6,718	15%
		(341)			(263)			
Motor vehicles	163,086	51,101	197,939	68,346	24,589	82,728	115,211	20%
		(16,248)			(10,207)			
	293,946	41,110	335,056	139,113	18,935	158,048	177,008	

	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	

6.1.1 Disposal of fixed assets

	2021						
Particulars of the assets	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer	Relationship with buyer
Vehicles	Rupees in thousand						
Toyota Corolla	1,286	287	291	4	Company Policy	Aftab Ahmed Khan	Employee
Suzuki Swift	1,350	224	482	258	Company Policy	Muhammad Akmal Shahbaz	Employee
Toyota Corolla	2,389	1,428	1,456	28	Company Policy	Umer Haroon	Employee
Toyota Corolla	1,594	333	453	120	Company Policy	Imran Ali Khan	Employee
Honda Vezel	3,287	1,577	1,628	51	Company Policy	Muhammad Mohsinullah	Employee
Toyota Vitz	1,832	652	665	13	Company Policy	Ali Ajmal Ahmad Khan	Employee
Toyota Corolla Altis 1.8	2,697	1,222	1,315	93	Company Policy	Naveed Hayat Tarar	Employee
Toyota Corolla GLI	1,192	66	350	284	Company Policy	Muhammad Mohsinullah	Employee
Settlement of claim against theft	93	89	-	-			
	15,720	5,878	6,640	851			
Sale of other assets having book value less than Rs. 50,000.	989	327	381	54	Negotiation	Various	Various
	989	327	381	54			
December 31, 2021	16,709	6,205	7,021	905			
December 31, 2020	17,897	64,444	6,871	427			

6.1.2 The depreciation charge/expense for the year has been allocated to management expenses as disclosed in note 28.

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 III, 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	2021	2020
			Rupees in thousand	
7	**INTANGIBLE ASSETS**			
	Capital work-in-progress		6,644	5,494
7.1	**Movement in intangible assets**			
	Opening balance		5,494	4,044
	Additions		1,150	1,450
	Capitalisation/ Disposals		-	-
	Amortisation		-	-
	Closing balance		6,644	5,494

7.2 No amortisation of intangible asset has been charged as it is under development.

8 Investment property

2021

	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	437,419	-	437,419	-	-	-	437,419	0%
Building	30,759	-	30,759	6,678	2,406	9,084	21,675	10%
	468,178	-	468,178	6,678	2,406	9,084	459,094	

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	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	

8.1 The depreciation charge/expense for the year has been allocated to management expenses as disclosed in note 28.

8.2 The market value of the investment property as per valuation carried out by professional valuer as at the year ended December 31, 2021 is Rs. 537.727 million (2020:Rs 520.143 million).

		Note	2021 Cost / Carrying value	2021 Impairment /provision for the year	2021 Market value	2020 Cost / Carrying value	2020 Impairment /provision for the year	2020 Market value
					(Re-stated)			
			------------------------- Rupees in thousand					-------------------------
9	INVESTMENTS IN EQUITY SECURITIES							
	Available-for-sale							
	Related parties							
	Listed shares	9.2	269,539	-	334,711	218,375	-	254,294
	Unlisted shares	9.3	3,884,921	-	7,865,128	3,354,428	-	3,844,921
			4,154,460	-	8,199,839	3,572,803	-	4,099,215
	Others							
	Listed shares	9.4	8,780,864	47,793	10,406,809	8,649,693	-	12,149,806
	Mutual funds	9.5	707,029	-	713,320	263,357	-	273,157
			9,487,893	47,793	11,120,129	8,913,050	-	12,422,963
	Total investments available-for-sale		13,642,353	47,793	19,319,968	12,485,853	-	16,522,178

		2021	2020
		Rupees in thousand	
9.1	Particulars of impairment / provision		
	Opening balance	-	-
	Charge during the year	47,793	-
	Reversal on disposal of securities	-	-
	Other reversal made during the year	-	-
		47,793	-
	Closing balance	47,793	-

9.2 Listed shares - related parties

Number of shares 2021	Number of shares 2020	Face value	Company's name	Cost 2021	Cost 2020	Market value 2021	Market value 2020
				Rupees in thousand			
6,837,097	6,837,097	10	Lalpir Power Limited Equity held 1.8% (2020: 1.8%)-note 9.2.1	92,720	92,720	96,471	87,652
6,407,796	6,407,796	10	Pakgen Power Limited Equity held 1.72% (2020: 1.72%)-note 9.2.1	88,900	88,900	153,787	126,234
228,500	228,500	10	D.G. Khan Cement Company Limited Equity held 0.05% (2020: 0.05%)	19,516	19,516	18,952	26,182
			Textile				
1,438,000	338,000	10	Nishat Chunian Limited Equity held 0.60% (2020: 0.14%)	68,403	17,239	65,501	14,226
				269,539	218,375	334,711	254,294

9.2.1 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.

9.3 Unlisted shares - related parties

Number of shares 2021	Number of shares 2020	Face value	Company's name	Cost 2021	Cost 2020	Market value 2021	Market value 2020
				Rupees in thousand			
218,519,966	168,519,966	10	Nishat Hotels and Properties Limited Equity held 21.85% (2020: 16.85%)-note 9.3.1	2,733,380	2,233,381	3,605,579	2,477,244
115,154,064	112,104,708	10	Hyundai Nishat Motors (Private) Limited Equity held 13.58% (2020 13.22%)	1,151,541	1,121,047	4,259,549	1,367,677
				3,884,921	3,354,428	7,865,128	3,844,921

9.3.1 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 16.50 per ordinary share as at December 31, 2021 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 39 to these financial statements. The fair value gain of Rs 3,489.71 million is included in the fair value gain 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 9.09%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 3% 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, 2021 would decrease by Rs 250.070 million.
If the long term growth rate decreases by 1% with all other variables held constant, the fair value as at December 31, 2021 would decrease by Rs 2,500.695 million.
If inflation decreases by 1% with all other variables held constant, the fair value as at December 31, 2021 would decrease by Rs 27.785 million.

9.4 Listed shares - others

Number of shares 2021	Number of shares 2020	Face value	Company's name	Cost 2021	Cost 2020	Market value 2021	Market value 2020
				Rupees in thousand			
			Banks				
59,136,076	59,136,076	10	MCB Bank Limited Equity held 4.99% (2020: 4.99%)-note 9.4.1	7,356,906	7,356,906	9,068,517	10,956,732
600,519	70,413	10	United Bank Limited Equity held 0.05% (2020: 0.01%)	83,186	11,126	82,019	8,862
			Insurance Companies				
27,771,587	27,771,587	10	Adamjee Insurance Company Limited. Equity held 7.93% (2020: 7.93%)-note 9.4.3	1,160,299	1,160,299	1,110,863	1,091,979
			Electricity				
30,000	30,000	10	Kohinoor Energy Limited Equity held 0.02% (2020: 0.02%)	578	578	1,042	1,020
			Oil and Gas				
599,998	599,998	10	Pakistan Petroleum Limited Equity held 0.002% (2020: 0.002%)	95,217	95,217	47,424	54,198
			Automobile Assembler				
59,174	26,100	10	Millat Tractors Limited Equity held 0.07% (2020: 0.05%)	36,896	15,565	51,022	28,556
			Technology & Communication				
-	833,350	10	TPL Trakker Limited Equity held 0.00% (2020: 0.45%)	-	10,002	-	8,459
			Fertilizer				
168,572	-	10	ENGRO Corporation Limited Equity held 0.03% (2020: 0.00%)	47,782	-	45,922	-
				8,780,864	8,649,693	10,406,809	12,149,806

9.4.1 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.

9.4.2 29,986,698 shares (2020: 32,936,698 shares) of MCB Bank Limited are pledged with banks.

9.4.3 14,618,400 shares (2020: 16,373,400 shares) of Adamjee Insurance Company Limited are pledged with banks.

9.5 **Mutual funds - others**

Number of units 2021	Number of units 2020	Face value	Company's name	Cost 2021	Cost 2020	Market value 2021	Market value 2020
				Rupees in thousand			
53,565	53,565	100	JS Large Capital Fund	460	460	6,751	7,114
-	610,874	100	MCB - Arif Habib Saving and Investment Limited: Cash Management Optimizer	-	61,483	-	61,624
14,000,452	-	100	MCB - Arif Habib Saving and Investment Limited: Pakistan Cash Management Fund	706,569	-	706,569	-
-	3,639,313	100	MCB - Arif Habib Saving and Investment Limited: Pakistan Income Fund	-	201,414	-	204,419
				707,029	263,357	713,320	273,157

		Note	2021 Cost	2021 Carrying value	2020 Cost	2020 Carrying value
			Rupees in thousand			
10	INVESTMENTS IN DEBT SECURITIES					
	Held to maturity - Government securities					
	Pakistan Investment Bonds	10.1	75,739	75,739	67,706	67,706

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	2021	2020
				Rupees in thousand	
10.2	**Particulars of debt securities are as follows :**				
	Pakistan Investment Bonds	9-Aug-28	10.15%	63,749	63,725
	Pakistan Investment Bonds	19-Jul-22	12.00%	1,990	1,984
	Pakistan Investment Bonds	9-Aug-28	10.79%	10,000	-
	Pakistan Investment Bonds	18-Aug-21	12.00%	-	1,997
				75,739	67,706

10.2.1 Pakistan Investment Bonds

Face value	Type of security	Profit payment	Profit rate	Maturity date	Carrying value 2021	Carrying value 2020
					Rupees in thousand	
100	10 year Pakistan Investment Bond	Bi-annually	6-months Kibor%+.5%	9-Aug-28	63,749	63,725
100	10 year Pakistan Investment Bond	Bi-annually	12.00%	19-Jul-22	1,990	1,984
100	10 year Pakistan Investment Bond	Bi-annually	6-months Kibor%+.7%	9-Aug-28	10,000	-
100	10 year Pakistan Investment Bond	Bi-annually	12.00%	18-Aug-21	-	1,997
					75,739	67,706

		Note	2021	2020
			Rupees in thousand	
11	INVESTMENTS IN TERM DEPOSITS			
	Held to maturity			
	Deposits maturing within 12 months		34,000	-
	Deposits maturing after 12 months		-	-

		Note	2021	2020
			Rupees in thousand	
12	LOANS AND OTHER RECEIVABLES - CONSIDERED GOOD			
	Receivable from related parties	12.1	6,235	5,884
	Accrued investment income		4,177	2,825
	Security deposit		11,554	7,571
	Loans to employees		2,299	693
	Other receivable	12.2	15,500	16,128
			39,765	33,101

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

12.2 These include a receivable from Window Takaful Operations amounting to Rs 0.376 million (2020 : Nil).

		Note	2021	2020
13	INSURANCE/REINSURANCE RECEIVABLES			
	Due from insurance contract holders - unsecured			
	- Considered good		1,574,055	7,839,667
	- Considered doubtful		76,820	66,920
		13.1	1,650,875	7,906,587
	Provision for impairment of receivables from insurance contract holders	13.2	(76,820)	(66,920)
			1,574,055	7,839,667
	Due from other insurer/reinsurer- unsecured			
	- Considered good		1,414,228	985,799
	- Considered doubtful		30,046	30,046
			1,444,274	1,015,845
	Provision for impairment of receivables from other insurer/ reinsurer	13.3	(30,046)	(30,046)
			1,414,228	985,799
			2,988,283	8,825,466

