Annual Report 2019

Shaping The Future

GENERAL

EFU GENERAL INSURANCE LTD.

Shaping The Future

The Tangram

The theme of our Annual Report 2019 is 'Shaping The Future'. We have used a Tangram to illustrate this theme.

The Tangram is an ancient Chinese puzzle said to have been invented 4,000 years ago during the Song Dynasty.

The Tangram puzzle consists of seven flat shapes, called tans. These different pieces can be reconfigured to form various shapes.

The puzzle helps develop creative thinking skills as one uses imagination to make different patterns from the given seven geometrical pieces.

This is much like how we at EFU work. Our core competencies bound by a common vision, come together in different ways, demonstrating creativity and flexibility to piece together winning strategies and help shape the future.

EFU GENERAL INSURANCE LTD

ISO 9001: 2015 Certified

efuinsurance.com

Contents

Key Financial Highlights 2019

Investment & Properties
25 881
(Rupees in million)

Underwriting Result
505
(Rupees in million)

Breakup Value
96.48
(Rupees)

Claims Paid (Gross)
4 897
(Rupees in million)

Investment & Other Income
2 808
(Rupees in million)

Profit After Tax
2 609
(Rupees in million)

Shareholders Equity
19 296
(Rupees in million)

Premium (including Takaful Contribution)
22 064
(Rupees in million)

Cash Dividend
2 000
(Rupees in million)

Total Assets Book Value
45 699
(Rupees in million)

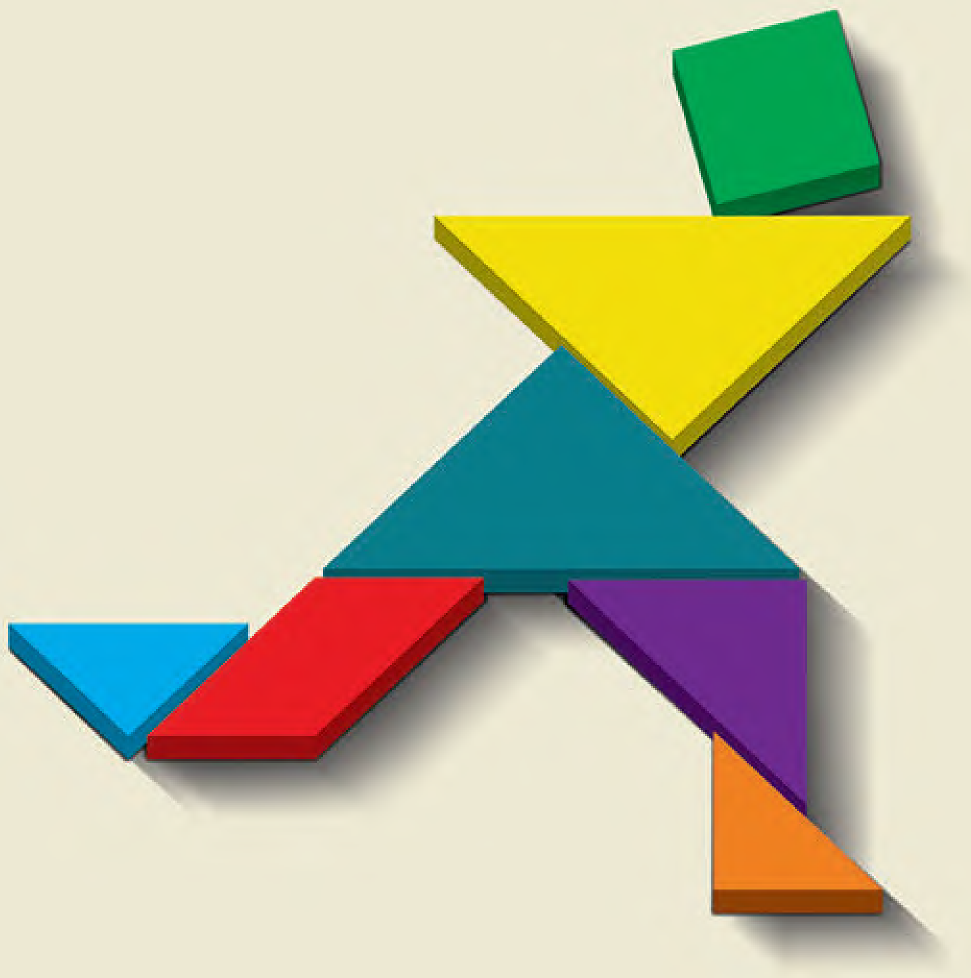
VIS (formerly JCR-VIS)
AA+
Outlook Stable

A.M.BEST
B+
Outlook Positive
For the latest rating, access www.ambest.com

PACRA
AA+
Outlook Stable

Proud Heritage

Established in 1932 and moving to Pakistan in 1947, the company has a long and proud heritage as a national institution of Pakistan. We have helped in nation building by protecting the country's assets from the very beginning.

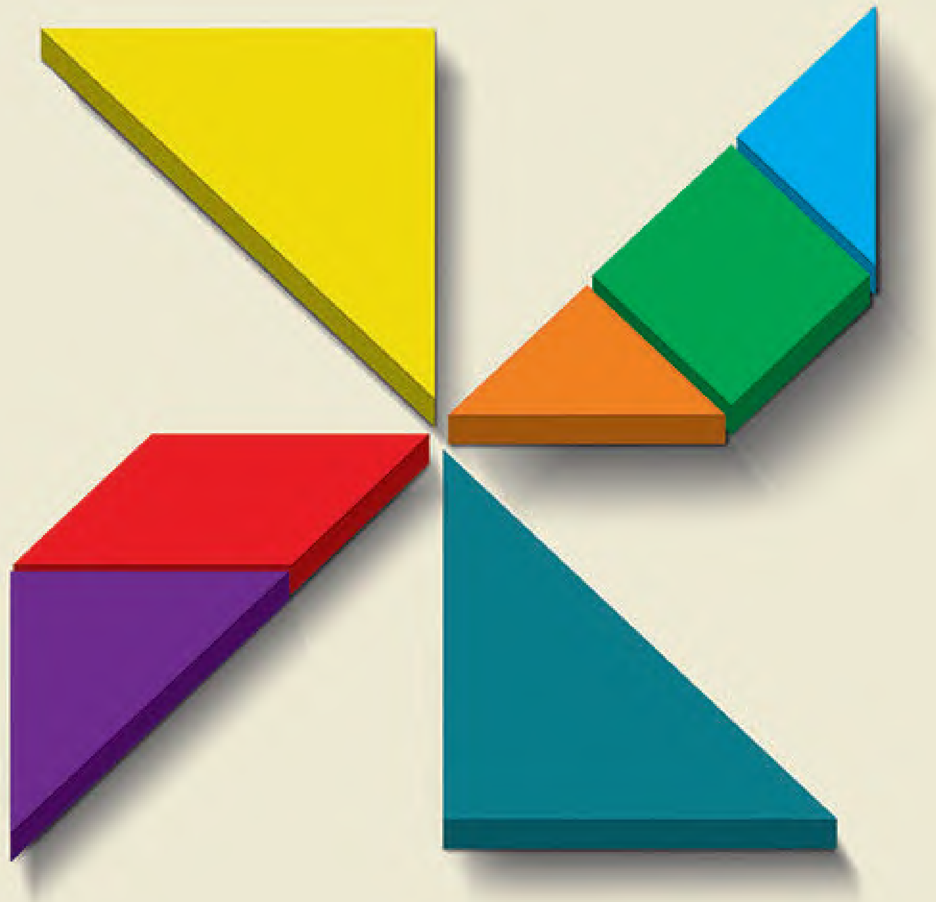


The Leader

We have the honour to lead the insurance industry with our long experience, commitment to customer interest and proven record of delivering on promises for over 85 years. Today, we are acknowledged worldwide as the flagship of Pakistan's insurance industry.

Core Strengths

The three peaks of the mountain reflect EFU's strengths - the highest rating, over eight decades of experience and quality personnel. We have the scale, expertise and capabilities that ensure our customers the finest protection.



Moving Ahead

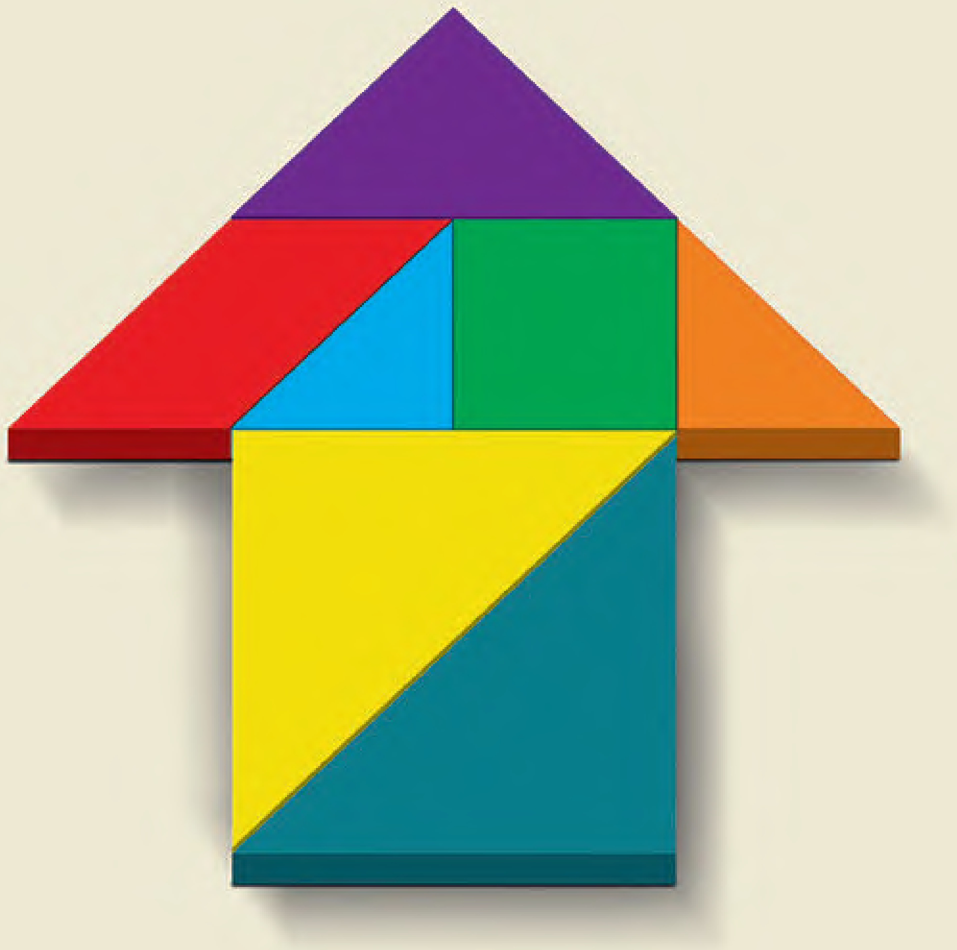
Change is the law of life. EFU presses on despite the challenging economic times and, like a powered windmill, continues to drive itself forward to keep building its business and shaping the company's future.

Unmatched Expertise

Our highly experienced teams have a breadth and depth of knowledge that distinguishes us in the industry. We specialize by types of insurance coverages as well as by industries.

Challenges & Opportunities

People drive our success. We remain committed to searching out, training and retaining the finest. We keep them challenged and motivated, recognize and reward performance and offer diverse careers. The combination of challenge and opportunity at EFU, attracts the very best.



Looking Ahead

We have vast and varied experience, enviable customer relationships and a strong financial position. With our seasoned management team, product expertise and skillful marketing, we are well positioned for further consolidation of market leadership and growth in the years ahead.

Company Information

Chairman
Saifuddin N. Zoomkawala

Managing Director & Chief Executive
Hasanali Abdullah

Directors
Abdul Rehman Haji Habib
Taher G. Sachak
Ali Raza Siddiqui
Mohammed Iqbal Mankani
Mahmood Lotia
Saad Bhimjee
Daanish Bhimjee

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

Company Secretary
Amin Punjani, ACA, ACCA, M.A.

Legal Advisor
Mohammad Ali Sayeed

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

Shari'ah Advisor
Mufti Muhammad Ibrahim Essa

Audit Committee
Mohammed Iqbal Mankani
Taher G. Sachak
Ali Raza Siddiqui
Daanish Bhimjee

Investment Committee
Saifuddin N. Zoomkawala
Hasanali Abdullah
Daanish Bhimjee
Altaf Qamruddin Gokal
Atif Anwar

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

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

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

Website
www.efuinsurance.com

Email
info@efuinsurance.com

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

Main Offices
EFU House
M. A. Jinnah Road
Karachi

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

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

BOARD OF DIRECTORS

Board of Directors (Sitting Left to Right) Mahmood Lotia, Hasanali Abdullah, Managing Director & Chief Executive, Saifuddin N. Zoomkawala, Chairman, Abdul Rehman Haji Habib, Taher G. Sachak (Standing Left to Right) Ali Raza Siddiqui, Daanish Bhimjee, Saad Bhimjee, Mohammed Iqbal Mankani

Directors Profile

SAIFUDDIN N. ZOOMKAWALA
Chairman

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

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

He is on the Board of Governors of:

Shaukat Khanum Memorial Trust and Research Centre

Burhani Hospital

Sindh Institute of Urology and Transplantation

Fakhr-e-Imdad Foundation

HASANALI ABDULLAH
Managing Director & Chief Executive

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

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

ABDUL REHMAN HAJI HABIB
Director

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

He is associated with EFU for the past 36 years.

TAHER G. SACHAK
Director

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

He is also Managing Director of EFU Life Assurance Limited, Vice Chairman of Allianz EFU Health Insurance Limited and a Certified Director from Pakistan Institute of Corporate Governance.

ALI RAZA SIDDIQUI
Director

Mr. Ali Raza Siddiqui is a Partner at JS Private Equity. From 2005-2010, he was an Executive Director at JS Investments Limited. Prior to joining JS Group he was Assistant Vice President at AIM Investments in Houston, a wholly owned subsidiary of INVESCO (formerly known as AMVESCAP PLC). At AIM, Mr. Siddiqui was part of a team responsible for the management of over USD 60 billion in fixed income assets.

Mr. Siddiqui serves on the Boards of EFU Life Assurance Limited, Pakistan International Bulk Terminals Limited, Jahangir Siddiqui & Co. Limited, the Mahvash & Jahangir Siddiqui Foundation, and Fakhr-e-Imdad Foundation. Additionally he is a trustee for Manzil Pakistan and the Organization for Social Development Initiatives. He holds a Bachelor's Degree from Cornell University with double majors in Economics and Government.

MOHAMMED IQBAL MANKANI
Director

Mr. Mohammed Iqbal Mankani started his career with Eastern Federal Union Insurance Co. in 1968 as Junior Officer. In 1970 he helped set up the first Branch of EFU in SITE Karachi.

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

In 2001, Mr. Mankani was requested by the Executive Office of His Highness, Ruler of Dubai and Dubai Islamic Bank to help set up the first local Takaful Company Dubai Islamic Insurance and Reinsurance Co. On behalf of this Company, Mr. Mankani helped set up a Takaful Company in Kuwait in 2009. He was also a Board Member of Amity Health, a joint venture between Dubai Islamic Insurance and AGILITY Health of South Africa. He remained with Dubai Islamic Insurance as the General Manager and Chief Operating Officer until 2012. He then set up his own Consulting Company M.I.M. Business Consultants.

Mr. Mankani is a qualified Director of Education in Corporate Governance and is a frequent speaker at seminars and also advises various companies on the subject of Corporate Governance.

Mr. Mankani has been part of the UAE Insurance Industry for the past 44 years and has been twice elected member of the UAE Insurance Business Group under the Dubai Chamber of Commerce representing the Takaful Industry until 2012.

He has been a frequent speaker at many insurance seminars in Malaysia, UAE etc. Mr. Mankani was a director in Hyatt-e-Tayabah, Iran and an active member of the Canadian Business Council in Dubai, Institute of Insurance and Risk Management Canada and Canadian Marketing Association.

MAHMOOD LOTIA
Director

Mr. Lotia started his insurance career in April 1974 then trained at the M&G Reinsurance Company, UK. From April 1977, he worked with Adamjee Insurance Company Limited and Commercial Union Assurance Pakistan Branch and overseas with Abu Dhabi National Insurance Company. On return to Pakistan in August 1991, he joined EFU General Insurance Limited and is currently in-charge of the Company's technical operations including underwriting, claims and reinsurance. He is the Senior Deputy Managing Director.

Mr. Lotia has remained associated with Insurance Association of Pakistan in various capacities since 1980 and served on nearly all technical committees. He was Chairman for the years 2014-2015 and 2019. He is a Director on the board of Allianz-EFU Health Insurance Limited.

He is an Associate of the Chartered Insurance Institute of UK and a certified director by Pakistan Institute of Corporate Governance.

SAAD BHIMJEE
Director

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

DAANISH BHIMJEE
Director

Daanish Bhimjee has been working in the financial services sector for over 15 years. His most recent position was with Standard Chartered Bank, where he was a Managing Director in charge of Financial Institutions Investment Banking for Africa and Middle East. Prior to that he was with Barclays Investment Bank and Rothschild in the UK.

Daanish has advised insurance, bank and government clients on a wide variety of M&A, strategic advisory and capital raising projects across Europe, Middle East and Africa. He has worked on projects in over 20 countries and advised on transactions with aggregate valuations in excess of $150 billion.

Daanish is a chartered accountant from the Institute of Chartered Accountants of England and Wales. He has a degree in Economics from the University of Cambridge.

The Role of Chairman and Managing Director

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

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

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

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

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

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

Significant Changes in the Board of Directors

During the year, there was no change in the Board of Directors of the Company.

Matters Delegated by the Board of Directors

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

To understand our vision, we must look back.

To keep on fulfilling it, we must move forward.

Vision & Mission

Vision

To continue our journey to be better than the best.

Mission

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

Our Values

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

INTEGRITY & ETHICS

Conduct business with ethics, dignity, fairness and transparency.

EXCELLENCE

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

PROFESSIONALISM

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

OUR PEOPLE

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

CORPORATE SOCIAL RESPONSIBILITY

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

CODE OF CONDUCT

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

Company Overview

Ownership, Operating Structure and Group Companies

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

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

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

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

Company Profile (www.efuinsurance.com)

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

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

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

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

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

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

External Environment Effecting The Company

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

General insurance sector's performance is strongly correlated to economic growth. Insurance penetration is lowest in the region.

During the year, the country signed IMF's EFF (Extended Fund Facility) in order to meet external financing requirements.

Discount rate touched 13.25 % during the year. Discount rate is expected to decline in 2020. Pakistan Stock Exchange during the year remained volatile due to various factors. The KSE-100 index ranged between 28,671 and 42,835.

Significant Changes From Last Year

There were no significant structural changes during the year.

Product Portfolio

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

FIRE AND PROPERTY DAMAGE

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

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

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

MARINE, AVIATION AND TRANSPORT

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

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

MOTOR

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

MISCELLANEOUS

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

VALUE ADDED SERVICES

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

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

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

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

TAKAFUL

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

The Modus Operandi of Takaful

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

The Role of the Operator in Takaful System

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

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

Management

Managing Director
Hasanali Abdullah, F.C.A.

Senior Deputy Managing Director
Mahmood Lotia, A.C.I.I.
Qamber Hamid, LL.B., LL.M.

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

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

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

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

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

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

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

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

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

Syed Shabeeh Hyder Shah
Syed Zee Waqar
Waqas Ahmad Sheikh
Zahid Qureshi, M.B.A.
Zainul Abedin

Assistant Vice Presidents

A. Qayyum A.H. Khalfe
Abdul Saboor
Ahmed Ali
Allah Dino Khan
Altaf Hussain
Amin Imtiaz Allana, A.C.C.A.
Aneel Ahmed Khan
Anwer Mahmood
Arshad Hussain
Asif Iqbal
Asif Raza
Faisal Masood
Farhan Qamar Siddiqui
Farooq Shaukat
Fazal Hussain
Fazal-Ur-Rehman Butt
Fiaz Ahmed, M.B.A.
Ghulam Abbas, M.B.A.
Ijaz Anwar Chughtai
Imran Siddiq
Izhar Fatima
Jahangir Khan
K.M. Elias
Kamran Vohra
Kashif, M.Sc
Khalida
Khalil Ahmed
M. Haroon
M. Saeed, M.A.
Mahmood Sualeh
Mansoor Anwar
Masud Akhter
Mehboob Ahmed, M.A.
Mohammad Mustafa Ismail
Mohammad Rashid Salim Siddiqi
Muhammad Ajmal Mughal
Muhammad Allauddin
Muhammad Altaf Ahmed
Muhammad Arshad Siddiqi
Muhammad Ashfaq
Muhammad Asif, M.A.
Muhammad Attaullah Khan
Muhammad Imran Hanif
Muhammad Imran Siddique
Muhammad Irfan
Muhammad Merajuddin
Muhammad Moosa
Muhammad Rizwan
Muhammad Saeed
Muhammad Tariq
Muhammad Yamin
Mukhtar Alam
Mumtaz Ahmed
Munir Ahmed Awan
Murad Ali
Navaid Ahmed
Noor Asghar Khan
Omair Atiq Muhammadi
Omran Ghias Qureshi
Qazi Maqsood Ahmed
Rafiullah Khan
Rahim
Riaz-ul-Haq
S. Atif Ali
S. Ikhlaq Hussain Naqvi
S. Sajjad Haider
S.M. Noor-uz-Zaman
Saeed Iqbal
Saifuddin
Sana Atif
Shahid Naseem
Shahid Yaqub
Shahzad Qamar
Syed Asim Raza
Syed Muhammad Faysal
Syed Nadeem Akhtar
Talha Sher Chishti
Tanveer Ahmed
Zeeshan Ahmed

Medical Officer

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

Window Takaful Operations

Assistant Executive Director

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

Senior Executive Vice President

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

Marketing Executives

Senior Advisor

Shaukat Saeed Ahmed

Senior Executive Directors

Altaf Kothawala
Jahangir Anwar Shaikh

Executive Directors

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

Deputy Executive Directors

Agha S. U. Khan
Khuzema T. Haider Mota

Assistant Executive Directors

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

Senior Executive Vice Presidents

Asif Elahi
Azmat Maqbool, M.B.A.
Imran Ali Khan
Khalid Devan, M.B.A.
Muhammad Aamir Khadeli, M.B.A.
Muhammad Arfeen
Muhammad Farooq
Muhammad Imran Naeem, A.C.A.
Muhammad Mushtaq Najam Butt
Muhammad Shakeel, M.B.A.
Muhammad Umer Memon
Muhammad Younus
Muhammad Younus Khadeli
Syed Iftikhar Haider Zaidi, M.A.
Syed Muhammad Iftikhar
Syed Sadiq Ali Jafri
Syed Shahid Raza

Executive Vice Presidents

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

Senior Vice Presidents

Ali Husnain Shah
Amjad Irshad
Babar Zeeshan
Bashir Ahmed Sangi
Dr. Ghulam Jaffar
Faisal Hassan
Faisal Mahmood Jaffery
Faraz Javed
Hamid-Us-Salam
Inayatullah Khalil
Kayomarz H. Sethna
Kh. Zulqarnain Rasheed
Khalid Mehmood
M. Anis-ur-Rehman
Mahnoor Atif
Mohammad Rizwanul Haq
Mubashir Saleem
Muhammad Aamir Hanif
Muhammad Asif Jawed, M.A.
Muhammad Awais Memon
Muhammad Azim Hanif
Muhammad Haroon Akbar, M.B.A.
Muhammad Rehan Iqbal Booti
Muhammad Saleem Babar, M.B.A.
Qasim Ayub
Raja Jamil
Rashid A. Islam
Rizwan-ul-Haque
S. Sohail Haider Abidi
S.M. Shamim
Shahid Raza Kazmi
Shakil Wahid
Syed Nisar Ahmed, M.A.
Tariq Jamil, M.B.E.
Wasif Mubeen, L.L.B.
Zakaullah Khan

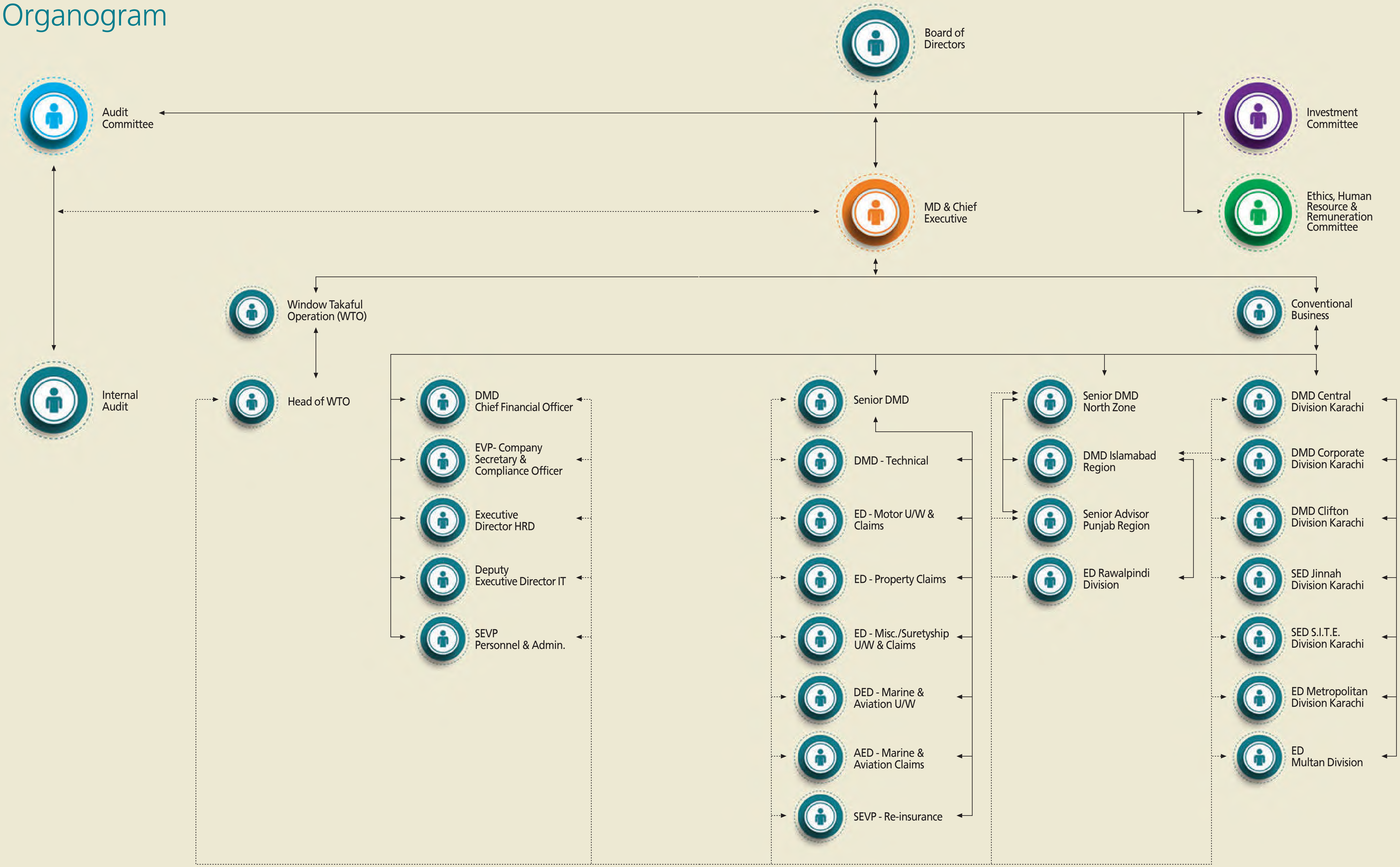
Vice Presidents

Abdullah Alam
Abul Nasar
Ahmed Saeed Khan
Aman Nazar Muhammad
Amina Azam
Arshad Iqbal, M.B.A.
Ashiq Hussain Bhatti
Fauzia Khawja
Haris Alamgir Shaikh
Hassan Abbas Shigri
Jalaluddin Ahmed
Khusbakht Farhan
Kinza Babar
M. Ashraf Samana
M. Nadeem Shaikh
Mahnoor Ibrahim
Mehak Akbar
Muhammad Iftikhar Siddiqui
Muhammad Iqbal
Mujahid Khan
Muhammad Siddiq
Muhammad Tayyab Nazir
Muhammad Zia-ul-Haq
Rashid Umer Burney
Sadia Khanum
Shahida Aslam
Shehzad Ali Shivjani
Sohail Raza
Syed Abid Raza
Syed Ali Haider Rizvi
Syed Mobin A. Niazi
Syed Muhammad Waseem
Syed Rashid Ali
Syed Rizwan Haider, M.Sc.
Syed Zulfiqar Mehdi
Tauseef Hussain Khan

Assistant Vice Presidents

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

Organogram


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

Code of Conduct

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

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

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

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

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

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

EFU's Culture

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

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

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

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

Organizational Ethics

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

Notice of Meeting

Notice is hereby given that the 87th Annual General Meeting of the Shareholders of EFU General Insurance Limited will be held at the Registered Office of the Company at Kamran Centre, 1st Floor, 85 East, Jinnah Avenue, Blue Area, Islamabad, on Friday March 27, 2020 at 10:00 a.m. to:

A. ORDINARY BUSINESS:

1. confirm the minutes of the 86th Annual General Meeting held on April 23, 2019.
2. receive, consider and approve the Audited Financial Statements (consolidated and unconsolidated) for the year ended December 31, 2019 together with the Chairman's review, Directors' and Auditors' reports thereon.
3. consider and if thought fit to approve the payment of Final Dividend at the rate of 55 % i.e. Rs. 5.50 per share as recommended by the Board of Directors and also approve the 45 % i.e. Rs. 4.5 per share Interim Cash Dividends already paid to the Shareholders for the year ended December 31, 2019.
4. appoint Auditors of the Company for the year 2020 and fix their remuneration. The Audit Committee and the Board of Directors have recommended the name of M/S KPMG Taseer Hadi & Co., Chartered Accountants for re-appointment as auditors.

B. SPECIAL BUSINESS:

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

   "Resolved that the transactions carried out by the Company in the normal course of business with EFU Life Assurance Limited and Allianz EFU Health Insurance Limited (related parties) in 2019 be and are hereby ratified, approved and confirmed."

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

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

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

   a. All material facts concerning the resolutions contained in items 5 of the notice.
   b. Status of previous approval of investments in associated company.

By Order of the Board

AMIN PUNJANI
Company Secretary

Karachi: 08 February 2020

NOTES

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.
2. CDC Account holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

   A. For attending the meeting:

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

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

B. For appointing proxies:

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

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

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

(iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.

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

3. The Share Transfer Books of the Company will be closed from March 21, 2020 to March 27, 2020 (both days inclusive). Transfers received in order by our Share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 at the close of business on March 20, 2020 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend.

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

a. Change in their addresses;

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

5. ELECTRONIC TRANSMISSION OF FINANCIAL STATEMENTS AND NOTICES

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

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

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

6. ELECTRONIC DIVIDEND MANDATE

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

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

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

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

7. SUBMISSION OF VALID CNIC / SNIC (MANDATORY)

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

8. DEDUCTION OF WITHHOLDING TAX ON THE AMOUNT OF DIVIDEND

Pursuant to SECP directives vide Circular No.19/2014 dated October 24, 2014 SECP has directed all companies to inform shareholders about changes made in the section 150 of the Income Tax Ordinance, we hereby advise shareholder as under;

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

a. for filers of income tax returns: 15 %

b. for non-filers of income tax returns: 30 %

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

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

(iii) For any query / problem / information, the investors may contact the Company and / or the Share Registrar at the following phone numbers & email address. The contact number of Company Secretary is 021-32313471-90 & email: amin.punjani@efuinsurance.com and the contact numbers of Share Registrar, CDC Share Registrar Services Limited is 021-111-111-500 & email: info@cdcpak.com.

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

9. CONSENT FOR VIDEO CONFERENCING FACILITY

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

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

10. UNCLAIMED DIVIDEND

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

11. DEPOSIT OF PHYSICAL SHARES IN TO CDC ACCOUNTS:

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

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

Statement under section 134(3) of the Companies Act, 2017:

This statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General Meeting of the Company to be held on March 27, 2020.

1. Item No. 5 of the Notice

Transactions carried out with related parties during the year ended December 31, 2019 to be passed as a Special Resolution.

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

In view of the above, the normal business transactions conducted during the year 2019 with EFU Life Assurance Ltd and Allianz EFU Health Insurance Ltd as per following details are being placed before the shareholders for their consideration and approval / ratification.

Amount in PKR '000'

EFU Life Assurance Limited	Premium written	40,655
EFU Life Assurance Limited	Premium paid	18,355
EFU Life Assurance Limited	Claims paid	20,594
EFU Life Assurance Limited	Dividend received	684,717
EFU Life Assurance Limited	Dividend paid	50,320
Allianz EFU Health Insurance Limited	Premium written	2,234
Allianz EFU Health Insurance Limited	Premium paid	17,665
Allianz EFU Health Insurance Limited	Claims paid	938

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

i. Mr. Saifuddin N. Zoomkawala, Director of the Company is also a director in EFU Life Assurance Limited and Allianz EFU Health Insurance Limited.
ii. Mr. Hasanali Abdullah, Director of the Company is also a director in EFU Life Assurance Limited and Allianz EFU Health Insurance Limited.
iii. Mr. Taher G. Sachak, Director of the Company is also a director in EFU Life Assurance Limited and Allianz EFU Health Insurance Limited.
iv. Mr. Ali Raza Siddiqui, Director of the Company is also a director in EFU Life Assurance Limited.
v. Mr. Mahmood Lotia, Director of the Company is also a director in Allianz EFU Health Insurance Limited.

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

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

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

Status of approvals for investment in Associated undertakings:

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

i. total investment approved;

(a) Rs. 1 Billion in EFU Life Assurance Limited was further approved by the shareholders at Annual General Meeting of the Company held on April 07, 2018.

ii. amount of investment made to date;

The amount of Rs. 114.299 million has been invested out of Rs. 1 Billion till December 31, 2019.

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

The period in which the investment of Rs. 1 Billion is to be made as approved by the shareholders is up to April 6, 2021. Investment will be made on availability of shares at reasonable price.

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

Since the date of passing the initial resolution by the shareholders of the Company on April 07, 2018 the shareholders equity of the investee company was Rs.5,958 as at December 31, 2018 & 5,908 as at December 31, 2019.

Financial Calendar

Results

First quarter ended 31 March 2019	Announcement Date	April 29, 2019
Half year ended 30 June 2019	Announcement Date	August 26, 2019
Third quarter ended 30 September 2019	Announcement Date	October 28, 2019
Year ended 31 December 2019	Announcement Date	February 10, 2020

Dividends

Final Cash 2019	Announcement Date	February 10, 2020
	Entitlement Date	March 21, 2020
	Statutory limit upto which payable (within 15 working days of AGM)	April 17, 2020
First Interim Cash 2019	Announcement Date	April 29, 2019
	Entitlement Date	May 13, 2019
	Paid on	May 20, 2019
	Statutory limit upto which payable	May 30, 2019
Second Interim Cash 2019	Announcement Date	August 26, 2019
	Entitlement Date	September 09, 2019
	Paid on	September 19, 2019
	Statutory limit upto which payable	September 26, 2019
Third Interim Cash 2019	Announcement Date	October 28, 2019
	Entitlement Date	November 11, 2019
	Paid on	November 20, 2019
	Statutory limit upto which payable	November 30, 2019

Date of Issuance of Annual Report 2019	**March 05, 2020**
Date of Annual General Meeting	**March 27, 2020**

Access to Reports and Enquiries

Annual Report

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

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

Quarterly Reports

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

Shareholders' Enquiries

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

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

Stock Exchange Listing

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

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

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

Investors Grievance Policy

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

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

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

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

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

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

Decisions taken at the last Annual General Meeting held on April 23, 2019

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

1. Approval of minutes of the last Annual General Meeting.
2. Approval of Audited Accounts and Report for the year ended December 31, 2018 together with the Chairman's review, Directors' and Auditors' reports thereon.
3. Approval of Final dividend @ Rs. 6.25 per share in addition a total of Rs. 3.75 per share was paid for three interim dividends for the year 2018 details as under:
   - The First Interim dividend was paid on May 18, 2018.
   - The Second Interim dividend was paid on September 12, 2018.
   - The Third Interim dividend was paid on November 20, 2018.
   - Final dividend was paid to the Shareholders on April 30, 2019.
4. Approval of Transfer to General Reserve of Rs. 1,500 million.
5. Re-appointment of KPMG Taseer Hadi & Co. as Auditors for the year 2019.
6. Approval of related party transactions with EFU Life Assurance Ltd. and Allianz EFU Health Insurance Ltd. transacted till last Annual General Meeting.
7. Authorize Managing Director & Chief Executive to approve the transaction carried out in normal course of business with related parties EFU Life Assurance Ltd. and Allianz EFU Health Insurance Ltd. till next Annual General Meeting.
8. Approval to amend the Articles of Association of the Company by replacing clause numbering 80.

Presence of Chairman - Audit Committee in the Annual General Meeting

The Chairman of the Audit Committee attended the 86th Annual General Meeting of the Company.

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

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

Share Price Analysis

Annual Volume Analysis

The Company's stock prices on the Pakistan Stock Exchange in 2019 were.

Months	Highest	Lowest	Average of Volume
January	115.00	102.93	34,641
February	115.16	109.40	2,958
March	110.00	103.22	48,156
April	107.70	86.12	43,310
May	97.50	80.01	13,260
June	108.04	97.01	402,862
July	100.25	89.00	833
August	84.40	67.50	21,735
September	90.28	69.01	6,464
October	92.90	81.23	58,273
November	104.49	82.50	2,233
December	127.65	105.64	29,905

Share Price Sensitivity Analysis

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

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

Market Capitalization

Your Company is amongst the oldest companies in the country and was listed on stock exchange in the year 1949. The Company's market capitalization for previous six years can be reviewed as below:

Particulars	Years					
	2014	2015	2016	2017	2018	2019
Number of Shares outstanding (in million)	160	160	200	200	200	200
Market Closing Price of share as on 31 December (Rs.)	152.89	143.50	151.00	152.90	100.00	110.30
Market Capitalization (Rs. in million)	24,462	22,960	30,200	30,580	20,000	22,060

Chairman's Review

It indeed gives me immense pleasure in presenting 87th Annual Report of your Company.

The Unconsolidated Written Premium for the year was Rs. 22.1 billion (including Takaful Contribution of Rs. 2.3 billion). Your Company has a market share of 23 % inside Pakistan and continues to lead the non-life insurance business in the country.

The earnings per share was Rs. 13.04 as against earnings per share of Rs. 10.86 last year.

The consolidated (inclusive of EFU Life) Written Premium was Rs. 51 billion, Net Premium was Rs. 39 billion and Total Assets were Rs. 174 billion.

This year also, your Company maintained highest credit rating in the insurance industry of Pakistan from A. M. Best. A.M. Best once again assigned Financial Strength Rating of “B+” and Long-term Issuer Credit Rating of “bbb-” with Positive Outlook for both. Your Company is also rated by two national rating agencies i.e. VIS (formerly JCR-VIS) and PACRA. Both the rating agencies have assigned rating of AA+ with Stable Outlook.

In 2019, Pakistan's Gross Domestic Product (GDP) growth slowed. Large-scale manufacturing contracted during the year and the country experienced intensifying inflation. However, development of Special Economic Zones (SEZs) under the framework of CPEC may have an important role in recovery of the economy.

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

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

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 08 February 2020

چیئرمین کی جائزہ رپورٹ

آپ کی کمپنی کی ۸۷ویں سالانہ رپورٹ پیش کرتے ہوئے میں دلی مسرت محسوس کر رہا ہوں۔

سال کیلئے غیر مجموعی تحریری پریمیئم ۱ء۲۲ بلین روپے (بشمول ۳ء۲ بلین روپے کا تکافل کنٹری بیوشن) تھا۔ آپ کی کمپنی پاکستان میں ۲۳ فیصد مارکیٹ شیئر کی حامل ہے اور ملک میں نان۔لائف انشورنس کاروبار میں سبقت برقرار رکھنے کا سلسلہ جاری ہے۔

آمدنی فی شیئر ۰۴ء۱۳ روپے رہی جیسا کہ اس کے برخلاف گزشتہ سال بیان کردہ آمدنی فی شیئر ۸۶ء۱۰ روپے تھی۔

مجموعی (بشمول ای یف یو لائف) تحریری پریمیئم ۵۱ بلین روپے تھا، خالص پریمیئم ۳۹ بلین روپے اور مجموعی اثاثہ جات ۱۷۴ بلین روپے تھے۔

اس سال بھی آپ کی کمپنی نے پاکستان کی انشورنس صنعت میں A.M.Best کی جانب سے پاکستان میں سب سے بلند ترین کریڈٹ ریٹنگ حاصل کرنے کا سلسلہ برقرار رکھا۔ A.M.Best نے ایک بار پھر فنانشل اسٹرینتھ ریٹنگ +B (بی پلس) اور لونگ ٹرم ایشوئر کریڈٹ ریٹنگ -bbb (ٹرپل بی مائنس) مع دونوں کیلئے مثبت آؤٹ لُک تفویض کی۔ آپ کی کمپنی نے ۲ نیشنل ریٹنگ ایجنسیوں یعنی VIS (سابقہ JCR-VIS) اور PACRA کی جانب سے بھی بہترین ریٹنگ حاصل کی۔ دونوں ریٹنگ ایجنسیوں نے +AA (ڈبل اے پلس) کے ساتھ مستحکم آؤٹ لُک تفویض کی۔

۲۰۱۹ء میں پاکستان کی گراس ڈومیسٹک پروڈکٹ (جی ڈی پی) گروتھ سست رہی۔ مالی سال ۲۰۱۹ء میں بڑی مینوفیکچرنگ کی صنعتیں کمی اور اُتار چڑھاؤ کا شکار رہی اور ملک میں افراطِ زر بڑھ گیا۔ تاہم سی۔پیک کے فریم ورک کے تحت اسپیشل اکنامک زونز (ایس ای زیڈز) کے فروغ نے معیشت کی بحالی میں ایک اہم کردار ادا کیا ہے۔

آپ کی کمپنی کا انتظام صنعت میں موجود بہترین انشورنس پروفیشنلز اور ماہرین کے پاس ہے۔ بحیثیت سروس فراہم کنندہ کمپنی عوام الناس، سسٹم اور پائیدار اور منافع بخش کاروبار کے فروغ اور ملک میں اپنی نمایاں و سرکردہ پوزیشن برقرار رکھنے کے ضمن میں اپنی کوششیں جاری رکھے گی۔

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

سیف الدین این۔ زومکاوالا
چیئرمین

کراچی: ۸ فروری ۲۰۲۰ء

Report of the Directors to Shareholders

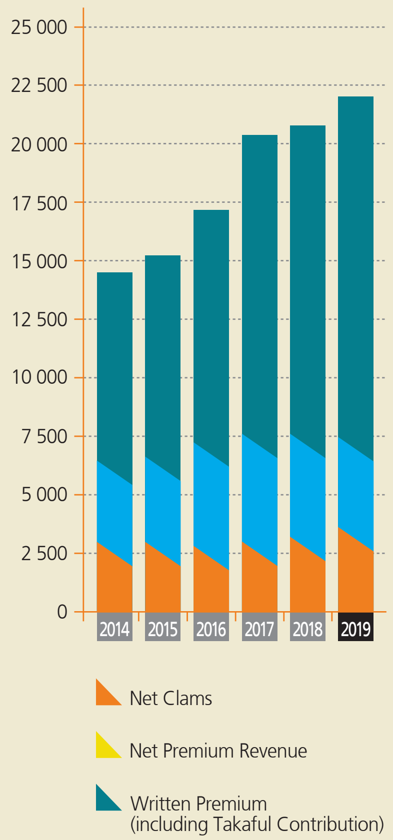
The Directors of your Company are pleased to present the Eighty Seventh Annual Report of the Company for the year ended 31 December 2019.

Your Company's profit after tax for the year 2019 was Rs. 2.61 billion as compared to Rs. 2.17 billion in 2018. The earning per share was Rs. 13.04 as against earnings per share of Rs. 10.86 last year.

Your Company continues to maintain the leading position in the insurance industry in Pakistan. Your Company had written direct premium and takaful business in Pakistan of Rs. 22.1 billion (inclusive of Rs. 2.29 billion of takaful contribution) as compared to Rs. 20.8 billion (inclusive of Rs. 2.03 billion of takaful contribution) in 2018, while the Net Premium Revenue (including takaful net contribution revenue) grew by 3 % to Rs. 9.4 billion as compared to Rs. 9.1 billion (including takaful net contribution revenue) in 2018.

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

(Rupees in Million)



Insurance Industry

The country's economy showed a modest improvement, though conditions in the insurance industry continued to be challenging. Your Company continues to maintain its leading position in the insurance industry in Pakistan by offering the best professional service to its clients.

Economic Review

Despite tight monetary policy and stable exchange rate, headline inflation in the economy averaged 11.1 % during first six months of the fiscal year 2020.

Keeping in view the escalating inflationary pressure and external account position, the State Bank of Pakistan continued its contractionary monetary policy stance. As a result, the policy rate was gradually raised from 10.00 % to 13.25 % during the year.

Company's performance

The segment wise performance was as follows:

FIRE AND PROPERTY

The written premium increased by 8 % to Rs. 12,128 million compared to Rs. 11,257 million in 2018. Claims as percentage of net premium revenue were 38 % as against 30 % in 2018. The underwriting profit for the year was Rs. 299 million compared to Rs. 533 million in 2018.

MARINE, AVIATION AND TRANSPORT

The written premium increased by 5 % to Rs. 2,549 million compared to Rs. 2,426 million in 2018. Claims as a percentage of net premium revenue were 50 % as against 38 % in 2018 and the underwriting profit was Rs. 2.3 million compared to Rs. 233 million in 2018.

MOTOR

The written premium was Rs. 3,463 million compared to Rs. 3,492 million in 2018. Claims as percentage of net premium revenue were 52 % as against 50 % in 2018 and the underwriting profit was Rs. 46 million compared to Rs. 256 million in 2018.

OTHERS

The written premium was Rs. 1,634 million compared to Rs. 1,605 million in 2018. Claims as percentage of net premium revenue were 49 % as against 34 % in 2018. The underwriting profit for the year was Rs. 158 million compared to Rs. 285 million in 2018.

Window Takaful Operations

The written contribution revenue increased by 13 % to Rs. 2,289 million as against Rs. 2,033 million in the previous year; while net contribution revenue was Rs. 1,918 million compared to Rs. 1,559 million in 2018 and profit for Takaful Operator's Funds for the year was Rs. 152 million as against Rs. 81 million last year.

Investment Income

The Stock Market was volatile during this year also. The total investment income for the year was Rs. 2,262 million as against Rs. 1,612 million last year. The dividend income for the year was Rs. 850 million as against Rs. 912 million last year.

Information Technology

Due to the current situation of continuous Cyberattacks and Cybercrime occurring in the world, the Company is continuously making special cyber security arrangements to protect Company's internal / external network, data and systems against cyberattacks.

The company also conducted Network Penetration and Vulnerabilities Assessment Test to assess and mitigate the external / internal network and systems vulnerabilities and risks. No significant vulnerabilities were found. Company's network and systems are significantly safe and secure.

Earnings per share

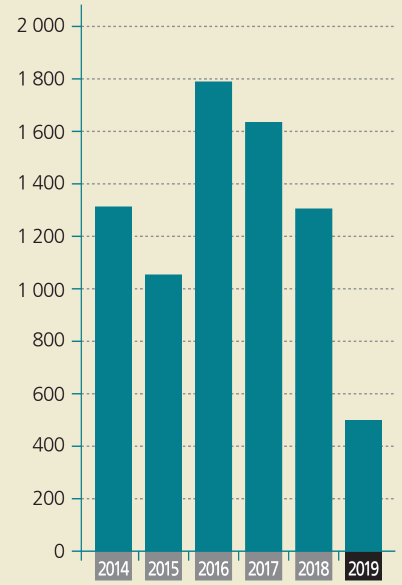
Your Company has reported earnings per share of Rs. 13.04 for the year as compared to Rs. 10.86 in 2018.

Appropriation and Dividend

The profit after tax was Rs. 2,609 million as compared to Rs. 2,171 million in 2018. Your Directors have recommended a final cash dividend of Rs. 5.5 per share (55 %) to the shareholders whose names appear in the share register of the Company at the close of business on March 20, 2020. This cash dividend is in addition to interim cash dividends of Rs. 4.5 per share (45 %) declared during the year.

UNDERWRITING RESULTS

(Rupees in Million)



		Rupees '000
Balance at commencement of the year i.e. January 01, 2018		3 525 470
Interim cash dividends 2018 @ 37.5 % (2017: 37.5 %)	750 000	
Final cash dividend 2018 @ 62.5 % (2017: 62.5 %)	1 250 000	
Transfer to general reserve	1 500 000	3 500 000
Balance brought forward from previous year		25 470
Profit after tax for the year		2 385 607
Other comprehensive income		19 083
Transferred from surplus on revaluation of property and equipment on account of incremental depreciation - net of tax		25
Amount available for appropriation		2 430 185
The Directors recommend that this amount be appropriated in the following manner:		
Less: Appropriation		
Interim cash dividends 2019 @ 45.0 % (2018: 37.5 %)	900 000	
Proposed final cash dividend 2019 @ 55.0 % (2018: 62.5 %)	1 100 000	
Transfer to general reserve	400 000	2 400 000
Carry forward to next year		30 185

Market Share

Based on the available published financial information as of 30 September 2019 and based on the statistics published by The Insurance Association of Pakistan, your Company has market share of 23 % of the private non-life insurance sector business in Pakistan.

Credit Rating

Your Company maintained highest credit rating in the insurance industry of Pakistan from A. M. Best. A. M. Best is the world's specialized insurance rating agency and has assigned Financial Strength Rating of "B+" and a Long-Term Issuer Credit Rating of "bbb-" with Positive Outlook for both.

In addition to the above, the Company is also rated by two national rating agencies i.e. VIS (formerly JCR-VIS) and PACRA. Both the rating agencies have assigned rating of AA+ with stable outlook.

Human Resource

The key to our success is challenging our employees, by spurring them to constantly up skill, and empower themselves to become leaders - rather than just working for one.

We have people from diversified backgrounds and expertise that will nourish our technical and marketing personnel to cater to the needs of our customers and stakeholders. Our stress free working environment gives them the advantage to work freely and continue to be market leader.

We are making a major push to recruit fresh talent, with scientific background who know how to use the big data with strong agility. But apart from hiring we really want to do is to build a new agile and responsive culture.

By holding management trainee programs, we educate and polish them through class room theoretical and practical trainings at various levels in alignment with the needs of clients and colleagues.

Further, we encourage and support our employees to pursue insurance professional qualification ACII, from Chartered Insurance Institute (UK) and CPCU from The Institutes of Risk & Insurance (USA). We have number of Chartered Insurers, Chartered Accountants, Professional Engineers and persons from various other disciplines as our executives.

The management encourages and supports HR department to provide in house technical skills of conventional, takaful business and soft skill courses at various locations in Pakistan.

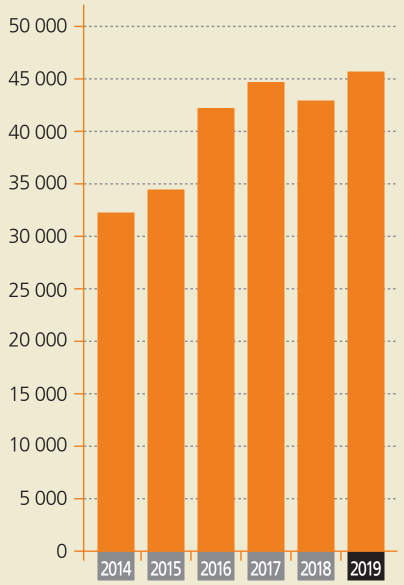
We also support insurance institutes by sponsoring for various insurance conferences, seminars, and also nominating officers to various technical and personal development courses. We promote these institutes by allowing our staff members to deliver lectures on technical and related subjects.

Significant Entity's Objectives

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

TOTAL ADJUSTED ASSETS

(Rupees in Million)



Prospects for 2020

Our strategy for 2020 is to continue to deliver sustainable, profitable growth in a challenging business environment and to maintain leading position in Pakistan.

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

Information Sources and Assumptions

The data used for projections and assumptions are based on past trend analysis, future considerations and prevailing market conditions. We also take into account current scenarios and macro-economic indicators while providing future estimates. An in-house team of professionals work together to prepare projections. Realistic measures are taken while preparing forecast and estimates. The projections are reviewed by management before presentation to the board for their approval.

Reinsurance

Your Company continues to enjoy very sound reinsurance arrangements with leading international securities, like SCOR Global P&C, Swiss Reinsurance Company, Allianz SE Reinsurance Company, Hannover Reinsurance Company, Toa Reinsurance Company Ltd, PartnerRe Ltd, Korean Reinsurance Company, and Lloyds of London all of them being A rated.

Related Party Transactions

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

Environmental protection measures

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

Directors' Training Program

All directors of the Company have acquired certification under the Directors training program from Pakistan Institute of Corporate Governance.

Board Committees

There are three Board Committees in the Company. The Committees are listed below along with the number of meetings held during the year 2019:

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

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

Management Committees

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

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

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

Risks to Business

Business risks and mitigation factors are described in detail on page 82 of this Annual Report.

National cause donations

Your Company, being a responsible corporate citizen, donates every year. In 2019, the Company donated Rs. 13 million to various organizations including, Shaukat Khanum Memorial Trust, Burhani Medical Welfare Association, Bait Ul Sukoon Cancer Hospital, Fakhr-e-Imdad Foundation, Sindh Institute of Urology and Transplantation, The Kidney Centre, The Patients Behbud Society for AKUH, LRBT, Citizen Foundation, Sona Welfare Foundation, amongst others.

Relationship with other Stakeholders

Your Company continues to maintain good relationship with:

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

Annual Evaluation of Board's Performance

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

MD's Performance Review

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

Directors' Remuneration Policy

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

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

Compliance with Code of Corporate Governance

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

The Directors of your Company were elected at the Extraordinary General Meeting held on July 08, 2017 w.e.f. July 10, 2017 for a term of three years expiring on July 9, 2020 except Daanish Bhimjee who was co-opted on 28 April 2018 to fill in the casual vacancy caused in place of a Director who had resigned.

During the year 2019, four meetings of the Board were held. The attendance at the meetings were as under:

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

Leave of absence was granted to the Directors who could not attend board meetings.

Statement of Ethics and Business Practices

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

Corporate and Financial Reporting Framework

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

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

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

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

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

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

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

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

i) No trading of shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, executives, their spouses and minor children and substantial shareholders were carried out during the year.

j) The value of investments of provident, gratuity and pension funds based on their unaudited accounts as on 31 December 2019 were:

Provident Fund	Rs. 829 million
Gratuity Fund	Rs. 450 million
Pension Fund	Rs. 246 million

k) The statement of pattern of shareholding in the Company as at 31 December 2019 is included in the Report.

Auditors

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

Outlook

As signs of economic stabilization are emerging in the country and it is expected that GDP growth rate would improve in the next fiscal year. With external account in surplus and expected decline in headline inflation, monetary policy is likely to turn expansionary which will hopefully provide momentum to the economic activities in general and could have potential impact on insurance business.

Acknowledgements

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

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

SAAD BHIMJEE	MAHMOOD LOTIA	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

ضابطہ اخلاق اور کاروباری طریقہ کار

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

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

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

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

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

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

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

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

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

ایچ۔ گزشتہ ۶ سال کے نمایاں آپریٹنگ اور فنانشل اعداد وشمار منسلک ہیں۔

آئی۔ چیف ایگزیکٹو، ڈائریکٹرز، چیف فنانشل آفیسر، کمپنی سیکریٹری، ایگزیکٹوز، ان کے شریکِ حیات ونابالغ بچے اور دیگر شیئر ہولڈرز نے پورے سال کے دوران شیئرز کی کوئی خرید وفروخت نہیں کی

جے۔ پراویڈنٹ، گریجویٹی اور پنشن فنڈز کی سرمایہ کاریوں کی مالیت ۳۱ دسمبر ۲۰۱۹ء کے مطابق ان کے غیر آڈٹ شدہ حسابات پر مبنی ہیں، ان کی تفصیل یہ ہے:

پراویڈنٹ فنڈ	۸۲۹ ملین روپے
گریجویٹی فنڈ	۴۵۰ ملین روپے
پنشن فنڈ	۲۴۶ ملین روپے

کے۔ کمپنی میں ۳۱ دسمبر ۲۰۱۹ء کو شیئر ہولڈنگ کی جو صورتحال تھی اس کا اسٹیٹمنٹ رپورٹ میں شامل ہے۔

آڈیٹرز

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

آؤٹ لُک

جیسا کہ ملک میں معاشی استحکام کے واضح اشارے مل رہے ہیں اور یہ امکان ہے کہ جی ڈی پی گروتھ کی شرح آئندہ مالی سال میں بہتر ہوجائیگی۔ بیرونی اکاؤنٹس میں اضافے اور بڑھتے ہوئے افراطِ زر میں متوقع کمی کے ساتھ مانیٹری پالیسی مکمل طور پر مثالی رہے گی جس سے امید ہے کہ عمومی طور پر معاشی صورتحال کو فروغ ملے گا اور انشورنس کاروبار پر مثبت اثرات ظاہر ہوں گے۔

اظہارِ تشکر

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

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

سعد بھیم جی	محمود لوٹیا	حسن علی عبداللہ	سیف الدین این۔ زومکاوالا
ڈائریکٹر	ڈائریکٹر	مینجنگ ڈائریکٹر و چیف ایگزیکٹو	چیئرمین

کراچی ۸ فروری ۲۰۲۰ء

ہم مختلف النوع پس منظر اور مہارتوں کے حامل ملازمین رکھتے ہیں جو ہمارے صارفین اور اسٹیک ہولڈرز کی ضروریات کو پورا کرنے کیلئے ہمارے تیکنیکی اور مارکیٹنگ عملے کو مزید باصلاحیت بناتے ہیں۔ ہمارا کام کے دباؤ سے آزاد ماحول انہیں آزادانہ اور بے فکری سے کام کرنے اور مارکیٹ لیڈر بننے میں معاونت فراہم کرنا ہے۔

ہم فریش ٹیلنٹ کے ساتھ سائینٹفک پس منظر کے حامل لوگوں کو بھی بھرتی کرنے پر توجہ دیتے ہیں جو بھرپور توانائی کے ساتھ بڑے ڈیٹا کے استعمال سے واقف ہوں۔ تاہم بھرتی کرنے کے ساتھ ہم حقیقی طور پر یہ چاہتے ہیں کہ ایک نیا منفرد اور ذمہ دار کلچر فروغ دیا جائے۔

مینجمنٹ ٹرینی پروگرامز کے انعقاد کے ذریعے ہم تھیوری کی کلاس روم اور مختلف سطحوں پر درستگی کیلئے عملی تربیت کے ذریعے کلائنٹس اور ساتھ کام کرنے والوں کی ضروریات کو پورا کرنے کیلئے ان کی تعلیم اور صلاحیتوں کو بہتر بناتے ہیں۔

مزید برآں ہم اپنے ملازمین کی حوصلہ افزائی اور سپورٹ کے ضمن میں انشورنس کی پروفیشنل تعلیم و قابلیت کے لئے چارٹرڈ انشورنس انسٹی ٹیوٹ (یوکے) سے ACII اور دی انسٹی ٹیوٹ آف رسک اینڈ انشورنس (یو ایس اے) سے CPCU کے لئے بھی رجوع کرتے ہیں۔ ہم مختلف دیگر شعبوں سے بڑی تعداد میں چیف ایگزیکٹو کے طور پر چارٹرڈ انشوررز، چارٹرڈ اکاؤنٹینٹس، پروفیشنل انجینئرز کے حامل ہیں۔

انتظامیہ پاکستان میں مختلف مقامات پر کنونشنل اِن ہاؤس تیکنیکی مہارت تکافل بزنس اور سافٹ اسکلز کورسز کی فراہمی کیلئے ایچ آر ڈپارٹمنٹ کی حوصلہ افزائی اور معاونت کرتی ہے۔

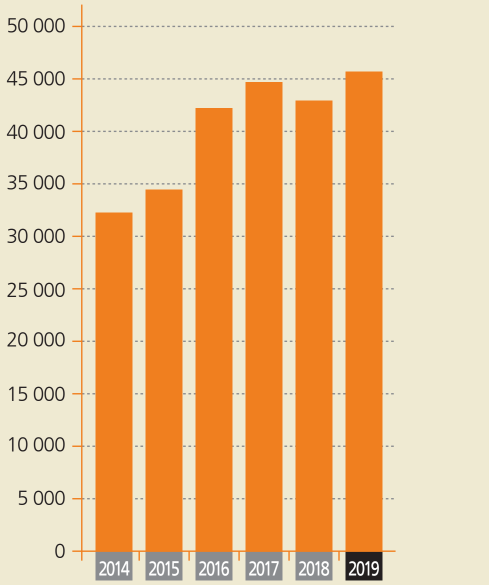
ہم مختلف انشورنس کانفرنسز، سیمینارز کو اسپانسرز کرنے کے ذریعے انشورنس انسٹی ٹیوشن کو سپورٹ بھی کرتے ہیں اور مختلف ٹیکنیکل اور پرسنل ڈیولپمنٹ کورسز کیلئے افسران کو نامزد بھی کرتے ہیں۔ ہم ان انسٹی ٹیوشن کو تیکنیکی اور متعلقہ مضامین پر لیکچرز دینے کیلئے اپنے اسٹاف ممبران کو اجازت دے کر ان کی تشہیر بھی کرتے ہیں۔

ادارے کے اہم مقاصد

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

TOTAL ADJUSTED ASSETS

(Rupees in Million)



۲۰۲۰ء کے لئے امکانات

۲۰۲۰ء کے لئے ہماری حکمت عملی چیلینجنگ کاروباری ماحول میں مستحکم و پائیدار اور منافع بخش گروتھ کا سلسلہ جاری رکھنا اور پاکستان میں اپنی سرکردہ پوزیشن کو برقرار رکھنا ہے۔

کارکردگی کے کلیدی اشاریئے پہلے کی طرح انتظامی اغراض و مقاصد کے حصول کیلئے واضح ہیں جو صارفین کے زیادہ سے زیادہ اطمینان، آپریشنل انڈر رائٹنگ نتائج میں بہتری، اوور ہیڈ اخراجات کو مناسب حد تک کنٹرول اور برقرار رکھنے اور شیئر ہولڈرز کے اثاثوں کو بڑھانے پر مرکوز رکھے جاتے ہیں۔

معلوماتی ذرائع اور مفروضے

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

ری انشورنس

آپ کی کمپنی کے ری انشورنس انتظامات نہایت معتبر ہیں۔ سرکردہ بین الاقوامی سیکیورٹیز مثلاً SCOR گلوبل P&C، سوئس ری انشورنس کمپنی، آلیانز SE ری انشورنس کمپنی، ہان اوور ری انشورنس کمپنی، ٹواری انشورنس کمپنی لمیٹڈ، پارٹنر ری لمیٹڈ، کورین ری انشورنس کمپنی اور لائیڈز آف لندن جن سب کو ''A'' ریٹنگ حاصل ہے۔

متعلقہ پارٹی ٹرانزیکشنز

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

ماحولیاتی تحفظ کے اقدامات

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

ڈائریکٹرز ٹریننگ پروگرام

کمپنی کے تمام ڈائریکٹرز پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورنینس سے ڈائریکٹرز کے ٹریننگ پروگرام کے تحت سرٹیفکیشن حاصل کر چکے ہیں۔

بورڈ کمیٹیاں

کمپنی میں بورڈ کی ۳ کمیٹیاں ہیں، کمیٹیوں کی تعداد بشمول سال ۲۰۱۹ء میں منعقدہ ان کے اجلاس کی تعداد کو ذیل میں واضح کیا گیا ہے:

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

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

مینجمنٹ کمیٹیاں

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

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

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

کاروبار کے لئے خطرات

کاروبار میں ممکنہ طور پر پیش آنے والے خطرات اور ان سے منسلک عناصر کی تفصیل سے وضاحت اس سالانہ رپورٹ کے صفحہ نمبر ۸۲ پر کی گئی ہے۔

عطیات برائے قومی مقاصد

آپ کی کمپنی ایک ذمہ دار کارپوریٹ سٹیزن ہونے کی حیثیت سے ہر سال عطیات دیتی ہے۔ ۲۰۱۹ء میں کمپنی نے مختلف اداروں کو ۱۳ ملین روپے عطیات دیئے۔ عطیات دئے جانے والے اداروں میں شوکت خانم میموریل ٹرسٹ، برہانی میڈیکل ویلفیئر ایسوسی ایشن، بیت السکون کینسر اسپتال، فخر امداد فاؤنڈیشن، سندھ انسٹی ٹیوٹ آف یورولوجی اینڈ ٹرانسپلانٹیشن، دی کڈنی سینٹر، دی پیشنٹس بہبود سوسائٹی فار اے کے یو ایچ، ایل آر بی ٹی، سٹیزن فاؤنڈیشن، سونا ویلفیئر فاؤنڈیشن وغیرہ شامل ہیں۔

دیگر اسٹیک ہولڈرز کے ساتھ تعلقات

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

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

بورڈ کی کارکردگی کا سالانہ جائزہ و جانچ

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

ایم ڈی کی کارکردگی کا جائزہ

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

ڈائریکٹر کے معاوضہ کی پالیسی

کمپنیز ایکٹ ۲۰۱۷ پر عملدرآمد کے تحت اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز، ۲۰۱۹ اور کمپنی کے آرٹیکلز آف ایسوسی ایشن کے مطابق کمپنی نے چیئرمین، چیف ایگزیکٹو، نان۔ایگزیکٹو، ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کے معاوضے کے سلسلے میں پالیسی وضع کر رکھی ہے۔

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

کوڈ آف کارپوریٹ گورنینس پر عملدرآمد

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

آپ کی کمپنی کے ڈائریکٹرز غیر معمولی اجلاسِ عام منعقدہ ۸ جولائی ۲۰۱۷ء کو منتخب ہوئے اور ۳ سالہ مدت، ۱۰ جولائی ۲۰۱۷ء سے شروع ہوتی ہے اور ۹ جولائی ۲۰۲۰ء کو ختم ہو جائے گی ماسوائے دانش بھیم جی۔ جو ۲۸ اپریل ۲۰۱۸ء کو ایک اتفاقی اسامی پُر کرنے کیلئے شامل کئے گئے جو ایک ڈائریکٹر کے مستعفی ہونے کی وجہ سے خالی ہوئی تھی۔

سال ۲۰۱۹ء کے دوران بورڈ کے ۴ اجلاس منعقد ہوئے۔ اجلاسوں میں شرکت کی تعداد مندرجہ ذیل میں دی گئی ہے:

نمبر شمار	ڈائریکٹرز کے نام	شرکت کردہ اجلاس کی تعداد
۱۔	سیف الدین این۔ زومکاوالا (نان۔ ایگزیکٹو ڈائریکٹر)	۴
۲۔	حسن علی عبداللہ (ایگزیکٹیو ڈائریکٹر)	۴
۳۔	عبدالرحمٰن حاجی حبیب (نان۔ ایگزیکٹیو ڈائریکٹر)	۴
۴۔	طاہر جی۔ ساچک (نان۔ ایگزیکٹیو ڈائریکٹر)	۴
۵۔	علی رضا صدیقی (نان ایگزیکٹو ڈائریکٹر)	۳
۶۔	محمد اقبال منکانی (انڈیپنڈنٹ ڈائریکٹر)	۴
۷۔	محمود لوٹیا (ایگزیکٹو ڈائریکٹر)	۳
۸۔	سعد بھیم جی (نان۔ ایگزیکٹیو ڈائریکٹر)	۳
۹۔	دانش بھیم جی (نان ایگزیکٹیو ڈائریکٹر)	۳

جو ڈائریکٹرز بورڈ کے اجلاسوں میں شریک نہیں ہوئے تھے ان ڈائریکٹرز کے لئے غیر حاضری کی چھٹی منظور کر لی گئی تھی۔

ممبران کے لئے ڈائریکٹرز کی رپورٹ

(یہ انگریزی رپورٹ کا ترجمہ ہے)

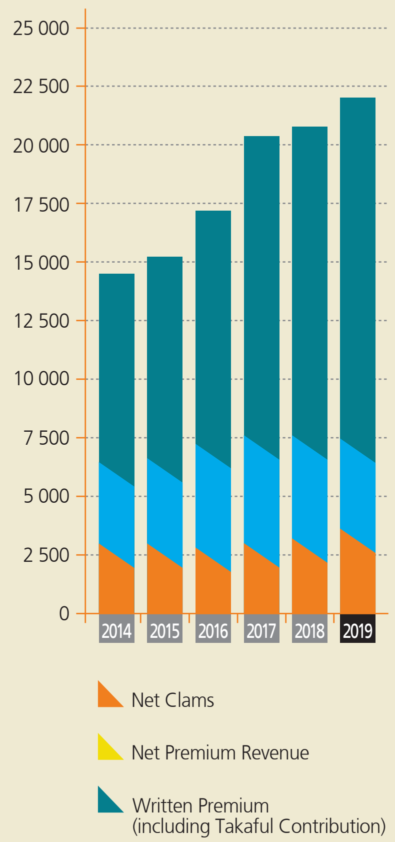
آپ کی کمپنی کے ڈائریکٹرز کو کمپنی کی ۸۷ ویں سالانہ رپورٹ اختتام سال ۳۱ دسمبر ۲۰۱۹ء پیش کرتے ہوئے خوشی ہورہی ہے۔

سال ۲۰۱۹ء میں کمپنی کا منافع بعداز ٹیکس ۶۱ء۲ بلین روپے رہا جبکہ ۲۰۱۸ء میں یہ منافع ۱۷ء۲ بلین روپے تھا۔ فی شیئر آمدن ۰۴ء۱۳ روپے رہی جبکہ گزشتہ سال آمدنی ۸۶ء۱۰ روپے تھی۔

آپ کی کمپنی نے انشورنس انڈسٹری میں اپنی مرکزی حیثیت کو برقرار رکھنے کا سلسلہ جاری رکھا ہے۔ آپ کی کمپنی نے پاکستان میں براہِ راست تحریری پریمیئم اور تکافل بزنس میں ۱ء۲۲ بلین روپے کا منافع حاصل کیا (بشمول ۲۹ء۲ بلین روپے کا تکافل کنٹریبیوشن) جبکہ ۲۰۱۸ء میں ۸ء۲۰ بلین روپے (بشمول ۰۳ء۲ بلین روپے کا تکافل کنٹریبیوشن) تھا جبکہ خالص پریمیئم آمدن (بشمول خالص تکافل کنٹریبیوشن) ۳ فیصد بڑھ کر ۴ء۹ بلین روپے رہا جبکہ ۲۰۱۸ء میں ۱ء۹ بلین روپے (بشمول خالص تکافل کنٹریبیوشن) تھا۔

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

(Rupees in Million)



انشورنس انڈسٹری

ملک کی معیشت بتدریج بہتری ظاہر کررہی ہے اگرچہ انشورنس کی صنعت کی صورتحال مستقل طور پر چیلنجنگ ہے۔ آپ کی کمپنی اپنے کلائنٹس کو بہترین پیشہ ورانہ خدمات کی فراہمی کے ذریعے پاکستان میں انشورنس انڈسٹری میں اپنی نمایاں پوزیشن کو برقرار رکھنے کا سلسلہ جاری رکھے ہوئے ہے۔

اقتصادی جائزہ

سخت مانیٹری پالیسی اور مستحکم زرمبادلہ کے نرخ کے باوجود مالی سال ۲۰۲۰ء کے پہلے ۶ ماہ کے دوران معیشت میں افراطِ زر اوسطاً ۱ء۱۱ فیصد رہے گا۔

بڑھتے ہوئے افراطِ زر کے دباؤ اور بیرونی کھاتوں کی پوزیشن کو مدنظر رکھتے ہوئے اسٹیٹ بینک آف پاکستان نے اپنا متوازن مانیٹری پالیسی کا اقدام جاری رکھا ہے۔ اس کے نتیجے میں پالیسی ریٹ سال کے دوارن بتدریج ۰۰ء۱۰ تا ۲۵ء۱۳ فیصد تک بڑھایا گیا۔

کمپنی کی کارکردگی

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

فائیرو پراپرٹی

تحریری پریمیئم ۲۰۱۸ء میں ۲۵۷،۱۱ ملین روپے کے مقابلے میں اس سال کے دوران ۸ فیصد بڑھ کر ۱۲،۱۲۸ ملین روپے رہا۔ کلیمز کی شرح کمپنی کے خالص پریمیئم آمدن کے تناسب سے ۳۸ فیصد رہی جبکہ ۲۰۱۸ء میں ۳۰ فیصد تھی۔ اس سال کیلئے انڈررائٹنگ منافع ۲۹۹ ملین روپے رہا جبکہ گزشتہ سال ۲۰۱۸ء میں یہ منافع ۵۳۳ ملین روپے تھا۔

میرین، ایوی ایشن وٹرانسپورٹ

تحریری پریمیئم ۲۰۱۸ء میں ۴۲۶،۲ ملین روپے کے مقابلے میں اس سال کے دوران ۵ فیصد بڑھ کر ۵۴۹،۲ ملین روپے رہا۔ کلیمز کی شرح کمپنی کے خالص پریمیئم آمدن کا ۵۰ فیصد رہی جبکہ ۲۰۱۸ء میں ۳۸ فیصد تھی اور اس سال انڈررائٹنگ منافع ۳ء۲ ملین روپے رہا جبکہ گزشتہ سال ۲۰۱۸ء میں ۲۳۳ ملین روپے تھا۔

موٹر

تحریری پریمیئم ۲۰۱۸ء میں ۴۹۲،۳ ملین روپے کے مقابلے میں اس سال ۴۶۳،۳ ملین روپے رہا۔ کلیمز کی شرح کمپنی کے خالص پریمیئم آمدن کا ۵۲ فیصد رہی جبکہ ۲۰۱۸ء میں ۵۰ فیصد تھی اور اس سال انڈررائٹنگ منافع ۴۶ ملین روپے رہا جبکہ گزشتہ سال ۲۰۱۸ء میں ۲۵۶ ملین روپے تھا۔

دیگر

تحریری پریمیئم ۶۳۴،۱ ملین روپے رہا جبکہ ۲۰۱۸ء میں مقابلتاً ۶۰۵،۱ ملین روپے تھا۔ کلیمز کی شرح کمپنی کے خالص پریمیئم آمدن کا ۴۹ فیصد رہی جبکہ ۲۰۱۸ء میں ۳۴ فیصد تھی اور اس سال انڈررائٹنگ منافع ۱۵۸ ملین روپے رہا جبکہ گزشتہ سال ۲۰۱۸ء میں ۲۸۵ ملین روپے تھا۔

ونڈو تکافل آپریشنز

تحریری کنٹریبیوشن ریونیو ۱۳ فیصد تک بڑھ کر ۲۸۹،۲ ملین روپے ہوگیا جو گزشتہ سال میں مقابلتاً ۰۳۳،۲ ملین روپے رہا تھا۔ خالص کنٹریبیوشن آمدنی مبلغ ۹۱۸،۱ ملین روپے رہی جبکہ ۲۰۱۸ء میں ۵۵۹،۱ ملین روپے تھی اور تکافل آپریٹرز کے فنڈز سے منافع جات اس سال کیلئے ۱۵۲ ملین روپے تھے جیسا کہ مقابلتاً گزشتہ سال ۸۱ ملین روپے کا منافع حاصل ہوا۔

سرمایہ کاری سے آمدن

اسٹاک مارکیٹ بھی اس سال کے دوران اتار چڑھاؤ کا شکار رہی۔ سال کیلئے مجموعی سرمایہ کار آمدنی ۲۶۲،۲ ملین روپے رہی جبکہ اس کے مقابلے میں گزشتہ سال ۶۱۲،۱ ملین روپے تھی۔ سال کے لئے منافع منقسمہ کی آمدنی ۸۵۰ ملین روپے رہی جبکہ گزشتہ سال ۹۱۲ ملین روپے تھی۔

انفارمیشن ٹیکنالوجی

دنیا کے اندر مستقل طور پر سائبر حملوں اور سائبر کرائم کے واقعات کی موجودہ صورتحال کے باعث کمپنی مستقل طور پر کمپنی کے اندرونی / بیرونی نیٹ ورک، ڈیٹا اور سسٹمز کو سائبر حملوں سے محفوظ رکھنے کیلئے خصوصی سائبر سیکیورٹی انتظامات کو یقینی بنارہی ہے۔

کمپنی نے بیرونی / اندرونی نیٹ ورک اور سسٹمز کو لاحق مسائل اور خطرات کی جانچ اور نمٹنے کیلئے نیٹ ورک پینیٹریشن اور ولنرایبلیٹیز اسسمنٹ ٹیسٹ بھی منعقد کیا اور اس میں کوئی نمایاں دشواری یا مسائل نہیں پائے گئے۔ کمپنی کے نیٹ ورک اور سسٹمز بڑی حد تک محفوظ اور تحفظ کے حامل پائے گئے۔

آمدنی فی شیئر

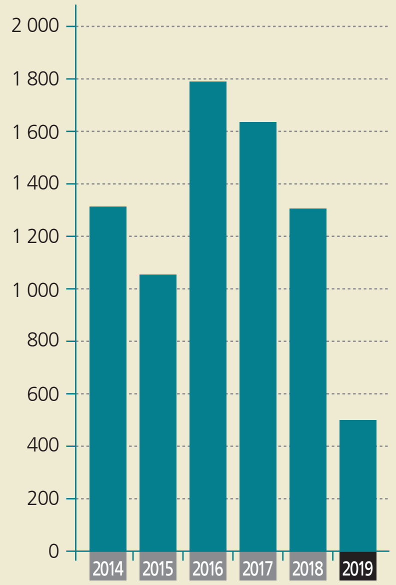
آپ کی کمپنی نے اس سال فی شیئر آمدن ۰۴ء۱۳ روپے ظاہر کی ہے جبکہ ۲۰۱۸ء میں یہ آمدن ۸۶ء۱۰ روپے تھی۔

مختص رقوم اور منافع منقسمہ

بعداز ٹیکس منافع ۶۰۹،۲ ملین روپے رہا جبکہ ۲۰۱۸ء میں ۱۷۱،۲ ملین روپے تھا۔ آپ کے ڈائریکٹرز نے حتمی نقد منافع منقسمہ بحساب ۵ء۵ روپے فی شیئر (۵۵ فیصد) ادا کرنے، جن شیئر ہولڈر کے نام ۲۰ مارچ ۲۰۲۰ء کو کاروباری اوقات کے اختتام پر کمپنی کے شیئر رجسٹر میں موجود ہوں کیلئے اجراء کی سفارش کی ہے۔ یہ نقد منافع منقسمہ سال کے دوران اعلان کردہ ۵۰ء۴ روپیہ فی شیئر یعنی (۴۵ فیصد) کے عبوری نقد منافع منقسمہ کے علاوہ ہے۔

UNDERWRITING RESULTS

(Rupees in Million)



(روپے ہزاروں میں)

سال کے آغاز یعنی		
یکم جنوری ۲۰۱۸ء کے آغاز پر بیلنس		۳ ۵۲۵ ۴۷۰
عبوری نقد منافع منقسمہ ۲۰۱۸ء		
بشرح ۵ء۳۷ فیصد (۲۰۱۷ء: ۵ء۳۷ فیصد)	۷۵۰ ۰۰۰	
مجوزہ حتمی نقد منافع منقسمہ ۲۰۱۸ء		
بشرح ۵ء۶۲ فیصد (۲۰۱۷ء: ۵ء۶۲ فیصد)	۱ ۲۵۰ ۰۰۰	
جنرل ریزرو کو ٹرانسفر	۱ ۵۰۰ ۰۰۰	۳ ۵۰۰ ۰۰۰
گزشتہ سال سے آگے لایا گیا بیلنس		۲۵ ۴۷۰
اس سال کیلئے بعداز ٹیکس منافع		۲ ۳۸۵ ۶۰۷
دیگر کمپری ہینسو نقصان		۱۹ ۰۸۳
پراپرٹی اور ایکوپمنٹ کی ری ویلیوایشن پر اضافی ڈیپریسی ایشن کے کھاتے میں سرپلس سے منتقل شدہ		۲۵
مختص کرنے کے لئے دستیاب رقم		۲ ۴۳۰ ۱۸۵
ڈائریکٹرز سفارش کرتے ہیں کہ یہ رقم حسب ذیل حساب سے مختص کی جائے:		
منہا: مختص رقوم		
عبوری نقد منافع منقسمہ ۲۰۱۹ء		
بشرح ۰ء۴۵ فیصد (۲۰۱۸ء: ۵ء۳۷ فیصد)	۹۰۰ ۰۰۰	
مجوزہ حتمی نقد منافع منقسمہ ۲۰۱۹ء		
بشرح ۵۵ فیصد (۲۰۱۸ء: ۵ء۶۲ فیصد)	۱ ۱۰۰ ۰۰۰	
جنرل ریزرو کو ٹرانسفر	۴۰۰ ۰۰۰	۲ ۴۰۰ ۰۰۰
آئندہ سال کے لئے آگے لیجایا گیا		۳۰ ۱۸۵

مارکیٹ شیئر

۳۰ ستمبر ۲۰۱۹ء کے مطابق دستیاب شائع شدہ مالیاتی حسابات پر منحصر اور دی انشورنس ایسوسی ایشن آف پاکستان کی جانب سے شائع کردہ اعدادوشمار کی بنیاد پر آپ کی کمپنی پاکستان میں نجی نان۔ لائف انشورنس سیکٹر کے بزنس میں ۲۳ فیصد مارکیٹ شیئر کی حامل ہے۔

کریڈٹ ریٹنگ

آپ کی کمپنی نے A.M.Best کی جانب سے پاکستان کی انشورنس انڈسٹری میں بلندترین کریڈٹ ریٹنگ حاصل کرنے کا سلسلہ برقرار رکھا۔ A.M.Best دنیا کی اسپیشلائزڈ انشورنس ریٹنگ ایجنسی ہے اور اس نے "B+" فنانشل اسٹرینتھ ریٹنگ اور لونگ ٹرم ایشوئر کریڈٹ ریٹنگ "bbb-" مع دونوں کے لئے مثبت رجحانات تفویض کئے گئے۔

مذکورہ بالا کے علاوہ کمپنی کو ملک کی دو کریڈٹ ریٹنگ ایجنسیوں یعنی VIS (سابقہ JCR-VIS) اور PACRA کی جانب سے بھی ریٹنگ دی گئی ہے۔ دونوں ریٹنگ ایجنسیوں نے AA+ مع مثبت آؤٹ لُک کی ریٹنگ تفویض کی ہے۔

ہیومن ریسورس

ہماری کامیابی کی کُنجی ہمارے ملازمین کے لئے چیلینجنگ ہے کہ ان کی صلاحیتوں کو مسلسل بنیاد پر نکھارا جائے اور لیڈر بننے کیلئے انہیں مستحکم اور اختیار دیا جائے بجائے اس کے کہ انہیں محض ایک کام تک محدود کردیا جائے۔

Board Committee

Your Company maintains following three board committees:

Audit Committee

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

TORs of Audit Committee

The Committee comprises of four members, including the Chairman of the committee who is an Independent Director appointed to comply with the requirement of Code of Corporate Governance Regulations, 2017 and others are non-executive Directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) Determination of compliance with relevant statutory requirements.