13.1 This includes amounts due from the following related parties:

Name	2021	2020
Nishat Mills Limited	13	1,700
Nishat Power Limited	(8)	146,885
Nishat Hospitality (Private) Limited	57,947	-
Nishat Dairy (Private) Limited	94	19
Nishat Hotels and Properties Limited	715	29,156
Nishat Paper Product Co. Limited	6	915
Nishat Agriculture Farming (Private) Limited	71,581	-
Nishat Developers (Private) Limited	683	6
D.G. Khan Cement Co. Limited	28,441	66,397
Hyundai Nishat Motor (Private) Limited	379,404	994
Pakistan Aviators & Aviation (Private) Limited	1,768	18,845
Pakgen Power Limited	140,632	394,423
Lalpir Power Limited	394,069	380,684
	1,075,345	1,040,024

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

Name	1 year	More than 1 Year	2021	2020
	Rupees in thousand			
Nishat Mills Limited	8	5	13	1,700
Nishat Power Limited	3	(11)	(8)	146,885
Nishat Hospitality (Private) Limited	58,014	(67)	57,947	-
Nishat Dairy (Private) Limited	-	94	94	19
Nishat Hotels and Properties Limited	715	-	715	29,156
Nishat Paper Product Co. Limited	-	6	6	915
Nishat Agriculture Farming (Private) Limited	68,152	3,429	71,581	-
Nishat Developers (Private) Limited	166	517	683	6
D.G. Khan Cement Co. Limited	19,596	8,845	28,441	66,397
Hyundai Nishat Motor (Private) Limited	370,801	8,603	379,404	994
Pakistan Aviators & Aviation (Private) Limited	1,486	282	1,768	18,845
Pakgen Power Limited	136,005	4,627	140,632	394,423
Lalpir Power Limited	385,894	8,175	394,069	380,684
	1,040,840	34,505	1,075,345	1,040,024

		Note	2021	2020
			Rupees in thousand	
13.2	**Provision for doubtful receivables from insurance contract holders**			
	Opening as at Jan 01		66,920	62,183
	Provision made during the year		9,900	4,737
	Balance as at December 31		76,820	66,920
13.3	**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
14	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded	14.1	1,411,746	6,557,538
	Prepaid rent		892	521
	Others		6,854	3,890
			1,419,492	6,561,949
14.1	**Movement in prepaid reinsurance premium ceded**			
	As at January 01		6,557,538	1,148,842
	Reinsurance premium ceded during the year		3,031,201	7,986,845
	Reinsurance expense for the year		(8,176,993)	(2,578,149)
	As at December 31		1,411,746	6,557,538

		Note	2021	2020
			Rupees in thousand	
15	**CASH AND BANK**			
	Cash and cash equivalent			
	Cash in hand		-	-
	Cash at bank			
	Current accounts		29,042	143,925
	Saving accounts	15.1	609,236	542,652
	Deposit with SBP	15.2	3,350	11,350
			641,628	697,927
			641,628	697,927

15.1 The balance in savings accounts bears mark-up which ranges from 5.5% to 7.40% (2020: 5.5% to 11.75%) per annum.

15.2 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.

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

	Note	2021	2020
Cash and cash equivalents		641,628	697,927
Short term borrowings	21	(285,796)	(309,270)
		355,832	388,657

15.3.1 Reconciliation of liabilities arising from financing activities inclusive of current portion:

Particulars	December 31, 2020	Recognized during the year	Cash flows	Non-Cash flows: Accrual	Non-Cash flows: Other changes	December 31, 2021
	Rupees in thousand					
Dividend paid	-	-	(340,312)	340,312	-	-
Long term borrowing	1,627,393	-	(270,000)	-	-	1,357,393
Interest paid	40,888	162,781	(163,951)	-	-	39,718

Particulars	December 31, 2019	Recognized during the year	Cash flows	Non-Cash flows: Accrual	Non-Cash flows: Other changes	December 31, 2020
	Rupees in thousand					
Dividend paid	-	-	(340,312)	340,312	-	-
Long term borrowing	-	-	1,627,393	-	-	1,627,393
Interest paid	7,052	123,612	(89,776)	-	-	40,888

	Note	2021	2020
		Rupees in thousand	
16 WINDOW TAKAFUL OPERATIONS - OPERATOR'S FUND			
16.1 Assets			
Property and equipment		3,371	2,224
Loans and other receivables		549	947
Takaful/retakaful receivables		859	762
Receivable from OPF/ PTF		19,058	18,235
Deferred commission expense/ acquisition cost		15,797	8,854
Cash and bank		38,452	4,844
Qard-e-Hasna to Participants' Takaful Fund		65,000	65,000
Total assets		143,086	100,866
16.2 Total liabilities			
Retirement benefit obligations		354	118
Unearned wakala fee		31,378	20,485
Takaful/retakaful payables		662	372
Other creditors and accruals		29,929	18,453
Taxation - provision less payments		5,908	-
Payable to OPF / PTF		47	1,096
Total liabilities		68,278	40,524
16.3 Profit and loss account			
Wakala fee		57,323	36,425
Other expenses		(938)	(869)
Management expenses		(11,118)	(9,070)
Commission expenses		(24,978)	(16,539)
Other income		85	1,242
Profit for the year		20,374	11,189

17 ORDINARY SHARE CAPITAL

17.1 Authorized share capital

2021	2020		2021	2020
Number of Shares			Rupees in thousand	
100,000,000	100,000,000	Ordinary shares of Rs 10 each	1,000,000	1,000,000

17.2 Issued, subscribed and paid up share capital

2021	2020		2021	2020
680,625,000	68,062,500	Ordinary shares of Rs 10 each fully paid in cash	680,625	680,625

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

		Note	2021	2020
			Rupees in thousand	
18	Reserves			
	Capital reserve			
	Fair value reserve	18.1	4,066,134	2,865,792
	Revenue reserve			
	General reserve		2,000	2,000
			4,068,134	2,867,792

18.1 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.

19 Retirement benefit obligations

19.1 Defined benefit plan - gratuity fund

19.1.1 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 , 2021 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.

			2021	2020
19.1.2	**Principal actuarial assumptions**			
	Valuation discount rate		10.25%	11.75%
	Valuation discount rate for statement of comprehensive income		12.25%	10.25%
	Salary increase rate - short term		11.25%	9.25%
	Salary increase rate - long term		11.25%	9.25%
	Normal retirement age		60	60
	Withdrawal rate		Moderate	Moderate
	Mortality rate		SLIC 2001 - 2005	SLIC 2001 - 2005
	Net salary increase date		1/1/2021	1/1/2020
	Duration of plan		10 years	10 years
19.1.3	**The amounts recognized in statement of financial position are as follows:**			
	Reconciliation			
	Present value of defined benefit obligations	19.1.4	65,800	51,917
	Fair value of plan assets	19.1.5	(55,711)	(47,093)
	Net payable to defined benefit plan		10,089	4,824
	Opening balance of payable		4,824	5,831
	Expense recognized		6,112	5,673
	Contributions to the fund during the year		(4,824)	(5,831)
	Recognition in other comprehensive income - net		3,977	(849)
	Closing balance of payable		10,089	4,824

		Note	2021	2020
			Rupees in thousand	
19.1.4	**Movement in the present value of defined benefit obligations is as follows;**			
	Present value of obligations as at January 01		51,917	42,929
	Current service cost		5,870	5,331
	Interest cost		5,294	5,031
	Benefits paid		(426)	(216)
	Actuarial (gains) / losses from changes in financial assumptions		290	(183)
	Experience adjustments		2,855	(975)
	Present value of defined benefit obligations as at December 31		65,800	51,917
19.1.5	**Movement in the fair value of plan assets is as follows;**			
	Fair value of plan assets as at January 01		47,093	37,098
	Contribution made to the fund during the year		4,824	5,831
	Interest income on plan assets		5,052	4,689
	Benefits paid		(426)	(216)
	Return on plan assets, excluding interest income		(832)	(309)
	Fair value of plan assets as at December 31		55,711	47,093
19.1.6	**Composition of plan assets**			
	Fair value of investments		23,341	26,843
	Cash at bank		32,370	20,250
	Fair value of plan assets as at December 31		55,711	47,093

19.1.7 Charge for the year

The following amounts have been charged to the profit and loss account in respect of defined benefit plan:

	2021	2020
Current service cost	5,870	5,331
Interest cost on defined benefit obligations	5,294	5,031
Interest income on plan asset	(5,052)	(4,689)
	6,112	5,673

		Note	2021	2020
			Rupees in thousand	
19.1.8	**Recognition in other comprehensive income**			
	The following amounts have been recognized in other comprehensive income:			
	Experience adjustments		2,855	(975)
	Actuarial (gains)/losses from changes in financial assumptions		290	(183)
	Return on plan assets, excluding interest income		832	309
			3,977	(849)

		Discount rate + 100 bps	Discount rate - 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
		Rupees in thousand			
19.1.9	**Sensitivity analysis**				
	Year end sensitivity analysis (±100 bps) on present value of defined benefit obligations is as follows:				
		59,717	72,572	72,664	59,535

19.1.10 The Company expects to pay Rs 7.915 million in contributions to defined benefit plan during the year ending December 31, 2022.

		2021	2020	2019	2018	2017
		-------------------Rupees in thousand-------------------				
19.1.11	**5 year historical data on the deficit of defined benefit plan is as follows:**					
	Present value of defined benefit obligations	65,800	51,917	42,929	35,523	28,448
	Fair value of plan assets	(55,711)	(47,093)	(37,098)	(30,339)	(23,963)
	Deficit	10,089	4,824	5,831	5,184	4,485
	Experience adjustments					
	(Loss) / gain on plan assets (as percentage of plan assets)	-7.14%	1.80%	6.02%	-1.00%	1.00%
	(Gain) / loss on obligations (as percentage of obligations)	6.04%	-1.64%	2.00%	1.00%	2.00%

19.2 Defined contribution plan - provident fund

The Company operates 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, 2021 was Rs 7.6 million . The net assets based on unaudited financial statements of Provident Fund as at December 31, 2021 are Rs 50.44 million out of which 86.74% 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			
	2021		2020	
	Rupees in thousand	% of investment	Rupees in thousand	% of investment
Investment in Government securities	10,008	23%	19,516	48%
Bank balances	22,751	52%	10,994	27%
Mutual funds	10,995	25%	10,148	25%
	43,754	100%	40,658	100%

The figures for 2021 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	2021	2020
		Number of employees	
19.3 Staff strength			
Number of employees as at December 31		178	176
Average number of employees during the year		171	167
20 DEFERRED TAXATION			
Deferred debits arising in respect of:			
Provision for doubtful receivables - insurance / reinsurance receivables		30,992	28,120
Deferred credits arising due to:			
Accelerated tax depreciation		5,795	13,669
Unrealized gain on remeasurement of investment		1,646,508	1,170,535
		1,652,303	1,184,204
		1,621,311	1,156,084
20.1 Movement in net deferred tax liability is as follows:			
Opening deferred tax		1,156,084	1,507,565
(Reversal) / charge to the profit and loss account		(25,054)	5,780
Charge to other comprehensive income		490,281	(357,261)
Closing deferred tax		1,621,311	1,156,084

	Note	2021	2020
		Rupees in thousand	
21 BORROWINGS			
Bank loans:			
Short term running finance - secured	21.1	285,796	309,270
Long term finance - secured	21.2	1,357,393	1,627,393
		1,643,189	1,936,663
Long term finance:			
Current Portion		555,796	579,270
Non-Current Portion		1,087,393	1,357,393
		1,643,189	1,936,663

21.1 Short term running finance - secured

Short term running finances available from commercial banks under mark-up arrangements amount to Rs 1,150 million (2020: Rs 1,440 million), out of which the amount Rs 285.796 million (2020: Rs 309.270 million) has been availed as at December 31, 2021. 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 8.28% to 9.28% (2020: 8.75% to 15.05%) per annum. These facilities are secured against pledge of 6.85 million shares of MCB Bank Limited in favour of Habib Metro Bank Limited, 8.08 million shares of Adamjee Insurance Company Limited in favour of The Bank of Punjab and 1.60 million shares of MCB Bank Limited and 1.54 million shares of Adamjee Insurance Company Limited in favour of First Women Bank Limited.

21.2 Long term finance - secured

Long term running finance of Rs 1,800 million (2020: 1,800 million) is obtained from Bank Alfalah at mark-up rate of three months KIBOR plus fixed spread of 1.35% per annum (January to October) and a fixed spread of 0.05% per annum (November to December), payable quarterly, on the balance outstanding. The unavailed facility from Bank Alfalah amounts to Rs 442.607 million (2020: 172.60 million) 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). Under the agreement, the amount of Rs. 300 million is repayable in October, 2025.

- 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). Under the agreement, the amount of Rs. 1,500 million is repayable in June, 2025.

		Note	2021	2020
			Rupees in thousand	
22	**INSURANCE / REINSURANCE PAYABLE**			
	Due to other co-insurers		1,050,899	978,901
	Due to other re-insurers		1,459,079	6,337,558
			2,509,978	7,316,459
23	**OTHER CREDITORS AND ACCRUALS**			
	Agent commission payable		306,425	238,386
	Federal excise duty / sales tax		11,566	739,403
	Federal insurance fee		965	56,657
	Accrued expenses		43,613	38,385
	Other tax payable		4,570	2,060
	Cash margin		117,849	72,994
	Leave encashment payable		10,281	8,819
	Provident fund payable		1,307	1,152
	Mark-up accrued on finances under mark-up arrangements		39,719	40,889
	Others		21,319	17,713
			557,614	1,216,458

24 CONTINGENCIES AND COMMITMENTS

a) Contingencies

24.1 The Company is contingently liable for Rs 6.212 million (2020: Rs 5.863 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.

24.2 Guarantee issued by Habib Metro Bank Limited on behalf of the Company, fixed at GBP 5,000 amounting to Rs 1.036 million (2020: Rs 1.036 million).

24.3 For tax years 2009 and 2011 to 2014, the tax authorities raised an aggregate demand of Rs 664.953 million that primarily pertains to rate of tax on dividend income. The Company had filed appeals 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 has filed a petition against the order of ATIR in Honorable Lahore High Court and the case is now pending adjudication. The Company has not made any provision in these financial statements against the above demands as the management is confident that the ultimate outcome of the appeals would be in favor of the Company, inter alia on the basis of the advice of the legal counsel and the relevant law and the facts.

24.4 The Company received notice under section 177 (6) of the Income Tax Ordinance on May 26, 2021 relating to Tax year 2017 requiring the Company to submit of documentary evidences for number of things. The Deputy Commissioner Inland Revenue created a demand of Rs. 40.347 million vide order dated August 31, 2021 on account of non-apportionment of expenses, claim on account of unabsorbed depreciation, non-deduction of withholding taxes and made addition for liabilities outstanding for more than 3 years. Being aggrieved, the Company filed an appeal before Commissioner Inland Revenue Appearls. Subsequent to the reporting date, the appeal has been partially decided in favour of the Company and certain matters have been remanded back for fresh proceedings. Based on legal advisor's opinion, the Company's management expects a favorable outcome due to which no provision has been recorded 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:

	Note	December 31, 2021	December 31, 2020
		Rupees in thousand	
Not later than one year		4,541	5,700
		4,541	5700

	Note	2021	2020
		Rupees in thousand	
25 NET INSURANCE PREMIUM			
Written gross premium		3,923,919	8,798,985
Unearned premium reserve opening		6,963,167	1,558,246
Unearned premium reserve closing		(1,785,663)	(6,963,167)
Premium earned		9,101,423	3,394,064
Reinsurance premium ceded		(3,031,201)	(7,986,845)
Prepaid reinsurance premium opening		(6,557,538)	(1,148,842)
Prepaid reinsurance premium closing		1,411,746	6,557,538
Reinsurance expense		(8,176,993)	(2,578,149)
		924,430	815,915

	Note	2021	2020
		Rupees in thousand	
26 NET INSURANCE CLAIMS			
Claims paid		705,525	573,265
Outstanding claims including IBNR-closing	26.1, 25.2 &26.3	1,032,425	1,131,834
Outstanding claims including IBNR-opening		(1,131,834)	(1,176,065)
Claims expense		606,116	529,034
Reinsurance and other recoveries received		(572,905)	(467,697)
Reinsurance and other recoveries in respect of outstanding claims - closing		(869,258)	(955,947)
Reinsurance and other recoveries in respect of outstanding claims - opening		955,947	1,006,088
Reinsurance expense		(486,216)	(417,556)
		119,900	111,478

26.1 The provision for IBNR on the basis of actuarial valuation carried out as at December 31, 2021 amounting to Rs 9.27 million (2020: 0.099 million).

26.2 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	2017	2018	2019	2020	2021
	-------------------Rupees in thousand-------------------				
Estimate of ultimate claims costs:					
At the end of accident year	612,367	504,940	749,598	596,097	813,558
One year later	510,900	473,892	692,045	571,112	-
Two years later	509,361	495,919	656,475	-	-
Three years later	507,975	426,696	-	-	-
Four years later	507,432	-	-	-	-
Current estimate of cumulative claims	507,432	426,696	656,475	571,112	813,558
Cumulative payments to date	(455,159)	(404,342)	(574,859)	(478,697)	(434,248)
Liability recognized in the statement of financial position	52,273	22,354	81,616	92,415	379,310

		Note	2021	2020
			Rupees in thousand	
26.3	**This includes amounts due to the following related parties:**			
	Name			
	Nishat Mills Limited (Investor)		2,398	8,633
	Nishat Power Limited (due to common directorship)		244	543
	Nishat Hospitality (Private) Limited (due to common directorship)		33	50
	Nishat Dairy (Private) Limited (due to common directorship)		26	60
	Nishat Hotels and Properties Limited (due to common directorship)		127	197
	Nishat Paper Product Company Limited (due to common directorship)		-	6
	D.G. Khan Cement Company Limited (other related party)		22,072	114,785
	Hyundai Nishat Motor (Private) Limited		7,574	2,297
	Pakistan Aviators & Aviation (Private) Limited		100	669
	Nishat (Chunian) Limited		-	306
	Nishat Linen (Private) Limited		-	-
			32,574	127,546

		Note	2021	2020
			Rupees in thousand	
27	**NET COMMISSION EXPENSE**			
	Commission paid or payable		357,532	267,999
	Deferred commission expense - opening		134,180	110,933
	Deferred commission expense - closing		(160,164)	(134,180)
	Net commission		331,548	244,752
	Commission received or recoverable		(322,488)	(234,628)
	Unearned reinsurance commission - opening		(107,748)	(92,208)
	Unearned reinsurance commission - closing		146,340	107,748
	Commission from reinsurers		(283,896)	(219,088)
			47,652	25,664

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For The Year Ended December 31, 2021

		Note	2021	2020
			Rupees in thousand	
28	**MANAGEMENT EXPENSES**			
	Employee benefit cost	28.1	223,822	191,711
	Travelling expenses		3,661	3,091
	Advertisements and sales promotion		65	46
	Printing and stationery		3,817	5,194
	Depreciation on operating assets	6.1	29,442	24,200
	Depreciation on investment property	8.1	2,406	2,676
	Rent, rates and taxes		11,050	9,227
	Legal and professional- business related		5,997	4,874
	Electricity, gas and water		7,674	5,853
	Entertainment		5,762	4,791
	Vehicle running expenses		33,613	24,800
	Office repairs and maintenance		10,396	8,549
	Bank charges		1,897	3,831
	Postages, telegrams and telephone		5,972	5,594
	Annual supervision fee SECP		3,665	3,680
	Provision for doubtful receivables	13.2 &13.3	9,900	4,737
	Service charges		4,757	4,244
	Miscellaneous		2,248	2,931
			366,144	310,029
	28.1 Employee benefit cost			
	Salaries, allowances and other benefits		210,104	179,507
	Charges for post employment benefit plan- Gratuity		6,112	5,673
	Contribution for the year- Provident fund		7,606	6,531
			223,822	191,711
29	**INVESTMENT INCOME**			
	Income from equity securities			
	Available-for-sale			
	Dividend income	29.1	1,855,929	715,252
	Income from debt securities			
	Held to maturity			
	Return on debt securities		7,284	8,063
	Income from term deposits			
	Return on term deposits		2,681	132
	Net realized gains on investments		1,865,894	723,447
	Available-for-sale financial assets			
	Realized gains on:			
	- Equity securities		13,965	1,904
	Total investment income		1,879,859	725,351
	Reversal of impairment in value of available-for-sale securities			
	- Equity securities		(47,793)	-
	Investment related expenses		(765)	(862)
			1,831,301	724,489

		Note	2021	2020
			Rupees in thousand	
29.1	**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)		19,223	14,418
	Lalpir Power Limited (due to common directorship)		20,511	15,383
	Nishat Chunian Limited (due to common directorship)		2,940	338
			42,903	30,139
30	**OTHER INCOME**			
	Return on bank balances		35,732	35,644
	Gain on sale of operating assets		603	-
	Miscellaneous		5,609	6,801
			41,944	42,445
31	**OTHER EXPENSES**			
	Legal and professional fee other than business related		3,600	3,600
	Auditor's remuneration	31.1	4,146	2,713
	Subscription		2,766	4,552
	Insurance expense		4,243	2,964
	Professional charges		58	103
	Others		2,387	1,312
			17,200	15,244
31.1	**Auditor's remuneration**			
	Fee for statutory audit		1,581	1,437
	Fee for interim review		494	450
	Fee for audit of gratuity fund		-	-
	Special certifications and sundry advisory services		420	360
	Tax services		1,512	386
	Out of pocket		139	80
			4,146	2,713
32	**FINANCE COSTS**			
	Markup on running finance		162,781	123,612
			162,781	123,612

	Note	2021	2020
		Rupees in thousand	
33 TAXATION			
For the year			
Current		629,838	295,177
Deferred		(25,054)	5,780
		604,784	300,957
For the prior year			
Current		-	-
Deferred		-	-
		-	-
		604,784	300,957

	2021	2020
	%	%
33.1 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	29
Effect of:		
- Prior year tax	-	-
- Super tax	-	-
- Change in tax rate and others	(0.26)	0.86
Effective tax rate	28.74	29.86

	2021	2020
	Rupees in thousand	
34 EARNINGS PER SHARE		
Profit (after tax) for the year- Rupees in thousand	1,499,588	707,054
Weighted average number of ordinary shares- Number	68,063	68,063
Earnings per share - (basic / diluted)- Rupees	22.03	10.39

There is no dilutive effect on basic earnings per share.