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

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

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

Sr. No.	Name of Directors	Meetings Attended
1.	Mr. Mohammed Iqbal Mankani (Chairman)	4/4 (Independent Director)
2.	Mr. Taher G. Sachak (Member)	4/4 (Non-Executive Director)
3.	Mr. Ali Raza Siddiqui (Member)	1/4 (Non-Executive Director)
4.	Mr. Daanish Bhimjee (Member)	4/4 (Non-Executive Director)

Investment Committee

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

1. Mr. Saifuddin N. Zoomkawala (Chairman - Non-Executive Director)
2. Mr. Hasanali Abdullah (Member - Executive Director)
3. Mr. Daanish Bhimjee (Member - Non-Executive Director)

Ethics, Human Resources and Remuneration Committee

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

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

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

Board and Board Committees Meetings

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

Directors' Training and Orientation

All the Directors of the Company have acquired certification under the Directors' Training Program from the Pakistan Institute of Corporate Governance.

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

Security Clearance of a Foreign Director

EFU Board of Directors consists of nine directors of which eight are Pakistani nationals.

In respect of security clearance of foreign director, the Company has a general understanding and objective to comply with all the relevant requirements in order to maintain the eligibility of its foreign director.

Significant Changes in Board Committees

During the year there was no change in Board committees.

Management Committees

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

Underwriting Committee

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

Claims Settlement Committee

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

Reinsurance and Coinsurance Committee

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

Risk Management and Compliance Committee

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

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

Human Resource Management Policy

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

Succession Planning

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

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

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

Value of Investments in Provident, Gratuity & Pension Funds

The value of investments of provident, gratuity and pension funds based on their unaudited accounts as on December 31, 2019 were:

- Provident Fund Rs. 829 million
- Gratuity Fund Rs. 450 million
- Pension Fund Rs. 246 million

Avoiding Actual and Perceived Conflict of Interest

The Company is committed to the transparent disclosure, management and monitoring of existing and potential conflicts of interest. The Company's Board is also cognizant of its obligations as required under the Code of Corporate Governance, 2017 (COCG) to ensure that Directors avoid conflicts of interest between their responsibilities and their other interests. All Board members have a duty to avoid actual or perceived conflicts of interest.

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

Every year in conformity with the section 153 of Companies Act, 2017, COCG and Insurance Companies (Sound and Prudent Management) Regulations, 2016, the Directors of the Company are required to provide a signed Statement of Compliance. The statement requires all the Directors to disclose the names of the companies, firms and businesses where they are associated and that they comply with all legal requirements to hold the position as Directors.

Whistle Blowing Policy

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

IT Governance Policy

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

1) IT Security including network, applications, data and asset;
2) IT Staff responsibilities;
3) Backup, maintain disaster recovery site and disaster recovery plan.

Policy for Safety of Records of the Company

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

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

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

Grievance Function

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

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

Policy and Procedure for Stakeholder Engagement

Institutional Investors

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

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

Customers

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

Banks

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

Media

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

Regulators

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

Internal Control Framework

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

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

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

Role of Internal Audit

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

Role of Risk Management

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

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

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

Role of Compliance

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

Shari'ah Compliance Mechanism for Window Takaful Operations

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

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

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

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

Policy for Related Party Transactions

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

The Related party transactions are approved by the Board of Directors on quarterly basis. Related party transactions are also approved by shareholders in Annual General Meeting.

Anti-money Laundering and Countering of Terrorism Financing Policy

Board of Directors has formed a comprehensive policy with guidelines in order to comply with the Anti-Money Laundering and Countering of Terrorism Financing Regulations, 2018 promulgated by Securities and Exchange Commission of Pakistan (SECP). Company performs comprehensive, Know Your Customer (KYC) and Customer Due Diligence (CDD) procedure before accepting any client as required under the regulations. Company is using Lexis Nexis software to screen all new and existing clients. If any client is found in the negative list, Company rejects offer of that business. The Company also conducts training of its employees regarding Anti-Money Laundering and Countering of Terrorism Financing Regulations, 2018 and performance of KYC of clients and documents requirement for all categories of clients.

Directors' Remuneration Policy

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

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

Corporate Social Responsibility Policy

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

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

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

Business Continuity Plan / Disaster Recovery Plan

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

The Company has developed a comprehensive Disaster Recovery Plan by using cloud technology services, addressing all the critical business functions and systems within the domain of Data Centre.

The principal objective of the disaster recovery program is to develop, test and document a well-structured and easily understood plan which will help the Company recover quickly and effectively from an unforeseen emergency situation which may interrupt business operations.

The plan is being periodically tested and reviewed to ensure that all essential aspects have been adequately covered and that all relevant individuals are fully aware of their responsibilities in the event of a disaster.

The Company also has taken following measures to ensure quick and smooth availability of data recovery:

- Live testing is also performed by the relevant department to respond spontaneously.
- Training of responsible staff is also carried out on regular basis.
- Daily data backup is stored in Bank Lockers at designated branch.

Implementing Governance Practices Exceeding Legal Requirements

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

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

Corporate Social Responsibility

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

Sports Activities

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

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

Our team participates in the following championships:

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

Energy Conservation

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

Water Conservation

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

Environmental Protection Measures

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

Consumer Protection Measures

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

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

Procedure Adopted for Quality Assurance of Products Industrial Relations

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

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

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

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

Employment of Special Persons

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

Occupational Safety and Health

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

Business Ethics and Anti-corruption Measures

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

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

Community Investment and Welfare Schemes

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

Financial Contribution to the National Exchequer

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

Natural Catastrophe Impact

Natural disaster is an act of nature such as earthquakes, floods, and hurricanes which inflict serious damage to property and lives.

In order to assess potential insured loss from natural catastrophe perils, various catastrophe models were designed like Risk Quantification & Engineering and Corporate Risk Solution.

These models provide decision makers with a range of expert views of the risk aiding objective evaluation, benchmarking and decision making.

Access to multiple models in Asia and particularly in Pakistan, is important given the potential high level of uncertainties in model outcomes due to the relatively low loss experience, access to quality data and the low level of insurance penetration making it historically difficult to build and calibrate models to local conditions.

EFU ensures that property reinsurance program is designed in accordance with the recommendations made by such Catastrophe modelling.

No natural catastrophe event happened during last five years.

SWOT Analysis

The Company's brief SWOT analysis is as follows:

Strengths

- Over 85 years in the business
- Market leader
- Strong capital base
- Highest credit ratings (AA+) with Positive outlook in Pakistani rating agencies.
- Highest credit rating amongst insurance companies in the country from A.M. Best, Inc., special rating agency for insurance ratings.
- Largest branch network across the country
- Diversified product mix
- Diversified and experienced Board of Directors
- Competent and loyal team
- Excellent customer care

Weaknesses

- Geographical restrictions on investment

Opportunities

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

Threats

- Political and economic instability
- Changing climate
- Technological innovations and changes
- Competitive Market
- Regulatory changes including tax reforms

Awards & Achievements

Corporate Social Responsibility Award 2019

EFU General Insurance Limited has been conferred the “8th International Corporate Social Responsibility (CSR) Award 2019” in the category of 'Public Health Safety Initiative'.

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

FPCCI Achievement Award & Gold Medal 2019

EFU General Insurance Limited (EFU) won "7th FPCCI Achievement Award 2019" of Federation of Pakistan Chambers of Commerce & Industry.

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

Environment Excellence Awards 2019

EFU General Insurance Limited has been conferred "16th Annual Environment Excellence Awards 2019”. The Professional Network (TPN) and Ethical Business Update (EBU) in collaboration with various related organizations organized 5th International Conference on Environment Health and Safety.

The award concurs your Company's commitment towards energy conservation and contribution towards protecting the overall environment for a more sustainable and greener Pakistan. Your Company had secured this award in the years 2017 and 2018 also. The Annual Environment Excellence Awards are the benchmark for environmental standards in Pakistan.

14th Consumers Choice Award 2019

EFU General has been conferred with the “14th Consumers Choice Award 2019” in the category of Best General Insurance Company of Pakistan.

These awards are especially gratifying as the winners are selected from a wide cross-section of Pakistani consumers through different surveys conducted by the Consumers Association of Pakistan (CAP).

The award reflects your Company's growth and customer-centric approach, innovative products and how well we cater to the evolving needs of our customers. Consumers Association of Pakistan is the largest network of consumers' rights in Pakistan and gives out awards to consumer-friendly companies who offer their products and services in the best interest of Pakistani consumers. This year, the company has a gleaming history of securing this award six times.

Fire Safety Award 2018

The Fire Protection Association of Pakistan and National Forum for Environment and Health (NFEH) jointly organized 8th Fire Safety & Security Convention-2018.

EFU General Insurance Limited has been conferred with the 8th Fire Safety Award 2018 for excellent HSE practices and performance in the field of fire safety and security to ensure protection of physical assets, material and human resource alike. The Company has always given priority to occupational health, safety and environment protection. Our policies and practices ensure safer modes of business and operations for the betterment of our internal and external stakeholders and specially the environment. This is the fourth consecutive year of receipt of Award.

ISO 9001:2015 Certification

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

Corporate Social Responsibility Award 2019

The Professional Network (TPN)

7th FPCCI Achievement Award and Gold Medal 2019

Federation of Pakistan Chambers of Commerce & Industry (FPCCI)

16th Annual Environment Excellence Awards 2019

The Professional Network (TPN), National Forum for Environment & Health (NFEH) & Ethical Business Update (EBU)

Consumers Choice Award 2019

Consumers Association of Pakistan (CAP)

9th Annual Fire Safety Award 2019

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

Membership of Industry, Associations and Trade Bodies

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

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

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

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

Strategic Objectives

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

Resource Allocation

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

Corporate Restructuring, Expansion and Discontinuance

Currently, the Company has no such plans.

Changes in Objectives / Strategies from Prior Years

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

Key Measures for Key Performance Indicators (KPIs)

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

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

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

Capital Structure

The Company maintains strong financial base. The Company's solvency as at 31st December 2019 was Rs. 8.3 billion as against required solvency of Rs. 1.9 billion i.e. excess of Rs. 6.4 billion over minimum required solvency (which is more than three times the minimum required).

Liquidity Management Strategy

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

Significant Changes in Assets & Liabilities

The Company's performance, as compared to the preceding year, has shown improvement, details of which are in the Directors' Report. The Company's Total Assets rose by 7 % over last year. Window Takaful Operations Assets showed a significant increase of 22 % over last year.

Forward Looking Statement

Our strategy for 2020 is designed to deliver sustainable, profitable growth in a changing and competitive business environment in order to maintain leading position in Pakistan.

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

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

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

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

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

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

Analysis of Prior Period's Forward Looking Disclosure

Your Company had set financial targets for 2019 of being the largest and the best Company in the insurance sector and pleased to report that your Company continues to maintain the lead position inside Pakistan.

Progress in 2019

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

During the year, gross written premium (including takaful contribution) registered 6 % year-on-year growth at Rs. 22.1 billion as against Rs. 20.8 billion last year. The net premium revenue has been depicting consistent growth over the last several years, underlining the Company's sufficient capital adequacy coupled with financial strength. The net premium revenue (including takaful) for the year was Rs. 9.4 billion as against Rs. 9.1 billion for the last year.

For the year, investment & other income was Rs. 2.8 billion despite the heightened volatility in capital markets.

The key performance indicators devised for achieving the management objective remained to be maximization of customer satisfaction, increasing shareholders wealth and continue to be market leader. At the same time, your Company went ahead with the implementation of effective Enterprise Risk Management (ERM) program in order to accurately gauge and at the same time mitigate the risk indicators underlying the business operations.

Prospects in 2020

Pakistan's general insurance industry is poised to undergo rapid growth over the next decade given favorable demographics, increasing urbanization and more importantly, the emerging industrialization waive under CPEC. Given the ample opportunities, your Company is poised to capitalize upon these emerging trends.

In an uncertain economic landscape, where rapid digitization is re-shaping established business models, your Company is endeavoring hard to stay ahead. We are embedding technology across all our processes to build a business that is future-fit, thus creating value for investors and customers alike.

Going forward, your Company will continue to embark upon high growth path, explore new avenues, build resilience and deliver sustainable value to its customers and shareholders.

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

Management is responsible for the preparation and presentation of financial statements in accordance with accounting and reporting standards as applicable in Pakistan and requirements of Insurance Ordinance, 2000 and Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Board of Directors is responsible for overseeing the Company's financial reporting process.

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

Compliance with International Financial Reporting Standards (IFRS)

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

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

Adherence to the International Integrated Reporting Framework (IR)

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

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

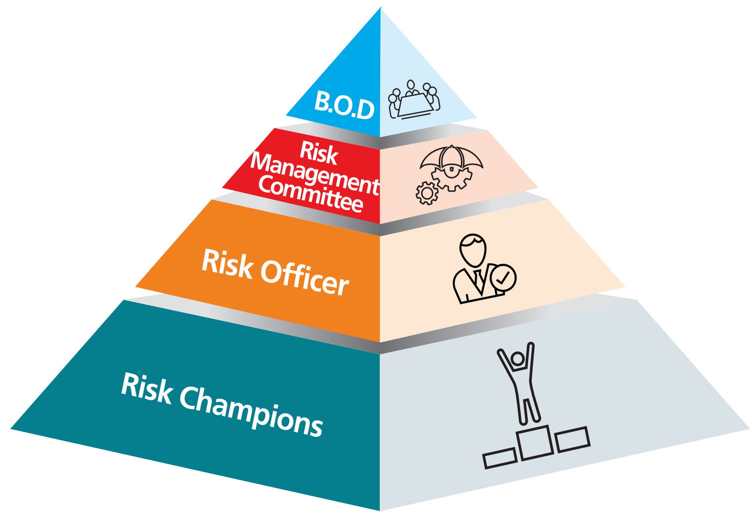
The management of your Company firmly believes in adherence to the best corporate governance practices and its reporting thereof is committed to generate greater value for the organization and its stakeholders.

Enterprise Risk Management - ERM

ERM function was established in 2017 is overseen by Risk Management and Compliance Committee to identify and monitor overall risks. Your Company is committed to enhancing its overall profitability through optimization of value added activities, while maintaining a strong risk-adjusted capitalization.

Your Company has further strengthened its risk management function through embedding ERM with the decision making along with nurturing ERM culture within its processes.

Hierarchical chart depicting the risk reporting structure:



ERM program uses a holistic & centralize approach to identify, quantify, manage and report key risks to the management. The risk framework, governance and risk appetite statement provides basis to our ERM program. ERM program is approved by the Board of Directors and considers all major categories of risks such as strategic, operational, financial and insurance risks. The objectives of the Company's ERM program is to:

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

ERM function uses a systematic approach to identify, quantify, manage and report key risks of the Company to the management:

Understanding the Context: Understanding the needs of external and internal stakeholder of the Company and their objectives

Identify Risks: Identify all risks with their likelihood and severity

Quantify Risks: Quantify the risks and determine key risks to the Company

Decision Making: Compare the level of risks to the risk limits and to make decisions and control the risks

Reporting Key Risks: Report key risks to the ERM committee and Board of Directors

Risk Identification, Evaluation and Management Opportunities

Risk is a multi-dimensional phenomenon and a constant feature of everyday life. Fires, accidents, thefts, explosions, natural calamities and terrorism are the more common types of risk the community faces.

The dimensions and effects of such loss events have since long assumed major significance for whole economies. The question of how to predict and prevent such risks is accordingly the subject of intensive discussion both in the political sphere and among the public at large.

The complex realities of modern economic life and the growing awareness of the public at large place increasing demand on companies to pursue appropriate and far-sighted policies about risk. The same applies to insurers in determining their underwriting policies. The rapid development of new technologies and the changing nature of production processes necessitate a constant analysis of risk profiles. Both entrepreneurs and insurers therefore face enormously increased need for analytical and advisory services.

EFU works closely with clients to identify various risk exposures and then provide specific insurance proposals. This helps in loss prevention and reducing the cost of protection.

Our market-driven team of inspired and technically qualified insurance personnel, comprises specialists in civil and mechanical engineering, metallurgy, electronics, and other disciplines. They are on call for necessary professional advice at all times. Our linkages with overseas specialists are of major value to our clients. In addition to insurance protection, it is our practice to provide risk reduction advice to clients and assist them in developing preventive capabilities to avert mishaps and disasters.

BUSINESS RISKS

The Company continuously monitors and controls risks to the business.

Risk Factors

Risk factors refers to those factors that have material impact on achieving Company's objectives and financial position. Various risks are identified through enterprise risk management framework. The risks that cannot be known which may affect Company's operational and financial results are:

Actual Claims Exceed Loss Reserves

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

The estimation of these reserves is based on many complex variables such as the current legal and regularity environment, settlements procedures, inflation and the severity and likelihood of the claims. The amount and timing of the settlement of the claims are uncertain and therefore, the actual payments could vary from the calculated loss reserves. In case, reserves are lower than the required, we estimate reserves on fair basis and could have consequential impact on income and shareholders' equity capital.

Premium Risk

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

Natural Disasters

Our Company has exposure to losses resulting from catastrophes which can be caused by various events such as earthquake, terrorism, political instability and other natural or man-made catastrophes. The severity and likelihood of these catastrophes is unpredictable and can have significant impact on operational results. Furthermore, the change in climate may increase the severity and frequency of the natural disasters which can have consequential impact on results. The occurrence of one or more such events can have adverse implications on operations results and financial position.

Emerging Claims

As a result of unexpected change in the external landscape such as regulatory, judicial, financial, technological, climatic changes as well as insurance industry practices may lead to unexpected claims and coverage. These issue may increase either the frequency or the claim severity that could pose a significant risk. In some instances, these changes may not become apparent till finally assessed and / or settled. Therefore, full extent of liability under insurance or reinsurance contracts may not be known for many years after coverage of risks.

Reinsurance Risk

We purchase reinsurance from high rated reinsurance companies, however there is a chance of nonpayment of claims by the reinsurer due to either their inability, insolvency or unwillingness.

Credit Risk

The Company monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in several industries and by continually assessing the credit worthiness of counter parties.

Investment Risk

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

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

Interest Rate Risk

Interest rates are sensitive to many factors, including inflation, monetary and fiscal policies, and domestic and international political conditions. Changing interest rates could impact the performance of investment portfolio. We take necessary measures to mitigate/minimize the interest rate risks, however, may not be able to accurately mitigate interest rate sensitivity.

Liquidity Risk

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

Credit Downgrade Rating Risk

A decline in credit rating could have manifold implications. For example, a downgrade in credit rating could affect our customers resulting in premium losses and hence earning of the Company.

Operational

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

Political Uncertainty

Your Company, like other business could have impact of Political uncertainty on operational results, liquidity, financial condition and stock price.

IT Risk

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

Model Risk

We use various statistical models to assist our decision making in key areas such as claims, reserving, and catastrophe risks but actual results could differ materially from the model outputs and related analyses. These models are developed on the basis of several assumptions which could be different from actual experience and hence expose us to risk of loss.

Employee Error and Misconduct

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

Strategic

Insurance markets are highly competitive. This could reduce our profit margins and may have adverse implications for income and shareholders' equity.

Advancements in technology are taking place in marketing, underwriting, distribution channels, claims, and operations at a rapid pace.

Tax

Tax reforms in the country may increase our taxes which could adversely affect our income and income of our shareholders.

Opportunity Report

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

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

Materiality Approach

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

Key Sources of Estimating Uncertainty

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

Provision for unearned premiums

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

Premium deficiency reserve (liability adequacy test)

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

Provision for outstanding claims (including IBNR)

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

Employees' retirement benefits

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

Deferred taxation

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

Investments

As required by Insurance Rules, 2017, your Company has commenced recording Investment in equities and fixed income securities at fair value effective January 2018. As a consequence, the Investments in Subsidiary is now accounted for at fair value and classified as available-for-sale investments in the unconsolidated condensed interim financial statements. The Company has changed its accounting policies for determination of income from Subsidiary / Associates from equity method of accounting to dividend accrual basis.

Both changes in accounting policies have been applied retrospectively in accordance with the requirement of IAS. The comparatives have been restated accordingly.

Impairment in value of investments

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

Investment properties

In 2018, the Company has changed its accounting policy for valuation of Investment properties from cost model to fair value model in accordance with IAS 40 - Investment Property.

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

Useful lives of fixed assets

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

Premium due but unpaid

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

Sensitivity Analysis of Company's Profitability

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

Underwriting - net of reinsurance

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

Claims

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

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

Expenses

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

Investment Income

Equity Securities

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

Fixed Income Securities

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

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

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

Structural challenges could have impact on the business potential.

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

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

Sensitivity to the Fluctuation in Foreign Currency Exchange Rate

The Company, at present is not materially exposed to the fluctuation of the foreign currency exchange rates as majority of the operations are carried out in Pakistani Rupees, hence the amount of assets, liabilities, revenues and expenditures are not sensitive to the fluctuation in exchange rates of foreign currencies. During the year, the Company has recorded exchange gain of Rs. 26.5 million (2018: Rs. 45.2 million) which is 0.69 % (2018: 1.39 %) of the profit before tax.

Operations in Export Processing Zone (EPZ)

The Company operates through 54 branches (2018: 53) in Pakistan including a branch in Export Processing Zone (EPZ) and a branch in Gwadar Free Zone providing Insurance services to the entities situated there. A change in USD exchange rate may increase or decrease the value of the Assets and Liabilities in EPZ which are reported by the Company in the financial statements after translating the same into local currency. The Gross Written Premium (GWP) of EPZ branch is Rs. 23 million which is (0.10 %) of the total GWP.

Reinsurance payments and recoveries

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

Overseas Claims Payment

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

Key Financial Data

(Rupees in Million)

	2019	2018	2017	2016	2015	2014
Written Premium (including Takaful Contribution)	22 064	20 813	20 405	17 195	15 214	14 514
Earned Premium	18 984	18 923	17 730	15 435	14 648	14 269
Net Premium Revenue	7 460	7 562	7 615	7 243	6 677	6 532
Underwriting Result	505	1 307	1 632	1 789	1 053	1 316
Investment & Other Income	2 808	1 995	1 774	2 043	4 058	1 584
Profit before tax	3 827	3 262	3 662	3 781	4 809	2 262
Profit after tax	2 609	2 171	2 500	2 392	4 034	1 829
Paid-up Capital	2 000	2 000	2 000	2 000	1 600	1 600
Shareholders' Equity	19 296	19 298	20 841	21 084	15 847	13 111
Breakup Value per Share (Rs.)	96.48	96.49	104.21	105.42	99.04	81.94
Earnings per Share (Rs.)	13.04	10.86	12.50	11.96	12.79	11.43
Investments & Properties*	25 881	25 483	28 224	26 260	19 914	16 459
Cash & Bank Balances*	1 192	1 267	1 164	1 196	1 192	922
Total Assets*	45 699	42 869	43 654	41 343	32 264	29 227
Dividend (%)	100.00	100.00	100.00	100.00	75.00	60.00
Bonus (%)	–	–	–	–	25.00	–

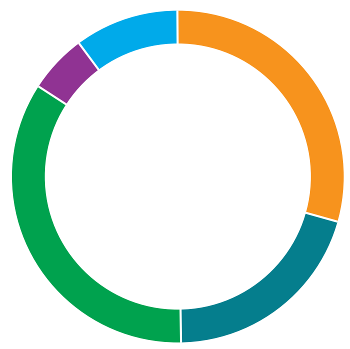
* The latest four years are based on market value, whereas, the earlier two years are based on book value.

Statement of Value Added

Rupees in Million

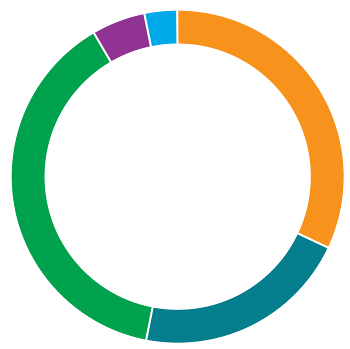
	2019	2018
Wealth generated		
Net premium revenue	7 460	7 562
Investment income	2 262	1 612
Rental income	112	104
Other income	803	165
	10 637	9 443
Less: Claims, Commission & Expenses (excluding employees remuneration, depreciation and donations)	(4 907)	(4 375)
Profit from general takaful operations - OPF	214	117
Net wealth generated	5 944	5 185
Wealth distribution		
Employees remuneration	1 746	1 650
Income tax	1 219	1 091
Contribution to society / donations	13	16
	2 978	2 757
Distribution		
Cash Dividend	2 000	2 000
	2 000	2 000
Retained in equity		
Depreciation	338	263
Retained earnings	628	165
	966	428
	5 944	5 185

Value Added - 2019



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

Value Added - 2018



Employees Remuneration	32 %
Income Tax	21 %
Distribution	39 %
Depreciation	5 %
Retained Earnings	3 %
Total	**100 %**

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

Rupees in Million

	2019		2018		2017		2016		2015		2014	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%
Statement of Financial Position												
Assets												
Property, plant and equipment	2 967	6.49	2 616	6.10	1 289	2.95	1 147	2.78	1 101	3.41	920	3.15
Investment property	2 341	5.12	1 879	4.38	1 847	4.23	1 548	3.74	191	0.59	213	0.73
Investments in subsidiary / associate	10 169	22.25	9 898	23.08	10 999	25.20	9 285	22.46	11 571	35.86	9 325	31.90
Investments												
Equity Securities	3 271	7.16	4 970	11.59	6 419	14.71	9 493	22.96	4 885	15.14	3 758	12.86
Debt Securities	9 655	21.13	8 229	19.20	8 527	19.53	5 262	12.73	2 711	8.40	2 565	8.77
Term Deposits	444	0.97	507	1.19	431	0.99	672	1.63	557	1.73	599	2.05
Loans and other receivables	259	0.57	100	0.23	119	0.27	243	0.59	229	0.71	255	0.87
Insurance / reinsurance receivables	4 013	8.78	3 577	8.34	2 819	6.46	3 998	9.67	2 232	6.92	3 390	11.60
Reinsurance recoveries against outstanding claims	4 082	8.93	3 363	7.85	3 539	8.11	3 425	8.28	3 302	10.23	3 186	10.90
Salvage recoveries accrued	45	0.10	42	0.10	68	0.16	37	0.09	42	0.13	26	0.09
Deferred commission expense	599	1.31	601	1.40	690	1.58	565	1.37	542	1.68	562	1.92
Retirement benefit	30	0.07	–	–	–	–	–	–	–	–	–	–
Taxation - payments less provision	22	0.05	–	–	110	0.25	–	–	–	–	–	–
Prepayments	5 851	12.80	5 199	12.13	5 202	11.92	4 207	10.18	3 604	11.17	3 507	12.00
Cash and bank	1 192	2.61	1 267	2.95	1 164	2.67	1 196	2.89	1 192	3.69	922	3.15
Total Assets	44 940	98.34	42 248	98.55	43 223	99.01	41 077	99.36	32 158	99.67	29 227	100.00
Total assets of window takaful operations - Operator's Fund	760	1.66	621	1.45	431	0.99	266	0.64	106	0.33	–	–
Total Assets	**45 699**	**100.00**	**42 869**	**100.00**	**43 654**	**100.00**	**41 343**	**100.00**	**32 264**	**100.00**	**29 227**	**100.00**
Equity and Liabilities												
Capital and reserves attributable to Company's equity holders												
Ordinary Share Capital	2 000	4.38	2 000	4.67	2 000	4.58	2 000	4.84	1 600	4.96	1 600	5.47
Reserves	15 766	34.50	14 523	33.88	15 639	35.82	15 444	37.35	10 513	32.58	9 513	32.55
Unappropriated profit	1 530	3.35	2 775	6.47	3 202	7.34	3 640	8.81	3 734	11.57	1 998	6.84
Total Equity	19 296	42.22	19 298	45.02	20 841	47.74	21 084	51.00	15 847	49.12	13 111	44.86
Surplus on revaluation of property and equipment	1 000	2.19	859	2.00	–	–	–	–	–	–	–	–
Liabilities												
Underwriting provisions												
Outstanding claims including IBNR	6 273	13.73	5 177	12.08	5 572	12.76	5 415	13.10	4 463	13.83	5 652	19.34
Unearned premium reserves	9 144	20.01	8 354	19.49	8 497	19.46	7 389	17.87	6 724	20.84	6 364	21.77
Unearned reinsurance commission	431	0.94	395	0.92	462	1.06	344	0.83	342	1.06	296	1.01
Retirement benefit obligation	–	–	63	0.15	72	0.16	1	0.00	58	0.18	46	0.16
Deferred taxation	668	1.46	825	1.92	1 123	2.57	1 337	3.23	127	0.39	117	0.40
Premium received in advance	68	0.15	57	0.13	31	0.07	5	0.01	5	0.02	5	0.02
Insurance / reinsurance payables	6 068	13.28	5 333	12.44	4 992	11.44	3 585	8.67	2 947	9.14	2 070	7.08
Other creditors and accruals	2 356	5.16	2 055	4.79	1 814	4.16	1 844	4.46	1 585	4.91	1 518	5.19
Taxation - provision less payments	–	–	47	0.11	–	–	206	0.50	107	0.33	48	0.17
Total Liabilties	25 009	54.73	22 304	52.03	22 563	51.69	20 125	48.68	16 358	50.70	16 116	55.14
Total Equity and Liabilities	45 305	99.14	42 462	99.05	43 405	99.43	41 208	99.67	32 205	99.82	29 227	100.00
Total liabilities of window takaful operations - Operator's Fund	394	0.86	408	0.95	250	0.57	135	0.33	59	0.18	–	–
Total Equity and Liabilities	**45 699**	**100.00**	**42 869**	**100.00**	**43 654**	**100.00**	**41 343**	**100.00**	**32 264**	**100.00**	**29 227**	**100.00**

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

Rupees in Million

	2019		2018		2017		2016		2015		2014	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%
Profit and Loss Account												
Written Premium	**19 774**	**–**	**18 780**	**–**	**18 838**	**–**	**16 100**	**–**	**15 008**	**–**	**14 514**	**–**
Net Premium Revenue	**7 460**	**100.00**	**7 562**	**100.00**	**7 615**	**100.00**	**7 243**	**100.00**	**6 677**	**100.00**	**6 532**	**100.00**
Net Insurance Claims	(3 549)	(47.57)	(3 089)	(40.85)	(2 975)	(39.07)	(2 694)	(37.20)	(2 998)	(44.90)	(2 973)	(45.51)
Net Commission	(556)	(7.45)	(588)	(7.77)	(662)	(8.69)	(588)	(8.12)	(620)	(9.28)	(761)	(11.65)
Total Insurance claims and acquisition expenses	(4 105)	(55.03)	(3 677)	(48.62)	(3 637)	(47.76)	(3 282)	(45.32)	(3 618)	(54.18)	(3 734)	(57.16)
Management Expenses	(2 849)	(38.19)	(2 579)	(34.10)	(2 346)	(30.80)	(2 172)	(29.98)	(2 007)	(30.06)	(1 482)	(22.69)
Underwriting Results	505	6.77	1 307	17.28	1 632	21.44	1 789	24.70	1 052	15.76	1 316	20.15
Investment Income	2 262	30.32	1 612	21.32	1 512	19.86	1 877	25.92	1 919	28.74	1 434	21.96
Rental Income	112	1.50	104	1.38	97	1.27	141	1.94	130	1.95	119	1.82
Other Income	219	2.94	161	2.13	118	1.54	19	0.26	26	0.39	31	0.47
Non-Recurring - reversal of provision for impairment	–	–	–	–	–	–	–	–	1 987	29.76	–	–
Changes in fair value of investment property	434	5.82	11	0.14	299	3.92	–	–	–	–	–	–
Other Expenses	(51)	(0.68)	(50)	(0.66)	(43)	(0.57)	(50)	(0.70)	(302)	(4.52)	(638)	(9.77)
Results of operating activities	3 482	46.68	3 145	41.59	3 615	47.47	3 775	52.13	4 812	72.07	2 262	34.63
Finance costs	(14)	(0.19)	–	–	–	–	–	–	–	–	–	–
Reversal of workers' welfare fund	146	1.96	–	–	–	–	–	–	–	–	–	–
Profit from window takaful operations - Operator's Fund	214	2.87	117	1.55	47	0.62	6	0.08	(3)	(0.05)	–	–
Profit before Tax	3 827	51.30	3 262	43.14	3 662	48.09	3 781	52.21	4 809	72.02	2 262	34.63
Income Tax Expense	(1 219)	(16.34)	(1 091)	(14.43)	(1 161)	(15.25)	(1 389)	(19.18)	(775)	(11.61)	(433)	(6.63)
Profit after Tax	**2 609**	**34.97**	**2 171**	**28.71**	**2 500**	**32.84**	**2 392**	**33.03**	**4 034**	**60.41**	**1 829**	**28.00**

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

Rupees in Million | % Increase / (decrease) over preceding year

	2019	2018	2017	2016	2015	2014	2019	2018	2017	2016	2015	2014
Statement of Financial Position												
Assets												
Property, plant and equipment	2 967	2 616	1 289	1 147	1 101	920	13.42	102.94	12.38	4.17	19.67	6.97
Investment property	2 341	1 879	1 847	1 548	191	213	24.59	1.73	19.31	710.47	(10.33)	(7.40)
Investments in subsidiary / associate	10 169	9 898	10 999	9 285	11 571	9 325	2.74	(10.02)	18.45	(19.76)	24.08	1.45
Investments												
Equity Securities	3 271	4 970	6 419	9 493	4 885	3 758	(34.19)	(22.58)	(32.39)	94.32	29.98	(28.22)
Debt Securities	9 655	8 229	8 527	5 262	2 711	2 565	17.33	(3.50)	62.04	94.09	5.69	645.63
Term Deposits	444	507	431	672	557	599	(12.43)	17.63	(35.87)	20.64	(7.02)	(25.22)
Loans and other receivables	259	100	119	243	229	255	159.00	(15.97)	(51.03)	6.11	(10.20)	207.22
Insurance / reinsurance receivables	4 013	3 577	2 819	3 998	2 232	3 390	12.19	26.88	(29.49)	79.12	(34.16)	(18.08)
Reinsurance recoveries against outstanding claims	4 082	3 363	3 539	3 425	3 302	3 186	21.38	(4.98)	3.32	3.72	3.64	10.28
Salvage recoveries accrued	45	42	68	37	42	26	7.14	(38.24)	83.78	(11.91)	61.53	85.71
Deferred commission expense	599	601	690	565	542	562	(0.33)	(12.90)	22.12	4.24	(3.56)	(1.06)
Retirement benefit	30	–	–	–	–	–	100.00	–	–	–	–	–
Taxation - payments less provision	22	–	110	–	–	–	100.00	(100.00)	100.00	–	–	(100.00)
Prepayments	5 851	5 199	5 202	4 207	3 604	3 507	12.54	(0.06)	23.65	16.73	2.76	6.53
Cash and bank	1 192	1 267	1 164	1 196	1 192	922	(5.92)	8.84	(2.68)	0.33	29.28	(28.14)
Total Assets	44 940	42 248	43 223	41 077	32 158	29 227	6.37	(2.26)	5.22	27.73	10.02	1.00
Total assets of window takaful operations - Operator's Fund	760	621	431	266	106	–	22.38	44.08	62.03	150.94	100.00	–
Total Assets	**45 699**	**42 869**	**43 654**	**41 343**	**32 264**	**29 227**	**6.60**	**(1.80)**	**5.58**	**28.13**	**10.39**	**1.00**

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

	Rupees in Million						% Increase / (decrease) over preceding year					
	2019	2018	2017	2016	2015	2014	2019	2018	2017	2016	2015	2014
Equity and Liabilities												
Capital and reserves attributable to Company's equity holders												
Ordinary share capital	2 000	2 000	2 000	2 000	1 600	1 600	–	–	–	25.00	–	28.00
Reserves	15 766	14 523	15 639	15 444	10 513	9 513	8.56	(7.14)	1.26	46.90	10.51	5.54
Unappropriated profit	1 530	2 775	3 202	3 640	3 734	1 998	(44.86)	(13.34)	(12.04)	(2.52)	86.88	21.45
Total Equity	19 296	19 298	20 841	21 084	15 847	13 111	(0.01)	(7.41)	(1.16)	33.04	20.86	10.10
Surplus on revaluation of property and equipment	1 000	859	–	–	–	–	16.41	100.00	–	–	–	–
Liabilities												
Underwriting provisions												
Outstanding claims including IBNR	6 273	5 177	5 572	5 415	4 463	5 652	21.17	(7.09)	2.89	21.33	(21.04)	(14.65)
Unearned premium reserves	9 144	8 354	8 497	7 389	6 724	6 364	9.46	(1.69)	15.00	9.88	5.65	4.02
Unearned reinsurance commission	431	395	462	344	342	296	9.11	(14.51)	34.30	0.58	15.54	3.13
Retirement benefit obligation	–	63	72	1	58	46	(100.00)	(12.50)	7 100.00	(98.29)	26.08	43.75
Deferred taxation	668	825	1 123	1 337	127	117	(19.03)	(26.54)	(16.01)	952.75	8.54	36.04
Premium received in advance	68	57	31	5	5	5	19.30	83.87	520.00	–	–	(44.45)
Insurance / reinsurance payables	6 068	5 333	4 992	3 585	2 947	2 070	13.78	6.83	39.24	21.64	42.36	(11.96)
Other creditors and accruals	2 356	2 055	1 814	1 844	1 585	1 518	14.65	13.28	(1.63)	16.34	4.41	(0.40)
Taxation - provision less payments	–	47	–	206	107	48	(100.00)	100.00	(100.00)	92.52	122.91	100.00
Total Liabilties	25 009	22 304	22 563	20 125	16 358	16 116	12.13	(1.15)	12.11	23.02	1.50	(5.38)
Total Equity and Liabilities	45 305	42 461	43 404	41 208	32 205	29 227	6.70	(2.18)	5.33	27.95	10.18	1.00
Total liabilities of window takaful operations - Operator's Fund	394	408	250	135	59	–	(3.43)	63.20	85.18	128.81	100.00	–
Total Equity and Liabilities	**45 699**	**42 869**	**43 654**	**41 343**	**32 264**	**29 227**	**6.60**	**(1.80)**	**5.58**	**28.13**	**10.39**	**1.00**
Profit and Loss Account												
Written Premium	19 774	18 780	18 838	16 100	15 008	14 514	5.29	(0.31)	17.00	7.27	3.40	4.55
Net Premium Revenue	7 460	7 562	7 615	7 243	6 677	6 532	(1.35)	(0.70)	5.13	8.47	2.21	3.00
Net Insurance Claims	(3 549)	(3 089)	(2 975)	(2 694)	(2 998)	(2 973)	14.89	3.83	10.43	(10.15)	0.84	(12.72)
Net Commission	(556)	(588)	(662)	(588)	(620)	(761)	(5.44)	(11.18)	12.58	(5.17)	(18.53)	(3.55)
Total Insurance claims and acquisition expenses	(4 105)	(3 677)	(3 637)	(3 282)	(3 618)	(3 734)	11.64	1.09	10.81	(9.29)	(3.11)	(10.99)
Management Expenses	(2 849)	(2 579)	(2 346)	(2 172)	(2 007)	(1 482)	10.47	9.93	8.01	8.22	35.42	7.78
Underwriting Results	505	1 307	1 632	1 789	1 052	1 316	(61.36)	(19.92)	(8.78)	70.05	(20.07)	70.46
Investment Income	2 262	1 612	1 512	1 877	1 919	1 434	40.32	6.61	(19.45)	(2.19)	33.82	11.68
Rental Income	112	104	97	141	130	119	7.69	7.21	(31.21)	8.46	9.24	17.82
Other Income	219	161	118	19	26	31	36.02	36.44	521.05	(26.93)	(16.13)	34.78
Non-Recurring - reversal of provision for impairment	–	–	–	–	1 987	–	–	–	–	(100.00)	100.00	–
Changes in fair value of investment property	434	11	299	–	–	–	3 845.45	(96.33)	100.00	–	–	–
Other Expenses	(51)	(50)	(43)	(50)	(302)	(638)	2.00	16.27	(14.00)	(83.45)	(52.67)	14.54
Results of operating activities	3 482	3 145	3 615	3 775	4 812	2 262	10.72	(13.01)	(4.24)	(21.56)	112.73	39.37
Finance costs	(14)	–	–	–	–	–	(100.00)	–	–	–	–	–
Reversal of workers' welfare fund	146	–	–	–	–	–	100.00	–	–	–	–	–
Profit from window takaful operations - Operator's Fund	214	117	47	6	(3)	–	82.91	148.93	683.33	300.00	(100.00)	–
Profit before Tax	3 827	3 262	3 662	3 781	4 809	2 262	17.32	(10.93)	(3.15)	(21.38)	112.59	39.37
Income Tax Expense	(1 219)	(1 091)	(1 161)	(1 389)	(775)	(433)	11.73	(6.03)	(16.42)	79.23	78.98	87.44
Profit after Tax	**2 609**	**2 171**	**2 500**	**2 392**	**4 034**	**1 829**	**20.18**	**(13.16)**	**4.51**	**(40.70)**	**120.55**	**31.39**

Cash Flow Summary

Rupees in Million

	2019	2018	2017	2016	2015	2014
Cash Flow Summary						
Operating Activities	864	20	3 096	826	1 342	(214)
Investing Activities	1 152	2 016	(1 015)	582	136	295
Financing Activities	(2 091)	(1 934)	(2 113)	(1 289)	(1 250)	(643)
Cash and Cash Equivalents at year end	1 192	1 267	1 164	1 196	1 192	922

Financial Ratios

Rupees in Million

		2019	2018	2017	2016	2015	2014
Profitability							
Profit after Tax / Net Insurance Premium	%	34.97	28.71	32.84	33.03	30.66	28.00
Profit before Tax / Net Insurance Premium	%	51.31	43.14	48.09	52.21	42.27	34.63
Underwriting Result / Net Insurance Premium	%	6.77	17.28	21.44	24.70	15.76	20.15
Underwriting Result / Written Premium	%	2.55	6.96	8.67	11.11	7.01	9.07
Profit before Tax / Total Income	%	35.77	34.10	37.80	40.72	32.26	27.87
Profit after Tax / Total Income	%	24.38	22.69	25.81	25.77	23.40	22.54
Profit before Tax / Written Premium	%	19.35	17.37	19.44	23.48	18.80	15.59
Profit after Tax / Written Premium	%	13.19	11.56	13.27	14.86	13.64	12.60
Combined Ratio	%	92.16	83.38	79.13	76.00	88.75	89.61
Management Expenses / Net Insurance Premium	%	38.20	34.10	30.80	29.98	30.05	22.69
Net Claims / Net Insurance Premium	%	47.57	40.85	39.07	37.20	44.90	45.51
Net Commission / Net Insurance Premium	%	7.45	7.77	8.69	8.12	9.28	11.65
Other Expenses / Net Insurance Premium	%	(1.08)	0.66	0.57	0.70	4.52	9.77
Return to Share Holders							
Return on Assets *	%	5.71	5.06	5.73	5.79	6.34	6.26
Return on Equity *	%	12.85	10.77	12.00	11.35	12.92	13.95
Earnings per Share *	Rs.	13.04	10.86	12.50	11.96	12.79	11.43
Earnings Growth *	%	20.07	(13.12)	4.52	(6.49)	11.90	31.38
Price to Earnings Ratio *	Times	8.46	9.21	12.23	12.62	11.22	13.37
Dividend Yield	%	9.07	10.00	6.54	6.62	5.23	3.92
Breakup Value per Share	Rs.	96.48	96.49	104.21	105.42	99.04	81.94

Rupees in Million

		2019	2018	2017	2016	2015	2014
Market Data							
Face Value (per share)	Rs.	10.00	10.00	10.00	10.00	10.00	10.00
Market Price per share at the end of the year	Rs.	110.30	100.00	152.90	151.00	143.50	152.89
Market Price per share - Highest during the year	Rs.	127.65	157.99	175.01	179.21	168.06	159.48
Market Price per share - Lowest during the year	Rs.	67.50	99.76	133.17	116.71	133.78	92.22
KSE 100 Index	Points	40 735	37 067	40 471	47 807	32 816	32 131
Market Capitlization	(Rs. M)	22 060	20 000	30 580	30 200	22 960	24 462
Price to Book Value	Times	1.14	1.04	1.47	1.43	1.45	1.87
Cash Dividend per Share	Rs.	10.00	10.00	10.00	10.00	7.50	6.00
Cash Dividend	%	100.00	100.00	100.00	100.00	75.00	60.00
Stock Dividend	%	–	–	–	–	25.00	–
Dividend Pay out as a % of profit after tax	%	76.69	92.08	80.00	83.61	58.64	52.49
Dividend Cover	Times	1.30	1.09	1.25	1.20	1.71	1.91
Performance / Liquidity							
Current Ratio	Times	1.22	1.30	1.36	1.55	1.19	1.17
Cash / Current Liabilities	%	4.82	5.79	5.37	6.32	7.32	5.76
Total Assets Turnover	Times	0.16	0.18	0.17	0.18	0.21	0.22
Fixed Assets Turnover	Times	6.13	5.67	5.73	5.71	4.83	4.47
Total Liabilities / Equity	Times	1.32	1.16	1.08	0.95	1.03	1.23
Paid-up Capital / Total Assets	%	42.22	45.02	47.74	51.00	49.12	44.86
Earning Assets / Total Assets	%	57.20	59.68	64.92	64.10	62.43	57.19
Equity / Total Assets	%	42.22	45.02	47.74	51.00	49.12	44.86
Return on Capital Employed	%	19.83	16.90	17.57	17.93	17.81	17.25

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

Free Cash Flow

Rupees in Million

Particulars	2019	2018
Net cash flow from operating activities	864	20
Net cash generated from investing activities	1 152	2 016
Net cash used in financing activities	(2 091)	(1 934)
Free Cash Flow	**(75)**	**102**

Economic Value Added

	2019	2018
Net operating profit after tax	2 609	2 171
Less: Cost of capital	–	–
Economic Value Added	**2 609**	**2 171**

Indicators and Performance Measures

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

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

Assumptions in Compiling Indicators

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

Comments on Key Financial Data

Performance Ratios

The claim ratio for the year increased to 47.6 % from 40.9 % last year on the back of higher claims in an uncertain macroeconomic environment. Owing to this, the combined ratio increased to 92.2 % as compared to 83.4 % last year.