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

35.1 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	
	2021	2020	2021	2020	2021	2020
	-------------------Rupees in thousand-------------------					
Managerial remuneration	6,800	6,182	-	-	12,125	11,073
Leave encashment	850	773	-	-	1,516	1,384
Bonus	3,323	3,008	-	-	5,931	5,409
Charge for defined benefit plan	567	515	-	-	1,010	923
Contribution to defined contribution plan	680	618	-	-	1,212	1,107
Rent and house maintenance	2,720	2,473	-	-	4,850	4,429
Utilities	680	618	-	-	1,212	1,107
Medical	121	154	-	-	1,206	958
Others	644	404	-	-	3,842	3,101
Total	16,385	14,745	-	-	32,904	29,491
Number of persons	1	1	5	5	6	6

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

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

35.4 During the year, the Company paid dividend amounting to Rs. 45.257 million(2020: Rs. 45.357 million) to its Directors.

36 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	2021	2020
		Rupees in thousand	
(i) Post employment benefit plans			
Transactions during the year			
Charge in respect of gratuity fund		6,111	5,674
Charge in respect of provident fund		7,606	6,531
Contribution to gratuity fund		4,824	5,831
Contribution to provident fund		15,056	13,063
		33,597	31,099
Year end balances			
Payable to gratuity fund		10,089	4,824
Payable to provident fund		1,307	1,152
		11,396	5,976

	Note	2021	2020
		Rupees in thousand	
(ii) Key management personnel			
Transactions during the year			
Employee benefits		49,289	44,236
Asset sold		2,863	3,646
		52,152	47,882
Year end balances			
Advances against salaries		1,315	75
(iii) Related parties based on common directorship			
Transactions during the year			
Premiums underwritten		1,313,672	1,243,051
Claims paid		108,723	24,929
Dividends received		26,717	30,139
Payment in respect of services		1,051	487
		1,450,163	1,298,606

36.1 Following are the associated undertakings / companies and post retirement benefits plans along with basis of their relationship with the Company with whom the Company had entered into transactions during the current year;

Name of related parties	Direct shareholding	Relationship
Nishat Mills Limited	15.02%	Common directorship
Nishat Power Limited	N/A	Common directorship
Nishat Hospitality (Pvt) Limited	N/A	Common directorship
Nishat Dairy (Pvt) Limited	N/A	Common directorship
Nishat Hotels and Properties Limited	N/A	Common directorship
Nishat Paper Product Co. Ltd.	N/A	Common directorship
Nishat Agriculture Farming (Pvt) Ltd.	N/A	Common directorship
Nishat (Aziz Avenue) Hotels and Properties Ltd.	N/A	Common directorship
Nishat Developers (Pvt) Limited	N/A	Common directorship
D.G. Khan Cement Co. Ltd.	N/A	Common directorship
Hyundai Nishat Motor (Private) Limited	N/A	Common directorship
Pakistan Aviators & Aviation (Pvt) Ltd.	N/A	Common directorship
Pakgen Power Limited	N/A	Common directorship
Lalpir Power Limited	N/A	Common directorship
Security General Insurance Company Limited Employees' Provident Fund Trust	N/A	Post employment benefits plan
Security General Insurance Company Limited Employees' Gratuity Fund Trust	N/A	Post employment benefits plan

37 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 (2020: 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.

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For The Year Ended December 31, 2021

	2021				
	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)	2,849,603	659,703	605,429	295,127	4,409,862
Federal excise duty	(293,952)	(68,255)	(62,340)	(30,487)	(455,034)
Federal insurance fee	(19,967)	(4,636)	(4,235)	(2,071)	(30,909)
Gross written premium (inclusive of administrative surcharge)	2,535,684	586,812	538,854	262,569	3,923,919
Gross direct premium	1,675,498	582,482	530,619	260,020	3,048,619
Facultative inward premium	855,566	-	-	-	855,566
Administrative surcharge	4,620	4,330	8,735	2,549	19,734
	2,535,684	586,812	538,854	262,569	3,923,919
Insurance premium earned	2,453,600	5,843,573	472,100	332,150	9,101,423
Insurance premium ceded to reinsurers	(1,933,271)	(5,757,560)	(239,470)	(246,692)	(8,176,993)
Net insurance premium	520,329	86,013	232,630	85,458	924,430
Commission income	133,623	56,206	50,815	43,252	283,896
Net underwriting income	653,952	142,219	283,445	128,710	1,208,326
Insurance claims	(211,621)	(85,853)	(239,892)	(68,749)	(606,115)
Insurance claims recovered from reinsurers	215,247	80,190	137,039	53,739	486,215
Net claims	3,626	(5,663)	(102,853)	(15,010)	(119,900)
Commission expense	(151,333)	(66,325)	(59,267)	(54,623)	(331,548)
Management expenses	(206,089)	(34,068)	(92,139)	(33,848)	(366,144)
Net insurance claims and expenses	(353,796)	(106,056)	(254,259)	(103,481)	(817,592)
Underwriting results	300,156	36,163	29,186	25,229	390,734
Net investment income					1,831,301
Other income					41,944
Other expenses					(17,200)
Finance costs					(162,781)
Profit before taxation from window takaful operations - Operator's Fund					20,374
Profit before tax					2,104,372
Segment assets - Conventional	2,763,015	371,181	465,742	487,005	4,086,943
Segment assets - Takaful Operator's Fund	8,637	5,284	19,968	966	34,855
Unallocated assets - Conventional					22,122,609
Unallocated assets - Takaful Operator's Fund					108,231
					26,352,638
Segment liabilities - Conventional	2,143,643	146,498	487,170	611,384	3,388,695
Segment liabilities - Takaful Operator's Fund	16,919	10,351	39,115	1,893	68,278
Unallocated liabilities - Conventional					6,129,463
					9,586,436

	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
Net investment income					724,489
Other income					42,445
Other expenses					(15,244)
Finance costs					(123,612)
Loss 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

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

37.1 Information about major customers

Included in the net insurance premium is premium from four (2020: four) customers of the Company from the fire and property damage and marine, aviation and transport segment which represents approximately Rs 2,257.980 million (2020: Rs 7,327.353 million) of the Company's total gross premium written. the Company's revenue from other segments is earned from a large mix of customers.

	Held to maturity debt securities	Available-for-sale equity securities	Total
		Rupees in thousand	
38 MOVEMENT IN INVESTMENTS			
At the beginning of previous 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 - Dec 31, 2020	67,706	16,522,178	16,589,884
At beginning of current year (restated) - January 1, 2021	67,706	16,522,178	16,589,884
Additions	1,414,000	2,300,610	3,714,610
Disposals (sale & redemptions)	(1,372,000)	(1,161,614)	(2,533,614)
Fair value net gains (excluding net realized gains)	-	1,658,794	1,658,794
Amortization of discount	33	-	33
At end of current year - December 31, 2021	109,739	19,319,968	19,429,707

38.1 Fair value measurement of financial instruments - IFRS 9

Following is the fair value of financial assets as on December 31, 2021 under IFRS 9 classifications and the change in their fair value during the year ended December 31, 2021:

	Financial instruments with contractual cash flows that meet the SPPI criteria, excluding those held for trading			*Other financial instrument
	Amortized cost	Fair value through OCI	Total	
	Rupees in thousand			
Pakistan Investment Bonds				
Opening fair value - December 31, 2020	67,706	-	67,706	-
Additions	10,000	-	10,000	-
Unwinding on debt securities	33	-	33	-
Disposals	(2,000)	-	(2,000)	-
Closing fair value - December 31, 2021	75,739	-	75,739	-
Term Deposits				
Opening fair value - December 31, 2020	-	-	-	-
Additions	1,404,000	-	1,404,000	-
Disposals	(1,370,000)	-	(1,370,000)	-
Closing fair value - December 31, 2021	34,000	-	34,000	-
Shares in listed / unlisted equity securities				
Opening fair value - December 31, 2020	-	-	-	16,249,019
Additions	-	-	-	722,832
Increase in fair value - net	-	-	-	1,651,087
Reversal of impairment	-	-	-	-
Disposals	-	-	-	(10,002)
Closing fair value - December 31, 2021	-	-	-	18,612,936
Mutual fund investments				
Opening fair value - December 31, 2020	-	-	-	273,159
Additions	-	-	-	1,577,778
Deccrease in fair value - net	-	-	-	(9,802)
Reversal of impairment	-	-	-	-
Disposals	-	-	-	(1,134,103)
Closing fair value - December 31, 2021	-	-	-	707,032

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

39 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)

- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

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

	Note	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, 2021										
Financial assets										
Investments										
Equity securities		19,319,968	-	-	-	19,319,968	11,454,840	-	7,865,128	19,319,968
Debt securities		-	75,739	-	-	75,739	-	75,739	-	75,739
Term Deposits		-	34,000	-	-	34,000	-	34,000	-	34,000
Loan and other receivables		-	-	39,765	-	39,765	-	-	-	-
Insurance/reinsurance receivables		-	-	2,988,283	-	2,988,283	-	-	-	-
Reinsurance recoveries againts outstanding claims		-	-	869,258	-	869,258	-	-	-	-
Salvage recoveries accrued		-	-	9,419	-	9,419	-	-	-	-
Cash and bank		-	-	641,628	-	641,628	-	-	-	-
Total assets from Window Takaful Operations - Operator's fund		-	-	143,086	-	143,086	-	-	-	-
		19,319,968	109,739	4,691,439	-	24,121,146	11,454,840	109,739	7,865,128	19,429,707
Financial liabilities										
Outstanding claims (including IBNR)		-	-	-	1,032,425	1,032,425	-	-	-	-
Retirement benefit obligation		-	-	-	10,089	10,089	-	-	-	-
Insurance/reinsurance payables		-	-	-	2,509,978	2,509,978	-	-	-	-
Premium received in advance					37,806	37,806	-	-	-	-
Other creditors and accruals		-	-	-	557,614	557,614	-	-	-	-
		-	-	-	4,147,912	4,147,912	-	-	-	-

	Note	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, 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	-	-	-	-

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 16.50 per ordinary share as at December 31, 2021 through a valuation technique based on its discounted cash flow analysis. Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed, an investment advisor engaged by the Company has estimated a fair value of Rs 36.99 per ordinary share as at December 31, 2021 through a valuation technique based on its discounted cash flow analysis. 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 analyzed 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 maximize 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.