On the back of overall inflationary pressure in the economy, the management expense ratio has increased by 4 % to reach 38.2 %.

The return on equity in 2019 has slightly improved to 12.9 % as compared to last year 10.8 % despite high claims experience and decline in stock market witnessed during this year.

Despite the challenging macroeconomic landscape, Company managed to improve its return on capital employed which registered at six years high of 19.8 % as compared to 16.9 % last year.

Likewise, profit before tax and profit after tax grew at 17.3 % and 20.1 % year-on-year respectively, underscoring the overall strength of the company despite challenging economic scenarios.

The Company has been maintaining a healthy dividend payout ratio.

Balance sheet

The Company's assets increased by 6.6 % to Rs. 45.7 billion from Rs. 42.8 billion last year.

The total equity of the Company stood at Rs. 20.3 billion depicting increase of 55 % over the last five years.

Profit and loss Account

During the year, gross written premium (including takaful contribution) continued its growth trajectory to clock in at Rs. 22.1 billion as against Rs. 20.8 billion last year.

The slight decline in net premium revenue was because of challenging business scenarios and lower retention ratio in large infrastructure projects.

The increased losses impacted the underwriting profits to Rs. 505 million.

Given the vigilant and dynamic investment strategies of the Company, investment & other income has been growing at a steady rate. For the year, investment & other income has clocked in at Rs. 2.8 billion, showing year-on-year increase of 41.0 % despite the heightened volatility in equities markets.

Profit before tax and profit after tax have continued to grow at 17.3 % and 20.1 % year-on-year respectively, underscoring the overall strength of the Company.

Analysis of Financial Statements

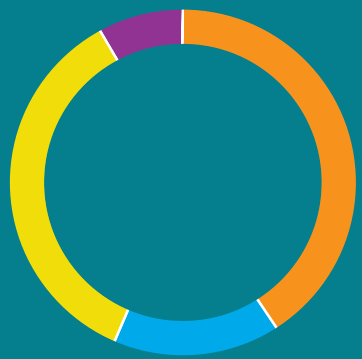
Gross Premium - 2019

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

Gross Premium - 2018

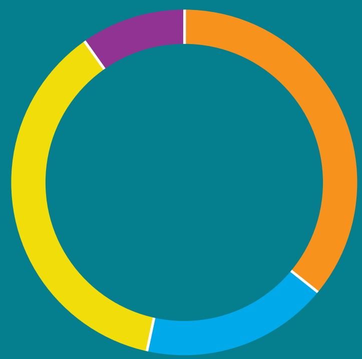
Fire & Property Damage	60 %
Marine, Aviation & Transport	13 %
Motor	19 %
Others	8 %
Total	**100 %**

Gross Claims - 2019



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

Gross Claims - 2018



Fire & Property Damage	36 %
Marine, Aviation & Transport	18 %
Motor	37 %
Others	9 %
Total	**100 %**

Combined Expenses - 2019

Net Claims	52 %
Net Commission	8 %
Expenses	40 %
Total	**100 %**

Combined Expenses - 2018

Net Claims	49 %
Net Commission	10 %
Expenses	41 %
Total	**100 %**

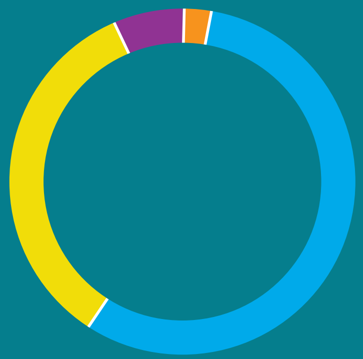
Analysis of Income - 2019

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

Analysis of Income - 2018

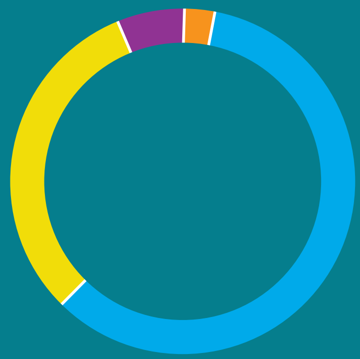
Underwriting Profit	40 %
Investment & Other Income	60 %
Total	**100 %**

Total Assets - 2019



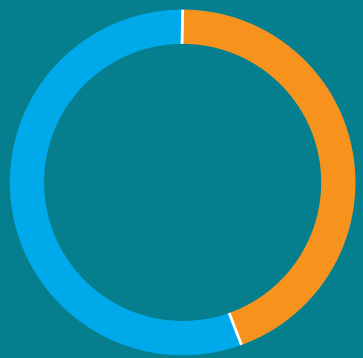
Cash & Bank Deposits	3 %
Investment & Property	57 %
Other Assets including Reinsurance Recoveries	34 %
Fixed Assets	6 %
Total	**100 %**

Total Assets - 2018



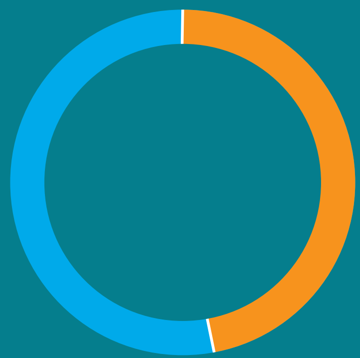
Cash & Bank Deposits	3 %
Investment & Property	59 %
Other Assets including Reinsurance Recoveries	32 %
Fixed Assets	6 %
Total	**100 %**

Total Equity & Liabilities - 2019



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

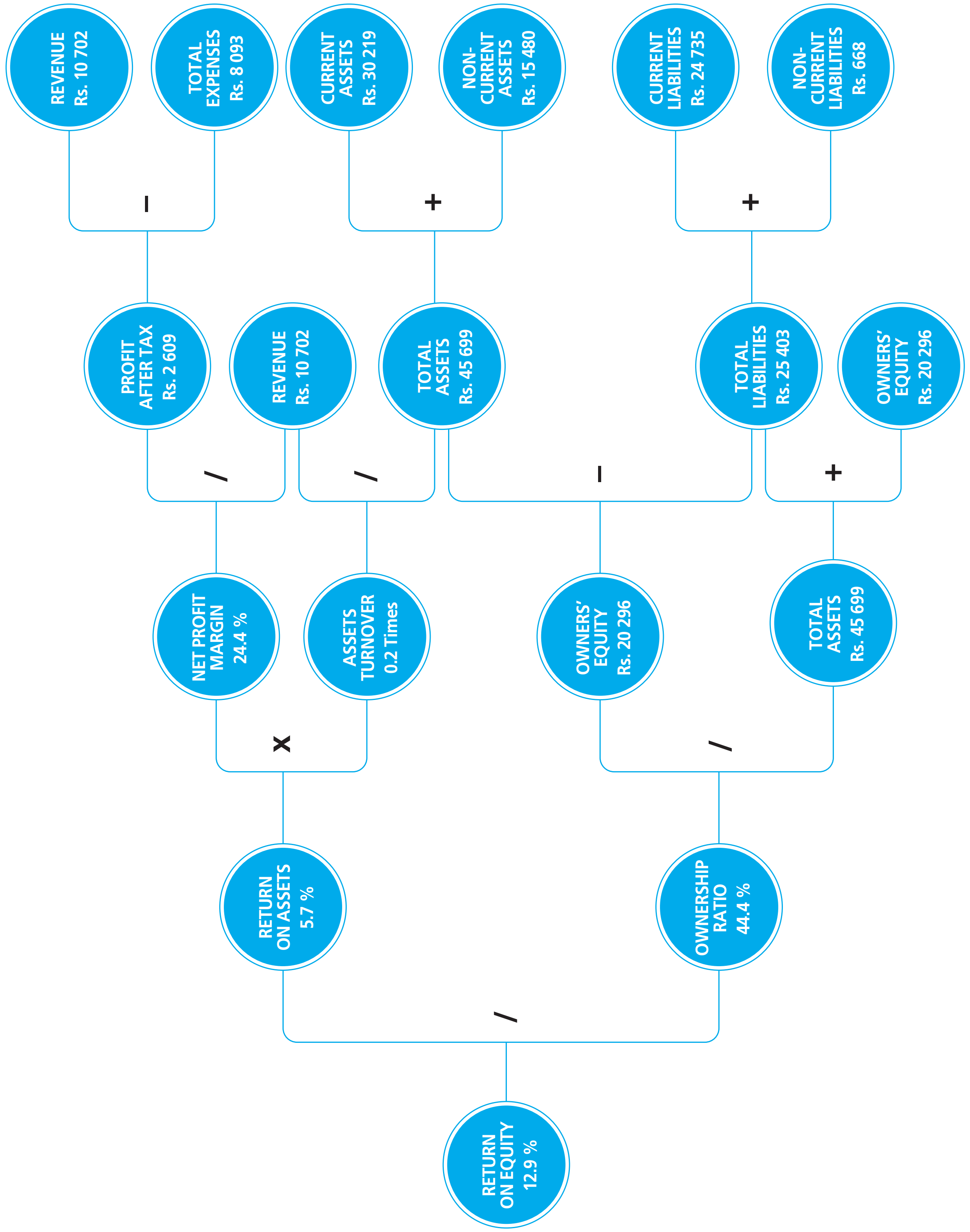
Total Equity & Liabilities - 2018



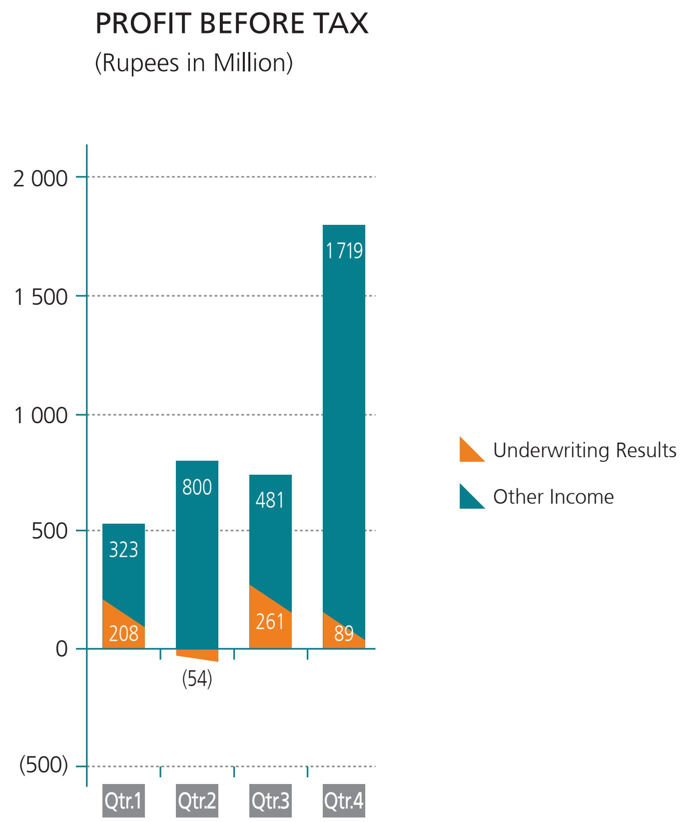
Equity	47 %
Liabilities	53 %
Total	**100 %**

DuPont Analysis

Rupees in Million



Analysis of Variation in Results Reported in Quarterly Accounts



Underwriting Results

During the year, the Company recorded 6 % growth in written premium. The Company had Written Direct Premium and takaful business in Pakistan of Rs. 22.1 billion (inclusive of Rs. 2.3 billion of takaful contribution) as compared to Rs. 20.8 billion (inclusive of Rs. 2.0 billion of takaful contribution) in 2018, while the Net Premium Revenue (including takaful net contribution revenue) grew by 3 % to Rs. 9.4 billion as compared to Rs. 9.1 billion (including takaful net contribution revenue) in 2018. The underwriting results remained subdued during the year mainly due to claims incurred and inflationary impact on the management expenses.

Investment Income and Other Income

The year observed growth of 40 % in Company's investment income mainly in second quarter due to dividend from subsidiary of Rs. 554 million and in fourth quarter largely comprising of capital gains of more than Rs. 400 million. Profit from window takaful operations - Operators' Fund increased by 83 % to Rs. 214 million from 117 million last year.

Profit after Tax

Your Company's profit after tax for the year 2019 was Rs. 2.61 billion as compared to Rs. 2.17 billion in 2018. The earning per share was Rs. 13.04 as against earnings per share of Rs. 10.86 last year.

Report of the Audit Committee For the year ended December 31, 2019

The Board Audit Committee comprises of three non-executive directors and one independent director being Chairman of the committee.

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

1. Four meetings of the Committee were held during the year 2019.
2. The Committee reviewed and approved quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors.
3. The Company issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed by the external auditors of the Company.
4. The Chief Executive Officer and the Chief Financial Officer have endorsed the standalone as well as consolidated financial statements of the Company and the Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements and compliance with regulations and applicable accounting standards.
5. The financial statements have been prepared in accordance with approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, the Insurance Ordinance, 2000 and Insurance Rules, 2017.
6. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
7. Proper books of accounts have been maintained by the Company.
8. The Committee reviewed and approved all related party transactions and recommended them for approval of the Board of Directors.
9. The Committee oversees Company's risk management and internal control framework and reviews their adequacy in relation to the risks faced by the Company. The Company's system of internal control established at all levels is sound in design and is continually evaluated for effectiveness and adequacy.
10. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed Internal Audit department. The Committee reviewed the resources of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function.
11. The role of Internal Audit is to assess risk management processes and internal control as well as to ensure implementation of and compliance with the defined policies and procedures. Internal Audit submits its reports directly to audit committee for appropriate actions with timely follow-up on audit findings to ensure that corrective actions are taken in a timely manner.
12. The Committee on the basis of internal audit reports reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management responses. This has ensured the continual evaluation of controls and improved compliance.

13. The Internal Auditor has full access to the Chairman of the Board Audit Committee, further internal auditor meets senior management to discuss internal audit reports and is fully independent to access the management any time to discuss audit issues in order to make the audit process transparent and effective and ensure that the identified risks are mitigated to safeguard the interest of the Company. The Committee evaluates head of internal audit performance jointly with chief executive.

14. The external auditors KPMG Taseer Hadi & Co, Chartered Accountants had direct access to the Committee and necessary coordination with internal auditors was ensured.

15. The Audit Committee has discussed with the external auditors and management, all the Key matters identified during external audit and has taken appropriate actions accordingly.

16. The Committee assessed the effectiveness of external audit process by evaluating the experience and technical excellence of auditors in the Company's business and the regulatory environment, demonstration of professional integrity and objectivity and timely communications and reports so as to allow committee to take appropriate actions.

17. The Committee recommended to the Board of Directors for appointment of KPMG Taseer Hadi & Co, Chartered Accountants as external auditors and their remuneration for the year ending December 31, 2020.

18. The Committee is of the view that the annual report was fair, balanced and understandable and provide complete information for shareholders to assess the Company's position and performance, business model and strategy.

19. The Committee has complied with all the applicable provisions of Code of Corporate Governance, presence of sufficient commercial and financial experience and knowledge to carry out audit matters and assisted Board by delivering reports on timely basis.

Profile of Shari’ah Advisor - Window Takaful Operations

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

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

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

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

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

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

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

   a: Male: 9

   b: Female: 0

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

Category	Names
Independent Director	Mr. Mohammed Iqbal Mankani
Non-Executive Directors	Mr. Saifuddin N. Zoomkawala
	Mr. Abdul Rehman Haji Habib
	Mr. Taher G. Sachak
	Mr. Ali Raza Siddiqui
	Mr. Saad Bhimjee
	Mr. Daanish Bhimjee
Executive Directors	Mr. Hasanali Abdullah
	Mr. Mahmood Lotia

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

3. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies including this Company.

4. All the resident Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a development financial institution or a non-banking financial institution or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

5. There was no change in Board of Directors of the Company during the year.

6. The Company has prepared a “Statement of Ethics and Business Practices” as Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

8. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and CCG 2019. The decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer, other Executive Director and Key Officers have been taken by the Board.

9. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose and the Board met atleast once in every quarter. The Board has complied with the requirement of the Act and CCG 2019 with respect to frequency, recording and circulating minutes of meeting of Board. Written notices of Board meetings, along with agenda and working papers were circulated atleast seven days before the meeting.

10. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and CCG 2019.

11. All Nine Directors of the Company have acquired certification under the Director's training program from Pakistan Institute of Corporate Governance.
12. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the code.
13. The management of the Company has submitted a Booklet to the Board of Directors during the year to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities. The course Booklet also apprised the Directors about changes in Code of Corporate Governance.
14. There was no change of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year. The Board had approved the remuneration of Chief Financial Officer, Company Secretary and the Head of Internal Audit Department.
15. The Directors' Report for this year has been prepared in compliance with the requirements of the code and CCG 2019 and fully describes the salient matters required to be disclosed.
16. The financial statements of the company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
17. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.
18. The Company has complied with all the corporate and financial reporting requirements of the code and CCG 2019.
19. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

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

Investment Committee:

Name of the Member	Category
Mr. Saifuddin N. Zoomkawala	Chairman - Non Executive Director
Mr. Hasanali Abdullah	Member - Executive Director
Mr. Daanish Bhimjee	Member - Non Executive Director
Mr. Altaf Gokal	Chief Financial Officer
Mr. Atif Anwar	Senior Executive Vice President (Finance)

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

Audit Committee:

Name of the Member	Category
Mr. Mohammed Iqbal Mankani	Chairman - Independent Director
Mr. Taher G. Sachak	Member - Non Executive Director
Mr. Ali Raza Siddiqui	Member - Non Executive Director
Mr. Daanish Bhimjee	Member - Non Executive Director

21. The Board has formed the following Management Committees:

Underwriting Committee:

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

Claim Settlement Committee:

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

Reinsurance & Co-insurance Committee:

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

Risk Management & Compliance Committee:

Name of the Member	Category
Mr. Mahmood Lotia	Chairman
Mr. Altaf Gokal	Member
Mr. Darius H. Sidhwa	Member
Mr. Hameed Qureshi	Member
Mr. Atif Anwar	Member - Secretary
Mr. Ali Ghulam Ali	Member
Mr. Amin Punjani	Member
Mr. Mushtaq Barakzai	Member

The functions of Nominations committee are being performed by the Board.

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

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

24. The Chief Executive Officer, Chief Financial Officer, Company Secretary & Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance function possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
Mr. Hasanali Abdullah	Chief Executive Officer
Mr. Altaf Gokal	Chief Financial Officer
Mr. Amin Punjani	Company Secretary and Compliance Officer
Mr. Ali Ghulam Ali	Head of Internal Audit
Mr. Mahmood Lotia	Head of Underwriting, Claims, Reinsurance and Risk Management
Mr. M. Vaqaruddin	Head of Window Takaful Operations
Mr. Kamran Arshad Inam	Deputy Managing Director - Technical
Mr. Aftab Fakhruddin	Head of Grievance Function

25. The statutory auditors of the company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No, XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of internal audit, Company Secretary or Directors of the Company.

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

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

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

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

30. The Company has been rated by AM Best, PACRA and VIS and the rating assigned by these rating agencies on October 24, 2019, December 24, 2019 and July 30, 2019 respectively. PACRA and VIS has assigned rating of AA+ with stable outlook while AM Best has assigned rating of B+ with positive outlook.

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

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

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

SAAD BHIMJEE	MAHMOOD LOTIA	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

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

المفتى ابراہیم عیسیٰ
خریج الجامعة دار العلوم کراتشی
المشیر الشرعی للامور المالیة الاسلامیة

Annual Shari'ah Review Report
For the year ended 31 December 2019

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

The Company, EFU General Insurance Limited started its Window Takaful Operations on 6th May 2015. By the grace of Allah, the year under review was the fourth successful year of Takaful in EFU General. In this year, the management, sales personal and Board of Directors have shown their sincere efforts for the promotion of Takaful and underwritten good numbers in Takaful that crossed 2 billion of Takaful contributions. Alhamdulillah

Progress of the Year:

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

1. Alhamdulillah, EFU General Window Takaful Operations achieved the milestone by underwriting 2 billion Takaful contributions in 2019.
2. Dedicated Window Takaful Branch of head office successfully recorded the Takaful contracts executed during the year.
3. Divisions and branches fully participated in the business of Takaful in the different locations of the country. Now a number of divisions and branches have been allowed to underwrite and record the business independently. Due to this strategy, the divisions and branches have confidently underwritten the Takaful business which increased the size of Takaful and they have provided excellent service of Takaful to their Participants.
4. Significant success has been achieved in the Takaful Agreements with Islamic Banks. At this stage, I am thankful to the Partners Banks for the confidence they have shown on EFU General WTO's Takaful Products. During the year, number of Islamic Banks entered into MOU with EFU General WTO.

Shari'ah Certification:

As Shari'ah Advisor of EFU General WTO; I confirm that:

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

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

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

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

والسلام علیکم ورحمۃ اللہ وبرکاتہ

Mufti Muhammad Ibrahim Essa
Shari'ah Advisor

EFU General Insurance Limited
Window Takaful Operations

28 January 2020

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

S. No.	Key Audit Matter(s)	How the matter was addressed in our audit
1.	**Valuation of Claim Liabilities** Refer notes 3.16 and 25 to the unconsolidated financial statements relating to claim liabilities. The Company's claim liabilities represents 25% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimation. The Company maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions. We have identified the valuation of claim liabilities as key audit matter because estimation of claim liabilities involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards;

S. No.	Key Audit Matter(s)	How the matter was addressed in our audit
		• Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; • Assessed the sufficiency of reserving of claim liabilities, by testing calculations on the relevant data including recoveries from reinsurers based on their respective arrangements; • Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; • Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR; and • Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.
2.	**Revenue Recognition Risk** Refer notes 3.13, 24 and 28 to the unconsolidated financial statements relating to revenue recognition. The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 77% of the total revenue. We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premium income; • Assessed the appropriateness of the Company's accounting policy for recording of premiums and investment income in line with requirements of applicable accounting and reporting standards; • Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; and • Tested the investment income transaction on sample basis and subsequent to the year end and evaluated that these were recorded in the appropriate period.

S. No.	Key Audit Matter(s)	How the matter was addressed in our audit
3.	**Valuation of insurance / reinsurance receivables** Refer notes 3.10.1 and 14 to the unconsolidated financial statements relating to valuation of insurance/ reinsurance receivables. The Company's insurance / reinsurance receivables represents 9% of its total assets which are stated net of provision for impairment of Rs. 210 million. Valuation of these receivables involves significant judgment regarding uncertainty in determining impairment / provisions. We identified the valuation of insurance / reinsurance receivables as a key audit matter as the estimation involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket; • Assessed on the sample basis the reinsurer share of claims against the term of the reinsurance contracts and the related recorded liabilities; and • Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, actual write offs and receipts and settlement from / with customers and reinsurer subsequent to the financial year end;
4.	**Valuation, Classification and Impairment of Investments** Refer notes 3.14, 3.19, 9, 10, 11 and 12 to the unconsolidated financial statements relating to Valuation, Classification and Impairment of Investments. The Company's investment portfolio comprise of government debt securities, equity securities including investment in subsidiary, other fixed income securities and term deposits. Investments carried at Available for Sale represent 98% of the total investments while investments classified as Held to Maturity represent 2% of the total investments. We identified the valuation, classification and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in valuation, classification and impairment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for valuation and classification of investments and for impairment of investments classified as available for sale; • Tested, on a sample basis, specific investments buying and selling transactions and classification recorded with underlying documentation; • Assessed the methodology used and evaluated the valuation of debt securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; • Involved our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by the professional valuer in calculation of value in use working of investment in subsidiary; and • Assessed the appropriateness of impairment in the value of available for sale securities including investment in subsidiary held by the Company in accordance with accounting and reporting standards as applicable in Pakistan.

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

Management is responsible for the Other Information. The Other Information comprises the information included in the Company's Annual Report but does not include the unconsolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 28 February 2020

Independent Auditor's Report
To the members of EFU General Insurance Limited
Report on the Audit of the Window Takaful Operations

Opinion

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

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

Basis for Opinion

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

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

Management is responsible for the Other Information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 28 February 2020

Independent Auditor's Review Report
To the members of EFU General Insurance Limited
Review of the Statement of compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurer, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called ‘the Code’) prepared by the Board of Directors of EFU General Insurance Limited (”the Company”) for the year ended 31 December 2019 in accordance with the requirements of the Code.

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

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

The Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended 31 December 2019.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 28 February 2020

Statement of Compliance with the Shari’ah Principles

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of EFU General Insurance Limited ('the Company') for the year ended December 31, 2019 are in compliance with the takaful rules, 2012.

Further we confirmed that:

– The Company has developed and implemented all the policies and procedures in accordance with takaful rules, 2012 and rulings of the Shari’ah Advisor along with a comprehensive mechanism to ensure compliance with such ruling and takaful rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the audit Committee / Shari’ah Advisor and the Board of Directors have been implemented;

– The Company has imparted training / orientations and ensured availability of all manuals / arrangements approved by Shari’ah Advisor / Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;

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

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

This has been duly confirmed by the Shari’ah Advisor of the Company.

HASANALI ABDULLAH
Managing Director & Chief Executive

Karachi 08 February 2020

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shari'ah Principles

We were engaged by the Board of Directors of EFU General Insurance Limited ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended 31 December 2019, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

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

Responsibilities of the Management

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

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

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

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

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shari'ah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31 December 2019 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 31 December 2019, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

KPMG Taseer Hadi & Co.
Chartered Accountants

Muhammad Taufiq

Karachi 28 February 2020

Unconsolidated Financial Statements

For the year ended 31 December 2019

Unconsolidated Statement of Financial Position
As at 31 December 2019

Rupees '000

	Note	2019	2018
Assets			
Property and equipment	6	2 967 431	2 615 648
Intangible assets	7	–	–
Investment property	8	2 341 470	1 879 093
Investment in subsidiary	9	10 169 336	9 897 937
Investments			
Equity securities	10	3 271 467	4 970 478
Debt securities	11	9 654 535	8 228 784
Term deposits	12	444 352	506 607
Loans and other receivables	13	258 679	100 271
Insurance / reinsurance receivables	14	4 012 732	3 577 054
Reinsurance recoveries against outstanding claims	25	4 081 849	3 363 439
Salvage recoveries accrued		44 550	42 306
Deferred commission expense	26	598 669	600 740
Retirement benefit	19	29 689	–
Taxation - payments less provision		22 371	–
Prepayments	15	5 850 686	5 198 902
Cash and bank	16	1 191 688	1 266 562
		44 939 504	42 247 821
Total assets of window takaful operations - Operator's Fund		759 742	621 302
Total assets		45 699 246	42 869 123
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	17	2 000 000	2 000 000
Reserves	18	15 765 886	14 522 985
Unappropriated profit		1 530 185	2 775 470
Total equity		19 296 071	19 298 455
Surplus on revaluation of property and equipment		1 000 414	859 097
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	25	6 273 372	5 176 757
Unearned premium reserve	24	9 143 972	8 354 109
Unearned reinsurance commission	26	430 936	394 848
Retirement benefit obligations	19	–	62 704
Deferred taxation	20	667 971	824 875
Premium received in advance		68 262	56 514
Insurance / reinsurance payables	21	6 067 883	5 333 106
Other creditors and accruals	22	2 356 205	2 054 552
Taxation - provision less payments		–	46 595
Total liabilities		25 008 601	22 304 060
		45 305 086	42 461 612
Total liabilities of window takaful operations - Operator's Fund		394 160	407 511
Total equity and liabilities		45 699 246	42 869 123
Contingencies and commitments	23		

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Unconsolidated Profit and Loss Account
For the year ended 31 December 2019

Rupees '000

	Note	2019	2018
Net insurance premium	24	7 459 570	7 562 349
Net insurance claims	25	(3 548 905)	(3 088 870)
Net commission and other acquisition cost	26	(556 305)	(587 650)
Insurance claims and acquisition expenses		(4 105 210)	(3 676 520)
Management expenses	27	(2 849 245)	(2 579 025)
Underwriting results		505 115	1 306 804
Investment income	28	2 262 228	1 612 336
Rental income	29	112 349	103 991
Other income	30	218 973	161 227
Change in fair value of investment property		433 899	10 681
Other expenses	31	(50 913)	(50 127)
		2 976 536	1 838 108
Results of operating activities		3 481 651	3 144 912
Finance cost		(14 090)	–
Reversal of workers' welfare fund		145 631	–
Profit from window takaful operations - Operator's Fund	32	214 143	117 452
Profit before tax		3 827 335	3 262 364
Income tax expense	33	(1 218 755)	(1 091 091)
Profit after tax		2 608 580	2 171 273
Earnings (after tax) per share - Rupees	34	13.04	10.86

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Unconsolidated Statement of Comprehensive Income
For the year ended 31 December 2019

Rupees '000

	2019	2018
Profit after tax	2 608 580	2 171 273
Other comprehensive income		
Total items that may be reclassified subsequently to profit and loss account		
Unrealized loss on available-for-sale investments during the year	(1 493 294)	(1 305 601)
Reclassification adjustments relating to available-for-sale investments disposed off during the year	490 146	149 247
Unrealized gain / (loss) on available-for-sale investments during the year of subsidiary company	160 404	(1 109 402)
Total unrealized loss on available-for-sale investments	(842 744)	(2 265 756)
Deferred tax on available-for-sale investments	290 913	374 417
Deferred tax on available-for-sale investments of subsidiary company	71 988	184 689
Net unrealized loss from window takaful operations - Operator's Fund (net of deferred tax)	(229)	(940)
	(480 072)	(1 707 590)
Item not to be reclassified to profit and loss account in subsequent year:		
Actuarial gains / (losses) on defined benefit plans	27 820	(9 305)
Related deferred tax	(8 737)	2 792
	19 083	(6 513)
Other comprehensive income	(460 989)	(1 714 103)
Total comprehensive income for the year	2 147 591	457 170

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Unconsolidated Cash Flow Statement
For the year ended 31 December 2019

Rupees '000

	2019	2018
Operating cash flows		
a) Underwriting activities		
Insurance premium received	19 359 626	18 037 169
Reinsurance premium paid	(11 466 752)	(10 980 508)
Claims paid	(4 899 546)	(4 930 350)
Reinsurance and other recoveries received	1 717 281	1 657 225
Commission paid	(1 443 027)	(1 420 758)
Commission received	902 581	862 510
Management expenses paid	(2 467 993)	(2 291 052)
Net cash flow from underwriting activities	1 702 170	934 236
b) Other operating activities		
Income tax paid	(1 077 354)	(985 977)
Other operating payments	50 034	(63 216)
Other operating receipts	186 981	136 726
Loans advanced	(503)	(4 137)
Loans repayments received	2 497	2 420
Net cash flow used in other operating activities	(838 345)	(914 184)
Total cash flow from all operating activities	863 825	20 052
Investment activities		
Profit / return received	1 030 730	744 153
Dividend received	849 915	915 470
Rentals received	128 261	106 262
Payment for investments / investment properties	(38 659 111)	(35 405 602)
Proceeds from investments / investment properties	38 283 983	36 014 646
Fixed capital expenditures	(524 407)	(397 910)
Proceeds from sale of property and equipment	43 100	39 447
Total cash flow from investing activities	1 152 471	2 016 466
Total cash flow used in financing activities - Dividends paid	(2 091 170)	(1 934 165)
Net cash flow (used in) / from all activities	(74 874)	102 353
Cash and cash equivalents at the beginning of year	1 266 562	1 164 209
Cash and cash equivalents at the end of year	1 191 688	1 266 562
Reconciliation to profit and loss account		
Operating cash flows	863 825	20 052
Depreciation / amortization expense	(364 032)	(275 668)
Profit on disposal of property and equipment	35 435	33 836
Profit on disposal of investments / investment properties	491 991	150 745
Rental income	112 349	103 991
Dividend Income	850 360	911 901
Other investment income	919 876	549 689
Profit on deposits	156 746	81 729
Other income	26 792	45 663
Change in fair value of investment properties	433 899	10 681
Increase in assets other than cash	1 883 351	348 149
(Decrease) / increase in liabilities other than borrowings	(3 016 155)	73 053
Profit after tax from conventional insurance operations	2 394 437	2 053 821
Profit from window takaful operations - Operator's Fund	214 143	117 452
Profit after tax	2 608 580	2 171 273

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Unconsolidated Statement of Changes in Equity
For the year ended 31 December 2019

Rupees '000

	Attributable to equity holders of the Company						
			Revenue reserves				
	Share capital	Capital Reserve - Reserve for exceptional losses	General reserve	Unrealized gain / (loss) on revaluation of available-for-sale investment-net	Unrealized gain on fair value of investment property	Unapprop-riated profit	Total
Balance as at 01 January 2018	2 000 000	12 902	13 000 000	1 437 933	1 188 133	3 202 317	20 841 285
Total comprehensive income for the year ended 31 December 2018							
Profit after tax					91 607	2 079 666	2 171 273
Other comprehensive income				(1 707 590)		(6 513)	(1 714 103)
				(1 707 590)	91 607	2 073 153	457 170
Transactions with owners recorded directly in equity							
Final dividend for the year 2017 at the rate of Rs. 6.25 (62.50 %) per share						(1 250 000)	(1 250 000)
1st Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						(250 000)	(250 000)
2nd Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						(250 000)	(250 000)
3rd Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						(250 000)	(250 000)
Other transfer within equity							
Transfer to general reserve			500 000			(500 000)	–
Balance as at 31 December 2018	2 000 000	12 902	13 500 000	(269 657)	1 279 740	2 775 470	19 298 455
Balance as at 01 January 2019	2 000 000	12 902	13 500 000	(269 657)	1 279 740	2 775 470	19 298 455
Total comprehensive income for the year ended 31 December 2019							
Profit after tax					222 973	2 385 607	2 608 580
Other comprehensive income				(480 072)		19 083	(460 989)
				(480 072)	222 973	2 404 690	2 147 591
Transactions with owners recorded directly in equity							
Final dividend for the year 2018 at the rate of Rs. 6.25 (62.50 %) per share						(1 250 000)	(1 250 000)
1st Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
2nd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
3rd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)
Transferred from surplus on revaluation of property and equipment on account of incremental depreciation- net of tax						25	25
Other transfer within equity							
Transfer to general reserve			1 500 000			(1 500 000)	–
Balance as at 31 December 2019	2 000 000	12 902	15 000 000	(749 729)	1 502 713	1 530 185	19 296 071

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Notes to the Unconsolidated Financial Statements
For the year ended 31 December 2019

1. Legal status and nature of business

EFU General Insurance Limited (the Company) was incorporated as a public limited company on 02 September 1932. The Company is listed on the Pakistan Stock Exchange and is engaged in non-life insurance business comprising of fire and property, marine, motor, miscellaneous etc.

The Registered Office of the Company is situated in Islamabad while the principal place of business is located at EFU House, M.A. Jinnah Road, Karachi. The Company commenced Window Takaful Operations from 16 April 2015 as per Securities and Exchange Commission of Pakistan (SECP) Takaful Rules, 2012. The Company operates through 54 (2018: 53) branches in Pakistan including a branch in Export Processing Zone (EPZ) and a branch in Gwadar Free Zone.

1.1 During the preceding year, the Company had assessed its control position in relation to its investments in EFU Life Assurance Limited after its agreement with some shareholders of EFU Life Assurance Limited effective 31 March 2018, accordingly it was concluded that the Company has the ability to control the composition of the Board of Directors of EFU Life Assurance Limited, therefore EFU Life Assurance Limited has become the subsidiary of the Company from 31 March 2018.