39.1 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period and year ended December 31, 2021 and December 31, 2020 for recurring fair value measurements:

	Note	2021	2020
		(Rupees in thousand)	
Opening fair value		3,844,921	2,528,022
Purchase of Investments during the year	9.3	530,494	1,297,076
		4,375,414	3,825,097
Fair value gain recognised during year		3,489,714	19,823
Closing value after valuation		7,865,128	3,844,921

The change in unrealized gains/ losses of the unquoted investments is credited/charged to the Other Comprehensive Income as "Unrealized gain / (loss) on available-for-sale investments - net of tax".

40 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

40.1 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.

40.1.1 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

	Total Amount	Age Wise Breakup "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	20,007	14,372	378	3,398	1,029	830
	20,007	14,372	378	3,398	1,029	830

40.1.2 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	
	2021	2020	2021	2020	2021	2020
	-------------------Rupees in thousand-------------------					
Fire and property damage	31,724,088	732,234,670	15,862,044	702,374,137	15,862,044	29,860,533
Marine, aviation and transport	570,800	191,608,739	565,800	185,978,977	5,000	5,629,762
Motor	94,562	16,536,958	89,834	10,992,466	4,728	5,544,492
Others including miscellaneous	3,633,450	54,454,834	3,583,650	50,597,445	49,800	3,857,389
	36,022,900	994,835,201	20,101,328	949,943,025	15,921,572	44,892,176

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	
	2021	2020	2021	2020	2021	2020
	-------------------Rupees in thousand-------------------					
Fire and property damage	311,139	276,912	293,140	265,738	17,999	11,174
Marine, aviation and transport	84,815	28,408	77,774	23,155	7,041	5,253
Motor	205,905	179,823	118,639	99,093	87,266	80,730
Others including miscellaneous	103,666	88,122	83,352	79,711	20,314	8,411
	705,525	573,265	572,905	467,697	132,620	105,568

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.

40.1.3 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.

40.1.4 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.

40.1.5 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.

40.1.6 Changes in assumptions

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

40.1.7 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	
	2021	2020	2021	2020
	Rupees in thousand			
Effect of 10% increase/(decrease) in amount of claims:				
Fire and property damage	(363)	1,645	(258)	1,168
Marine, aviation and transport	566	496	402	352
Motor	10,285	8,005	7,302	5,684
Miscellaneous	1,501	1,002	1,066	711
	11,989	11,148	8,512	7,915

40.2 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 21 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:

	2021	2020
	Rupees in thousand	
Financial assets		
Investments	19,429,707	16,589,884
Loans and other receivables	35,588	30,276
Accrued investment income	4,177	2,825
Insurance / Reinsurance receivables	2,988,283	8,825,466
Reinsurance recoveries against outstanding claims	869,258	955,947
Salvage recoveries accrued	9,419	11,050
Cash and bank	641,628	697,927
Total assets from window takaful operations - Operator's fund	143,086	100,866
	24,121,146	27,214,241

As of December 31, 2021, premium due but unpaid and amount due from other insurers/ reinsurers of Rs 2,998.18 million (2020: Rs 8,825.46 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:

	2021	2020
	Rupees in thousand	
- Up to one year	2,204,941	8,313,766
- Past one but less than three years	495,092	239,803
- Over three but less than five years	118,665	135,012
- More than five years	179,485	136,885
	2,998,183	8,825,466

The management estimates the recoverability of premium due but unpaid net off commission and claims recoverable and amounts due from other insurers/reinsurers net off amounts due to 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	2021	2020
	------------------------------ Rupees in thousand ------------------------------				
A and above (including Pakistan Reinsurance Company Limited)	611,716	519,210	241,680	1,372,606	1,379,088
A-	20,079	78,943	67,373	166,395	311,135
BBB	4,350	14,255	536	19,141	41,867
Others	175,540	256,850	1,102,157	1,534,547	6,322,524
	811,685	869,258	1,411,746	3,092,689	8,054,614

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

	Rating Short term	Rating Long term	Rating Agency	2021	2020
				Rupees in thousand	
Current and other accounts					
Albaraka Islamic Bank	A1	A	PACRA	107	33
Apna Micro Finance Bank Ltd	A3	BBB+	PACRA	121	42,843
Askari Bank Limited	A1+	AA+	PACRA	1,112	100,616
Bank Alfalah Limited	A1+	AA+	PACRA	15,322	5,518
Dubai Islamic Bank Limited	A-1+	AA	VIS	132,782	83,517
Faysal Bank Limited	A1+	AA	PACRA	1,681	16,367
Habib Bank Limited	A-1+	AAA	VIS	799	447
JS Bank Limited	A1+	AA-	PACRA	442	2,579
MCB Bank Limited	A1+	AAA	PACRA	466,958	353,107
MCB Islamic Bank Limited	A1	A	PACRA	1,300	1,339
Soneri Bank Limited	A1+	AA-	PACRA	77	10,605
National Bank of Pakistan	A1+	AAA	PACRA	2,329	2,215
Khushhali Microfinance Bank	A-1	A+	VIS	129	21,642
Bank of Azad Jamu And Kashmir			N/A	105	5,116
The Punjab Provincial Co-Operative Bank Ltd,			N/A	260	260
Samba Bank Ltd,	A-1	AA	PACRA	4,917	31,996
United Bank Limited	A-1+	AAA	PACRA	8,874	8,347
The Bank Of Punjab	A1+	AA	PACRA	963	30
Deposits with State Bank of Pakistan			N/A	3,350	11,350
				641,628	697,927

	Rating	Rating Agency	2021	2020
			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
			Agency	Rupees in thousand	
Pakistan Investment Bonds	-	-	-	75,739	75,739
Term Deposits - Bank Alfalah limited	-	34,000	-	-	34,000
	-	34,000	-	75,739	109,739

(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, 2021, the Company had Rs 2,950 million (2020: Rs 3,240 million) of available borrowing limits from financial institutions and Rs 641.628 million (2020: Rs 697.927 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.

	2021			
	Carrying amount	Less than one year	One to five years	More than five years
	----------------Rupees in thousand----------------			
Financial liabilities				
Outstanding claims including IBNR	1,032,425	388,577	322,180	321,668
Insurance/reinsurance payables	2,509,978	1,942,252	353,865	213,861
Accrued expenses	43,613	43,613	-	-
Other creditors and accruals	514,001	514,001	-	-
Borrowings	1,643,189	555,796	1,087,393	-
	5,743,206	3,444,239	1,763,438	535,529

	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

(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.

	2021	2020	**2021**	2020
	Effective interest rate		Rupees in thousand	
Fixed rate instruments				
Financial assets				
Investments - Government securities	12.0%	12.0%	2,000	4,000
Total Exposure			2,000	4,000
Financial liabilities				
Variable rate instruments				
Borrowings	7.5%	8.6%	1,643,189	1,936,663
Bank balances - saving accounts	6.1%	6.8%	609,236	542,652
Investments - Government securities	10.2%	12.0%	74,000	64,000
Total Exposure			2,326,425	2,543,315

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 and 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 139.67 million (2020: Rs 185.92 million) and shareholders equity would have been lower/higher by Rs 99.17 million (2020: Rs 132.00 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 maximize 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 summarizes 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	
	2021	2020	2021	2020
Pakistan Stock Exchange Limited	-	-	1,145,823	1,267,790

As at December 31, 2021, the Company had no investments classified as at fair value through profit and 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 objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

40.2.1 Maturity analysis of financial assets and liabilities

	2021						
	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							
Investments							
Equity Securities	-	-	-	-	19,319,968	19,319,968	19,319,968
Debt Securities	1,991	73,748	75,739	-	-	-	75,739
Term deposits	-	34,000	34,000	-	-	-	34,000
Cash and bank	609,236	-	609,236	32,392	-	32,392	641,628
Insurance/reinsurance receivables	-	-	-	2,988,283	-	2,988,283	2,988,283
Reinsurance recoveries against outstanding claims	-	-	-	869,258	-	869,258	869,258
Loans and other receivables	-	-	-	39,765	-	39,765	39,765
	611,227	107,748	718,975	3,929,698	19,319,968	23,249,666	23,968,641
Off statement of financial position	-	-	-	-	-	-	-
Total	611,227	107,748	718,975	3,929,698	19,319,968	23,249,666	23,968,641
Financial liabilities							
On statement of financial position							
Outstanding claims including IBNR	-	-	-	1,032,425	-	1,032,425	1,032,425
Insurance/reinsurance payables	-	-	-	2,509,978	-	2,509,978	2,509,978
Accrued expenses	-	-	-	43,613	-	43,613	43,613
Other creditors and accruals	-	-	-	514,001	-	514,001	514,001
Borrowings	1,643,189	-	1,643,189	-	-	-	1,643,189
	1,643,189	-	1,643,189	4,100,017	-	4,100,017	5,743,206
Off statement of financial position							
Guarantees	-	-	-	1,036	-	1,036	1,036
Contingencies	-	-	-	671,165	-	671,165	671,165
	-	-	-	672,201	-	672,201	672,201
Total	1,643,189	-	1,643,189	4,772,218	-	4,772,218	6,415,407
On statement of financial position gap	(1,031,962)	107,748	(924,214)	(170,319)	19,319,968	19,149,649	18,225,435
Off statement of financial position gap	-	-	-	(672,201)	-	(672,201)	(672,201)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS.

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

	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							
Investments							
Equity Securities	-	-	-	-	16,522,178	16,522,178	16,522,178
Debt Securities	1,997	65,709	67,706	-	-	-	67,706
Term deposits	-	-	-	-	-	-	-
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
	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 AND FORMING PART OF THE FINANCIAL STATEMENTS.

In accordance with the requirements of the Insurance Rules, 2017 issued by the SECP, minimum paid-up capital requirement to be complied with by insurance / takaful companies as at December 31, 2017 and for subsequent years is Rs. 500 million. As at December 31, 2021, the Company's paid-up capital is in excess of the prescribed limit.

41 SUBSEQUENT EVENT- NON ADJUSTING EVENT

The Board of Directors has proposed a final dividend for the year ended December 31, 2021 of Rs 2.5 per share (2020: Rs 2.5 per share), amounting to Rs 170.156 (2020: Rs 170.156 million) at their meeting held on March 30, 2022 for approval of the members at the Annual General Meeting to be held on April 27, 2022. Furthermore, there are no other subsequent events other than those disclosed elsewhere in these financial statements.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 30, 2022 by the Board of Directors of the Company.

43 GENERAL

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

43.2 No significant rearrangements or reclassifications have been made in these financial statements during the current year.

Chief Executive Officer	Director	Director	Chairman

Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2021

الحمد لله رب العالمين والصلاة والسلام على سيدالانبياء والمرسلين وعلى اله واصحابه اجمعين، 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.

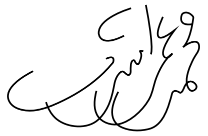
On the other hand it is the responsibility of "SGICL WTO" management to follow the Takaful rules and guidelines set by the Shari'ah Advisor and to take prior approval of Shari'ah Advisor for all policies and services being offered by the "SGICL WTO".

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 2021, 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 21, 2022

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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 of OPF and PTF as at December 31, 2021, and the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participant's takaful fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position of OPF and PTF, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's 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 the manner so required and respectively give a true and fair view of the state of the Operator's affairs as at December 31, 2021, and of the profit, total comprehensive income, the changes in operator's fund and participant's takaful fund and its cash flows for the year then ended.