2. Basis of preparation and statement of compliance

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

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

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

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, shall prevail.

Total assets, total liabilities and profit of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these unconsolidated financial statements in accordance with the requirements of Circular 25 of 2015 dated 09 July 2015. A separate set of financial statements of the General Window Takaful Operations has been reported which is annexed to these unconsolidated financial statements as per the requirements of the SECP Takaful Rules, 2012.

2.1 Basis of measurement

The unconsolidated financial statements have been prepared under the historical cost basis except for the available-for-sale investments, property and equipments and investment property that have been measured at fair value and the Company's liability under defined benefit plan that is determined based on present value of defined benefit obligation less fair value of plan assets.

2.2 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees in thousand, unless otherwise stated.

2.3 Standards, interpretations and amendments effective during the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these unconsolidated financial statements. During the year, certain new standards and amendments to existing standards became effective except for the impact of accounting of lease as disclosed in note 4.1 of these unconsolidated financial statements.

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

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

Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

IFRS 14 'Regulatory Deferral Accounts' - (effective for annual periods beginning on or after 01 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and / or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms “principal” as being the fair value of the financial asset at initial recognition, and the “interest” as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

b) all other financial assets:

Rupees ‘000

	31 December 2019				
	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less Impairment	Change in unrealized gain or (loss) during the year
Cash and bank *	1 191 688	–	–	–	–
Investment in subsidiary - available-for-sale	10 169 336	160 404	–	–	–
Investments in equity securities - available-for-sale	3 271 467	(1 174 771)	–	–	–
Investments in debt securities - available-for-sale	–	–	9 654 535	–	171 623
Term Deposits *	–	–	444 352	–	–
Loans and other receivables *	255 890	–	2 789	–	–
Total	14 888 381	(1 014 367)	10 101 676	–	171 623

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

Rupees '000

	31 December 2019					
	Gross carrying amounts of debt instruments that pass the SPPI test					
	AAA	AA+	AA	AA-	A	Unrated
Investments in debt securities - available-for-sale	–	100 000	50 688	230 450	–	9 273 397
Term deposits	216 580	114 272	–	98 500	15 000	–
Total	216 580	214 272	50 688	328 950	15 000	9 273 397

3. Summary of significant accounting policies

The significant accounting policies and method of computation adopted in preparation of unconsolidated financial statements are consistent to all years presented in these unconsolidated financial statements except for the accounting for leases as disclosed in note 4 and the standards, which became effective during the current year.

3.1 Property and equipment

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount. Building is initially measured at cost and upon revaluation, is carried at revalued amount less accumulated depreciation and impairment, if any; all other operating property and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Land and building are revalued by independent professionally qualified valuer to ensure that the net carrying amount does not differ materially from the fair value. The surplus arising on revaluation of property and equipment is credited to the "surplus on revaluation of property and equipment"

Depreciation is calculated on straight line basis at the rates specified in note 6.1 to these unconsolidated financial statements.

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from surplus on revaluation of assets to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charges for the year.

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

Depreciation on additions to property and equipment is charged from the month in which an asset is available-for-use, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account currently.

Gains or losses on disposal of property and equipment are included in profit and loss account.

3.1.1 Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible.

3.2 Intangible asset

Material computer software licenses acquired are capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight-line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Amortization on additions to intangibles is charged from the month in which an asset is available-for-use, while no amortization is charged for the month in which the asset is disposed off.

Cost associated with maintaining computer software programmes are recognized as an expense when incurred.

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

3.3 Investment properties

The investment properties are measured at purchase cost on initial recognition including directly attributable to the acquisition and subsequently at fair value with any change in therein recognized in profit and loss account.

3.4 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

The Company underwrites non-life insurance contracts that can be categorized into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those, which fall under treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

Fire and property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties, passengers and cargo.

Motor insurance covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other insurances like cash in hand, cash in transit, personal accident, infidelity, public liabilities, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are included under miscellaneous insurance cover.

3.5 Commission

3.5.1 Deferred commission expense

Commission expenses incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

3.5.2 Commission income

Commission from reinsurers is deferred and recognized as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements is recognized when the Company's right to receive the same are established.

3.6 Premium

For all the insurance contracts, premiums / cover notes issued including administrative surcharge received / receivable under a policy / cover note are recognized as written from the date of attachment of the risk to the policy / cover note and over the period of the insurance from inception to the expiry of policy. Where premiums for a policy are payable in instalments, full premium for the duration of the policy is recognized as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

3.7 Unearned premium reserves

The unearned premium reserve is the unexpired portion of the premium including administrative surcharge, which relates to business in force at the financial statement date. Unearned premiums have been calculated by applying 1/24th method as specified in the Insurance Rules, 2017.

3.8 Premium deficiency reserve (liability adequacy test)

At each financial statement date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after financial statement date in respect of policies in force at financial statement date with the carrying amount of unearned premium liability. Any deficiency is recognized by establishing a provision (premium deficiency reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses, which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

The movement in the premium deficiency reserve is recognized as an expense or income in the profit and loss account for the year.

The expected ultimate net claim ratios for the unexpired periods of policies in force at financial statement date for each class of business is as follows:

	2019	2018
– Fire and property damage	32 %	27 %
– Marine, aviation and transport	41 %	36 %
– Motor	50 %	48 %
– Miscellaneous	39 %	35 %

3.9 Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company cedes insurance risks assumed during normal course of its business and according to which the Company is compensated for losses on insurance contracts issued by the Company are classified as reinsurance contracts held.

Reinsurance premium is recognized as an expense at the time the reinsurance is ceded. Commission on reinsurance cessions are recognized in accordance with the policy of recognizing premium revenue.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Reinsurance recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Reinsurance liabilities represent balances due to reinsurance companies and are primarily premiums payable for reinsurance contracts and are recognized at the same time when reinsurance premiums are recognized as an expense.

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

An impairment review of reinsurance assets is performed at each financial statement date. If there is objective evidence that the asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

3.10 Receivables and payables

3.10.1 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the profit and loss account.

Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their aging.

3.10.2 Creditors, accruals and provisions

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

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

3.11 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format.

The Company has four primary business segments for reporting purposes namely, fire and property, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.4.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities, which cannot be allocated to a particular segment on a reasonable basis, are reported as unallocated corporate assets and liabilities.

3.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand.

3.13 Revenue recognition

3.13.1 Premium

The revenue recognition policy for premiums is given under note 3.6.

3.13.2 Commission income

The revenue recognition policy for commission income is given under note 3.5.2.

3.13.3 Investment income

Return on investments, profit and loss sharing accounts and bank deposits are recognized using effective interest rate method.

Profit or loss on sale of investments is recognized at the time of sale.

3.13.4 Dividend Income

Dividend income is recognized when right to receive such dividend is established.

3.14 Investments

- In subsidiary - available-for-sale
- In equity securities - available-for-sale
- In debt securities - available-for-sale
- In term deposits - held to maturity

3.14.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments.

3.14.2 Measurement

3.14.2.1 Available-for-sale

Available-for-sale Investments are those non-derivative instruments that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, these are remeasured at fair value. Surplus / deficit on revaluation from one reporting date to other is taken to other comprehensive income in the Statement of Comprehensive Income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for the period within Statement of Comprehensive Income. Whereas, any reversal in impairment is taken in Statement of Comprehensive Income.

These are reviewed for impairment at each reporting date and any losses arising from impairment in values are charged to the profit and loss account.

3.14.2.2 Held to maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to held to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment in value, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method.

The difference between the redemption value and the purchase price of the held to maturity investment is amortized and taken to the profit and loss account over the term of investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

3.14.3 Derivatives

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently remeasured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the financial statement. The resultant gains and losses are included in the profit and loss account.

3.15 Offsetting of financial assets and financial liabilities

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

3.16 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

3.16.1 Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred upto the financial statement date, which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

3.16.2 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the financial statement date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

3.16.3 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. The Company takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

3.17 Taxation

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

3.17.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

3.17.2 Deferred

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.18 Employees' retirement benefits

3.18.1 Defined benefit plans

The Company operates the following employee defined benefit plans:

– Funded gratuity scheme

The Company operates an approved gratuity fund for all employees who complete qualifying period of service.

– Funded pension scheme

Defined benefit funded pension for all eligible officers.

These funds are administered by trustees. The pension plan is a career average salary plan and the gratuity plan is a final basic salary plan. The actuarial valuation of both the plans is carried out on a yearly basis using the Projected Unit Credit Method and contributions to the plans are made accordingly.

Actuarial gains and losses are recognized in other comprehensive income in the year in which they arise.

3.18.2 Defined contribution plan

The Company contributes to a provident fund scheme, which covers all permanent employees. Both the Company and the employees make equal contributions to the fund at the rate of 8.33 % of basic salary.

3.19 Impairment

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

If a decline in fair value is significant or prolonged, then there is objective evidence of impairment, regardless of how long management intends to hold the investment. If there has been a significant or prolonged decline in the market price of subsidiary / associate at the reporting date, then the impairment test is performed in accordance with IAS 36.

The carrying amount of non-financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.20 Dividend and bonus shares

Dividend to shareholders is recognized as liability in the period in which it is approved. Similarly, reserve for issue of bonus shares is recognized in the year in which such issue is approved.

3.21 Expenses of management

All expenses of management have been allocated between business of Company and window takaful operations - Operators' Fund to the various revenue accounts on equitable basis.

3.22 Rental income

Rental income on investment properties is recognized over the term of lease.

3.23 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.5.2.

3.24 Compensated absences

The liability towards compensated absences accumulated by the employees is provided in the period in which they are earned.

3.25 Foreign currencies

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions. Income and expense amounts relating to foreign branches have been translated at the applicable exchange rates. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the financial statement date. Exchange gains or losses, if any, are taken into profit and loss account.

3.26 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other insurers / reinsurers, accrued expenses, agents' balances, other creditors, deposits and unclaimed dividends.

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on derecognition of financial assets and financial liabilities are taken to income directly.

3.27 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4 Change in accounting policies

4.1 During the year, IFRS 16 'Leases' became applicable on all companies having lease arrangements. This IFRS 16 replaces existing guidance on accounting for leases as per IAS 17. IFRS 16 introduced a single balance sheet accounting model for long term lessees. As a result, the Company as a lessee, recognizes right-of-use assets representing its right of using the underlying assets and a corresponding lease liability representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 Modified approach, therefore, the comparative information has not been restated i.e. it is presented as previously reported under IAS 17 and related interpretations.

The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for remeasurements of the 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 uses incremental borrowing rate. The Company has applied incremental borrowing rate as the discount rate i.e. 1 year KIBOR at the date of initial recognition.

The lease liability is subsequently increased by the interest cost and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, change in the assessment of whether a purchase or extension option is reasonably certain to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts which includes renewal options to the lessee.

Summary of the effect of this change in accounting policy is as follows:

	Rupees '000
Impact on Statement of Financial Position	
Increase in property and equipment- right-of-use assets	117 225
Decrease in other assets (advance rent)	(13 628)
Increase in other liabilities - lease liability against right-of-use assets	113 706
Decrease in net asset - before tax	(10 109)
Impact on Profit and Loss Account	
Increase in finance cost - lease liabilities	14 090
Increase / decrease in management expenses	
Increase in depreciation expense - right-of-use assets	43 842
Decrease in rent expense	(47 680)

5. Accounting estimates and judgements

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unconsolidated financial statements are:

	Note
– Property and equipment	3.1
– Investment properties	3.3
– Unearned premium reserve	3.7
– Premium deficiency reserve (liability adequacy test)	3.8
– Receivables and payables related to insurance contracts	3.10.1
– Provision for outstanding claims (including IBNR)	3.16.1
– Taxation	3.17
– Employees' retirement benefits	3.18
– Impairment	3.19

6. Property and equipment

Rupees '000

	Note	2019	2018
Operating assets	6.1	2 967 431	2 613 078
Capital work-in-progress	6.2	–	2 570
		2 967 431	2 615 648

6.1 Operating assets

Rupees '000

2019

	Cost / Revaluation						Depreciation				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Tangibles											
Land	1 290 951	–	–	199 023	1 489 974	0	–	–	–	–	1 489 974
Buildings	695 366	129 673	–	50	825 089	5	205 881	38 102	–	243 983	581 106
Right of use assets - building	–	161 067	–	–	161 067	lease term	–	43 842	–	43 842	117 225
Leasehold improvements *	27 532	139	–	–	27 671	lease term	12 127	6 417	–	18 544	9 127
Furniture and fixtures	539 070	58 986	(5 675)	–	592 381	10	387 826	33 684	(5 388)	416 122	176 259
Office equipment	302 388	20 008	(295)	–	322 101	10	200 865	26 989	(295)	227 559	94 542
Computer equipment	199 813	14 965	(389)	–	214 389	30	162 362	17 439	(389)	179 412	34 977
Vehicles	751 514	102 802	(85 919)	–	768 397	20	438 049	119 733	(78 541)	479 241	289 156
Tracker equipment	364 398	39 337	–	–	403 735	20	150 844	77 826	–	228 670	175 065
	4 171 032	526 977	(92 278)	199 073	4 804 804		1 557 954	364 032	(84 613)	1 837 373	2 967 431

2018

	Cost / Revaluation						Depreciation				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Tangibles											
Land	81 664	–	–	1 209 287	1 290 951	0	–	–	–	–	1 290 951
Buildings	613 285	81 374	–	707	695 366	5	173 162	32 719	–	205 881	489 485
Furniture and fixtures	526 868	43 446	(3 712)	–	566 602	10	367 585	36 080	(3 712)	399 953	166 649
Office equipment	286 680	16 816	(1 108)	–	302 388	10	176 267	25 449	(851)	200 865	101 523
Computer equipment	165 514	34 704	(405)	–	199 813	30	151 248	11 519	(405)	162 362	37 451
Vehicles	701 526	134 220	(84 232)	–	751 514	20	410 472	106 455	(78 878)	438 049	313 465
Tracker equipment	271 068	93 330	–	–	364 398	20	87 398	63 446	–	150 844	213 554
	2 646 605	403 890	(89 457)	1 209 994	4 171 032		1 366 132	275 668	(83 846)	1 557 954	2 613 078

* Leasehold improvements are now being separately classified by the Company. Initially these were included in Furniture and Fixtures and depreciated under the straight-line method at 10%. After change in the classification with effect from 01 January 2019 these are being depreciated over lease terms.

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

Category of Assets (Mode of disposal)	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
	Rupees '000				
Furniture & Fixtures (Negotiation)	1 112	825	287	25	Tajwani Enterprise
Written down value below Rs. 50,000	4 563	4 563	–	181	Various
	5 675	5 388	287	206	
Office equipment					
Written down value below Rs. 50,000	295	295	–	45	Various
	295	295	–	45	
Computer equipment Written down value below Rs. 50,000	389	389	–	18	Various
	389	389	–	18	
Vehicles (Negotiation)	1 111	722	389	750	Faysal Auto Dealer Karachi
	7 288	4 251	3 037	3 500	Mr. Khurram Ali Khan, Ex-employee
	2 874	383	2 491	2 700	Mr. Khurram Ali Khan, Ex-employee
	1 543	360	1 183	1 200	Mr. Yousuf Alvi, Employee
	696	534	162	450	Mr. Arslan Pervaiz, Employee
Written down value below Rs. 50,000	72 407	72 291	116	34 231	Various
	85 919	78 541	7 378	42 831	
Total	92 278	84 613	7 665	43 100	

Rupees '000

	2019	2018
6.2 Capital work-in-progress		
Advances for renovation and equipment	–	2 570
	–	2 570

7. Intangible assets

2019

	Cost					Amortization				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Computer softwares	74 796	–	–	74 796	33	74 796	–	–	74 796	–
	74 796	–	–	74 796		74 796	–	–	74 796	–

Rupees '000

2018

	Cost					Amortization				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Computer softwares	74 796	–	–	74 796	33	74 796	–	–	74 796	–
	74 796	–	–	74 796		74 796	–	–	74 796	–

	2019	2018
8. Investment property		
Opening net book value	1 879 093	1 847 093
Additions and capital improvement	28 478	21 319
Unrealized fair value gain	433 899	10 681
Closing book value	2 341 470	1 879 093

Market value of these investment properties amounts to Rs. 2,341 million (2018: Rs. 1,879 million) based on a revaluation carried out by different valuer as at 31 December 2019 and revaluation gain of Rs. 434 million (2018: Rs. 11 million) has been recognized in the profit and loss.

The fair value of investment properties was determined by external, independent property valuers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment properties every year.

The fair value of the investment properties has been categorized as a Level 3 fair value (based on the inputs to the valuation techniques used) and which is considered as highest and best use of investment property.

8.1 Valuation Techniques

The valuers have arranged enquiries and verification from various estate agents, brokers and dealers, the location and condition of the property, size, utilization and current trends in price of real estate including assumptions that ready buyers are available in the current scenario and analyzed through detailed market surveys, the properties that have recently been sold or purchased or offered / quoted for sale into given vicinity to determine the better estimates of the fair value.

9. Investment in subsidiary

Rupees '000

	2019			2018		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Subsidiary						
Listed shares	12 971 557	–	12 971 557	12 860 562	–	12 860 562
Deficit on revaluation	–	–	(2 802 221)	–	–	(2 962 625)
	12 971 557	–	10 169 336	12 860 562	–	9 897 937

10. Investment in equity securities - available-for-sale

Rupees '000

	2019			2018		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Related Party *						
Listed shares	396 298	(93 998)	302 300	444 664	(20 874)	423 790
Others						
Listed shares	1 442 611	(96 385)	1 346 226	1 782 451	(51 790)	1 730 661
Unlisted shares	15 500	(15 500)	–	15 500	–	15 500
	1 458 111	(111 885)	1 346 226	1 797 951	(51 790)	1 746 161
Surplus on revaluation	–	–	1 622 941	–	–	2 800 527
	1 854 409	(205 883)	3 271 467	2 242 615	(72 664)	4 970 478

* The Company has not accounted for investment in related parties as associates under IAS 28 'Investment in Associates and Joint Ventures', as management has concluded that the Company does not have significant influence in these companies.

11. Investment in debt securities - available-for-sale

Rupees '000

	Note	2019			2018		
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Government Securities							
Pakistan Investment Bonds		5 929 974	–	5 929 974	1 343 101	–	1 343 101
Treasury Bills		3 222 624	–	3 222 624	6 755 369	–	6 755 369
		9 152 598	–	9 152 598	8 098 470	–	8 098 470
Term Finance Certificate							
Others							
New Allied Electronics Limited	11.1	3 481	(3 481)	–	3 481	(3 481)	–
Agritech Limited - 3rd Issue (B)	11.2	5 665	(5 665)	–	5 665	(5 665)	–
Agritech Limited - 3rd Issue (A)	11.3	34 972	(34 972)	–	34 972	(34 972)	–
Soneri Bank Limited	11.4	100 000	–	100 000	100 000	–	100 000
Habib Bank Limited	11.5	100 000	–	100 000	–	–	–
		244 118	(44 118)	200 000	144 118	(44 118)	100 000
Corporate Sukuks							
Others							
Dubai Islamic Bank Limited	11.6	80 000	–	80 000	80 000	–	80 000
Engro Polymer & Chemicals Limited	11.7	50 000	–	50 000	–	–	–
The Hub Power Company Limited	11.8	50 000	–	50 000	–	–	–
		180 000	–	180 000	80 000	–	80 000
Surplus / (deficit) on revaluation		–	–	121 937	–	–	(49 686)
		9 576 716	(44 118)	9 654 535	8 322 588	(44 118)	8 228 784

Rupees '000

	No. of Certificate		Face Value	Value of Certificate	
	2019	2018		2019	2018
11.1 New Allied Electronics Ltd.	2 000	2 000	5000	–	–
11.2 Agritech Limited - 3rd Issue (B)	1 133	1 133	5000	–	–
11.3 Agritech Limited - 3rd Issue (A)	7 000	7 000	5000	–	–
11.4 Soneri Bank Limited	20 000	20 000	5000	100 000	100 000
11.5 Habib Bank Limited	1 000	–	100000	100 000	–
11.6 Dubai Islamic Bank Limited	16 000	16 000	5000	80 000	80 000
11.7 Engro Polymer & Chemicals Limited	500	–	100000	50 688	–
11.8 The Hub Power Company Limited	500	–	100000	50 450	–
	48 133	46 133		381 138	180 000

Name of investment	Maturity year	Effective yield %	Profit payment	Face value	31 December 2019
3 Years Pakistan Investment Bonds	2021	11.91 - 14.25	Half yearly	4 492 000	4 167 628
5 Years Pakistan Investment Bonds	2023	11.26 - 13.80	Half yearly	164 300	148 354
5 Years Pakistan Investment Bonds	2024	11.21 - 11.52	Half yearly	1 651 500	1 562 033
10 Years Pakistan Investment Bonds	2028	13.43	Half yearly	200 000	175 483
6 months Treasury Bills	2020	13.05 - 13.15	On maturity	1 500 000	1 432 964
3 months Treasury Bills	2020	13.00 - 13.51	On maturity	1 810 900	1 786 935
					9 273 397
Term Finance Certificates (TFCs) – quoted					
New Allied Electronics Limited *	2012	12.92	Quarterly	3 481	–
Agritech Limited - 3rd Issue (B) *	2017	11.00	Half yearly	5 665	–
Agritech Limited - 3rd Issue (A) *	2019	13.35	Quarterly	34 972	–
Soneri Bank Limited	Perpetual	15.50	Half yearly	100 000	100 000
Habib Bank Limited	Perpetual	15.14	Quarterly	100 000	100 000
					200 000
Corporate Sukuks – quoted					
Dubai Islamic Bank Limited	Perpetual	15.6	Monthly	80 000	80 000
The Hub Power Company Limited	2023	15.51	Quarterly	50 000	50 450
Engro Polymer & Chemicals Limited	2026	14.54	Quarterly	50 000	50 688
					181 138
					9 654 535

The amount of Pakistan Investment Bonds includes Rs. 204 million (2018: Rs. 207 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.

* The term finance certificates are held under non-performing status and full provision has been made against these term finance certificates.

Rupees '000

Name of investment	Maturity year	Effective yield %	Profit payment	Face value	31 December 2018
3 Years Pakistan Investment Bonds	2019	6.28 - 6.39	Half yearly	823 900	792 404
3 Years Pakistan Investment Bonds	2019	6.11	Half yearly	250 000	247 383
5 Years Pakistan Investment Bonds	2019	6.52	Half yearly	256 600	257 746
3 months Treasury Bills	2019	8.75	On maturity	6 777 500	6 751 251
					8 048 784
Term Finance Certificates (TFCs) – quoted					
New Allied Electronics Limited *	2012	12.92	Quarterly	3 481	–
Agritech Limited - 3rd Issue (B) *	2017	11.00	Half yearly	5 665	–
Agritech Limited - 3rd Issue (A) *	2019	13.35	Quarterly	34 972	–
Soneri Bank Limited	Perpetual	12.54	Half yearly	100 000	100 000
					100 000
Corporate Sukuks – quoted					
Dubai Islamic Bank Limited	Perpetual	12.27	Monthly	80 000	80 000
					8 228 784

* The term finance certificates are held under non-performing status and full provision has been made against these term finance certificates.

Rupees '000

	Note	2019	2018
12. Investment in term deposits			
Deposits maturing within 12 months			
Term deposit certificates - local currency	12.1 & 12.3	160 066	260 721
Term deposit certificates - foreign currency	12.2	284 286	245 886
		444 352	506 607

12.1 The rate of return on term deposit certificates issued by various banks ranges from 8.40 % to 14.00 % per annum (2018: 8.00 % to 10.00 % per annum) depending on tenure. These term deposit certificates have maturities upto 30 November 2020.

12.2 The rate of return on foreign currency term deposit certificates issued by various banks ranges from 1.20 % to 2.30 % per annum (2018: 1.20 % to 2.10 % per annum) depending on tenure. These term deposit certificates have maturities upto 31 March 2020.

12.3 This includes an amount of Rs. 13 million (2018: Rs. 8.5 million) under lien with banks against guarantees issued in favour of the Company.

Rupees '000

	Note	2019	2018
13. Loans and other receivables - considered good			
Loans to employees		2 789	4 783
Accrued investment income		156 635	23 493
Security deposits		16 949	8 746
Advances to suppliers		3 265	35 509
Advances to employees		4 772	5 245
Other receivables		74 269	22 495
		258 679	100 271
14. Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders		4 206 359	3 639 468
Provision for impairment of receivables from Insurance contract holders		(209 784)	(69 251)
		3 996 575	3 570 217
Due from other insurer / reinsurers		16 157	6 837
		4 012 732	3 577 054
15. Prepayments			
Prepaid reinsurance premium ceded	24	5 750 008	5 073 281
Prepaid rent		3 630	17 398
Others		97 048	108 223
		5 850 686	5 198 902
16. Cash and bank			
Cash and cash equivalents			
Cash in hand		–	6
Policy and revenue stamps, bond papers		11 242	12 375
		11 242	12 381
Cash at bank			
Current accounts		275 325	260 780
Saving accounts	16.1 & 16.2	905 121	993 401
		1 180 446	1 254 181
		1 191 688	1 266 562
Cash and short term borrowing include following for the purposes of the cash flow statement:			
Cash and cash equivalents		1 191 688	1 266 562

16.1 The rate of return on saving accounts from various banks ranges from 11.25 % to 12.60 % per annum (2018: 8.00 % to 9.70 % per annum) depending on the size of average deposits.

16.2 This includes an amount of Rs. 53 million (2018: Rs. 50 million) under lien with banks against guarantees issued in favour of the Company.

17. Share capital

17.1 Authorized Capital

Number of shares '000		Rupees '000	
2019	2018	2019	2018
200 000	200 000	2 000 000	2 000 000

17.2 Issued, subscribed and paid-up share capital

Number of shares '000			Rupees '000	
2019	2018		2019	2018
250	250	Ordinary shares of Rs. 10 each, fully paid in cash	2 500	2 500
199 750	199 750	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	1 997 500	1 997 500
200 000	200 000		2 000 000	2 000 000

17.2.1 As at 31 December 2019, EFU Life Assurance Limited, a subsidiary undertaking, held 4,680,961 (2018: 4,680,961) ordinary shares of Rs. 10 each.

Rupees '000

	Note	2019	2018
18. Reserves			
Capital reserve			
Reserve for exceptional losses	18.1	12 902	12 902
Revenue reserves			
General reserve		15 000 000	13 500 000
Revaluation reserve for unrealized loss on available-for-sale investments - net		(749 729)	(269 657)
Reserve for change in fair value of investment property - net		1 502 713	1 279 740
		15 765 886	14 522 985

18.1 The reserve for exceptional losses was created prior to 1979 and was charged to income in accordance with the provisions of the repealed Income Tax Act, 1922 and has been so retained to date.

19. Staff retirement benefits

The latest actuarial valuation as at 31 December 2019 uses a discount rate of 12.20 % (2018: 12.90 %) for defined benefit obligation and plan assets. Basic salary and pension increases to average 9.10 % and 2.10 % (2018: 9.80 % and 2.10 %) respectively per annum in the long term.

Rupees '000

	2019		2018	
	Pension	Gratuity	Pension	Gratuity
19.1.1 Reconciliation of the present value of defined benefit obligations				
At the beginning of the year	208 041	426 035	280 809	365 990
Current service cost	1 193	19 789	1 885	17 214
Interest cost	25 358	52 595	22 080	28 706
Remeasurement loss due to:				
Change in financial assumptions	8 131	–	(75 695)	676
Experience	(1 325)	(13 557)	2 058	45 279
Benefits paid	(22 930)	(36 652)	(23 096)	(31 830)
At the end of the year	218 468	448 210	208 041	426 035
19.1.2 Changes in fair value of plan assets				
At the beginning of the year	232 183	339 062	249 514	325 311
Interest income	28 546	46 985	19 557	27 038
Remeasurement gain / (loss) due to:				
Investment return	7 143	13 926	(14 850)	(22 136)
Contributions paid by Company	225	86 973	212	40 679
Contributions paid by employees	906	–	847	–
Benefits paid	(22 930)	(36 652)	(23 097)	(31 830)
At the end of the year	246 073	450 294	232 183	339 062
19.1.3 Charge to profit and loss account				
Service cost				
Current service cost	1 193	19 789	1 885	17 214
Employee contributions	(906)	–	(847)	–
Net interest (income) / cost	(3 188)	5 610	2 523	1 668
Chargeable in profit and loss account	(2 901)	25 399	3 561	18 882
19.1.4 Remeasurements recognized in other comprehensive income				
Change in financial assumptions	8 131	–	(75 695)	676
Experience on obligation	(1 325)	(13 557)	2 058	45 279
Investment return	(7 143)	(13 926)	14 850	22 136
Chargeable in statement of comprehensive income	(337)	(27 483)	(58 787)	68 091
Total defined benefit cost	(3 238)	(2 084)	(55 226)	86 973
19.1.5 (Asset) / liability on balance sheet				
At the beginning of the year	(24 142)	86 973	31 295	40 679
Defined benefit cost	(3 238)	(2 084)	(55 226)	86 973
Contributions paid by Company	(225)	(86 973)	(211)	(40 679)
At the end of the year	(27 605)	(2 084)	(24 142)	86 973
Reconciliation				
Obligation	218 468	448 210	208 041	426 035
Plan assets	(246 073)	(450 294)	(232 183)	(339 062)
Net (asset) / liability on balance sheet	(27 605)	(2 084)	(24 142)	86 973

19.6 Historical data

Rupees '000

	2018	2017	2016	2015	2014
Pension					
Present value of defined benefit obligation	208 041	280 809	278 214	229 022	208 786
Fair value of plan assets	(232 183)	(249 514)	(279 401)	(245 209)	(242 916)
(Surplus) / deficit	(24 142)	31 295	(1 187)	(16 187)	(34 130)
Experience adjustment					
- Actuarial loss on obligation	2 058	1 756	10 451	16 348	4 024
- Actuarial (loss) / gain on assets	(14 850)	(29 847)	33 506	(4 526)	34 439
Gratuity					
Present value of defined benefit obligation	426 035	365 990	329 987	286 272	268 232
Fair value of plan assets	(339 062)	(325 311)	(328 138)	(308 587)	(306 545)
Deficit / (surplus)	86 973	40 679	1 849	(22 315)	(38 313)
Remeasurements due to:					
- Actuarial loss on obligation	45 279	15 080	16 810	10 639	4 073
- Actuarial (loss) / gain on assets	(22 136)	21 566	15 124	4 099	24 216

19.7 Composition of fair value of plan assets

Fund investments	Pension				Gratuity			
	2019		2018		2019		2018	
Debt	95%	232 247	81%	189 796	95%	427 017	87%	297 969
Equity	5%	12 894	9%	20 160	5%	23 081	7%	22 426
NIT	0%	–	9%	20 002	0%	–	6%	20 002
Cash	0%	932	1%	2 224	0%	196	0%	(1 335)
	100%	246 073	100%	232 182	100%	450 294	100%	339 062

The expected charge to pension and gratuity fund for the year 2020 amounts to Rs. 16 million.

19.8 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

Impact on obligation of 1 % change in assumptions

Assumptions	1 % increase	1 % decrease
Discount rate	(32 713)	36 483
Salary increase	23 488	(21 452)
Pension increase	14 726	(13 285)

Weighted average duration of the plan is 6.0 years.

Rupees '000

Projected payments	Pension	Gratuity
Company contributions 2020	236	20 055
Benefit payments:		
2020	27 159	91 886
2021	27 060	29 181
2022	30 264	92 333
2023	30 056	60 797
2024	30 474	43 712
2025 - 2029	145 794	356 453

Rupees '000

	Note	2019	2018
20. Deferred taxation			
Deferred debits arising in respect of:			
Premium due but unpaid		(60 837)	(20 083)
Impairment of TFCs		(12 794)	(12 794)
Defined benefit plans		(11 364)	(20 101)
Unrealized gain on available-for-sale investments		(305 719)	57 182
Right to use asset		(2 973)	–
Deferred credits arising in respect of:			
Fair value of investment property		613 784	420 649
Revaluation of property and equipment		408 620	350 899
Accelerated tax depreciation		39 254	49 123
		667 971	824 875

21. Insurance / reinsurance payable

These amounts represent amount payable to other insurers and reinsurers

	Note	2019	2018
22. Other creditors and accruals			
Federal insurance fee payable		10 563	9 439
Federal excise duty and sales tax payable		113 617	117 355
Accrued expenses		258 887	240 272
Agent commission payable		484 953	507 253
Unearned rentals		89 169	73 257
Other deposits		958 402	826 968
Unclaimed dividends		321 168	262 338
Lease liability	22.1	113 706	–
Others		5 740	17 670
		2 356 205	2 054 552
22.1 Lease liability			
Current		42 291	–
Non-current		71 415	–
		113 706	–

23. Contingencies and commitments

23.1 The income tax assessment of the Company has been finalized upto tax year 2019.

The Income Tax Department has made an assessment order for assessment year 1999-2000 and 2000-2001 by adding back provision for bonus to staff, provision for gratuity and excess management expense. The Company had filed appeals before the Commissioner, Inland Revenue (Appeals). The appeals have been decided in the favour of the Income Tax Department. The Company had filed appeals before the Income Tax Appellate Tribunal (ITAT). If the appeals are decided against the Company a tax liability of Rs. 13 million would arise.

The Income Tax Department (Audit) has made an assessment order for assessment year 2002-2003 by adding certain items. The Company had filed an appeal before Commissioner Income Tax (Appeals). The appeal was decided in the favour of the Company. The Department had filed an appeal before the Income Tax Appellate Tribunal (ITAT) and the same has been decided in the favour of the Company. The Department has filed appeal before Honourable High Court of Sindh against the order of the Income Tax Appellate Tribunal (ITAT) in respect of estimated liability of claims, excess perquisites and retrocession commission. If the appeal is decided against the Company a tax liability of Rs. 76 million would arise.

The Commissioner Inland Revenue (Audit) has amended the tax assessment of the Company for tax year 2005 to 2007 by disallowing prorated expense. The Company has filed appeals before Commissioner Income Tax (Appeals). The appeals were decided in the favour of the Company. The Department then filed appeals before the Income Tax Appellate Tribunal (ITAT). The Income Tax Appellate Tribunal (ITAT) had passed an order in favour of the Company. The Department then filed reference before the Honourable High Court of Sindh. The Honourable High Court of Sindh maintained the decision of Income Tax Appellate Tribunal (ITAT). The Department has filed appeals for the tax year 2005 to 2007 before the Honourable Supreme Court of Pakistan against the decision of the Honourable High Court of Sindh in respect of proration of expenses and if the appeals are decided against the Company, a tax liability of Rs. 37 million would arise.

The Department has filed an appeal for tax year 2008 before the Honourable High Court of Sindh against the order of Income Tax Appellate Tribunal (ITAT) in respect of tax on reinsurance premium. If the appeal is decided against the Company, a tax liability of Rs. 5 million would arise.

The Department has filed an appeal for tax years 2014 to 2016 before the Income Tax Appellate Tribunal (ITAT) against the order of Commissioner (Appeal) in respect of Dividend Income taxed at reduced rate. If the appeal is decided against the Company, a tax liability of Rs. 355 million would arise.

The Commissioner Inland Revenue (Audit) has made an addition to the income of Tax years 2017 and 2019 on account of fair market value of motor vehicles. The Company has filed appeals before Commissioner Income Tax (Appeals). The Commissioner Income Tax (Appeals) has confirmed the action of the Commissioner, Inland Revenue (Audit). The Company then filed appeals before the Income Tax Appellate Tribunal (ITAT). If the appeal is decided against the Company, a tax liability of Rs. 2 million would arise.

No provision has been made in these unconsolidated financial statements for the above contingencies, as the management, based on tax advisor's opinion, is confident that the decision in this respect will be received in favour of the Company.

23.2 In 2014, 2015, 2016, 2017 and 2018, the Searle Company Limited issued bonus shares (453,612, 312,993, 664,632, 472,284 and 443,697 shares respectively) after withholding 5 percent of bonus shares (22,680, 15,650, 34,981, 24,857 and 21,360 shares respectively). In this regard, a constitutional petition had been filed by the Company in Honourable High Court of Sindh challenging the applicability of withholding tax provision on bonus shares received by the Company. The Honourable High Court of Sindh decided the case against the Company. Subsequently, the Company filed an appeal with a larger bench of the Honourable High Court of Sindh and in response; the Sindh High Court has suspended the earlier judgement until the next date of hearing, which has not yet been decided. Consequently, the Company has not paid / provided an amount of Rs. 37 million being withholding tax on bonus shares.

23.3 There are no commitments as at 31 December 2019 (31 December 2018: Nil).

Rupees '000

	2019	2018
24. Net Insurance premium		
Written gross premium	19 774 236	18 780 177
Unearned premium reserve - opening	8 354 109	8 496 686
Unearned premium reserve - closing	(9 143 972)	(8 354 109)
Premium earned	18 984 373	18 922 754
Less:		
Reinsurance premium ceded	12 201 530	11 321 603
Prepaid reinsurance premium - opening	5 073 281	5 112 083
Prepaid reinsurance premium - closing	(5 750 008)	(5 073 281)
Reinsurance expense	11 524 803	11 360 405
Net insurance premium	7 459 570	7 562 349

Rupees '000

	2019	2018
25. Net Insurance claim expense		
Claims Paid	4 897 302	4 956 502
Outstanding claims including IBNR - closing	6 273 372	5 176 757
Outstanding claims including IBNR - opening	(5 176 757)	(5 572 347)
Claims expense	5 993 917	4 560 912
Less:		
Reinsurance and other recoveries received	1 726 602	1 647 175
Reinsurance and other recoveries in respect of outstanding claims - opening	(3 363 439)	(3 538 572)
Reinsurance and other recoveries in respect of outstanding claims - closing	4 081 849	3 363 439
Reinsurance and other recoveries revenue	2 445 012	1 472 042
Net Insurance claim expense	3 548 905	3 088 870

25.1 Claim development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims which involve litigation and in the case of marine, general average adjustments take longer for the final amounts to be determined which exceed one year. All amounts are presented in gross numbers before reinsurance. Claims of last five years are given below:

Rupees '000

Accident year	2015	2016	2017	2018	2019
Estimate of ultimate claims costs:					
– At end of accident year	62 928	60 052	90 497	–	4 509
– One year later	59 103	66 533	71 354	–	–
– Two years later	44 729	66 533	81 233	–	–
– Three years later	45 179	67 746	–	–	–
– Four years later	54 443	–	–	–	–
Current estimate of cumulative claims	54 443	67 746	81 233	–	4 509
Cumulative payments to date	23 529	3 619	53 500	–	760
Liability recognized in statement of financial position	30 914	64 127	27 733	–	3 749

Rupees '000

		Note	2019	2018
26.	**Net commission expense**			
	Commission paid or payable		1 420 727	1 428 082
	Deferred commission expense - opening		600 740	689 587
	Deferred commission expense - closing		(598 669)	(600 740)
	Net commission		1 422 798	1 516 929
	Less:			
	Commission received or recoverable		902 581	862 511
	Unearned reinsurance commission - opening		394 848	461 616
	Unearned reinsurance commission - closing		(430 936)	(394 848)
	Commission from reinsurers		866 493	929 279
	Net commission expense		556 305	587 650
27.	**Management expenses**			
	Salaries, wages and benefits	27.1	1 628 589	1 534 876
	Bonus		117 511	115 327
	Gratuity		22 525	16 737
	Rent, rates and taxes		5 784	43 602
	Telephone		21 134	19 536
	Postage and telegram		9 249	8 027
	Gas, electricity and fuel		53 869	51 278
	Printing and stationery		38 516	37 863
	Travelling, club and entertainment		86 464	105 246
	Depreciation		338 193	262 972
	Repair and maintenance		61 712	53 491
	Publicity		42 442	51 617
	Service charges		(50 198)	(52 748)
	Bank charges and commission		4 885	5 625
	Tracker monitoring		192 041	151 533
	Bad debts		140 533	41 437
	Inspection fee		14 890	28 019
	Annual supervision fee of SECP		37 554	32 080
	Training		5 946	5 210
	Insurance		3 914	3 893
	Levy to IAP		2 000	1 500
	Business procurement		13 993	3 657
	Security service		9 176	8 104
	Meeting and conference		4 223	8 047
	Conveyance		11 452	10 111
	Miscellaneous		32 848	31 985
			2 849 245	2 579 025

27.1 These include Rs. 27.73 million (2018: Rs. 26.28 million) being contribution for employees' provident fund.

Rupees '000

		Note	2019	2018
28.	**Investment income**			
	Income from subsidiary - available-for-sale			
	Dividend income		684 717	650 881
	Income from equity securities - available-for-sale			
	Dividend income		165 643	261 020
	Income from debt securities - available-for-sale			
	Return on debt securities		961 973	566 051
	Income from term deposits			
	Return on term deposits		18 517	12 354
			1 830 850	1 490 306
	Net realized gains / (losses) on investments available-for-sale financial assets			
	Realized gains on:			
	Equity securities		606 407	177 993
	Realized losses on:			
	Equity securities		(114 416)	(27 246)
			491 991	150 747
			2 322 841	1 641 053
	Impairment in value of available-for-sale equity securities		(60 013)	(27 510)
	Investment related expenses		(600)	(1 207)
	Total Investment income		2 262 228	1 612 336
29.	**Rental income**			
	Rental income		161 034	152 161
	Less: Expenses of investment property		(48 685)	(48 170)
			112 349	103 991
30.	**Other income**			
	Gain on sale of property and equipment		35 435	33 836
	Return on loans to employees		285	373
	Exchange gains		26 507	45 289
	Return on bank balances		156 746	81 729
			218 973	161 227
31.	**Other expenses**			
	Legal and professional fee other than business related		13 532	14 825
	Auditors' remuneration	31.1	5 493	4 465
	Subscription to association		19 064	15 243
	Charity and donations		12 824	15 594
			50 913	50 127

Rupees '000

	2019	2018
31.1 Auditors' remuneration		
Audit fee	2 500	2 250
Special certifications and sundry advisory services	2 450	1 836
Out-of-pocket expenses	543	379
	5 493	4 465

31.2 Donations

Donations include the following in whom the directors are interested:

Rupees '000

Name of Director	Interest in donee	Name and address of donee	2019	2018
Saifuddin N. Zoomkawala	Board Member	Shaukat Khanum Memorial Trust 7A Block R-3, M.A. Johar Town, Lahore	1 900	500
Saifuddin N. Zoomkawala	Board Member	SIUT Civil Hospital, New Labour Colony, Nanakwara, Karachi	900	500
Saifuddin N. Zoomkawala and Ali Raza Siddiqui	Board Member	Fakhr-e-Imdad Foundation Mirpurkhas Digri Road, Mirwah Gorchani, Mirpurkhas	300	330
Hasanali Abdullah	Board Member	The Aga Khan Hospital and Medical College Foundation, Stadium Road, Karachi.	–	715

32. Window takaful operations - Operator's Fund

	2019	2018
Wakala fee	659 174	497 644
Management expenses	(288 932)	(236 364)
Commission expense	(229 689)	(171 788)
Investment income	59 198	22 664
Other income	15 026	6 014
Other expenses	(634)	(718)
	214 143	117 452

Rupees '000

33. Taxation

	2019	2018
For current year		
Current	1 017 243	962 829
Deferred	139 389	(87 005)
Super tax	–	66 636
	1 156 632	942 460
For prior year(s)		
Prior year tax	62 123	46 339
Super tax	–	102 292
	62 123	148 631
	1 218 755	1 091 091

33.1 Relationship between tax expense and accounting profit

	Effective tax rate %		Rupees '000	
	2019	2018	2019	2018
Profit before taxation			3 827 335	3 262 364
Tax at the applicable rate	29.00	29.00	1 109 927	946 086
Tax effects of deductions not allowed	0.62	0.16	23 778	5 341
Tax effects of exempted income	0.60	(2.32)	22 927	(75 604)
Prior year tax	1.62	1.42	62 123	46 339
Average effective tax rate charged on income	31.84	28.26	1 218 755	922 162
Effect of super tax	–	5.18	–	168 929
Total average effective tax rate	31.84	33.44	1 218 755	1 091 091

34. Earnings per share - basic and diluted

		2019	2018
Profit (after tax) for the year	(Rupees '000)	2 608 580	2 171 273
Weighted average number of ordinary shares	(Numbers '000)	200 000	200 000
Earnings per share	(Rupees)	13.04	10.86

35. Compensation of directors and executives

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

Rupees '000

	2019				2018			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Fees	–	2 350	–	2 350	–	2 700	–	2 700
Managerial remuneration	35 880	18 000	308 670	362 550	33 480	16 200	268 585	318 265
Leave encashment	–	–	22 076	22 076	–	–	14 790	14 790
Bonus	–	–	53 775	53 775	–	–	48 639	48 639
Retirement benefit	–	–	21 657	21 657	–	–	19 734	19 734
Utilities	540	238	22 963	23 741	430	232	20 051	20 713
Medical expenses	963	444	10 449	11 856	609	531	7 999	9 139
Leave passage	1 065	354	4 924	6 343	1 073	388	4 804	6 265
Total	38 448	21 386	444 514	504 348	35 592	20 051	384 602	440 245
Number of persons	1	6	169	176	1	6	152	159

35.1 The Chief Executive Officer is provided with Company maintained cars, furnished accommodation and medical insurance cover. The Executives are provided with free use of Company cars, medical insurance cover and certain items of household furniture and fixtures in accordance with their entitlements. The Chief Executive is not given any rent allowance but is provided with maintained furnished accommodation. The Chairman is provided with free use of Company car, maintained furnished accommodation, medical insurance cover and residential utilities.