Basis for Opinion

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

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 reports thereon.

A.F FERGUSON & CO., Chareted Accountants, a member firm of the PWC network
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KARACHI LAHORE ISLAMABAD

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of 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.

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- 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 of OPF and PTF, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participant's takaful fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, 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 Khurram Akbar Khan.

A. F. Ferguson & Co.
Chartered Accountants
Lahore

Dated: April 06, 2022

UDIN: AR202110070c50UvXiaJ

STATEMENT OF FINANCIAL POSITION OF OPF AND PTF

As at December 31, 2021

	Note	2021 Operator's fund	2020 Operator's fund	2021 Participants' Takaful Fund	2020 Participants' Takaful Fund
		-----------------Rupees in thousand-----------------			
ASSETS					
Property and equipment	6	3,371	2,224	-	-
Loans and other receivables	7	549	947	1,266	1,074
Takaful/retakaful receivables	8	859	762	71,742	77,544
Deferred wakala fee	22	-	-	31,378	20,485
Receivable from OPF/ PTF	9	19,058	18,235	47	1,096
Retakaful recoveries against outstanding claims	20	-	-	35,043	51,689
Salvage recoveries accrued		-	-	5,876	2,600
Deferred commission expense	23	15,797	8,854	-	-
Prepayments	18	-	-	50,817	46,375
Cash and bank	10	38,452	4,844	76,969	70,567
		78,086	35,866	273,138	271,430
Qard-e-Hasna to Participants' Takaful Fund	12	65,000	65,000	-	-
TOTAL ASSETS		143,086	100,866	273,138	271,430
EQUITY AND LIABILITIES					
Statutory fund	11	50,000	50,000	-	-
Accumulated profit		24,808	10,342	-	-
TOTAL SHAREHOLDERS EQUITY		74,808	60,342	-	-
PARTICIPANTS' TAKAFUL FUND (PTF)					
Ceded money		-	-	550	550
Accumulated deficit		-	-	(6,519)	(9,325)
BALANCE OF PARTICIPANTS' TAKAFUL FUND		-	-	(5,969)	(8,775)
Qard-e-Hasna from Operator's Fund		-	-	65,000	65,000
LIABILITIES					
UNDERWRITING PROVISIONS					
- Outstanding claims including IBNR	20	-	-	47,991	61,785
- Unearned contribution reserve	18	-	-	89,407	58,232
- Unearned retakaful reward	19	-	-	14,041	11,911
Retirement benefit obligations	13	354	118	-	-
Unearned wakala fee	22	31,378	20,485	-	-
Takaful/retakaful payables	14	662	372	38,887	61,859
Other creditors and accruals	15	29,929	18,453	3,599	3,183
Taxation - provision less payments		5,908	-	-	-
Contribution received in advance		-	-	1,124	-
Payable to OPF / PTF	16	47	1,096	19,058	18,235
TOTAL LIABILITIES		68,278	40,524	214,107	215,205
TOTAL EQUITY AND LIABILITIES		143,086	100,866	273,138	271,430
Contingencies and commitments	17				

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

Hasan Mansha

Chief Executive Officer	Director	Director	Chairman

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
		Rupees in thousand	
Participant's Takaful Fund			
Contribution earned	18	105,804	67,894
Less: Contribution ceded to retakaful	18	(110,840)	(82,773)
Net contribution loss		(5,036)	(14,879)
Retakaful rebate earned	19	30,075	22,189
Net underwriting income		25,039	7,310
Net claims - Reported / settled		(22,942)	(13,155)
- IBNR		(793)	(1,973)
	20	(23,735)	(15,128)
Other direct expenses	21	(456)	(442)
Surplus / (deficit) before investment income		848	(8,260)
Other income	26	1,958	1,901
SURPLUS / (DEFICIT) TRANSFERRED TO ACCUMULATED DEFICIT		2,806	(6,359)
Operator's Fund			
Wakala fee	22	57,323	36,425
Commission expense	23	(24,978)	(16,539)
General administrative and management expenses	24	(11,118)	(9,070)
		21,227	10,816
Other expenses	25	(938)	(869)
Other income	26	85	1,242
Profit before taxation		20,374	11,189
Taxation	33	(5,908)	-
PROFIT AFTER TAXATION		14,466	11,189

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, 2021

	2021	2020
	Rupees in thousand	
Participant's Takaful Fund		
Surplus / (deficit) transferred to accumulated deficit	2,806	(6,359)
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 / (LOSS) FOR THE YEAR	2,806	(6,359)
Operator's Fund		
Profit for the year	14,466	11,189
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	14,466	11,189

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

Hasan Mansha

Chief Executive Officer	Director	Director	Chairman

STATEMENT OF CHANGES IN OPERATOR'S FUNDS & PARTICIPANT'S TAKAFUL FUND

FOR THE YEAR ENDED DECEMBER 31, 2021

	Attributable to Operator's Fund		
	Statutory Fund	Un-appropriated (loss) / Profit	Total
	Rupees in thousand		
Balance as at December 31, 2019	50,000	(847)	49,153
Contribution made during the period	-	-	-
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
Profit after tax for the year ended December 31, 2021	-	14,466	14,466
Other comprehensive income for the year ended December 31, 2021	-	-	-
Total comprehensive income for the year	-	14,466	14,466
Balance as at December 31, 2021	**50,000**	**24,808**	**74,808**

	Attributable to Participant's Takaful Fund-		
	Statutory Fund	Accumulated (Deficit)/ Surplus	Total
	Rupees in thousand		
Balance as at December 31, 2019	550	(2,966)	(2,416)
Deficit for the year ended December 31, 2020	-	(6,359)	(6,359)
Other comprehensive income for the year ended December 31, 2020	-	-	-
Total comprehensive income for the year	-	(6,359)	(6,359)
Balance as at December 31, 2020	550	(9,325)	(8,775)
Surplus for the year ended December 31, 2021	-	2,806	2,806
Other comprehensive income for the year ended December 31, 2021	-	-	-
Total comprehensive income for the year	-	2,806	2,806
Balance as at December 31, 2021	**550**	**(6,519)**	**(5,969)**

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

Chief Executive Officer	Director	Director	Hasan Mansha Chairman

CASH FLOWS STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2021

		Note	2021	2020	2021	2020
			Operator's Fund		Participants' Takaful Fund	
			--------------Rupees in thousand--------------			
	OPERATING CASH FLOWS					
(a)	**Takaful activities**					
	Contributions received		-	-	202,061	74,014
	Retakaful contributions paid		-	-	(141,993)	(75,704)
	Claims paid		-	-	(120,271)	(91,506)
	Retakaful and other recoveries received		-	-	96,112	80,071
	Retakaful reward received		-	-	32,205	21,531
	Commission paid		(21,383)	(12,038)	-	-
	Wakala fee received / (paid)		66,792	45,838	(66,792)	(45,838)
	Other takaful payments		-	-	(456)	(442)
	Other takaful receipts		-	-	2,710	1,811
	Net cash generated from / (used in) takaful activities		45,409	33,800	3,576	(36,063)
(b)	**OTHER OPERATING ACTIVITIES**					
	Income tax paid		(65)	-	(395)	-
	General and other expenses (paid) / received		(10,203)	(10,716)	591	-
	Other operating receipts		-	-	-	16,819
	Net cash (used in) / generated from other operating activities		(10,268)	(10,716)	196	16,819
	Total cash (outflow)/inflow from all operating activities		35,141	23,084	3,772	(19,244)
	INVESTMENT ACTIVITIES					
	Profit / return received		432	2,576	2,630	1,919
	Fixed capital expenditure		(3,880)	(142)	-	-
	Proceeds from sale of property and equipment		1,915	-	-	-
	Total cash (used in) / generated from investing activities		(1,533)	2,434	2,630	1,919
	FINANCING ACTIVITIES					
	Qard-e-Hasna to PTF		-	(60,000)	-	-
	Qard-e-Hasna from OPF		-	-	-	60,000
	Total cash (used in) / generated from financing activities		-	(60,000)	-	60,000
	NET CASH INFLOW FROM ALL ACTIVITIES		33,608	(34,482)	6,402	42,675
	Cash and cash equivalents at beginning of the period		4,844	39,326	70,567	27,892
	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10.2	38,452	4,844	76,969	70,567
	Reconciliation to profit and loss account					
	Operating cash flows		35,141	23,084	3,772	(19,244)
	Depreciation expense		(818)	(543)	-	-
	Bank profit		85	1,242	1,958	1,901
	Increase / (decrease) in assets other than cash		7,812	(9,104)	(4,022)	46,128
	(Increase) / decrease in liabilities other than borrowings		(27,754)	(3,490)	1,098	(35,144)
	Surplus / (deficit) for the period		14,466	11,189	2,806	(6,359)

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, 2021

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 "Application for Authorization as Window Takaful Operator under the Takaful Rules 2012". 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 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. 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, amendments and interpretations to accounting and reporting standards that are effective in the current year and are 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, 2021 but are considered not to have any significant effect on the Operator's operations and are therefore not detailed in these financial statements.

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.

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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	Effective date (period beginning on or after)
- IFRS 16 – Leases (Amendments)	April 1, 2021
- IAS 16 – Property, plant and equipment (Amendments)	January 1, 2022
- IAS 37 – Provisions, contingent liabilities and contingent assets (Amendments)	January 1, 2022
- IAS 8 – Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2023
- IAS 12 – Income taxes (Amendments)	January 1, 2023
- IAS 1 – Presentation of financial statements (Amendments)	January 1, 2024

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, 2022 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.

3.1 Property and equipment

3.1.1 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, 2021 has not required any adjustment as its impact is considered insignificant.

3.1.2 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.

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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.

3.1.3 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.

3.2 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 policyholders) by agreeing to compensate the policyholders 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 effecting 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.

i) 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 the 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.

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.

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.

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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.

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 the 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.

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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 the 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.

3.3 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 recognized 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.

Class	2021 Percentage	2020 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 recognized 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.

3.4 **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.

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"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.

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 policyholders.

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

3.5 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.

3.6 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 General Takaful Accounting Regulation, 2019, 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 3.2, 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.

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

Provisions for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Outstanding claims

This represents the amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year.

A liability for outstanding claims (claim incurred) is recognised for all claims incurred which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates while taking into consideration the past claims settlement experience including handling costs and the Operator's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

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

Incurred But Not Reported (IBNR) claims

This represents losses that have incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Operator by the end of reporting year.

The Operator is required, as per the SECP circular no. 9 of 2016 dated March 9, 2016 "Guidelines for Estimation of Incurred But Not Reported (IBNR) Claims Reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using the prescribed method which is "Chain Ladder Method" or any other alternate method as allowed under the provisions of the Guidelines.

The actuarial valuation as at December 31, 2021 has been carried out by an independent firm of actuaries for determination of IBNR for each class of business.

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3.8 Retakaful recoveries against claims

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

3.9 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 takaful operators. In case of marine, aviation and transport commission expense relating to last three month is taken as deferred commission expense.

3.10 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.

3.11 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, 2021 and accordingly no provision for the same has been made in these financial statements of the current year.

3.12 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.