The Non Executive Directors were paid Directors meeting fee of Rs. 2.4 million (2018: Rs. 2.7 million). No other remuneration was paid to non executive directors.

36. Related party transactions

Related parties comprise of directors, major shareholders, key management personnel, associated companies, subsidiary company, and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties during the year other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

Rupees '000

	2019	2018
Transactions		
Subsidiary company		
Premium written	40 655	24 124
Premium paid	18 355	24 044
Claims paid	20 594	11 017
Dividend received	684 717	650 881
Dividend paid	50 320	46 810
Associated companies		
Premium written	332 428	298 731
Premium paid	17 665	19 990
Claims paid	125 191	194 156
Dividend paid	657 655	584 562
Bank deposit (withdrawn) / made	(95 500)	25 000
Key management personnel		
Premium written	895	778
Claims paid	60	–
Dividend paid	9 200	8 437
Compensation	215 708	207 124
Others		
Premium written	215 146	163 927
Claims paid	46 691	17 781
Dividend paid	650 494	628 083
Brokerage paid	664	527
Employees' funds		
Contribution to provident fund	27 754	26 277
Contribution to gratuity fund	25 399	18 754
Contribution (released) / charged to pension fund	(2 901)	3 561
Dividend paid	9 688	10 309
Balances		
Others		
Balances receivable	69 979	24 691
Balances payable	(316)	(2 571)
Deposits maturing within 12 months	83 500	179 000
Bank balances	119 518	144 496
Employees' funds receivable / (payable)		
EFU gratuity fund	2 084	(86 846)
EFU pension fund	27 605	24 142

37. Segment information

Rupees '000

Current year	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
	For the year ended 31 December 2019					
Premium receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	13 898 028	3 045 206	3 973 286	1 867 808	–	22 784 328
Less: Sales tax	1 647 928	326 368	474 572	216 045	–	2 664 913
Stamp duty	541	144 393	1 267	1 246	–	147 447
Federal insurance fee	121 282	25 475	34 632	16 343	–	197 732
Gross written premium (inclusive of administrative surcharge)	12 128 277	2 548 970	3 462 815	1 634 174	–	19 774 236
Gross direct premium	12 089 239	2 499 443	3 165 417	1 612 055	–	19 366 154
Facultative inward premium	–	1 238	–	–	–	1 238
Administrative surcharge	39 038	48 289	297 398	22 119	–	406 844
Insurance premium earned	11 470 549	2 409 529	3 510 380	1 593 915	–	18 984 373
Insurance premium ceded to reinsurers	9 551 067	937 823	11 380	1 024 533	–	11 524 803
Net insurance premium	1 919 482	1 471 706	3 499 000	569 382	–	7 459 570
Commission income	622 741	22 212	118	221 422	–	866 493
Net underwriting income	2 542 223	1 493 918	3 499 118	790 804	–	8 326 063
Insurance claims	2 448 225	1 026 594	1 809 752	709 346	–	5 993 917
Insurance claims recovered from reinsurers	1 723 666	293 689	2	427 655	–	2 445 012
Net claims	(724 559)	(732 905)	(1 809 750)	(281 691)	–	(3 548 905)
Commission expense	(735 251)	(249 338)	(306 214)	(131 995)	–	(1 422 798)
Management expenses	(783 277)	(509 395)	(1 337 564)	(219 009)	–	(2 849 245)
Net insurance claims and expenses	(2 243 087)	(1 491 638)	(3 453 528)	(632 695)	–	(7 820 948)
Underwriting result	299 136	2 280	45 590	158 109	–	505 115
Net investment income						2 262 228
Rental income						112 349
Other income						218 973
Other expenses						(50 913)
Finance cost						(14 090)
Change in fair value of investment property						433 899
Reversal for workers' welfare fund						145 631
Profit from window takaful operations - Operator's Fund						214 143
Profit before tax						3 827 335

Rupees '000

Current year	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
	As at 31 December 2019					
Corporate segment assets	11 117 939	1 417 980	757 556	1 470 076	–	14 763 551
Corporate segment assets - Takaful OPF	50 093	5 656	170 040	8 374	–	234 163
Corporate unallocated assets						30 175 953
Corporate unallocated assets - Takaful OPF						525 579
Total assets						45 699 246
Corporate segment liabilities	15 298 581	2 366 260	2 430 554	3 332 385	–	23 427 780
Corporate segment liabilities - Takaful OPF	57 216	6 641	321 788	6 913	–	392 558
Corporate unallocated liabilities						1 580 821
Corporate unallocated liabilities - Takaful OPF						1 602
Total liabilities						25 402 761

Location	External premium less reinsurance by geographical segments 2019
Pakistan	7 451 834
* EPZ	7 736
Total	7 459 570

* This represents US Dollar Equivalent in Pak Rupees

Rupees '000

Prior year	For the year ended 31 December 2018					
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
Premium receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	12 895 905	2 886 201	4 010 360	1 822 916	–	21 615 382
Less: Sales tax	1 525 679	312 835	481 888	200 622	–	2 521 024
Stamp duty	577	122 959	1 474	1 417	–	126 427
Federal insurance fee	112 535	24 245	34 923	16 051	–	187 754
Gross written premium (inclusive of administrative surcharge)	11 257 114	2 426 162	3 492 075	1 604 826	–	18 780 177
Gross direct premium	11 213 071	2 372 921	3 133 247	1 580 617	–	18 299 856
Facultative inward premium	3 621	1 470	–	–	–	5 091
Administrative surcharge	40 422	51 771	358 828	24 209	–	475 230
Insurance premium earned	11 553 011	2 430 015	3 417 118	1 522 610	–	18 922 754
Insurance premium ceded to reinsurers	9 535 277	878 659	10 098	936 371	–	11 360 405
Net insurance premium	2 017 734	1 551 356	3 407 020	586 239	–	7 562 349
Commission income	674 538	34 375	–	220 366	–	929 279
Net underwriting income	2 692 272	1 585 731	3 407 020	806 605	–	8 491 628
Insurance claims	1 463 294	892 590	1 701 763	503 265	–	4 560 912
Insurance claims recovered from reinsurers	863 674	307 046	(106)	301 428	–	1 472 042
Net claims	(599 620)	(585 544)	(1 701 869)	(201 837)	–	(3 088 870)
Commission expense	(838 143)	(278 589)	(283 314)	(116 883)	–	(1 516 929)
Management expenses	(721 845)	(488 489)	(1 166 185)	(202 506)	–	(2 579 025)
Net insurance claims and expenses	(2 159 608)	(1 352 622)	(3 151 368)	(521 226)	–	(7 184 824)
Underwriting result	532 664	233 109	255 652	285 379	–	1 306 804
Net investment income						1 612 336
Rental income						103 991
Other income						161 227
Other expenses						(50 127)
Change in fair value of investment property						10 681
Profit from window takaful operations - Operator's Fund						117 452
Profit before tax						3 262 364

Rupees '000

Prior year	As at 31 December 2018					
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total
Corporate segment assets	9 872 846	1 065 081	566 140	1 173 896	–	12 677 963
Corporate segment assets - Takaful OPF	43 226	9 011	271 746	16 810	–	340 793
Corporate unallocated assets						29 569 858
Corporate unallocated assets - Takaful OPF						280 509
Total assets						42 869 123
Corporate segment liabilities	13 582 908	1 884 044	2 413 449	2 769 154	–	20 649 555
Corporate segment liabilities - Takaful OPF	39 704	8 149	308 033	11 345	–	367 231
Corporate unallocated liabilities						1 654 505
Corporate unallocated liabilities - Takaful OPF						40 280
Total liabilities						22 711 571

Location	External premium less reinsurance by geographical segments 2018
Pakistan	7 546 657
* EPZ	15 692
Total	7 562 349

* This represents US Dollar equivalent in Pak Rupees

38. Movement in Investment

Rupees '000

Name of investment	Held to maturity	Available-for-sale subsidiary	Available-for-sale debt securities	Available-for-sale equity securities	Total
At beginning of previous year	430 550	10 999 448	8 527 268	6 419 425	26 376 691
Additions	1 763 923	7 891	33 510 795	101 674	35 384 283
Disposals (sale and redemptions)	(1 687 866)	–	(33 766 283)	(409 753)	(35 863 902)
Fair value net gains / (losses)					
(excluding net realized gains / (losses))	–	(1 109 402)	(42 996)	(1 113 358)	(2 265 756)
Impairment losses	–	–	–	(27 510)	(27 510)
At beginning of current year	506 607	9 897 937	8 228 784	4 970 478	23 603 806
Additions	1 892 481	110 995	36 594 954	32 203	38 630 633
Disposals (sale and redemptions)	(1 954 736)	–	(35 340 826)	(496 430)	(37 791 992)
Fair value net gains / (losses)					
(excluding net realized gains / (losses))	–	160 404	171 623	(1 174 771)	(842 744)
Impairment losses	–	–	–	(60 013)	(60 013)
At end of current year	444 352	10 169 336	9 654 535	3 271 467	23 539 690

39. Management of insurance and financial risk

39.1 Insurance risk

The principal risk the Company faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the vary nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimize insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Company underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Company may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

The Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health.

39.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risks through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at financial statement date:

	2019				2018			
Class	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	58	37	66	36	61	37	65	32
Marine, aviation & transport	16	21	8	10	15	20	7	9
Motor	12	33	18	48	13	36	20	51
Miscellaneous	14	9	8	6	11	7	8	8
	100	100	100	100	100	100	100	100

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

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

The Company's class wise major gross risk exposure is as follows:

Rupees '000

Class	2019	2018
Fire and property damage	280 008 000	158 826 990
Marine, aviation and transport	137 734 000	96 978 630
Motor	60 000	47 040
Miscellaneous	45 430 000	16 398 450

Since the Company operates in Pakistan only, hence, all the insurance risks relate to policies written in Pakistan.

39.1.2 Sources of uncertainty in estimation of future claim payments

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

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

39.1.3 Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of financial statement date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

39.1.4 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the unconsolidated financial statements. The impact on the profit before tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analyzed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.

Rupees '000

	Profit before tax		Shareholders' equity	
	2019	2018	2019	2018
Impact of change in claim liabilities by +10 %				
Fire and property damage	(81 814)	(67 202)	(58 088)	(47 713)
Marine, aviation and transport	(45 544)	(35 806)	(32 336)	(25 422)
Motor	(71 805)	(64 914)	(50 982)	(46 089)
Miscellaneous	(19 990)	(13 409)	(14 193)	(9 520)
	(219 153)	(181 331)	(155 599)	(128 744)
Impact of change in claim liabilities by -10 %				
Fire and property damage	81 814	67 202	58 088	47 713
Marine, aviation and transport	45 544	35 806	32 336	25 422
Motor	71 805	64 914	50 982	46 089
Miscellaneous	19 990	13 409	14 193	9 520
	219 153	181 331	155 599	128 744

39.2 Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, interest rate risk and other price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

39.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Company believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Company's maximum exposure to credit risk:

Rupees '000

	2019	2018
Financial assets		
Term deposits	444 352	506 607
Loans and other receivables	258 679	100 271
Insurance / reinsurance receivables	4 012 732	3 577 054
Reinsurance recoveries against outstanding claims	4 081 849	3 363 439
	8 797 612	7 547 371

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

Rupees '000

Rating	2019	2018
AAA	615 663	541 672
AA+	377 073	492 367
AA	49 135	74 538
AA-	121 036	144 984
A+	11	10
A	17 528	610
	1 180 446	1 254 181

The credit quality of Company's investment in term finance certificates can be assessed with reference to external credit ratings as follows:

Rupees '000

Rating	Short Term	Rating Agency	2019	2018
Agritech Limited - 3rd Issue (B)	D	PACRA	5 665	5 665
Agritech Limited - 3rd Issue (A)	D	PACRA	34 972	34 972
New Allied Electronics Limited	N/A	–	3 481	3 481
Soneri Bank Limited	AA-	PACRA	100 000	100 000
Habib Bank Limited	AA+	VIS	100 000	–
Dubai Islamic Bank limited	AA-	VIS	80 000	80 000
The Hub Power Company Limited	AA+	PACRA	50 450	–
Engro Polymer & Chemicals Limited	AA	VIS	50 688	–
			425 256	224 118

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. As at 31 December 2019, the premiums due but unpaid (other than impaired balances) includes amount receivable within one year and above one year amounting to Rs. 3,740 million (2018: Rs. 3,314 million) and Rs. 257 million (2018: Rs. 256 million) respectively.

The credit quality of amounts due from other insurers / reinsurers and claim recoveries from reinsurers can be assessed with reference to external credit ratings as follows:

Rupees '000

Rating	2019		2018	
	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims
A or above (including Pakistan Reinsurance Company Limited)	15 968	3 752 506	6 837	3 065 830
B or above	–	119 142	–	156 739
Others	189	210 201	–	140 870
	16 157	4 081 849	6 837	3 363 439

As at 31 December 2019, the amounts due from insurers / reinsurers includes amount receivable within one year and above one year amounting to Rs. 19.343 million (2018: Rs. 1.588 million) and Rs. (3.186) million (2018: Rs. 5.212 million) respectively.

39.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The objective of the Company's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Company's liabilities as at financial statement date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows;

Rupees '000

	2019		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Outstanding claims including IBNR	6 273 372	6 273 372	–
Insurance / reinsurance payable	6 067 883	6 067 883	–
Other creditors and accruals	2 356 205	2 356 205	–
	14 697 460	14 697 460	–

	2018		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Outstanding claims including IBNR	5 176 757	5 176 757	–
Retirement benefit obligations	62 704	62 704	–
Insurance / reinsurance payable	5 333 106	5 333 106	–
Other creditors and accruals	2 054 552	2 054 552	–
	12 627 119	12 627 119	–

39.2.3 Market risk

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

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates markets. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

39.2.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company has securities and deposits that are subject to interest rate risk. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its financial assets are denominated.

Maturity profile of financial assets and liabilities:

Rupees '000

2019

	Interest / mark-up bearing			Non-interest / non-mark-up bearing			
	Maturity upto one year	Maturity above one year	Sub total	Maturity upto one year	Maturity above one year	Sub total	Total
Financial assets							
Investment in subsidiary	–	–	–	–	10 169 336	10 169 336	10 169 336
Investments							
Equity securities	–	–	–	–	3 271 467	3 271 467	3 271 467
Debt securities	3 219 900	6 434 635	9 654 535	–	–	–	9 654 535
Term deposits	444 352		444 352	–	–	–	444 352
Loans and other receivables	–	2 789	2 789	255 890	–	255 890	258 679
Cash and bank deposits	905 121	–	905 121	286 567	–	286 567	1 191 688
Insurance / reinsurance receivables	–		–	4 012 732	–	4 012 732	4 012 732
Reinsurance recoveries against outstanding claims	–	–	–	4 081 849	–	4 081 849	4 081 849
	4 569 373	6 437 424	11 006 797	8 637 038	13 440 803	22 077 841	33 084 638
Financial liabilities							
Outstanding claims including IBNR	–	–	–	6 273 372	–	6 273 372	6 273 372
Insurance / reinsurance payables	–	–	–	6 067 883	–	6 067 883	6 067 883
Other creditors and accruals	–	–	–	2 356 205	–	2 356 205	2 356 205
	–	–	–	14 697 460	–	14 697 460	14 697 460

2018

	Interest / mark-up bearing			Non-interest / non-mark-up bearing			
	Maturity upto one year	Maturity above one year	Sub total	Maturity upto one year	Maturity above one year	Sub total	Total
Financial assets							
Investment in subsidiary	–	–	–	–	9 897 937	9 897 937	9 897 937
Investments							
Equity securities	–	–	–	–	4 970 478	4 970 478	4 970 478
Debt securities	8 048 784	180 000	8 228 784	–	–	–	8 228 784
Term deposits	506 607	–	506 607	–	–	–	506 607
Loans and other receivables	2 295	2 488	4 783	95 488	–	95 488	100 271
Cash and bank deposits	993 401	–	993 401	273 161	–	273 161	1 266 562
Insurance / reinsurance receivables	–	–	–	3 577 054	–	3 577 054	3 557 054
Reinsurance recoveries against outstanding claims	–	–	–	3 363 439	–	3 363 439	3 363 439
	9 551 087	182 488	9 733 575	7 039 142	14 868 415	22 177 557	31 911 132
Financial liabilities							
Outstanding claims including IBNR	–	–	–	5 176 757	–	5 176 757	5 176 757
Retirement benefit obligations	–	–	–	62 704	–	62 704	62 704
Insurance / reinsurance payables	–	–	–	5 333 106	–	5 333 106	5 333 106
Other creditors and accruals	–	–	–	2 054 550	–	2 054 550	2 054 550
	–	–	–	12 627 117	–	12 627 117	12 627 117

Sensitivity analysis

As on 31 December 2019, the Company had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

Rupees '000

	Change in basis points	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2019	100	9 051	6 426
	(100)	(9 051)	(6 426)
31 December 2018	100	9 934	7 053
	(100)	(9 934)	(7 053)

39.2.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

39.2.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity investments amounting to Rs. 13,441 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The above investments include strategic equity investments in its subsidiary amounting to Rs. 10,169 million which is held for long term. The management monitors these strategic investments based on the underlying business and economic characteristic of the investee rather than the short term price fluctuations.

The table below summarizes Company's market price risk as of 31 December 2019 and 2018. It shows the effect of a 10 % increase and 10 % decrease in the market prices of equity investments as on those dates on Company's profit and equity.

Had all equity investments, other than subsidiary, been measured at fair values as required by IAS 39, 'Financial Instruments: Recognition and Measurement', the impact of hypothetical change would be as follows:

Rupees '000

	Fair value	Price change	Estimated fair value	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2019	3 271 467	10 % increase	3 598 614	–	232 274
		10 % decrease	2 944 320	–	(232 274)
31 December 2018	4 970 478	10 % increase	5 467 526	–	352 904
		10 % decrease	4 473 430	–	(352 904)

39.3 Fair value

39.3.1 IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

39.3.2 All assets and liabilities for which fair value is measured or disclosed in the unconsolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets where fair value is only disclosed and is different from their carrying value:

Rupees '000

	As at 31 December 2019							
						Fair value measurement using		
	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Equity securities - quoted	3 271 467				3 271 467	3 271 467		
Debt securities	9 654 535				9 654 535		9 654 535	
Investment in subsidiary	10 169 336				10 169 336	10 169 336		
Financial assets not measured at fair value								
Term deposits *			444 352		444 352			
Loans and other receivables *		258 679			258 679			
Insurance / reinsurance receivables *		4 012 732			4 012 732			
Reinsurance recoveries against outstanding claims *		4 081 849			4 081 849			
Cash and bank *			1 191 688		1 191 688			
Total assets of window takaful operations - Operator's Fund *	248 024	131 281	260 628		639 933		248 024	
	23 343 362	8 484 541	1 896 668		33 724 571	13 440 803	9 902 559	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR *				(6 273 372)	(6 273 372)			
Premium received in advance *				(68 262)	(68 262)			
Insurance / reinsurance payables *				(6 067 883)	(6 067 883)			
Other creditors and accruals *				(2 356 205)	(2 356 205)			
Total liabilities of window takaful operations - Operator's Fund *				(62 171)	(62 171)			
	23 343 362	8 484 541	1 896 668	(14 827 893)	18 896 678	13 440 803	9 902 559	–

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

Rupees '000

	As at 31 December 2018							
						Fair value measurement using		
	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Equity securities - quoted	4 954 978				4 954 978	4 954 978		
Equity securities - unquoted	15 500				15 500			15 500
Debt securities	8 228 784				8 228 784		8 228 784	
Investment in subsidiary	9 897 937				9 897 937	9 897 937		
Financial assets not measured at fair value								
Term deposits *			506 607		506 607			
Loans and other receivables *		100 271			100 271			
Insurance / reinsurance receivables *		3 577 054			3 577 054			
Reinsurance recoveries against outstanding claims *		3 363 439			3 363 439			
Cash and bank *			1 266 562		1 266 562			
Total assets of window takaful operations - Operator's Fund *	176 593	245 849	89 319		511 761		176 593	
	23 273 792	7 286 613	1 862 488		32 422 893	14 852 915	8 405 377	15 500
Financial liabilities not measured at fair value								
Outstanding claims including IBNR *				(5 176 757)	(5 176 757)			
Premium received in advance *				(56 514)	(56 514)			
Insurance / reinsurance payables *				(5 333 106)	(5 333 106)			
Other creditors and accruals *				(2 054 552)	(2 054 552)			
Total liabilities of window takaful operations - Operator's Fund *				(60 414)	(60 414)			
	23 273 792	7 286 613	1 862 488	(12 681 343)	19 741 550	14 852 915	8 405 377	15 500

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

39.4 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and meet the regulatory, solvency and paid up capital requirements so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

40. Statement of solvency

Rupees '000

	31 December 2019
Assets	
Property and equipment	2 188 305
Land and buildings	314 905
Furniture, fixtures and office equipment	289 156
Vehicles	175 065
Motor tracking devices	2 967 431
Investment property	2 341 470
Investments in subsidiary	10 169 336
Investments	
Equity securities	3 271 467
Debt securities	9 654 535
Term deposits	444 352
	13 370 354
Loans and other receivables	2 789
Current assets - others	
Insurance / reinsurance receivables	4 012 732
Salvage recoveries accrued	44 550
Reinsurance recoveries against outstanding claims	4 081 849
Taxation - payments less provision	22 371
Retirement benefit	29 689
Deferred commission expenses	598 669
Prepayments	5 850 686
Other receivables	255 890
	14 896 436
Cash and bank	1 191 688
	44 939 504
Total assets of window takaful operations - Operators' Fund	759 742
Total assets	45 699 246

Rupees '000

	31 December 2019
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000	
Loans to employees	1 285
Shares in subsidiary companies	8 706 278
Premium due since more than three months	1 499 797
Bank deposits related to guarantees	958 402
Bank deposits related to liens	66 105
Vehicles, furnitures, fixtures, office equipment	779 126
Vehicles, furnitures, fixtures, office equipment - Operators' Fund	1 800
Total of in-admissible assets	12 012 793
Total admissible assets	33 686 453
Total liabilities	
Underwriting provisions	
Outstanding claims including IBNR	6 273 372
Unearned premium reserves	9 143 972
Unearned reinsurance commission	430 936
Deferred taxation	667 971
Premium received in advance	68 262
Insurance / reinsurance payables	6 067 883
Other creditors and accruals	2 356 205
	25 008 601
Total liabilities of window takaful operations - Operators' Fund	394 160
Total liabilities	25 402 761
Total net admissible assets	8 283 692
Minimum solvency requirement (higher of following)	1 898 437
Method A - U/s 36(3)(a)	150 000
Method B - U/s 36(3)(b)	1 898 437
Method C - U/s 36(3)(c)	1 541 734
Excess in net admissible assets over minimum requirements	6 385 255

41. Non-adjusting event after the financial statement date

The Board of Directors in its meeting held on 08 February 2020 have announced a final cash dividend in respect of the year ended 31 December 2019 of Rs. 5.50 per share, 55.00 % (2018: Rs. 6.25 per share, 62.50 %). In addition, the Board of Directors have also approved the transfer to general reserve from unappropriated profit amounting to Rs. 400 million (2018: Rs. 1,500 million). These unconsolidated financial statements for the year ended 31 December 2019 do not include the effect of these appropriations, which will be accounted for subsequent to the year end.

42. Number of employees

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

	2019	2018
At year end	1 207	1 225
Average during the year	1 207	1 234

43. Corresponding figures

43.1 Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons.

44. General

Figures have been rounded off to the nearest thousand rupees.

45. Date of authorization for issue of unconsolidated financial statements

These unconsolidated financial statements were authorized for issue by the Board of Directors in its meeting held on 08 February 2020.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Consolidated Financial Statements

For the year ended 31 December 2019

Directors' Report to the Members on Consolidated Financial Statements

We are pleased to present the consolidated financial statements of EFU General Insurance Limited and our subsidiary, EFU Life Assurance Company Limited (EFU Life).

Performance Review

Consolidated gross premium was Rs. 51 billion, net premium was Rs. 39 billion and profit after tax was Rs. 3.4 billion. The consolidated total assets were Rs. 174 billion (31 December 2018: Rs. 159 billion) and total investments stood at Rs. 129 billion (31 December 2018: Rs. 119 billion). Consolidated investment income (including rental and other income) for the year was Rs. 8,807 million.

Movement of Reserves

Rupees '000

	31 December 2019 (Audited)
Unappropriated profit brought forward	1 126 031
Profit attributable to ordinary shares	2 343 582
Transferred from surplus on revaluation of property and equipment on account of incremental depreciation - net of tax	2 424
Acquisition of Non-Controlling Interest (NCI) without a change in control	(76 675)
	2 269 331
Profit available for appropriations	3 395 362
Appropriations	
Cash dividend - Final 2018	(1 250 000)
Cash dividend - 1st Interim 2019	(300 000)
Cash dividend - 2nd Interim 2019	(300 000)
Cash dividend - 3rd Interim 2019	(300 000)
Transferred to general reserves	(1 500 000)
	(3 650 000)
Unappropriated loss carried forward	(254 638)
Earnings per share (Rupees)	12.74

Economic Review

Economic volatility continued in 2019, and by June 2019 current account deficit was USD 13.6 billion (June 2018: USD 19.9 billion). Moreover, as part of economic stabilization policies, PKR continued to depreciate against the Dollar and State bank increased the policy rate by 325 bps in CY19.

The stabilization policies have begun to correct external account imbalances - the current account deficit over July-December 2019 was considerably lower compared to 2018, foreign currency reserves increased to USD 18 billion in 2019 (2018: USD 13.8 billion), and PKR has stabilized. Nonetheless, policy measures, particularly fiscal measures, will affect GDP growth in 2020.

Outlook

Your company will strive to retain leadership position, improve profitability and provide better returns to its shareholders.

Acknowledgements

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

Your Directors would also like to thank the Securities & Exchange Commission of Pakistan, Pakistan Reinsurance Company Limited and all our reinsurers for their continued guidance and support.

SAAD BHIMJEE	MAHMOOD LOTIA	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

مجموعی مالیاتی حسابات پر ممبران کیلئے ڈائریکٹرز کی رپورٹ

ہم بمسرت ای ایف یو جنرل انشورنس لمیٹڈ اور اپنے ذیلی ادارے ای ایف یو لائف ایشورنس کمپنی لمیٹڈ (ای ایف یو لائف) کے مالیاتی حسابات یکجا کر کے پیش کر رہے ہیں۔

کارکردگی کا جائزہ

یکجا شدہ مجموعی پریمیئم ۵۱ بلین روپے، خالص پریمیئم ۳۹ بلین روپے اور منافع بعد از ٹیکس ۳٫۴ بلین روپے رہا۔ یکجا شدہ مجموعی اثاثہ جات ۱۷۴ بلین روپے تھے (۳۱ دسمبر ۲۰۱۸ء: ۱۵۹ بلین روپے) اور مجموعی سرمایہ کاری ۱۲۹ بلین روپے پر تھی (۳۱ دسمبر ۲۰۱۸ء: ۱۱۹ بلین روپے) مجموعی سرمایہ کاری آمدنی (بشمول رینٹل اور دیگر آمدنی) برائے سال ۸،۸۰۷ ملین روپے تھی۔

اثاثہ جات کی نقل و حمل

روپے ہزاروں میں

	۳۱ دسمبر ۲۰۱۹ء (آڈٹ شدہ)
آگے منتقل کئے جانے والے غیر مختص شدہ منافع	۱ ۱۲۶ ۰۳۱
عمومی شیئرز سے منسوب منافع	۲ ۳۴۳ ۵۸۲
پراپرٹی اور ایکوپمنٹ کی ری ویلیوایشن پر اضافی ڈیپریسی ایشن کے کھاتے میں سرپلس سے منتقل شدہ	۲ ۴۲۴
کنٹرول میں کسی تبدیلی کے بغیر نان۔کنٹرولنگ انٹرسٹ (این سی آئی) کا حصول	(۷۶ ۶۷۵)
	۲ ۲۶۹ ۳۳۱
مختص کردہ کیلئے دستیاب منافع	۳ ۳۹۵ ۳۶۲
مختص کردہ تناسب	
نقد منافع منقسمہ ۔ حتمی ۲۰۱۸ء	(۱ ۲۵۰ ۰۰۰)
نقد منافع منقسمہ ۔ پہلا عبوری ۲۰۱۹ء	(۳۰۰ ۰۰۰)
نقد منافع منقسمہ ۔ دوسرا عبوری ۲۰۱۹ء	(۳۰۰ ۰۰۰)
نقد منافع منقسمہ ۔ تیسرا عبوری ۲۰۱۹ء	(۳۰۰ ۰۰۰)
عمومی ریزروز کے لئے منتقل شدہ	(۱ ۵۰۰ ۰۰۰)
	(۳ ۶۵۰ ۰۰۰)
آگے منتقل کیا جانے والا غیر مختص شدہ خسارہ	(۲۵۴ ۶۳۸)
آمدنی فی شیئر (روپے)	۱۲٫۷۴

اقتصادی جائزہ

۲۰۱۹ء میں اقتصادی وغیر مستحکمی کا سلسلہ برقرار رہا اور جون ۲۰۱۹ء میں کرنٹ اکاؤنٹ خسارہ ۱۳٫۶ بلین امریکی ڈالر رہا (جون ۲۰۱۸ء: ۱۹٫۹ بلین امریکی ڈالر) مزید برآں معاشی استحکام کی پالیسیوں کے حصے کے طور پر امریکی ڈالر کے مقابلے میں پاک روپے کی قدر میں کمی جاری رہی اور اسٹیٹ بینک نے رواں سال ۲۰۱۹ء میں پالیسی ریٹ کو ۳۲۵ بی پی ایس تک بڑھا دیا۔

بیرونی اکاؤنٹ کے عدم توازن کو درست کرنے کیلئے استحکام کی پالیسیاں شروع کی گئی۔ کرنٹ اکاؤنٹ خسارہ جولائی۔ دسمبر ۲۰۱۹ء میں کافی حد تک ۲۰۱۸ء کے مقابلے میں کم رہا۔ غیر ملکی کرنسی کے ذخائر ۲۰۱۹ء میں ۱۸ بلین امریکی ڈالر تک بڑھ گئے (۲۰۱۸ء: ۱۳٫۸ بلین امریکی ڈالر) اور پاک روپے کی قدر مستحکم ہوئی۔ اس کے باوجود پالیسی اقدامات بالخصوص مالیاتی اقدامات ۲۰۲۰ء میں جی ڈی پی گروتھ کو متاثر کریں گے۔

آؤٹ لُک

آپ کی کمپنی اپنی سرکردہ پوزیشن برقرار رکھنے، منافع جات میں اضافے اور اپنے شیئر ہولڈرز کو بہتر منافع فراہم کرنے کے لئے اپنی کوششیں جاری رکھے گی۔

اظہارِ تشکر

آپ کے ڈائریکٹرز کیلئے یہ امر نہایت اطمینان وخوشی کا باعث ہے کہ وہ اپنے افسران، فیلڈ فورس اور اسٹاف کی جانب سے کی جانے والی ان کاوشوں اور جدوجہد کو خراج تحسین پیش کرتے ہیں جو انہوں نے کمپنی کی کامیابی کیلئے اور اس کے امور کو مستقل بنیادوں پر کامیابی کے ساتھ چلانے کے ضمن میں کی ہیں۔

آپ کے ڈائریکٹرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان ری انشورنس کمپنی لمیٹڈ اور اپنے تمام ری انشوررز کا بھی ان کی مستقل رہنمائی اور معاونت کیلئے شکر گزار ہیں۔

سعد بھیم جی	محمود لوٹیا	حسن علی عبداللہ	سیف الدین این۔ زومکاوالا
ڈائریکٹر	ڈائریکٹر	مینجنگ ڈائریکٹر و چیف ایگزیکٹو	چیئرمین

کراچی ۸ فروری ۲۰۲۰ء

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 25.2 to the consolidated financial statements, which describes that the Subsidiary Company has challenged the scope and applicability of the provincial sales tax on services on the premium from life insurance business.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Following are the key audit matters:

S. No.	Key Audit Matter(s)	How the matter was addressed in our audit
1.	**Valuation of Claim Liabilities** Refer notes 3.19 and 27 to the consolidated financial statements relating to valuation of claim liabilities. The Group's claim liabilities represents 4% of its total liabilities. Valuation of claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimation. The Group maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions. We have identified the valuation of claim liabilities as key audit matter because estimation of claim liabilities involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Assessed the appropriateness of the Group's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Group's policy and insurance regulations; • Assessed the sufficiency of reserving of claim liabilities, by testing calculations on the relevant data including recoveries from reinsurers based on their respective arrangements; • For a risk based sample of claims outstanding at the year-end, other than for unit linked business, compared liability recorded with the term of the policy; and • Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; • Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Group for determination of IBNR; and • Considered the adequacy of Group's disclosures about the estimates used and the sensitivity to key assumptions.
2.	**Insurance Liabilities** Refer notes 3.31 and 20 to the financial statements relating to insurance liabilities. The Group's insurance liabilities relating to life insurance business represent 79% of its total liabilities. Approximately 96% of these liabilities are for unit linked business. Valuation of insurance / takaful contract liabilities involve significant judgment, actuarial assumptions such as; mortality, persistency, morbidity, investment returns, expense levels and inflation, and the use of methods adopted for actuarial valuations.	Our procedures in respect of this matter included the following: • Obtained an understanding, assessed the design and tested the operating effectiveness of controls established for unit linked business for allocation and surrender of units and calculation of bid value per unit; • Assessed the adequacy of the reserve for bid value of allocated units of unit linked business, by applying the bid value to the total number of units extracted from the system; • Assessed the adequacy of reserving of various components of Insurance liabilities, other than bid value reserves including reserves of non-linked businesses, by testing calculations on the relevant data obtained from system generated reports; • Obtained an understanding, evaluated the design and tested the controls related to reinsurance arrangements;

S. No.	Key Audit Matter(s)	How the matter was addressed in our audit
		• Obtained understanding of the work performed by the appointed actuary; • Used an external actuarial specialist to assist us in challenging the general principles, actuarial assumptions and methods adopted for actuarial valuations by the appointed actuary of the subsidiary company; and • Challenged the assumptions used for incurred but not reported claims of businesses where fully credible experience is not available with the Group's historical data of claims.
3.	Revenue Recognition Risk Refer notes 3.7.2, 3.9, 3.16.3, 26 and 30 to the consolidated financial statements relating to revenue recognition risk. The Group receives its revenue primarily from two main sources namely; premiums / contributions and investments income. Premiums from insurance policies comprise of 75% of the total revenue. We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording related to premiums income; • Assessed the appropriateness of the Group's accounting policy for recording of premiums / contributions and investment income in line with requirements of applicable accounting and reporting standards; • Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; • For a risk based sample of policies of non-unit linked business where premium is outstanding at the year end, compared receivable recorded with the terms of policy; • For a risk based sample of policies of which premium / contribution was received / due near to period end and subsequent to period end, evaluated that these were recorded in the appropriate period; • Tested the investment income transaction on sample basis and subsequent to year end, and evaluated that these were recorded in the appropriate period; and • For a sample of investment income transactions, tested that investment income is recorded based on the effective interest method or where right to receive the dividend is established.

S. No.	Key Audit Matter(s)	How the matter was addressed in our audit
4.	Valuation of insurance / reinsurance receivables Refer notes 3.13 and 14 to the consolidated financial statements relating to valuation of insurance / reinsurance receivables. The Group's insurance / reinsurance receivables represents 2% of its total assets which are stated net of provision for impairment of Rs. 210 million. Valuation of these receivables involves significant judgment regarding uncertainty in determining impairment / provisions. We identified the valuation of insurance / reinsurance receivables as a key audit matter as the estimation involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket; • Assessed on a sample basis the reinsurance share of claims against the terms of the reinsurance contracts and the related recorded liabilities; and • Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, actual write offs and receipts and settlement from / with customers and reinsurer subsequent to the financial year end;
5.	Valuation, Classification and Impairment of Investments Refer notes 3.17, 10, 11 and 12 to the consolidated financial statements relating to valuation, classification and impairment of investments. The Group's investment portfolio comprise of government debt securities, equity securities, other fixed income securities and term deposits. Investments carried at Available for Sale represent 10% of the total investments while investments classified as Held to Maturity represent 20% of the total investments. We identified the valuation, classification and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in valuation, classification and impairment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for valuation and classification of investments and for impairment of investments classified as available for sale; • Tested, on a sample basis, specific investments buying and selling transactions and classification recorded with underlying documentation; • Assessed the methodology used and evaluated the valuation of debt securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; • Evaluated designation of securities, recording of investments purchased among the statutory funds by testing the individual transactions on a sample basis; and • Assessed the appropriateness of impairment in the value of available for sale securities held by the Group in accordance with accounting and reporting standards as applicable in Pakistan.