3.13 Qard-e-Hasna

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

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

3.15 Taxation

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

3.16 Cash and cash equivalents

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

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3.17 Financial assets

3.17.1 Classification

The Operator invests in Shariah compliant financial instruments only. All investments are initially recognized 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 takaful/retakaful receivables, loans, advances, deposits and other receivables, retakaful 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.

3.17.2 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 takaful/retakaful receivables and other receivables is described in note 3.19.

3.17.3 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
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3.17.4 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.

3.18 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.

3.19 Provision for doubtful receivables

Receivables under takaful contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any, provision for impairment of contribution 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.

3.20 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.

3.21 Management expenses

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

3.22 Contingencies and commitments

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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	2021	2020
			Rupees in thousand	
6	Property and equipment			
	Operating assets	6.1	3,371	2,224

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6.1 Operating assets - OPF

	2021									
	Cost				Accumulated depreciation					
	As at January 1	Addition/ (disposals)	Adjustments	As at December 31	As at January 1	Charge for the year/ (disposals)	Adjustments	As at December 31	Written down value as at December 31	Deprecia-tion rate %
	--Rupees in thousand--									
Vehicles	3,429	3,852	-	5,194	1,329	797	-	1,954	3,240	20
		(2,087)				(172)				
Office equipment	65	-	-	65	8	9	-	17	48	15
Computer equipment	77	28	-	105	10	12	-	22	83	15
	3,571	1,793	-	5,364	1,347	646	-	1,993	3,371	

	2020									
	Cost				Accumulated depreciation					
	As at January 1	Addition/ (disposals)	Adjustments	As at December 31	As at January 1	Charge for the year/ (disposals)	Adjustments	As at December 31	Written down value as at De-cember 31	Depreciation rate %
	--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	

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

6.1.2 Disposal of fixed asset

	2021						
Particulars of the assets	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer	Relationship with buyer
Vehicles	--Rupees in thousand--						
Honda City AAF-20-153	2,087	1,915	1,915	-	Negotiation	SGI Conventional	Company
	2,087	1,915	1,915	-			
December 31, 2021	2,087	1,915	1,915	-			
December 31, 2020	-	-	-	-			

		Note	2021	2020	2021	2020
			Operator's fund		Participants' Takaful Fund	
			---------------- Rupees in thousand ----------------			
7	**LOANS AND OTHER RECEIVABLES**					
	Accrued income		-	347	-	672
	Advance income tax		549	484	693	298
	Sales tax recoverable		-	-	324	104
	Others		-	116	249	-
			549	947	1,266	1,074
8	**TAKAFUL/RETAKAFUL RECEIVABLES**					
	-Unsecured and considered good					
	Due from takaful contract holders		-	-	33,600	30,485
	Amount due from other takaful/ retakaful operators		859	762	38,142	47,059
			859	762	71,742	77,544
9	**RECEIVABLE FROM OPF/ PTF**					
	Wakala fee receivable		18,846	17,422	-	-
	Receivable from Operator's Takaful Fund		-	-	47	1,096
	Receivable from Participant's Takaful Fund		212	813	-	-
			19,058	18,235	47	1,096
10	**Cash and bank**					
	Cash and cash equivalents					
	Cash in hand		60	-	-	-
	Cash at bank					
	Profit and loss sharing accounts	10.1	38,392	4,844	76,969	70,567
			38,452	4,844	76,969	70,567

10.1 The rate of profit and loss sharing accounts range from 2.85% to 4.00% (2020: 4.55% to 5.61%) per annum, depending on the size of average deposits.

10.2 Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	Operator's Fund		Participants' Takaful Fund	
	2021	2020	2021	2020
	Rupees in thousand			
Cash and bank	38,452	4,844	76,969	70,567
	38,452	4,844	76,969	70,567

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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		Note	2021	2020
			Rupees in thousand	
11	STATUTORY FUND			
	Statutory reserves	11.1	50,000	50,000

11.1 'Amount of Rs. 50 million (2020: Rs. 50 million) is deposited as statutory reserves to comply with provisions of para 4 of Circular No 8 of 2014 read with section 11(c) of Takaful Rules, 2012 issued by 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".

		2021	2020
12	QARD-E-HASNA - PTF		
	Opening balance of Qard-e-Hasna	65,000	5,000
	Qard-e-Hasna transferred from OPF during the year	-	60,000
	Closing balance of Qard-e-Hasna	65,000	65,000

13 RETIREMENT BENEFIT OBLIGATIONS

These are other long term benefits amounting to Rs. 0.354 million (2020: Rs 0.118 million)

		2021	2020
		Number of employees	
13.1	Staff Strength		
	Number of employees as at December 31	5	4
	Average number of employees during the year	4	4

		2021	2020	2021	2020
		Operator's Fund		Participants' Takaful Fund	
		------------ Rupees in thousand ------------			
14	**TAKAFUL/RETAKAFUL PAYABLE**				
	Amount due to cotakaful/retakaful operators	662	372	38,887	61,859
15	**OTHER CREDITORS AND ACCRUALS**				
	Accrued expenses	2,169	1,816	-	-
	Commission payable	26,752	16,214	-	-
	Federal excise duty and sales tax	-	-	2,135	2,319
	Federal takaful fee	-	-	144	156
	Withholding tax payable	193	25	211	83
	Payable to Security General Insurance Company Limited	376	-	-	-
	Others	439	398	1,109	625
		29,929	18,453	3,599	3,183
16	**PAYABLE TO OPF/ PTF**				
	Wakala fee payable	-	-	18,846	17,422
	Payable to Operator's Takaful Fund	-	-	212	813
	Payable to Participant's Takaful Fund	47	1,096	-	-
		47	1,096	19,058	18,235

17 CONTINGENCIES AND COMMITMENTS

The Operator is contingently liable for Rs 1.43 million (2020: Nil) on account of claim lodged against the Operator but not acknowledged as debt. The management, based on advice of the legal counsels, is confident that the outcome of the case is likely to be in favor of the Operator.

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		Note	Participants' Takaful Fund 2021	Participants' Takaful Fund 2020
			Rupees in thousand	
18	NET CONTRIBUTION LOSS			
	Written gross contribution		194,302	103,629
	Less: wakala fee	22	(57,323)	(36,425)
	Contribution net of wakala fee		136,979	67,204
	Unearned contribution reserve - opening		58,232	58,922
	Unearned contribution reserve - closing		(89,407)	(58,232)
	Contribution earned		105,804	67,894
	Retakaful contribution ceded		(115,282)	(82,682)
	Prepaid retakaful contribution ceded - opening		(46,375)	(46,466)
	Prepaid retakaful contribution ceded - closing		50,817	46,375
	Retakaful expense		(110,840)	(82,773)
			(5,036)	(14,879)
19	RETAKAFUL REBATE			
	Retakaful rebate received		32,205	21,531
	Unearned retakaful rebate - opening		11,911	12,569
	Unearned retakaful rebate - closing		(14,041)	(11,911)
	Net retakaful rebate		30,075	22,189
20	TAKAFUL BENEFITS / CLAIMS EXPENSE			
	Benefits / Claims paid		116,995	89,806
	Outstanding benefits / claims (including IBNR) - opening		(61,785)	(27,422)
	Outstanding benefits / claims (including IBNR) - closing		47,991	61,785
	Claims expense		103,201	124,169
	Retakaful and other recoveries received		(96,112)	(80,071)
	Retakaful and other recoveries in respect of outstanding claims - opening		51,689	22,719
	Retakaful and other recoveries in respect of outstanding claims - closing		(35,043)	(51,689)
			(79,466)	(109,041)
	Net claims expense		23,735	15,128

20.1 It includes provision for IBNR on the basis of actuarial valuation carried out as at December 31, 2021 amounting to Rs 0.793 million (2020: 1.973 million).

20.2 Claim development

'The following table shows the development of fire, marine, motor and others including miscellaneous claims compared to the last three 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.

		Participants' Takaful Fund		
Accident year	2018	2019	2020	2021
		(Rupees in thousand)		
Estimate of ultimate claims costs:				
At the end of accident year	1,017	34,408	77,463	151,299
One year later	662	84,781	58,997	-
Two years later	662	84,779	-	-
Three years later	662	-	-	-
Current estimate of cumulative claims	662	84,779	58,997	151,299
Cumulative payments to date	(608)	(84,681)	(52,940)	(109,517)
Liability recognized in the statement of financial position	54	98	6,057	41,782

	2021	2020
	Rupees in thousand	
21 OTHER DIRECT EXPENSES		
Service charges	437	408
Bank charges	19	30
Others	-	4
	456	442

	Operator's Fund	
	2021	2020
	Rupees in thousand	
22 WAKALA FEE		
Gross wakala fee	68,216	36,237
Deferred wakala fee - opening	20,485	20,673
Deferred wakala fee - closing	(31,378)	(20,485)
Wakala fee	57,323	36,425
23 NET COMMISSION EXPENSE		
Commission paid or payable	31,921	15,437
Deferred commission - opening	8,854	9,956
Deferred commission - closing	(15,797)	(8,854)
	24,978	16,539

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	Operator's Fund	
	2021	2020
	Rupees in thousand	
24 GENERAL ADMINISTRATIVE ANDMANAGEMENT EXPENSES		
Salaries, allowances and other benefits	7,300	5,958
Shari'ah advisor fees	1,122	1,020
Printing and stationery	234	298
Legal and professional	302	295
Depreciation	818	543
Motor expenses	1,119	768
Computer running expenses	141	-
Others	82	188
	11,118	9,070

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	
	2021	2020
	Rupees in thousand	
Executive		
Managerial remuneration	1,485	1,350
Leave encashment	186	169
Bonus paid	725	660
Contribution to defined benefit plan	124	112
Contribution to defined contribution plan	148	135
Rent and house maintenance	594	540
Utilities	148	135
Medical	169	167
Others (Communication, Entertainment, Travelling & Fuel)	370	301
Total	3,949	3,569
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.

		Operator's Fund	
		2021	2020
		Rupees in thousand	
25	OTHER EXPENSES		
	Auditors' remuneration	769	768
	Fee and Subscription	169	101
		938	869
	25.1 Auditor's remuneration		
	Fee for statutory audit	484	440
	Fee for interim review	230	220
	Special certifications and sundry advisory services	-	100
	Out of pocket	55	8
		769	768
26	OTHER INCOME		
	Operator's Fund		
	Profit on profit and loss sharing account	85	1,242
	Participant's Takaful Fund		
	Profit on profit and loss sharing accounts	1,958	1,901
		2,043	3,143

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

		2021	2020
		Rupees in thousand	
(i)	**Associated companies based on common directorship**		
	Transactions during the year		
	Gross contribution written	8,767	3,053
	Claims paid	46	314
		8,813	3,367

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Participant's Takaful Fund	2021	2020
	Rupees in thousand	
Year end balances		
Outstanding claims	2,301	150
Contribution due but unpaid	881	553
	3,182	703
Operator's Fund		
(i) Key management personnel		
Transactions during the year		
Employee benefits	3,949	2,474
	3,949	2,474
Year end balances		
Advances against salaries	-	100
	-	100

27.1 Following are the associated undertakings / companies and post retirement benefits plans along with basis of their relationship with the Company with whom the Company had entered into transactions during the current year;

Name of related parties	Direct shareholding	Relationship
Nishat Mills Limited	15.02%	Common directorship
Nishat Dairy (Pvt) Limited	N/A	Common directorship
D.G. Khan Cement Co. Ltd.	N/A	Common directorship
Hyundai Nishat Motor (Private) Limited	N/A	Common directorship
Pakistan Aviators & Aviation (Pvt) Ltd.	N/A	Common directorship

28 SEGMENT REPORTING

The Operator has identified four (2020: four) primary operating / business segments for reporting purposes in accordance with the requirements of the Insurance Ordinance, 2000, General Takaful Accounting Regulations, 2019 and the Takaful Rules, 2012. 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.