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

Management is responsible for the Other Information. The Other Information comprises the information included in the Group's Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 28 February 2020

Consolidated Statement of Financial Position
As at 31 December 2019

Rupees '000

	Note	2019	(Restated) 2018
Assets			
Property and equipment	6	7 788 920	6 949 650
Intangible assets	7	8 005 650	8 007 955
Investment property	8	2 341 470	1 879 093
Investments			
Equity securities	10	13 638 413	38 222 181
Debt securities	11	95 177 568	65 280 522
Term deposits	12	20 103 352	15 555 707
Loans and other receivables	13	3 494 624	3 210 709
Insurance / reinsurance receivables	14	4 266 731	3 746 654
Reinsurance recoveries against outstanding claims	27	4 081 849	3 363 439
Salvage recoveries accrued		44 550	42 306
Deferred commission expense	28	598 669	600 740
Retirement benefit	21	29 689	–
Taxation - payments less provision		1 083 593	291 132
Prepayments	15	5 901 902	5 280 084
Cash and bank	16	6 905 236	6 052 924
		173 462 216	158 483 096
Total assets of window takaful operations - Operator's Fund		759 742	621 302
Total assets		174 221 958	159 104 398
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	17	2 000 000	2 000 000
Reserves	18	17 726 840	16 727 065
Unappropriated profit		(254 638)	1 126 031
Capital and reserve attributable to Company's equity holders		19 472 202	19 853 096
Non-controlling interest	40	4 071 148	4 184 692
Total equity		23 543 350	24 037 788
Surplus on revaluation of property and equipment	19	1 193 610	969 601
Liabilities			
Insurance liabilities	20	118 487 133	107 029 274
Underwriting provisions			
Outstanding claims including IBNR	27	6 273 372	5 176 757
Unearned premium reserves	26	9 143 972	8 354 109
Unearned reinsurance commission	28	430 936	394 848
Retirement benefit obligations	21	–	62 704
Deferred taxation	22	2 778 208	2 798 589
Premium received in advance		1 037 616	770 933
Insurance / reinsurance payables	23	6 325 914	5 526 324
Other creditors and accruals	24	4 613 687	3 575 960
		30 603 705	26 660 224
Total liabilities		149 090 838	133 689 498
		173 827 798	158 696 887
Total liabilities of window takaful operations - Operator's Fund		394 160	407 511
Total equity and liabilities		174 221 958	159 104 398
Contingencies and commitments	25		

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Consolidated Profit and Loss Account
For the year ended 31 December 2019

Rupees '000

	Note	2019	(Restated) 2018
Net insurance premium	26	38 542 194	30 869 493
Net insurance claims	27	(19 198 970)	(12 300 512)
Net commission and other acquisition costs	28	(7 879 291)	(5 949 908)
Insurance claims and acquisition expenses		(27 078 261)	(18 250 420)
Management expenses	29	(4 693 780)	(3 986 983)
Net change in insurance liabilities (other than outstanding claims)		(11 046 950)	(1 276 786)
Underwriting result		(4 276 797)	7 355 304
Investment income	30	13 166 635	6 322 348
Net realized fair value losses on financial assets	31	(7 807 925)	(3 518 411)
Net fair value gain / (losses) on financial assets at fair value through profit and loss	32	3 026 353	(5 924 034)
Rental income	33	112 349	103 991
Other income	34	309 526	215 637
Change in fair value of investment property	8	433 899	10 681
Other expenses	35	(77 395)	(67 654)
		9 163 442	(2 857 442)
Results of operating activities		4 886 645	4 497 862
Finance cost		(14 090)	–
Share of profit of associate	9	–	103 952
Reversal of workers' welfare fund		273 057	–
Profit from window takaful operations - Operator's Fund	36	214 143	117 452
Profit before tax		5 359 755	4 719 266
Income tax expense	37	(1 990 357)	(1 138 414)
Profit after tax		3 369 398	3 580 852
Profit attributable to:			
Equity holders of the parent		2 547 472	2 799 199
Non-controlling interest		821 926	781 653
		3 369 398	3 580 852
Earnings (after tax) per share - Rupees	38	12.74	14.00

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

Rupees '000

	2019	(Restated) 2018
Profit after tax	3 369 398	3 580 852
Other comprehensive income		
Total items that may be reclassified subsequently to profit and loss account		
Unrealized loss on available-for-sale investments during the year	(1 541 348)	(1 364 164)
Reclassification adjustments relating to available-for-sale investments disposed off during the year	503 373	149 247
Total unrealized loss for the year	(1 037 975)	(1 214 917)
Deferred tax on available-for-sale investments	301 013	391 755
Net unrealized loss from window takaful operations - Operator's Fund (net of deferred tax)	(229)	(940)
Total items that may be reclassified subsequently to profit and loss account	(737 191)	(824 102)
Item not to be reclassified to profit and loss account in subsequent years:		
Share of profit of associate (net of deferred tax)	–	7 538
Actuarial gains / (losses) on defined benefit plans	27 820	(9 305)
Related deferred tax	(8 737)	2 792
Loss on recognition of fair value of investment on business combination	–	(1 644 544)
	19 083	(1 643 519)
Other comprehensive income for the year	(718 108)	(2 467 621)
Total comprehensive income for the year	2 651 290	1 113 231
Total comprehensive income attributable to:		
Equity holders of the parent	1 843 357	354 915
Non-controlling interest	807 933	758 316
	2 651 290	1 113 231

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Consolidated Cash Flow Statement
For the year ended 31 December 2019

Rupees '000

	2019	(Restated) 2018
Operating cash flows		
a) Underwriting activities		
Insurance premium / contribution received	51 231 188	41 593 423
Reinsurance premium / retakaful contribution paid	(12 013 567)	(11 219 201)
Claims paid	(20 583 483)	(14 334 444)
Reinsurance and other recoveries received	2 163 671	1 970 927
Commission paid	(6 124 718)	(4 785 720)
Commission received	902 581	862 510
Management expenses paid	(6 450 037)	(4 861 684)
Net cash flow from underwriting activities	9 125 635	9 225 811
b) Other operating activities		
Income tax paid	(2 533 848)	(1 628 695)
Other operating payments	1 842 190	(1 730 337)
Other operating receipts	186 981	136 726
Loans advanced	(160 280)	(49 064)
Loans repayments received	114 341	11 493
Net cash flow used in other operating activities	(550 616)	(3 259 877)
Total cash flow from all operating activities	8 575 019	5 965 934
Investment activities		
Profit / return received	10 083 496	5 502 416
Dividend received	1 081 280	1 438 125
Rentals received	128 261	106 262
Payment for investments / investment properties	(438 657 253)	(274 037 240)
Proceeds from investments / investment properties	428 092 811	266 423 119
Fixed capital expenditures	(988 310)	(898 336)
Proceeds from sale of property and equipment	128 361	106 701
Acquisition of subsidiary net of cash acquired	–	18 114 119
Total cash flow (used in) / from investing activities	(131 354)	16 755 166
Total cash flow used in financing activities - Dividends paid	(2 981 453)	(2 783 285)
Net cash flow from all activities	5 462 212	19 937 815
Cash and cash equivalents at beginning of year	21 102 024	1 164 209
Cash and cash equivalents at end of year	26 564 236	21 102 024
Reconciliation to profit and loss account		
Operating cash flows	8 575 019	5 965 934
Depreciation / amortization expense	(950 577)	(620 877)
Profit on disposal of property and equipment	95 032	70 757
Loss on disposal of investments / investment properties	(7 315 934)	(3 367 666)
Rental income	112 349	103 991
Dividend income	1 069 672	1 424 523
Other investment income	11 839 020	5 332 965
Share of profit from associate	–	103 952
Profit on deposits	156 746	81 729
Other income	47 824	56 726
Change in fair value of investment properties	433 899	10 681
Appreciation / (depreciation) in market value of investments	3 226 626	(6 245 742)
Reversal / (impairment) in the value of available-for-sale equity investments	13 350	(18 623)
Increase in assets other than cash	2 136 355	2 093 221
Increase in liabilities other than running finance	(16 284 126)	(1 528 171)
Profit after tax from conventional insurance operations	3 155 255	3 463 400
Profit from window takaful operations - Operator's Fund	214 143	117 452
Profit after tax	3 369 398	3 580 852

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

Rupees '000

	Attributable to equity holders of the Company								
			Revenue reserves						
	Share capital	Capital Reserve - Reserve for exceptional losses	General reserve	Unrealized gain / (loss) on revaluation of available-for-sale investment - net	Unrealized gain on fair value of investment property	Unappropriated profit	Equity attributable to equity holder of parent	Non-controlling interest	Total (Restated)
Balance as at 01 January 2018	2 000 000	12 902	13 000 000	2 735 188	1 188 133	2 567 245	21 503 468	–	21 503 468
Total comprehensive income for the year ended 31 December 2018									
Profit after tax					91 607	2 707 592	2 799 199	781 653	3 580 852
Other comprehensive income				(800 765)		(1 643 519)	(2 444 284)	(23 337)	(2 467 621)
				(800 765)	91 607	1 064 073	354 915	758 316	1 113 231
Transactions with owners recorded directly in equity									
Recognition of non-controlling interest on business combination								4 278 100	4 278 100
Final dividend for the year 2017 at the rate of Rs. 6.25 (62.50 %) per share						(1 250 000)	(1 250 000)	–	(1 250 000)
Final dividend for the year 2017 at the rate of Rs. 11.25 (112.50 %) per share						–	–	(636 840)	(636 840)
1st Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						(250 000)	(250 000)	–	(250 000)
1st Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						–	–	(70 760)	(70 760)
2nd Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						(250 000)	(250 000)	–	(250 000)
2nd Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						–	–	(70 760)	(70 760)
3rd Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						(250 000)	(250 000)	–	(250 000)
3rd Interim dividend paid for the year 2018 at the rate of Rs. 1.25 (12.50 %) per share						–	–	(70 760)	(70 760)
Acquisition of NCI without a change in control						(5 287)	(5 287)	(2 604)	(7 891)
Other transfer within equity									
Transfer to general reserve			500 000			(500 000)	–	–	–
Balance as at 31 December 2018 (Restated)	2 000 000	12 902	13 500 000	1 934 423	1 279 740	1 126 031	19 853 096	4 184 692	24 037 788
Balance as at 01 January 2019 (as reported)	2 000 000	12 902	13 500 000	1 934 423	1 279 740	1 145 831	19 872 896	4 223 836	24 096 732
Adjustment due to change in accounting policy						(19 800)	(19 800)	(39 144)	(58 944)
Balance as at 01 January 2019 (Restated)	2 000 000	12 902	13 500 000	1 934 423	1 279 740	1 126 031	19 853 096	4 184 692	24 037 788
Total comprehensive income for the year ended 31 December 2019									
Profit after tax					222 973	2 324 499	2 547 472	821 926	3 369 398
Other comprehensive income				(723 198)	–	19 083	(704 115)	(13 993)	(718 108)
				(723 198)	222 973	2 343 582	1 843 357	807 933	2 651 290
Transferred from surplus on revaluation of property and equipment on account for incremental depreciation - net of tax						2 424	2 424	3 126	5 550
Acquisition of NCI without a change in control						(76 675)	(76 675)	(34 320)	(110 995)
Transactions with owners recorded directly in equity									
Final dividend for the year 2018 at the rate of Rs. 6.25 (62.50 %) per share						(1 250 000)	(1 250 000)		(1 250 000)
Final dividend for the year 2018 at the rate of Rs. 6.25 (62.50 %) per share								(635 937)	(635 937)
1st Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)		(300 000)
1st Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share								(84 792)	(84 792)
2nd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share						(300 000)	(300 000)		(300 000)
2nd Interim dividend paid for the year 2019 at the rate of Rs. 1.50 (15.00 %) per share								(84 780)	(84 780)
3rd Interim dividend paid for the year 2019 at the rate of Rs. 1.25 (12.50 %) per share						(300 000)	(300 000)		(300 000)
3rd Interim dividend paid for the year 2019 at the rate of Rs. 1.25 (12.50 %) per share						–	–	(84 774)	(84 774)
Other transfer within equity									
Transfer to general reserve			1 500 000			(1 500 000)	–	–	–
Balance as at 31 December 2019	2 000 000	12 902	15 000 000	1 211 225	1 502 713	(254 638)	19 472 202	4 071 148	23 543 350

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

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Karachi 08 February 2020

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

1. Legal status and nature of business

1.1 EFU General Insurance Limited (The Company) has assessed its control position in relation to its investments in EFU Life Assurance Limited after its agreement with some shareholders of EFU Life Assurance Limited effective 31 March 2018, accordingly it has been concluded that the Company has the ability to control the composition of the Board of Directors of EFU Life Assurance Limited, therefore EFU Life Assurance Limited has become the subsidiary of the Company from 31 March 2018. The consolidated financial statements have been prepared and are presented as per the requirements of Section 228 of the Companies Act 2017.

1.2 The group comprises of:

1.2.1 EFU General Insurance Limited (Holding Company)

EFU General Insurance Limited was incorporated as a public limited company on 02 September 1932. The Holding Company is listed on the Pakistan Stock Exchange Limited and is engaged in non-life insurance business comprising of fire and property damage, marine, motor, miscellaneous etc.

The Registered Office of the Holding Company is situated at Kamran Centre, 1st Floor 85, East, Jinnah Avenue Blue Area Islamabad while the principal place of business is located at EFU House, M.A. Jinnah Road, Karachi. The Holding Company commenced Window Takaful Operations from 16 April 2015 as per Securities and Exchange Commission of Pakistan (SECP) Takaful Rules, 2012. The Holding Company operates through 54 (2018: 53) branches in Pakistan including a branch in Export Processing Zone (EPZ) and a branch in Gwadar Free Zone.

1.2.2 EFU Life Assurance Limited (Subsidiary Company)

EFU Life Assurance Limited with 43.92 % effective holding was incorporated as public limited company on 09 August 1992 and started its operation from 18 November 1992. The Subsidiary Company is listed on Pakistan Stock Exchange Limited and is engaged in life assurance business comprising of ordinary life business, pension fund business and accident and health business and has established following funds, as required by the Insurance Ordinance, 2000.

– Investment linked business (includes individual life business)
– Conventional business (includes group life and individual life businesses)
– Pension business (unit-linked) *
– Accident and health business
– Family takaful investment linked business
– Family takaful protection business

* The Subsidiary Company has discontinued pension business and accordingly no new business has been written under this fund.

The Registered Office of the Subsidiary Company is located at Al-Malik Centre, 70W, F-7/G-7 Jinnah Avenue, Islamabad while principal place of business is located at Plot No.112, 8th East Street, Phase 1, DHA, Karachi. The Subsidiary Company commenced Window Takaful Operations on 06 February 2015 as per Securities and Exchange Commission of Pakistan (SECP) Takaful Rules, 2012.

2. Basis of preparation and statement of compliance

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

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

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

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, shall prevail.

Total assets, total liabilities and profit of the Window Takaful Operations of the Holding Company referred to as the Operator's Fund has been presented in these consolidated financial statements in accordance with the requirements of Circular 25 of 2015 dated 09 July 2015.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis except for the available-for-sale investments, property and equipment and investment property that have been measured at fair value and the Group's liability under defined benefit plan that is determined based on present value of defined benefit obligation less fair value of plan assets.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupees which is also the Group's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees in thousand, unless otherwise stated.

2.4 Standards, interpretations and amendments effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 01 January 2019 but are considered not to be relevant or do not have any significant effect on the Group's Operations and therefore not detailed in these consolidated financial statements. During the year, certain new standards and amendments to existing standards became effective except for the impact of accounting of lease as disclosed in note 4.1 of these consolidated financial statements.

2.5 Standards, interpretations and amendments not effective at year end

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

Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

IFRS 14 'Regulatory Deferral Accounts' - (effective for annual periods beginning on or after 01 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and / or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Group's financial statements.

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Group has determined that it is eligible for the temporary exemption option since the Group has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Group doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Group can defer the application of IFRS 9 until the application IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms “principal” as being the fair value of the financial asset at initial recognition, and the “interest” as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

b) all other financial assets:

Rupees '000

	31 December 2019				
	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less Impairment	Change in unrealized gain or (loss) during the year
Cash and bank *	6 905 236	–	–	–	–
Investments in equity securities - available-for-sale	13 638 413	1 196 899	–	–	–
Investments in debt securities - available-for-sale	–	–	95 177 568	–	171 623
Term Deposits *	–	–	20 103 352	–	–
Loans and other receivables *	3 409 036	–	85 588	–	–
Total	23 952 685	1 196 899	115 366 508	–	171 623

	31 December 2019									
	Gross carrying amounts of debt instruments that pass the SPPI test									
	AAA	AA+	AA	A+	A	A-	AA-	A-1	A-1+	Unrated
Investments in debt securities - available-for-sale	2 563 756	2 670 568	2 247 147	50 000	–	650 225	1 308 935	–	–	85 686 937
Term deposits	216 580	114 272	–	100 000	15 000	250 000	98 500	5 250 000	14 059 000	–
Total	2 780 336	2 784 840	2 247 147	150 000	15 000	900 225	1 407 435	5 250 000	14 059 000	85 686 937

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

3. Summary of significant accounting policies

The significant accounting policies and method of computation adopted in preparation of consolidated financial statements are consistent to all years presented in these consolidated financial statements except for the accounting for leases and Presentation of the surplus in the Participant's Fund of Subsidiary Company as disclosed in note 4 and the standards, which became effective during the current year.

3.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Holding Company and its Subsidiary Company. Subsidiary Company is fully consolidated from the date on which the power to control the Subsidiary Company is established.

The financial statements of the Subsidiary Company are prepared for the same reporting period as the Holding Company, using accounting policies that are consistent with those of the Holding Company.

The assets and liabilities of the Subsidiary Company have been consolidated with those of the Holding Company on a line by line basis and the carrying value of the Holding Company's investment in the Subsidiary Company is eliminated against the Subsidiary Company's share capital and pre-acquisition reserves in these consolidated financial statements. Non-controlling interest represents that part of the net results of operations and of the net assets of the Subsidiary Company that is not owned by the Group. All material intra-group balances and transactions have been eliminated. Acquisitions of non-controlling interest (NCI) are measured at the proportionate share of the NCI in the fair value of the net assets of the Subsidiary Company.

3.2 Business combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any; acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Subsidiary Company's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired, the difference is recognized directly in the consolidated profit and loss account.

3.3 Goodwill

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any, for the purpose of impairment testing. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

3.4 Property and equipment

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount. Building is initially measured at cost and upon revaluation, is carried at revalued amount less accumulated depreciation and impairment, if any; all other operating property and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Land and building are revalued by an independent professionally qualified valuer to ensure that the net carrying amount does not differ materially from the fair value. The surplus arising on revaluation of property and equipment is credited to the "surplus on revaluation of property and equipment"

Depreciation is calculated on straight line basis at the rates specified in note 6.1 to these consolidated financial statements.

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from surplus on revaluation of assets to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charges for the year.

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

Depreciation on additions to property and equipment is charged from the month in which an asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account currently.

Gains or losses on disposal of property and equipment are included in consolidated profit and loss account.

3.4.1 Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible property and equipment.

3.5 Intangible asset

Material computer software licenses acquired are capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Amortization on additions to intangibles is charged from the month in which an asset is available for use, while no amortization is charged for the month in which the asset is disposed off.

Cost associated with maintaining computer software programmes are recognized as an expense when incurred.

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

3.6 Investment properties

Investment properties are measured at purchase cost on initial recognition including directly attributable cost on the acquisition of the investment property and subsequently at fair value with any change therein recognized in consolidated profit and loss account.

Subsequently cost is included in the carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Holding Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to consolidated profit and loss account.

3.7 Insurance contracts

3.7.1 Holding Company

Insurance contracts are those contracts where the Holding Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

The Holding Company underwrites non-life insurance contracts that can be categorized into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Insurance contracts entered into by the Holding Company under which the contractholder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those, which fall under treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Holding Company as insurer.

Fire and property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties, passengers and cargo.

Motor insurance covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other insurances like cash in hand, cash in transit, personal accident, infidelity, public liabilities, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are included under miscellaneous insurance cover.

3.7.2 Subsidiary Company

Classification

The Subsidiary Company currently issues contracts that are classified as insurance and takaful contracts as they transfer significant insurance risk (against death, disability and sickness) from the policyholder to the Subsidiary Company. All contracts which include an investment element are unit-linked contracts linked to internal mutual funds.

The Subsidiary Company classifies its business into individual life and group life businesses, in both cases the form of contract consisting of main plans and supplementary riders (which are generally optional).

Individual life business mainly consists of unit-linked products and conventional protection products, in both cases with optional supplementary riders which generally provide protection only. Group life business consists primarily of protection products and a relatively small number of unit-linked policies.

Contract details and measurement

The insurance contracts offered by the Subsidiary Company are described below.

Individual life policies

These consist of the following types of policies:

(a) Unit-linked product

These are medium to long term unit-linked plans designed to address a variety of future policyholder needs, such as retirement planning, education planning for children, marriage planning for children, life protection and investments and savings for future. Premiums received from policyholders and after deduction of specified charges including risk charges, are invested in internal unit funds of the Subsidiary Company The basic plan contains life cover over and above the unit value, with additional protection (for death, disability and sickness) being provided through the addition of optional riders.

(b) Conventional protection products:

Two types of products are offered under Individual life conventional business, these being medium to long term contracts with level premiums being paid over the policy period. The Subsidiary Company offers a standard term life assurance product that offers protection in event of death as well as a decreasing term life assurance policy that covers outstanding loan balances.

(c) Family takaful investment linked products:

These are medium to long term unit-linked plans operated through Window Takaful Operations of EFU Life Assurance.

The Subsidiary Company offers unit-linked takaful plans which provide shariah compliant financial protection and investment vehicle to individual participants. These plans carry cash value, and offer investment choices to the participants to direct their investment related contributions based on their risk / return objectives. The investment risk is borne by the participants

(d) Accident and health products:

These consist of long term and short term accident and health products providing cover against accidental death, disability, sickness and critical illness, offered both as long term as well as yearly renewable plans

(e) Other Supplementary Benefits:

The Subsidiary Company also offers a variety of supplementary benefits attached with main plans including additional term life assurance, income benefits, critical illness, sickness and accidental death and disability related benefits.

Group life and group family takaful protection policies

(a) Nature of contracts:

The Subsidiary Company's group life and group takaful business consists of one year term life contracts which provide coverage, in the event of death or disability, to:

- Employees of a common employer, benefits payable under these contracts being either fixed, in case of death, or linked to the extent of loss incurred by the policyholder, in case of disability;
- Customers of financial institutions, the contracts being issued to financial institutions to protect their customers' outstanding loan balances, such as on personal loan, mortgages and credit cards.

Unit-linked group life policies are similar in nature to individual life unit-linked products.

3.8 Commission

3.8.1 Deferred commission expense

Commission expenses incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

3.8.2 Commission income

Commission from reinsurers is deferred and recognized as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements is recognized when the Group's right to receive the same are established.

3.8.3 Acquisition costs

These are costs incurred in acquiring insurance policies, maintaining such policies, and include without limitation all forms of remuneration paid to insurance agents.

Commissions and other expenses are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognized not later than the period in which the premium to which they refer is recognized as revenue.

3.9 Premium

For all the insurance contracts, premiums / cover notes issued including administrative surcharge received / receivable under a policy / cover note are recognized as written from the date of attachment of the risk to the policy / cover note and over the period of the insurance from inception to the expiry of policy. Where premiums for a policy are payable in instalments, full premium for the duration of the policy is recognized as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

3.10 Unearned premiums reserves

The unearned premium reserve is the unexpired portion of the premium including administrative surcharge, which relates to business in force at the consolidated financial statements date. Unearned premiums have been calculated by applying 1/24th method as specified in the Insurance Rules, 2017.

3.11 Premium deficiency reserve (liability adequacy test)

At each consolidated financial statement date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after consolidated financial statements date in respect of policies in force at consolidated financial statements date with the carrying amount of unearned premium liability. Any deficiency is recognized by establishing a provision (premium deficiency reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses, which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

The movement in the premium deficiency reserve is recognized as an expense or income in the profit and loss account for the year.

3.12 Reinsurance contracts

Contracts entered into by the Holding Company with reinsurers under which the Holding Company cedes insurance risks assumed during normal course of its business and according to which the Holding Company is compensated for losses on insurance contracts issued by the Holding Company are classified as reinsurance contracts held.

Reinsurance premium is recognized as an expense at the time the reinsurance is ceded. Commission on reinsurance cessions are recognized in accordance with the policy of recognizing premium revenue.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Reinsurance recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Reinsurance liabilities represent balances due to reinsurance companies and are primarily premiums payable for reinsurance contracts and are recognized at the same time when reinsurance premiums are recognized as an expense.

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

An impairment review of reinsurance assets is performed at each consolidated financial statement date. If there is objective evidence that the asset is impaired, the Holding Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

The Subsidiary Company has entered into reinsurance / retakaful (hereinafter referred to as “reinsurance”) arrangements, for both its individual and group businesses, in order to manage risks associated with the frequency and severity of claims. These arrangements include cover under treaties as well as on a facultative basis. The terms of reinsurance treaties vary by type of business, the objective being to maintain a reasonable risk profile suiting the risk appetite and overall exposure to adverse movements in mortality or morbidity.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured according to the terms of the arrangements.

3.13 Receivables and payables

3.13.1 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Group reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the consolidated profit and loss account.

Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their aging.

3.13.2 Creditors, accruals and provisions

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

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

3.14 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format.

The Holding Company has four primary business segments for reporting purposes namely, fire and property, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 42.

Based on its classification of Insurance contracts issued, the Subsidiary Company has six business segments namely investment linked business, conventional business, pension business, accident and health business, Family takaful investment linked business and Family takaful protection business.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities, which cannot be allocated to a particular segment on a reasonable basis, are reported as unallocated corporate assets and liabilities.

3.15 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand and deposits maturity upto three months

3.16 Revenue recognition

3.16.1 Premium

3.16.1.1 The Holding Company

The revenue recognition policy for premiums is given under note 3.10.

3.16.1.2 The Subsidiary Company's first year individual life premiums / contributions are recognized once the related policies have been issued and the premium is received. Renewal premiums are recognized upon receipt of premium provided the policy is still in force. Single premiums are recognized once the related policies are issued against the receipts of premium.

Group life premiums are recognized when due. A provision for unearned premiums is included in the policyholders' liabilities.

Interest / profit income on bank deposits is recorded on a time proportion basis.

Fixed income securities are recorded on a time proportion basis using effective interest rate method, except Treasury-bills.

Dividend income is recognized when right to receive such dividend is established.

3.16.2 Commission income

The revenue recognition policy for commission income is given under note 3.8.2

3.16.3 Investment income

Return on investments, profit and loss sharing accounts and bank deposits are recognized using effective interest rate method.

Profit or loss on sale of investments is recognized at the time of sale.

3.16.4 Dividend income

Dividend income is recognized when right to receive such dividend is established.

3.17 Investments

- In equity securities
  (a) Available-for-sale
  (b) Fair value through profit and loss
  (c) Fair / market value measurements
- In debt securities
  (a) Available-for-sale
  (b) Fair value through profit and loss
  (c) Held to maturity
- In term deposits - Held to maturity

3.17.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Group commits to purchase or sell the investments.

3.17.2 Measurement

3.17.2.1 Available-for-sale

Available-for-sale Investments are those non-derivative instruments that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, these are remeasured at fair value. Surplus / deficit on revaluation from one reporting date to other is taken to other comprehensive income in the consolidated statement of comprehensive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in consolidated other comprehensive income is transferred to consolidated profit and loss for the year within statement of consolidated comprehensive income. Whereas, any reversal in impairment is taken in consolidated statement of comprehensive income.

These are reviewed for impairment at each reporting date and any losses arising from impairment in values are charged to the profit and loss account.

3.17.2.2 Investments in debt securities relating to units assigned to policies of investment linked business, pension business and Family takaful investment linked business are subsequently measured at their fair values and the difference taken in fair value through profit and loss account and the investment related to non-unit-linked fund subsequently measured at fair value through other comprehensive income.

3.17.2.3 Held to maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to held to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment in value, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method.

The difference between the redemption value and the purchase price of the held to maturity investment is amortized and taken to the profit and loss account over the term of investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the consolidated profit and loss account.

3.17.2.4 Fair value through profit and loss

Investments in debt securities relating to units assigned to policies of investment linked business, pension business and Family takaful investment linked business are subsequently measured at their fair values and the difference taken in fair value through profit and loss account and the investment related to non-unit-linked fund subsequently measured at fair value through other comprehensive income.

3.17.2.5 Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) where applicable. For investments in quoted marketable securities, other than term finance certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on balance sheet date. The fair market value of term finance certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

3.17.3 Derivatives

Derivative instruments held by the Group primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently remeasured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the consolidated financial statements. The resultant gains and losses are included in the consolidated profit and loss account.

3.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the consolidated financial statements only when there is legally enforceable right to set off the recognized amount and the Group intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.19 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

3.19.1 Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the consolidated financial statements date, which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

3.19.2 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the consolidated financial statements date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

3.19.3 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the consolidated financial statements date. The Group takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

3.20 Taxation

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

3.20.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

3.20.2 Deferred

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.21 Employees' retirement benefits

3.21.1 Holding Company

3.21.1.1 Defined benefit plans

The Holding Company operates the following employee defined benefit plans:

- Funded gratuity scheme

  The Holding Company operates an approved gratuity fund for all employees who complete qualifying period of service.
- Funded pension scheme

Defined benefit funded pension for all eligible officers.

These funds are administered by trustees. The pension plan is a career average salary plan and the gratuity plan is a final basic salary plan. The actuarial valuation of both the plans is carried out on a yearly basis using the Projected Unit Credit Method and contributions to the plans are made accordingly.

Actuarial gains and losses are recognized in other comprehensive income in the year in which they arise.

3.21.1.2 Defined contribution plan

The Holding Company contributes to a provident fund scheme, which covers all permanent employees. Both the Holding Company and the employees make equal contributions to the fund at the rate of 8.33 % of basic salary.

3.21.2 Subsidiary Company

3.21.2.1 The Subsidiary Company operates a contributory provident fund for all eligible employees to which equal monthly contributions at the rate of 8.33% of basic salary are made by both the Subsidiary Company and the employees. The contributions are recognized as employee benefit expense when they are due.

3.21.2.2 The Subsidiary Company also operate an approved funded contributory pension scheme, whereby, fixed monthly contributions at the rate of 10% of the basic salary are made by the Subsidiary Company and the employees also have an option to contribute in the fund at the rate of 5%. At the time of retirement, employees are paid in full for their contribution, if any, and Subsidiary Company's contribution accumulated in the fund is paid to employees over the period of time in accordance with the rules of the fund.

3.22 Impairment

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

The carrying amount of non financial assets is reviewed at each consolidated financial statements date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the consolidated profit and loss account. Provisions for impairment are reviewed at each consolidated financial statements date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.23 Dividend and bonus shares

Dividend to shareholders is recognized as liability in the period in which it is approved. Similarly, reserve for issue of bonus shares is recognized in the year in which such issue is approved.

3.24 Expenses of management

All expenses of management have been allocated between business of Company and window takaful operations - Operators' Fund to the various revenue accounts on equitable basis.

3.25 Rental income

Rental income on investment properties is recognized over the term of lease.

3.26 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.12.

3.27 Compensated absences

The liability towards compensated absences accumulated by the employees is provided in the period in which they are earned.

3.28 Foreign currencies

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions. Income and expense amounts relating to foreign branches have been translated at the applicable exchange rates. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the consolidated financial statements date. Exchange gains or losses, if any, are taken into consolidated profit and loss account.

3.29 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other insurers / reinsurers, accrued expenses, agents balances, other creditors, deposits and unclaimed dividends.

All the financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and derecognized when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on derecognition of financial assets and financial liabilities are taken to income directly.

3.30 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.31 Policyholder liability

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each consolidated financial statements date. In determining the value, both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Subsidiary Company underwrites are taken into account. The bases used are applied consistently from year to year.

The basic liability consists of the estimated actuarial liability against each contract which is in force. To this are added:

(a) The cash value of policies which have lapsed over the last two years and where the liability would be reinstated in case of the policy being revived; and

(b) A reserve for potential losses on a policy by policy basis.

Policyholder liabilities consist of the following components

Net unearned premium reserve

The unearned premium reserve is the portion of premium that had been booked in the current period but pertains to a period that extends beyond the valuation date. The fraction of premium that is to be consumed in the succeeding period is considered to be unearned. The unearned premium is the aggregate for both posted and fluctuations in the unearned premium.

The unearned premium reserve is computed both gross and net of reinsurance, the methodology used for both being similar.

Unit-link group life policies

Policyholder liabilities for these policies are measured as the sum of the fair value of units attached and the unearned part of any risk premiums charged.

Profit commission reserve (accrued for policyholders)

This is the total accrued profit commission that is payable to Policyholders at a future date. Profit commission for any policy normally becomes payable at the end of three policy years. However, accrued profit commission is calculated at the end of each policy year to account for the liability that has been created for that year. The sum of all such accrued profit commissions for all schemes is the profit commission reserve.

Profit commission reserve (accrued from reinsurer)

This is the total profit commission due from reinsurer on all reinsured schemes. Profit commission rates are applied on insured groups, based on their size. The total profit commission accrued from reinsurer is the sum of profit commissions for each group.

Premium deficiency reserve

The need for premium deficiency reserve arises when the Group expects to incur claims in excess of reserves set aside using conventional methods. The Group analyzed its current portfolio of group contracts and evaluated loss ratios of group business. The Group does not expect excessive claims on any schemes and hence no provision for Premium Deficiency Reserve is set aside.

Incurred but not reported (IBNR) reserve

The IBNR (incurred but not reported) reserve is an estimate of those claims that might have occurred but not yet reported. This is estimated by using the claim intimation lag from the date of death for the claims that have been reported in the last two years. The system generated IBNR triangle report is used to calculate the ratio of delay to estimate the probable claims pertaining to and not reported up to the valuation date.

3.32 Statutory funds

The Subsidiary Company maintains statutory funds for all classes of life insurance business. Assets, liabilities, revenues and expenses are recorded in respective funds, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenues and expenses are allocated to shareholders' fund. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Subsidiary Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000. A capital transfer provided to statutory funds by the shareholders' fund is recorded as a reduction in the shareholders' equity. Changes in the amount of capital contributed to statutory funds is recorded by the shareholders' funds directly in equity.

4 Change in accounting policies

4.1 During the year, IFRS 16 'Leases' become applicable on all companies having lease arrangements. This IFRS 16 replaces existing guidance on accounting for leases as per IAS 17. IFRS 16 introduced a single balance sheet accounting model for long term lessees. As a result, the Group as a lessee, recognizes right-of-use assets representing its right of using the underlying assets and a corresponding lease liability representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 Modified approach, therefore, the comparative information has not been restated i.e. it is presented as previously reported under IAS 17 and related interpretations.

The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for remeasurements of the 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 Group uses incremental borrowing rate.

The Group has applied incremental borrowing rate as the discount rate that is based on KIBOR at the date of initial recognition.

The lease liability is subsequently increased by the interest cost and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, change in the assessment of whether a purchase or extension option is reasonably certain to be exercised.

The Group has applied judgment to determine the lease term for some lease contract which includes renewal options to the lessee.

Summary of the effect of this change in accounting policy is as follows:

	Rupees '000
Impact on Statement of Financial Position	
Increase in property and equipment - right-of-use assets	495 249
Decrease in other assets (advance rent)	(70 063)
Increase in other liabilities - lease liability against right-of-use assets	472 352
Decrease in net asset - before tax	(47 166)
Impact on Profit and Loss Account	
Increase in finance cost - lease liabilities	58 464
Increase / decrease in management expenses	
Increase in depreciation expense - right-of-use assets	175 056
Decrease in rent expense	(186 211)

4.2 During the year the Subsidiary Company changed its practice of the presentation of the surplus in the Participants' Takaful Fund. Earlier this was included in the ledger account D based on the SECP's circular number SRO 88(1)/2017 dated 09 February 2017 relating to the Insurance Accounting Regulations 2017, as per which, for published financial statements under rule number 6 (i) and 6 (ii) balance in ledger accounts C and D shall be included as part of shareholder's Equity. For this reason, the surplus in the Participant's Takaful Fund of Subsidiary Company was earlier also included in shareholders Equity. Subsequently in 2019 SECP issued a circular number 15 dated 18 November 2019 in the said circular SECP has mentioned that retained earnings of Participant's Takaful Fund should be part of insurance liabilities. Accordingly based on the suggestion in the said circular and for better presentation, the Subsidiary Company has moved retained earnings of Participant's Takaful Fund from shareholder's equity to insurance liabilities.

As a result, the net asset of Subsidiary Company on the date of acquisition was decreased by Rs. 23.618 million, Goodwill increased by Rs. 10.249 million and non-controlling interest decreased by Rs.13.369 million. Consolidated profit after tax for the year ended 31 December 2018 has been decreased by Rs. 45.575 million. Insurance liability increased by Rs. 92.259 million and deferred tax decreased by Rs. 23.066 million.

Rupees '000

	31 December 2018		
	Balance Previously Reported	Adjustment	Balance Restated
Assets			
Goodwill	7 970 668	10 249	7 980 917
Equity and Liabilities			
Unappropriated profits	1 145 831	(19 800)	1 126 031
Non-controlling interest	4 223 836	(39 144)	4 184 692
Insurance liability	106 937 015	92 259	107 029 274
Deferred taxation	2 821 655	(23 066)	2 798 589

	31 December 2018
Impact on Profit and Loss Acccount	
Profit after tax	45 575
Equity holders of the parent	19 792
Non-controlling interest	25 783
	45 575
Impact on earnings per share	0.09

5. Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

	Note
– Property and equipment	3.4
– Investment properties	3.6
– Unearned premiums reserves	3.10
– Premium deficiency reserve (liability adequacy test)	3.11
– Receivables and payables related to insurance contracts	3.13.1
– Provision for outstanding claims (including IBNR)	3.19.1
– Taxation	3.20
– Employees' retirement benefits	3.21
– Impairment	3.22
– Policyholder liability	3.31

6. Property and equipment

Rupees '000

	Note	2019	2018
Operating assets	6.1	7 788 920	6 947 080
Capital work-in-progress	6.2	–	2 570
		7 788 920	6 949 650

6.1 Operating assets

2019

	Cost / Revaluation						Depreciation				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Land	2 220 951	–	–	219 483	2 440 434	0	–	–	–	–	2 440 434
Buildings	3 176 006	150 091	–	103 839	3 429 936	5	253 254	203 076	–	456 330	2 973 606
Right of use assets - building	–	670 306	–	–	670 306	lease term	–	175 055	–	175 055	495 251
Leasehold improvements *	201 272	71 458	–	–	272 730	lease term	50 711	71 391	–	122 102	150 628
Furniture and fixtures	703 147	98 476	(5 675)	–	795 948	10	408 932	56 033	(5 388)	459 577	336 371
Office equipment	560 055	45 598	(4 376)	–	601 277	10	271 165	19 962	(1 097)	290 030	311 247
Computer equipment	286 953	118 932	(611)	–	405 274	30	196 749	63 733	(600)	259 882	145 392
Vehicles	1 257 275	295 568	(139 051)	–	1 413 792	20	491 322	270 843	(109 299)	652 866	760 926
Tracker equipment	364 398	39 337	–	–	403 735	20	150 844	77 826	–	228 670	175 065
	8 770 057	1 489 766	(149 713)	323 322	10 433 432		1 822 977	937 919	(116 384)	2 644 512	7 788 920

Rupees '000

2018

	Cost / Revaluation						Depreciation				Written down value
	As at 01 January	Additions	(Disposals) / Adjustments	Revaluation	As at 31 December	Rate %	As at 01 January	For the year	(Disposals) / Adjustments	As at 31 December	As at 31 December
Land	1 011 664	–	–	1 209 287	2 220 951	0	–	–	–	–	2 220 951
Buildings	2 923 285	96 374	–	156 347	3 176 006	5	173 162	80 092	–	253 254	2 922 752
Furniture and fixtures	791 764	116 342	(3 687)	–	904 419	10	367 585	95 770	(3 712)	459 643	444 776
Office equipment	528 076	33 517	(1 538)	–	560 055	10	176 267	96 030	(1 132)	271 165	288 890
Computer equipment	221 662	66 336	(1 045)	–	286 953	30	151 248	46 491	(990)	196 749	90 204
Vehicles	970 819	468 722	(182 266)	–	1 257 275	20	410 472	227 633	(146 783)	491 322	765 953
Tracker equipment	271 068	93 330	–	–	364 398	20	87 398	63 446	–	150 844	213 554
	6 718 338	874 621	(188 536)	1 365 634	8 770 057		1 366 132	609 462	(152 617)	1 822 977	6 947 080

* Leasehold improvements are now being separately classified by the Group. Initially these were included in Furniture and Fixtures and depreciated under the straight-line method at 10%. After change in the classification with effect from 01 January 2019 these are being depreciated over lease terms.