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 insurance fee and administrative surcharge)	55,867	34,181	129,154	6,225	225,427
Federal Excise Duty	(7,232)	(4,424)	(16,720)	(806)	(29,182)
Federal Insurance Fee	(481)	(295)	(1,113)	(54)	(1,943)
Gross written contribution (inclusive of administrative surcharge)	48,154	29,462	111,321	5,365	194,302
Gross direct contribution	47,438	28,485	110,364	5,304	191,591
Administrative surcharge	716	977	957	61	2,711
	48,154	29,462	111,321	5,365	194,302
Wakala expense	(16,092)	(10,835)	(29,335)	(1,061)	(57,323)
Contribution earned	46,695	28,065	84,771	3,596	163,127
Retakaful expense	(43,029)	(25,207)	(39,146)	(3,458)	(110,840)
Net contribution revenue	(12,426)	(7,977)	16,290	(923)	(5,036)
Net rebate on retakaful	12,461	7,686	8,940	988	30,075
Net underwriting income	35	(291)	25,230	65	25,039
Takaful claims	(24,133)	(14,022)	(55,255)	(9,791)	(103,201)
Retakaful and other recoveries	26,327	12,950	30,547	9,642	79,466
Net claims	2,194	(1,072)	(24,708)	(149)	(23,735)
Direct expense	(112)	(69)	(261)	(14)	(456)
Net claims and expenses	2,082	(1,141)	(24,969)	(163)	(24,191)
Underwriting surplus/(deficit)	2,117	(1,432)	261	(98)	848
Other income					1,958
Surplus for the year					**2,806**
Corporate segment assets	46,833	28,654	108,273	5,220	188,980
Corporate unallocated assets					84,158
Total Assets					**273,138**
Corporate segment liabilities	52,169	31,919	120,605	5,815	210,508
Corporate unallocated liabilities					3,599
Total liabilities					**214,107**
28.1.2 Operator's fund (OPF)					
Particulars					
Wakala fee	16,092	10,835	29,335	1,061	57,323
Commission expense	(10,315)	(5,516)	(8,685)	(462)	(24,978)
Management expenses	(2,755)	(1,685)	(6,371)	(307)	(11,118)
	3,022	3,634	14,279	292	21,227
Other income					85
Other expense					(938)
Profit before tax					**20,374**
Corporate segment assets	8,637	5,284	19,968	966	34,855
Corporate unallocated assets					108,231
Total Assets					**143,086**
Corporate segment liabilities	16,919	10,351	39,115	1,893	68,278
Corporate unallocated liabilities					-
Total liabilities					**68,278**

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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 insurance 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 Insurance 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 (deficit)	(6,661)	(735)	(787)	(77)	(8,260)
Other income					1,901
(Deficit) for the year					**(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

28.2.2 Operator's fund (OPF)

Particulars					
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**

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 takaful contract is the possibility that the covered event occurs, the uncertainty in the amount of compensation to the participant and the actual claims and benefit payments exceed the carrying amount of takaful liabilities. Generally, most takaful contracts carry the takaful risk for a period of one year (refer note 3.2). By the very nature of a takaful contract, the risk is random and therefore, unpredictable.

The Operator accepts takaful through issuance of general takaful contracts. For these general takaful contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health takaful contracts, significant risks arise from epidemics.

The Operator's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate re-takaful is arranged to mitigate the effect of the potential loss from individual to large or catastrophic insured events. Further, the Operator adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the takaful risk.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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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	165	-	72	68	25	-
	165	**-**	**72**	**68**	**25**	**-**

(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.

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 decided 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 the 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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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(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.

	2021		2020	
	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	219	219	(692)	(692)
Marine, aviation and transport	(107)	(107)	(81)	(81)
Motor	(2,471)	(2,471)	(723)	(723)
Miscellaneous	(15)	(15)	(15)	(15)
	(2,374)	(2,374)	(1,511)	(1,511)
10% decrease in average claim cost				
Fire and property damage	(219)	(219)	692	692
Marine, aviation and transport	107	107	81	81
Motor	2,471	2,471	723	723
Miscellaneous	15	15	15	15
	2,374	2,374	1,511	1,511

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.

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 34 million.

The maximum class wise risk exposure (in a single policy) is as follows:

	2021			2020		
	Gross sum covered	Retakaful cover	Highest net liability	Gross sum covered	Retakaful cover	Highest net liability
	Rupees in thousand					
Fire and property damage	6,643,240	6,616,667	26,573	5,236,147	5,208,221	27,926
Marine, aviation and transport	463,825	459,187	4,638	368,206	364,524	3,682
Motor	31,124	29,257	1,867	24,800	23,560	1,240
Others including miscellaneous	24,460	23,599	861	21,920	19,728	2,192
	7,162,649	7,128,710	33,939	5,651,073	5,616,033	35,040

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.

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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	2021	2020	2021	2020
		Rupees in thousand			
Cash at bank	10	38,452	4,844	76,969	70,567
Takaful/retakaful receivables	8	859	762	71,742	77,544
Receivable from OPF/ PTF	9	19,058	18,235	47	1,096
Retakaful recoveries against outstanding claims	20	-	-	35,043	51,689
Loans and other receivables	7	549	947	1,266	1,074
		58,918	24,788	185,067	201,970

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

	2021			2020		
	Short term	Long term	Agency	Short term	Long term	Agency
Meezan Bank Limited	A1+	AAA	VIS	AA+	A1+	VIS
MCB Islamic Bank Limited	A1	A	PACRA	A1	A	PACRA

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:

	2021		2020	
	Rupees in thousand	%	Rupees in thousand	%
Engineering	-	0%	-	0%
Food	8,117	24%	5,715	19%
Other manufacturing	7,323	22%	8,467	28%
Others	18,160	54%	16,303	53%
	33,600	100%	30,485	100%

Age analysis of "contribution due but unpaid" at the reporting date was:

	2021		2020	
	Gross	Impairment	Gross	Impairment
	Rupees in thousand			
Upto 1 year	24,921	-	23,999	-
Over one year	8,679	-	6,486	
	33,600	-	30,485	-

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:

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	2021			2020		
	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	288	21,309	2,786	-	19,063	19,880
A-	2,965	387	28,678	13,707	22,982	18,039
BBB	1,935	1,566	18,715	9,028	1,858	3,647
Others	66	11,781	638	526	7,786	4,809
	5,254	35,043	50,817	23,261	51,689	46,375

Age analysis of "Amount due from other takaful companies" at the reporting date was:

	2021		2020	
	Gross	Impairment	Gross	Impairment
	Rupees in thousand			
Upto 1 year	21,616	-	12,091	-
Over one year	12,131	-	12,469	-
	33,747	-	24,560	-

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.

	2021			
	Carrying amount	Contractual cash flows	Upton one year	Over one year
	Rupees in thousand			
Financial liabilities-OPF				
Takaful/retakaful payables	662	662	662	-
Retirement benefit obligations	354	354	354	-
Payable to OPF / PTF	47	47	47	
Other creditors and accruals	29,929	29,929	29,929	-
	30,992	30,992	30,992	-
Financial liabilities-PTF				
Provision for outstanding claims (including IBNR)	47,991	47,991	42,579	5,412
Takaful/retakaful payable	38,887	38,887	31,080	7,807
Payable to OPF / PTF	19,058	19,058	19,058	
Other creditors and accruals	3,599	3,599	3,599	-
	109,535	109,535	96,316	13,219
	140,527	140,527	127,308	13,219

	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

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 optimizing 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.

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At the reporting date, the profit rate profile of the operator's significant profit-bearing financial instrument is:

	2021							
		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	2.85% - 4.00%	38,452	-	38,452	-	-	-	38,452
Receivable from OPF/ PTF		-	-	-	19,058	-	19,058	19,058
Amount due from other takaful/retakaful operators		-	-	-	859	-	859	859
Loans and other receivables		-	-	-	549	-	549	549
		38,452	-	38,452	20,466	-	20,466	58,918
Participants' Takaful Fund								
Bank balances	2.85% - 4.00%	76,969	-	76,969	-	-	-	76,969
Contribution due from policyholders		-	-	-	33,600	-	33,600	33,600
Amount due from other takaful/retakaful operators		-	-	-	38,142	-	38,142	38,142
Retakaful recoveries against outstanding claims		-	-	-	35,043	-	35,043	35,043
Loans and other receivables		-	-	-	1,266	-	1,266	1,266
		76,969	-	76,969	108,051	-	108,051	185,020
Financial liabilities								
Operator's Fund								
Other creditors and accruals		-	-	-	29,929	-	29,929	29,929
Takaful/retakaful payables		-	-	-	662	-	662	662
Payable to OPF / PTF		-	-	-	47	-	47	47
Retirement benefit obligations		-	-	-	354	-	354	354
		-	-	-	30,992	-	30,992	30,992
Participants' Takaful Fund								
Outstanding claims including IBNR		-	-	-	47,991	-	47,991	47,991
Takaful/retakaful payable		-	-	-	38,887	-	38,887	38,887
Payable to OPF / PTF		-	-	-	19,058	-	19,058	19,058
Other creditors and accruals		-	-	-	3,599	-	3,599	3,599
		-	-	-	109,535	-	109,535	109,535

	2020							
	Profit Rate	Profit bearing			Non-profit bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		----Rupees in thousand----						
Financial assets								
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

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 0.038 million (2020: 0.048 million) 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 0.77 million (2020: 0.71 million).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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31 CAPITAL MANAGEMENT

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

The Operator manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

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 at fair value as at December 31, 2021 (2020: Nil).

33 TAXATION

The current tax charge for the year is Rs. 5.91 million at the tax rate of 29 percent (2020: Nil) and the same has been recorded in these financial statements hence no tax reconciliation has been made.

34 SUBSEQUENT EVENTS

There are no significant subsequent events that need to be disclosed.

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Operator on March 30, 2022.

36 GENERAL

36.1 Figures in these financial statements have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

36.2 No significant rearrangements or reclassifications have been made in these financial statements during the current year.

Chief Executive Officer	Director	Director	Chairman

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 27, 2022 (Wednesday) at 11:00 A.M. at SGI House, 18-C/E1 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_________________ 2022.

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 SGI House, 18-C/E1 Gulberg III, 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 27اپریل 2022بروز بدھ 00 :11 بجے بمقام ایس جی آئی ہاوس، 18۔سی/ ای ون گلبرگ111, 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-------2022 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 ایس جی آئی ہاوس، 18۔سی/ ای ون گلبرگ111, 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۔

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