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

Category of Assets (Mode of disposal)	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
	Rupees '000				
Furniture & Fixtures (Negotiation)	1 112	825	287	25	Tajwani Enterprise
Written down value below Rs. 50,000	4 563	4 563	–	181	Various
	5 675	5 388	287	206	
Office equipment (Negotiation)	3 908	676	3 232	3 673	Various
Written down value below Rs. 50,000	468	421	47	295	Various
	4 376	1 097	3 279	3 968	
Computer equipment Written down value below Rs. 50,000	611	600	11	131	Various
	611	600	11	131	

Category of Assets (Mode of disposal)	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
	Rupees '000				
Vehicles (Negotiation)	303	214	89	450	Mr. Tulsi Dass Employee
	356	246	110	–	Mr. Mushtaq Ali (Late) Employee
	356	164	192	540	Mr. Ali Bux Employee
	556	295	261	920	Mr. Farooq Sadruddin Employee
	959	595	364	1 750	Mr. Asmat Khan External
	618	242	376	1 000	Mr. Muhammad Jawed Employee
	1 108	688	420	–	Mr. Zaheer Aslam (Late) Employee
	657	227	430	970	Ms. Shazia Shaukat Employee
	1 012	569	443	1 450	Mr. Faisal Masud Employee
	755	295	460	1 300	Mr. Atif Khan Employee
	632	162	470	750	Mr. Ghulam Moin Uddin external
	695	216	479	985	Ms. Amna Ibrahim Employee
	870	343	527	900	Mr. Muhammad Abbas Employee
	953	408	545	1 400	Mr. Fahad Ali Employee
	953	408	545	1 375	Mr. Shaikh Faraz Employee
	849	264	585	1 325	Mr. Faheem Afzal Employee
	870	275	595	1 000	Ms. Anila Hasan Riaz Employee
	1 006	397	609	1 350	Mr. Mubashir Ahmed Employee
	870	206	664	1 050	Mr. Shakeel Ahmed Shaikh Employee
	870	206	664	1 000	Mr. Darius George Employee
	870	206	664	1 000	Mr. Azeem Abbas External
	953	245	708	1 450	Mr. Ahmed Vellani Employee
	953	245	708	1 370	Mr. Jamal Haider Zaidi Employee
	2 229	334	1 895	2 100	Mr. Syed Ali Raza Employee
	2 304	346	1 958	2 200	Mr. Dileep Nenwani Employee
	3 705	185	3 520	3 600	Toyota Defense Motor External
	1 111	722	389	750	Faysal Auto Dealer Karachi
	7 288	4 251	3 037	3 500	Mr. Khurram Ali Khan, Ex-employee
	2 874	383	2 491	2 700	Mr. Khurram Ali Khan, Ex-employee
	1 543	360	1 183	1 200	Mr. Yousuf Alvi, Employee
	696	534	162	450	Mr. Arslan Pervaiz, Employee
Written down value below Rs. 50,000	99 277	95 068	4 209	84 221	Various
	139 051	109 299	29 752	124 056	
Total	149 713	116 384	33 329	128 361	

Rupees '000

		2019	2018
6.2	Capital work-in-progress		
	Advances for renovation and equipment	–	2 570
		–	2 570

7. Intangible assets

Rupees '000

2019

	Note	Cost: As at 01 January	Cost: Additions	Cost: (Disposals) / Adjustments	Cost: Revaluation	Cost: As at 31 December	Rate %	Amortization / Impairment: As at 01 January	Amortization / Impairment: For the year	Amortization / Impairment: (Disposals) / Adjustments	Amortization / Impairment: As at 31 December	Written down value: As at 31 December
Computer softwares		113 272	10 566	–	–	123 838	33	86 234	12 871	–	99 105	24 733
Goodwill	7.1	7 980 917	–	–	–	7 980 917		–	–	–	–	7 980 917
		8 094 189	10 566	–	–	8 104 755		86 234	12 871	–	99 105	8 005 650

2018 (Restated)

	Note	Cost: As at 01 January	Cost: Additions	Cost: (Disposals) / Adjustments	Cost: Revaluation	Cost: As at 31 December	Rate %	Amortization / Impairment: As at 01 January	Amortization / Impairment: For the year	Amortization / Impairment: (Disposals) / Adjustments	Amortization / Impairment: As at 31 December	Written down value: As at 31 December
Computer softwares		83 577	29 695	–	–	113 272	33	74 796	11 438	–	86 234	27 038
Goodwill	7.1	–	7 980 917	–	–	7 980 917		–	–	–	–	7 980 917
		83 577	8 010 612	–	–	8 094 189		74 796	11 438	–	86 234	8 007 955

7.1 This represent goodwill recognized on business combination with Subsidiary EFU Life Assurance Limited.

Rupees '000

	2019	2018
8. Investment property		
Opening net book value	1 879 093	1 847 093
Additions and capital improvements	28 478	21 319
Unrealized fair value gain	433 899	10 681
Closing book value	2 341 470	1 879 093

Market value of these investment properties amounts to Rs. 2,341 million (2018: Rs. 1,879 million) based on a revaluation carried out by different valuer as at 31 December 2019 and revaluation gain of Rs. 434 million (2018: Rs. 11 million) has been recognized in the consolidated profit and loss account.

The fair value of investment property was determined by external, independent property valuer having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Holding Company's investment properties every year.

The fair value of the investment properties has been categorized as a Level 3 fair value (based on the inputs to the valuation techniques used) and which is considered as highest and best use of investment property.

8.1 Valuation techniques

The valuers have arranged enquiries and verification from various estate agents, brokers and dealers, the location and condition of the property, size, utilization and current trends in price of real estate including assumptions that ready buyers are available in the current scenario and analyzed through detailed market surveys, the properties that have recently been sold or purchased or offered / quoted for sale into given vicinity to determine the better estimates of the fair value.

9. Investment in associate

EFU Life Assurance Limited is a listed public limited company and is engaged in life assurance business. The following table summarizes the financial information of EFU Life Assurance Limited included in its own financial statements. The information for 2019 presented in the table includes the result of EFU Life Assurance Limited for the period from 01 January 2018 to 31 March 2018 because EFU Life Assurance Limited became a Subsidiary on 01 April 2018.

Movement of investment in associate during preceding year:

Rupees '000

	2019	2018
Opening balance	–	12 790 056
Investment made	–	–
Share of profit	–	114 722
Dividend received	–	–
Transfer to subsidiary	–	(12 904 778)
Closing balance	–	–

10. Investment in equity securities

	2019			2018		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
At available-for-sale						
Related Party *						
Listed shares	702 768	(348 264)	354 504	779 186	(307 622)	471 564
Mutual funds	26 717	–	26 717	25 523	–	25 523
	729 485	(348 264)	381 221	804 709	(307 622)	497 087
Others						
Listed shares	1 582 928	(114 597)	1 468 331	1 944 999	(51 790)	1 893 209
Unlisted shares	31 508	(15 500)	508	31 508	–	31 508
Mutual funds	116 235	(11 200)	105 035	100 147	(10 280)	89 867
	1 730 671	(141 297)	1 573 874	2 076 654	(62 070)	2 014 584
Surplus on revaluation	–	–	1 712 119	–	–	2 909 018
	2 460 156	(489 561)	3 667 214	2 881 363	(369 692)	5 420 689
At fair value through profit and loss (Designated upon initial recognition)						
Related Party *						
Listed shares	8 557	–	70 976	99 329	–	121 251
Mutual funds	547	–	1 033	444	–	805
	9 104	–	72 009	99 773	–	122 056
Others						
Listed shares	9 514 742	–	9 634 376	34 961 713	–	32 619 121
Mutual funds	253 068	–	264 814	59 215	–	60 315
	9 767 810	–	9 899 190	35 020 928	–	32 679 436
	9 776 914	–	9 971 199	35 120 701	–	32 801 492
	12 237 070	(489 561)	13 638 413	38 002 064	(369 692)	38 222 181

* The Group has not accounted for investment in related parties as associates under IAS 28 'Investment in Associates and Joint Ventures', as management has concluded that the Group does not have significant influence in these companies.

11. Investment in debt securities

Rupees '000

	Note	2019			2018		
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Held to maturity	11.1						
Government securities		5 350 047	–	5 350 047	5 123 273	–	5 122 953
Available-for-sale	11.2						
Government securities		9 152 598	–	9 152 598	8 098 470	–	8 098 470
Term Finance Certificate		244 118	(44 118)	200 000	144 118	(44 118)	100 000
Corporate Sukuks		180 000	–	180 000	80 000	–	80 000
Surplus / (deficit) on revaluation		–	–	121 937	–	–	(49 686)
		9 576 716	(44 118)	9 654 535	8 322 588	(44 118)	8 228 784
Fair value through profit and loss (designated upon initial recognition)	11.3						
Government securities		70 853 495	–	70 853 495	47 849 913	–	47 849 913
Term finance certificates		3 796 562	–	3 796 562	2 730 195	–	2 730 195
Corporate sukuks		4 677 570	–	4 677 570	1 138 677	–	1 138 677
Commercial papers		635 359	–	635 359	–	–	–
Certificates of investment		210 000	–	210 000	210 000	–	210 000
		80 172 986	–	80 172 986	51 928 785	–	51 928 785
		95 099 749	(44 118)	95 177 568	65 374 646	(44 118)	65 280 522

11.1 Held to maturity

	2019				
Name of investment	Maturity year	Effective yield %	Amortized cost	Principal repayments	Carrying value
03 Years Pakistan Investment Bond	2021	7.25	63 463	70 000	63 463
03 Years Pakistan Investment Bond	2022	9.00	1 269 700	1 350 000	1 269 700
03 Years Pakistan Investment Bond	2022	9.00	1 410 510	1 500 000	1 410 510
10 Years Pakistan Investment Bond	2028	8.75	11 882	15 000	11 882
20 Years Pakistan Investment Bond	2024	10.00	54 170	53 700	54 170
3 Months Treasury Bills	2020	13.40	1 523 915	1 550 000	1 523 915
6 Months Treasury Bills	2020	13.40	956 651	1 000 000	956 651
03 Years Government Ijara	2020	5.24	59 756	59 280	59 756
			5 350 047	5 597 980	5 350 047

Rupees '000

Name of investment	Maturity year	Effective yield %	Amortized cost	Principal repayments	Carrying value
			2018		
03 Years Pakistan Investment Bond	2019	7.00	999 447	1 000 000	999 447
15 Years Pakistan Investment Bond	2019	6.45	10 014	10 000	10 014
20 Years Pakistan Investment Bond	2024	10.00	54 258	53 700	54 258
3 Months Treasury Bills	2019	7.50	3 824 395	3 834 000	3 824 395
03 Years Government Ijara	2020	5.59	234 839	235 000	234 839
			5 122 953	5 132 700	5 122 953

11.2 Available-for-sale

Name of investment	Maturity year	Effective yield %	Profit payment	Face value	31 December 2019
3 Years Pakistan Investment Bonds	2021	11.91 - 14.25	Half yearly	4 492 000	4 167 628
5 Years Pakistan Investment Bonds	2023	11.26 - 13.80	Half yearly	164 300	148 354
5 Years Pakistan Investment Bonds	2024	11.21 - 11.52	Half yearly	1 651 500	1 562 033
10 Years Pakistan Investment Bonds	2028	13.43	Half yearly	200 000	175 483
6 months Treasury Bills	2020	13.05 - 13.15	On maturity	1 500 000	1 432 964
3 months Treasury Bills	2020	13.00 - 13.51	On maturity	1 810 900	1 786 935
					9 273 397
The amount of Pakistan Investment Bonds includes Rs. 204 million (2018: Rs. 207 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.					
Term Finance Certificates (TFCs) – quoted					
New Allied Electronics Limited *	2012	12.92	Quarterly	3 481	–
Agritech Limited – 3rd Issue (B) *	2017	11.00	Half yearly	5 665	–
Agritech Limited – 3rd Issue (A) *	2019	13.35	Quarterly	34 972	–
Soneri Bank Limited	Perpetual	15.50	Half yearly	100 000	100 000
Habib Bank Limited	Perpetual	15.14	Quarterly	100 000	100 000
					200 000
Corporate Sukuks – quoted					
Dubai Islamic Bank Limited	Perpetual	15.60	Monthly	80 000	80 000
The Hub Power Company Limited	2023	15.51	Quarterly	50 000	50 450
Engro Polymer & Chemicals Limited	2026	14.54	Quarterly	50 000	50 688
					181 138
					9 654 535

* The term finance certificates are held under non-performing status and full provision has been made against these term finance certificates.

Rupees '000

Name of investment	Maturity year	Effective yield %	Profit payment	Face value	31 December 2018
3 Years Pakistan Investment Bonds	2019	6.28 - 6.39	Half yearly	823 900	792 404
3 Years Pakistan Investment Bonds	2019	6.11	Half yearly	250 000	247 383
5 Years Pakistan Investment Bonds	2019	6.52	Half yearly	256 600	257 746
3 months Treasury Bills	2019	8.75	On maturity	6 777 500	6 751 251
					8 048 784
Term finance certificates (TFCs) – quoted					
New Allied Electronics Limited *	2012	12.92	Quarterly	3 481	–
Agritech Limited – 3rd Issue (B) *	2017	11.00	Half yearly	5 665	–
Agritech Limited – 3rd Issue (A) *	2019	13.35	Quarterly	34 972	–
Soneri Bank Limited	Perpetual	12.54	Half yearly	100 000	100 000
					100 000
Corporate sukuks – quoted					
Dubai Islamic Bank Limited	Perpetual	12.27	Monthly	80 000	80 000
					8 228 784

* The term finance certificates are held under non-performing status and full provision has been made against these term finance certificates.

11.3 Fair value through profit and loss (designated upon initial recognition)

Rupees '000

Name of investment	Maturity year	Effective yield %	Amortized cost	Principal repayments	Carrying value
			2019		
Government securities					
03 Years Pakistan Investment Bond	2021	7.25	12 576 605	13 473 500	12 501 514
03 Years Pakistan Investment Bond	2022	9.00	14 272 674	15 200 000	14 240 631
05 Years Pakistan Investment Bond	2020	9.25	4 999 353	4 987 500	4 936 341
05 Years Pakistan Investment Bond	2023	8.00	1 042 195	1 175 000	1 061 032
05 Years Pakistan Investment Bond	2024	9.50	22 002 906	23 850 000	22 559 401
05 Years Pakistan Investment Bond	2021	7.75	533 064	560 000	526 850
10 Years Pakistan Investment Bond	2022	12.00	2 122 940	2 100 000	2 106 635
10 Years Pakistan Investment Bond	2024	12.00	101 849	100 000	103 329
10 Years Pakistan Investment Bond	2029	10.00	4 621 220	5 050 000	4 751 431
20 Years Pakistan Investment Bond	2024	10.00	388 055	392 000	377 370
3 Months Treasury Bills	2020	12.25	6 182 432	6 250 000	6 177 172
03 Years Government Ijara	2020	5.24	89 635	88 920	89 541
10 Years Pakistan Energy Sukuk 1	2020	14.88	1 159 367	1 000 000	1 151 091
08 Years Pakistan Water And Power Development Authority	2021	12.01	272 731	571 099	271 157
			70 365 026	74 798 019	70 853 495

Market Value of government securities carried at amortized cost amounted to Rs. 5,340 million (2018: Rs. 5,105 million). Government securities includes Rs. 115 million (2018: Rs. 125 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

Rupees '000

Name of investment	Maturity year	Effective yield %	Amortized Cost	Principal Repayments	Carrying Value
			2018		
Government Securities					
03 Years Pakistan Investment Bond	2019	7.00	9 177 613	9 275 000	9 177 613
05 Years Pakistan Investment Bond	2019	7.33	4 557 919	4 537 500	4 557 919
05 Years Pakistan Investment Bond	2020	7.20	4 870 294	4 987 500	4 870 294
10 Years Pakistan Investment Bond	2019	12.59	15 119	15 000	15 119
10 Years Pakistan Investment Bond	2024	11.45	96 950	100 000	96 950
10 Years Pakistan Investment Bond	2022	11.42	2 081 940	2 100 000	2 081 940
15 Years Pakistan Investment Bond	2019	6.45	265 493	266 400	265 493
20 Years Pakistan Investment Bond	2024	10.00	350 920	392 000	350 920
3 Months Treasury Bills	2019	7.66	26 130 452	26 134 023	26 130 452
03 Years Government Ijara	2019	5.59- 6.10	175 011	175 000	175 011
08 Years Pakistan Water And Power Development Authority	2021	8.31	128 202	128 640	128 202
			47 849 913	48 111 063	47 849 913

Market value of government securities carried at amortized cost amounted to Rs. 5,105 million.

Government securities includes Rs. 125 million placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

Rupees '000

	No. of Certificate 2019	No. of Certificate 2018	Face Value	Value of Certificate 2019	Value of Certificate 2018
Term Finance Certificate					
Engro Fertilizers Limited	–	52 000	4 000	–	91 000
Bank AL Habib Limited	80 100	60 000	10 000	400 000	300 289
Bank AL Habib Limited	20 000	–	5 000	99 960	–
Bank AL Habib Limited TFC	80 000	–	5 000	392 940	–
Al Baraka Bank Limited	10 000	10 000	4 000	14 866	22 189
Byco Oil Pakistan Limited	20 000	20 000	5 000	73 781	100 000
Bank Al-Falah Limited	23 063	23 063	10 000	115 015	115 131
MCB Bank Limited (Formerly NIB Bank Ltd.)	–	20 000	5 000	–	101 592
PAEL	–	20 000	10 000	–	99 994
United Bank Limited	250 000	250 000	5 000	1 250 000	1 250 000
Soneri Bank Limited	10 000	10 000	5 000	50 000	50 000
Askari Bank Limited	500	500	1 000 000	500 000	500 000
Dubai Islamic Bank Limited	20 000	20 000	5 000	100 000	100 000
Habib Bank Limited	20 000	–	10 000	200 000	–
JS Bank Limited	5 000	–	100 000	500 000	–
Bank Alfalah Perpetual TFC	20 000	–	5 000	100 000	–
				3 796 562	2 730 195

Rupees '000

	No. of Certificate 2019	No. of Certificate 2018	Face Value	Value of Certificate 2019	Value of Certificate 2018
Corporate Sukuks					
Hascol Petroleum Limited	30 000	30 000	7 000	68 006	99 499
Fatima Fertilizer Company Limited	–	9 807	4 000	–	29 677
K Electric	7 500	7 500	10 000	885 786	78 361
Dawood Hercules Sukuk 1	2 000	2 000	200 000	1 063 717	200 000
Pakistan Services Limited	833	833	100 000	249 990	131 958
Meezan Bank Limited	100 000	100 000	5 000	500 000	500 000
Fauji Fertilizer Company Limited	2 814	–	10 000	19 768	–
Hub Power Company Limited	5 000	–	70 000	200 000	–
HUB Co Sukuk 4 Years	7 000	–	50 000 001	350 000	–
IBL Sukuk	100 000	100 000	202 000	72 510	99 182
Engro Polymer	5 000	–	20 000	227 818	–
Neelum Jhelum	12 500	–	83 000	1 039 975	–
				4 677 570	1 138 677
Commercial Paper					
KEL Islamic Commercial Paper (ICP3)	1	–	100 000 000	96 975	–
KEL Islamic Commercial Paper (ICPA)	1	–	500 000 000	488 660	–
TPL Corp (ICP)	1	–	50 000 000	49 724	–
				635 359	–
Certificate of Investment					
First Habib Modarba	1	1	210 000	210 000	210 000
				9 319 491	4 078 872

	Note	2019	2018
12. Investment in term deposits			
Deposits maturing within 12 months			
Term deposits certificates - local currency	12.1 & 12.3	19 819 066	15 309 821
Term deposits certificates - foreign currency	12.2	284 286	245 886
		20 103 352	15 555 707

12.1 The rate of return on term deposit certificates issued by various banks ranges from 8.40 % to 14.00 % per annum (2018: 7.50 % to 12.00 % per annum) depending on tenure. These term deposit certificates have maturities upto 30 November 2020.

12.2 The rate of return on foreign currency term deposit certificates issued by various banks ranges from 1.20 % to 2.30 % per annum (2018: 1.20 % to 2.10 % per annum) depending on tenure. These term deposit certificates have maturities upto 31 March 2020.

12.3 This includes an amount of Rs. 13 million (2018: Rs. 8.5 million) under lien with banks against guarantees issued in favour of the Holding Company.

Rupees '000

	Note	2019	2018
13. Loan and other receivables - considered good			
Loans to employees		175 332	173 973
Accrued investment income		2 916 752	908 253
Security deposits		71 316	44 075
Advances to suppliers		42 346	144 119
Advances to employees		4 772	5 245
Other receivables		284 106	1 935 044
		3 494 624	3 210 709
14. Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders		4 436 944	3 795 606
Provision for impairment of receivables from insurance contract holders		(209 784)	(69 251)
		4 227 160	3 726 355
Due from other insurer / reinsurers		39 571	20 299
		4 266 731	3 746 654
15. Prepayments			
Prepaid reinsurance premium ceded	26	5 750 008	5 073 281
Prepaid rent		29 273	73 833
Others		122 621	132 970
		5 901 902	5 280 084
16. Cash and Bank			
Cash and cash equivalents			
Cash in hand		41	305
Policy and revenue stamps, bond papers		24 642	18 035
		24 683	18 340
Cash at bank			
Current accounts		4 082 929	1 492 484
Saving accounts		2 797 624	4 542 100
		6 880 553	6 034 584
		6 905 236	6 052 924
Cash and short term borrowing include following for the purposes of the cash flow statement:			
Cash and others		24 683	18 340
Cash at bank		6 880 553	6 034 584
Term deposits maturing within three months		19 659 000	15 049 100
		26 564 236	21 102 024

16.1 The rate of return on saving accounts from various banks ranges from 9.00 % to 12.60 % per annum (2018: 7.50 % to 9.70 % per annum) depending on the size of average deposits.

16.2 This includes an amount of Rs. 53 million (2018: Rs. 50 million) under lien with banks against guarantees issued in favour of the Holding Company.

17. Share capital

17.1 Authorized Capital

Number of shares '000 2019	2018		Rupees '000 2019	2018
200 000	200 000		2 000 000	2 000 000

17.2 Issued, subscribed and paid-up share capital

Number of shares '000 2019	2018		Rupees '000 2019	2018
250	250	Ordinary shares of Rs. 10 each, fully paid in cash	2 500	2 500
199 750	199 750	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	1 997 500	1 997 500
200 000	200 000		2 000 000	2 000 000

	Note	2019	2018
18. Reserves			
Capital reserve			
Reserve for exceptional losses	18.1	12 902	12 902
Revenue reserves			
General reserve		15 000 000	13 500 000
Revaluation reserve for unrealized gain on available-for-sale investments - net		1 211 225	1 934 423
Reserve for change in fair value of investment property - net		1 502 713	1 279 740
		17 726 840	16 727 065

18.1 The reserve for exceptional losses was created prior to 1979 and was charged to income in accordance with the provisions of the repealed Income Tax Act, 1922 and has been so retained to date.

Rupees '000

		2019	2018
19. Surplus on revaluation of property and equipment			
Surplus arising on revaluation of property and equipment - net of tax			
Equity holders		1 084 325	907 047
Non-controlling interest		109 285	62 554
		1 193 610	969 601

	Note	2019	(Restated) 2018
20. Insurance liability			
Reported outstanding claims	20.1	2 715 505	2 281 165
Incurred but not reported claims	20.2	734 895	515 733
Investment component of unit-linked and account value policies	20.3	113 717 100	102 902 502
Liabilities under individual conventional insurance contracts	20.4	763 786	784 354
Liabilities under group insurance contracts (other than investment linked)	20.5	383 053	453 261
Participant's Takaful fund balance		172 794	92 259
		118 487 133	107 029 274
20.1 Reported outstanding claims			
Gross of reinsurance			
Payable within one year		2 328 910	1 918 000
Payable over a period of time exceeding one year		648 115	646 563
		2 977 025	2 564 563
Recoverable from reinsurers			
Receivable over a period of time exceeding one year		(261 520)	(283 398)
		(261 520)	(283 398)
Net reported outstanding claims		2 715 505	2 281 165
20.2 Incurred but not reported claims			
Gross of reinsurance		863 010	634 042
Reinsurance recoveries		(128 115)	(118 309)
Net of reinsurance		734 895	515 733
20.3 Investment component of unit-linked and account value policies			
Investment component of unit-linked policies		113 717 100	102 902 502
		113 717 100	102 902 502
20.4 Liabilities under individual conventional insurance contracts			
Gross of reinsurance		941 275	952 718
Reinsurance credit		(177 489)	(168 364)
Net of reinsurance		763 786	784 354
20.5 Liabilities under group insurance contracts (other than investment linked)			
Gross of reinsurance		456 072	532 584
Reinsurance credit		(73 019)	(79 323)
Net of reinsurance		383 053	453 261

21. Retirement benefit obligations

21.1 The latest actuarial valuation of Holding Company as at 31 December 2019 uses a discount rate of 12.20 % (2018: 12.90 %) for defined benefit obligation and plan assets. Basic salary and pension increase to average 9.10 % and 2.10 % (2018: 9.80 % and 2.10 %) respectively per annum in the long term.

Rupees '000

	2019		2018	
	Pension	Gratuity	Pension	Gratuity
21.1.1 Reconciliation of the present value of defined benefit obligations				
At the beginning of the year	208 041	426 035	280 809	365 990
Current service cost	1 193	19 789	1 885	17 214
Interest cost	25 358	52 595	22 080	28 706
Remeasurement loss due to:				
Change in financial assumptions	8 131	–	(75 695)	676
Experience	(1 325)	(13 557)	2 058	45 279
Benefits paid	(22 930)	(36 652)	(23 096)	(31 830)
At the end of the year	218 468	448 210	208 041	426 035
21.1.2 Changes in fair value of plan assets				
At the beginning of the year	232 183	339 062	249 514	325 311
Interest income	28 546	46 985	19 557	27 038
Remeasurement gain / (loss) due to:				
Investment return	7 143	13 926	(14 850)	(22 136)
Contributions paid by Company	225	86 973	212	40 679
Contributions paid by employees	906	–	847	–
Benefits paid	(22 930)	(36 652)	(23 097)	(31 830)
At the end of the year	246 073	450 294	232 183	339 062
21.1.3 Charge to profit and loss account				
Service cost				
Current service cost	1 193	19 789	1 885	17 214
Employee contributions	(906)	–	(847)	–
Net interest (income) / cost	(3 188)	5 610	2 523	1 668
Chargeable in profit and loss account	(2 901)	25 399	3 561	18 882
21.1.4 Remeasurements recognized in other comprehensive income				
Change in financial assumptions	8 131	–	(75 695)	676
Experience on obligation	(1 325)	(13 557)	2 058	45 279
Investment return	(7 143)	(13 926)	14 850	22 136
Chargeable in statement of comprehensive income	(337)	(27 483)	(58 787)	68 091
Total defined benefit cost	(3 238)	(2 084)	(55 226)	86 973
21.1.5 (Asset) / liability on balance sheet				
At the beginning of the year	(24 142)	86 973	31 295	40 679
Defined benefit cost	(3 238)	(2 084)	(55 226)	86 973
Contributions paid by Company	(225)	(86 973)	(211)	(40 679)
At the end of the year	(27 605)	(2 084)	(24 142)	86 973
Reconciliation				
Obligation	218 468	448 210	208 041	426 035
Plan assets	(246 073)	(450 294)	(232 183)	(339 062)
Net (asset) / liability on balance sheet	(27 605)	(2 084)	(24 142)	86 973

21.1.6 Historical data

Rupees '000

	2018	2017	2016	2015	2014
Pension					
Present value of defined benefit obligation	208 041	280 809	278 214	229 022	208 786
Fair value of plan assets	(232 183)	(249 514)	(279 401)	(245 209)	(242 916)
(Surplus) / deficit	(24 142)	31 295	(1 187)	(16 187)	(34 130)
Experience adjustment					
- Actuarial loss on obligation	2 058	1 756	10 451	16 348	4 024
- Actuarial (loss) / gain on assets	(14 850)	(29 847)	33 506	(4 526)	34 439
Gratuity					
Present value of defined benefit obligation	426 035	365 990	329 987	286 272	268 232
Fair value of plan assets	(339 062)	(325 311)	(328 138)	(308 587)	(306 545)
Deficit / (surplus)	86 973	40 679	1 849	(22 315)	(38 313)
Remeasurements due to:					
- Actuarial loss on obligation	45 279	15 080	16 810	10 639	4 073
- Actuarial (loss) / gain on assets	(22 136)	21 566	15 124	4 099	24 216

21.1.7 Composition of fair value of plan assets

Fund investments	Pension				Gratuity			
	2019		2018		2019		2018	
Debt	95%	232 247	81%	189 796	95%	427 017	87%	297 969
Equity	5%	12 894	9%	20 160	5%	23 081	7%	22 426
NIT	0%	–	9%	20 002	0%	–	6%	20 002
Cash	0%	932	1%	2 225	0%	196	0%	(1 335)
	100%	246 073	100%	232 183	100%	450 294	100%	339 062

The expected charge to pension and gratuity fund for the year 2020 amounts to Rs. 16 million.

21.1.8 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

Impact on obligation of 1 % change in assumptions

Assumptions	1 % increase	1 % decrease
Discount rate	(32 713)	36 483
Salary increase	23 488	(21 452)
Pension increase	14 726	(13 285)

Weighted average duration of the plan is 6.0 years.

Rupees '000

Projected payments	Pension	Gratuity
Company contributions 2020	236	20 055
Benefit payments:		
2020	27 159	91 886
2021	27 060	29 181
2022	30 264	92 333
2023	30 056	60 797
2024	30 474	43 712
2025 - 2029	145 794	356 453

21.2.1 Provident Fund

The following information of Subsidiary Company based on unaudited financial statements of their fund as at 31 December 2019:

	Rupees '000		Percentage	
	2019	2018	2019	2018
Size of the fund - total assets	503 437	468 383		
Cost of investments	363 213	412 738	72.15	88.12
Fair value of investments	375 093	464 256	74.51	99.12
The breakup of fair value of investment in Provident Fund is as follows:				
Open end mutual fund	104 804	117 910	27.94	25.40
Shares	649	779	0.17	0.17
Government securities	269 640	345 567	71.89	74.43

The above investments out of provident fund have been made in accordance with the requirement of Section 218 of the Companies Act. 2017 and the rules formulated for this purpose.

21.2.2 Pension Fund

	Rupees '000		Percentage	
	2019	2018	2019	2018
Size of the fund - total assets	342 791	305 708		
Cost of investments	217 460	277 773	63.44	90.86
Fair value of investments	224 810	302 562	65.58	98.97
The breakup of fair value of investment in Pension Fund is as follows:				
Open end mutual fund	44 407	65 178	19.75	21.54
Shares	193	263	0.09	0.09
Government securities	178 987	235 900	79.62	77.97
Term finance certificates	1 222	1 222	0.54	0.40

Rupees '000

	2019	(Restated) 2018
22. Deferred taxation		
Deferred debits arising in respect of		
Premium due but unpaid	(60 837)	(20 083)
Impairment of TFC	(12 794)	(12 794)
Defined benefit plan	(11 364)	(20 101)
Right of use asset	(2 973)	–
Deferred credits arising in respect of		
Fair value of investment property	613 784	420 649
Revaluation of property and equipment	1 006 792	949 071
Accelerated tax depreciation	131 155	155 541
Unrealized gain on available-for-sale investments	529 605	830 617
Retained earning ledger Account D	584 840	495 689
	2 778 208	2 798 589

23. Insurance / reinsurance payable

These amounts represent amount payable to other insurers and reinsurer.

Rupees '000

	Note	2019	2018
24. Other creditors and accruals			
Federal insurance fee payable		10 563	9 439
Federal excise duty and sales tax payable		113 617	117 355
Accrued expenses		1 010 171	842 463
Agent commission payable		1 280 167	1 233 511
Unearned rentals		89 169	73 257
Other deposits		958 402	826 968
Unclaimed / unpaid dividends		368 605	295 664
Lease liability	24.1	113 706	–
Others		669 287	177 303
		4 613 687	3 575 960
24.1 Lease lability			
Current		42 291	–
Non-current		71 415	–
		113 706	–

25. Contingencies and commitments

The income tax assessment of the Holding Company and its Subsidiary Company has been finalized up to tax year 2019.

25.1 Holding Company

The Income Tax Department has made an assessment order for assessment year 1999-2000 and 2000-2001 by adding back provision for bonus to staff, provision for gratuity and excess management expense. The Holding Company had filed appeals before the Commissioner, Inland Revenue (Appeals). The appeals have been decided in the favour of the Income Tax Department. The Holding Company had filed appeals before the Income Tax Appellate Tribunal (ITAT). If the appeals are decided against the Holding Company a tax liability of Rs. 13 million would arise.

The Income Tax Department (Audit) has made an assessment order for assessment year 2002-2003 by adding certain items. The Holding Company had filed an appeal before Commissioner Income Tax (Appeals). The appeal was decided in the favour of the Holding Company. The Department had filed an appeal before the Income Tax Appellate Tribunal (ITAT) and the same has been decided in the favour of the Holding Company. The Department has filed appeal before Honourable High Court of Sindh against the order of the Income Tax Appellate Tribunal (ITAT) in respect of estimated liability of claims, excess perquisites and retrocession commission. If the appeal is decided against the Holding Company a tax liability of Rs. 76 million would arise.

The Commissioner Inland Revenue (Audit) has amended the tax assessment of the Holding Company for tax year 2005 to 2007 by disallowing prorated expense. The Holding Company has filed appeals before Commissioner Income Tax (Appeals). The appeals were decided in the favour of the Holding Company. The Department then filed appeals before the Income Tax Appellate Tribunal (ITAT). The Income Tax Appellate Tribunal (ITAT) had passed an order in favour of the Holding Company. The Department then filed reference before the Honourable High Court of Sindh. The Honourable High Court of Sindh maintained the decision of Income Tax Appellate Tribunal (ITAT). The Department has filed appeals for the tax year 2005 to 2007 before the Honourable Supreme Court of Pakistan against the decision of the Honourable High Court of Sindh in respect of proration of expenses and if the appeals are decided against the Holding Company, a tax liability of Rs. 37 million would arise.

The Department has filed an appeal for tax year 2008 before the Honourable High Court of Sindh against the order of Income Tax Appellate Tribunal (ITAT) in respect of tax on reinsurance premium. If the appeal is decided against the Holding Company, a tax liability of Rs. 5 million would arise.

The Department has filed an appeal for tax years 2014 to 2016 before the Income Tax Appellate Tribunal (ITAT) against the order of Commissioner (Appeal) in respect of Dividend Income taxed at reduced rate. If the appeal is decided against the Holding Company, a tax liability of Rs. 355 million would arise.

The Commissioner Inland Revenue (Audit) has made an addition to the income of tax years 2017 and 2019 on account of fair market value of motor vehicles. The Holding Company has filed appeals before Commissioner Income Tax (Appeals). The Commissioner Income Tax (Appeals) has confirmed the action of the Commissioner, Inland Revenue (Audit). The Holding Company then filed appeals before the Income Tax Appellate Tribunal (ITAT). If the appeal is decided against the Holding Company, a tax liability of Rs. 2 million would arise.

No provision has been made in these consolidated financial statements for the above contingencies, as the management, based on tax advisor's opinion, is confident that the decision in this respect will be received in favour of the Holding Company.

In 2014, 2015, 2016, 2017 and 2018, the Searle Company Limited issued bonus shares (453,612, 312,993, 664,632, 472,284 and 443,697 shares respectively) after withholding 5 percent of bonus shares (22,680, 15,650, 34,981, 24,857 and 21,360 shares respectively). In this regard, a constitutional petition had been filed by the Holding Company in Honourable High Court of Sindh challenging the applicability of withholding tax provision on bonus shares received by the Holding Company. The Honourable High Court of Sindh decided the case against the Holding Company. Subsequently, the Holding Company filed an appeal with a larger bench of the Honourable High Court of Sindh and in response; the Sindh High Court has suspended the earlier judgement until the next date of hearing, which has not yet been decided. Consequently, the Holding Company has not paid / provided an amount of Rs. 37 million being withholding tax on bonus shares.

25.2 Subsidiary Company

In 2013, Income Tax Department imposed an additional tax demand under section 151(1)(d) on account of non-deduction of withholding tax on surrender and maturity amounting to Rs. 14 million and Rs. 15 million for Tax Years 2012 and 2013 respectively. The Subsidiary Company filed an appeal before Commissioner Inland Revenue (Appeals) and the same was dismissed. The Subsidiary Company filed second appeal before the Appellate Tribunal against the order of CIT. The learned Appellate Tribunal Inland revenue has now decided the case in Subsidiary Company's favour. Subsequent to the period, the department has filed review application against the order in Honourable Court of Sindh. The decision is still pending. The Subsidiary Company expects a favourable decision.

In 2015 and 2016, The Searle Company Limited issued bonus shares (76,031 shares and 342,480 shares respectively) after withholding 5 percent of bonus shares (3,802 shares and 17,124 shares respectively) and the IBL Healthcare Limited issued bonus shares (46,625 shares and 80,311 shares respectively) after withholding 5 percent of bonus shares (2,331 shares and 4,016 shares respectively). In this regard, a constitutional petition had been filed by the Subsidiary Company in Sindh High Court challenging the applicability of withholding tax provision on bonus shares received by the Subsidiary Company. The honorable high court decided the case against the Subsidiary Company.

Subsequently, the Subsidiary Company filed an appeal with a larger bench of the Sindh High Court and in response the Sindh High Court has suspended the earlier judgment until the next date of hearing, which has not yet been decided. The Subsidiary Company is of the view that the case will be decided in its favour and no provision has been made for the aforementioned tax. The amount involved is Rs 3 million.

During the year 2018 Punjab Revenue Authority (PRA) withdrew the exemption on both life and Health Insurance, whereas Sindh Revenue Board (SRB) has granted the exemption vide notification No. SRB 3-4/5/2019 dated 08 May 2019 restore the exemption on both life and health insurance business till 30 June 2019.

The industry has taken up the matter with both the Authorities for restoration of the exemption which they have not granted. The industry after seeking legal opinion filed a Writ petition in the Lahore High Court Lahore against Punjab Revenue Authority on 28 September 2019 under WP no 55421 and also filed a constitutional petition in the high court of Sindh Karachi on 28 November 2019 on the grounds that Insurance premium does not fall under the definition of service both the authorities have not yet submitted their response in respect of the ground taken in the petition. However, in the brief order passed by the Lahore High Court on 03 October 2019 directed the respondents to restrain from taking any coercive measures against the applicants. Further subsequent to filing petition the all the Three Revenue Authorities i.e. SRB, PRA and BRA have called a meeting of the industry representatives on 11 January 2020 in Karachi to discuss the matters relating to sales tax on premium. The matter was discussed in details and it was agreed to form a joint committee of the industry representatives as well as from all the three Revenue Authorities and agreed in the meeting that the sales tax on Life and Health be kept exempt till 30 June 2020 and committee formed will meet on 05 February 2020 in Lahore at PRA office workout the way forward. The Insurance Association of Pakistan has already nominated their representatives for the meeting to be held on 05 February 2020.

That based on the above, the legal advisors are of the view that the Subsidiary Company has a reasonably strong case on the merits in the constitution petition and the writ petition filed in the high Courts of Sindh and Lahore respectively against the imposition of the Provincial sales tax in both the provinces.

Given the ongoing discussion with the provincial revenue authorities and the constitutional and writ petition filed in the respective High Courts, the Subsidiary Company and other life insurance companies have not yet billed their customer for the provincial sales tax on life and health insurance since the lapse / withdrawal of the exemption, nor has made any provision for the same in the accounts for the year ended 31 December 2019.

Bank guarantees amounting to Rs. 0.52 million has been given in respect of Group Life coverage. These bank guarantees will expire by 16 January 2020.

25.3 No provision has been made in these consolidated financial statements for the above contingencies, as the management, based on tax advisor's opinion, is confident that the decision in this respect will be received in favour of the Group.

25.4 There are no commitments as at 31 December 2019 (31 December 2018: Nil).

Rupees '000

	2019	2018
26. Net insurance premium		
Written gross premium	51 465 310	42 456 183
Unearned premium reserve - opening	8 354 109	8 496 686
Unearned premium reserve - closing	(9 143 972)	(8 354 109)
Premium earned	50 675 447	42 598 760
Less:		
Reinsurance premium ceded	12 809 980	11 690 465
Prepaid reinsurance premium - opening	5 073 281	5 112 083
Prepaid reinsurance premium - closing	(5 750 008)	(5 073 281)
Reinsurance expense	12 133 253	11 729 267
	38 542 194	30 869 493

Rupees '000

	2019	2018
27. Net insurance claim expense		
Claims paid	20 993 757	14 543 390
Outstanding claims including IBNR - closing	6 273 372	5 176 757
Outstanding claims including IBNR - opening	(5 176 757)	(5 572 347)
Claims expense	22 090 372	14 147 800
Less:		
Reinsurance and other recoveries received	2 172 992	2 022 421
Reinsurance and other recoveries in respect of outstanding claims - opening	(3 363 439)	(3 538 572)
Reinsurance and other recoveries in respect of outstanding claims - closing	4 081 849	3 363 439
Reinsurance and other recoveries revenue	2 891 402	1 847 288
	19 198 970	12 300 512

27.1 Claim development

The Holding Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims which involve litigation and, in the case of marine, general average adjustments take longer for the final amounts to be determined which exceed one year. All amounts are presented in gross numbers before reinsurance. Claims of last five years are given below:

Rupees '000

Accident year	2015	2016	2017	2018	2019
Estimate of ultimate claims costs:					
– At end of accident year	62 928	60 052	90 497	–	4 509
– One year later	59 103	66 533	71 354	–	–
– Two years later	44 729	66 533	81 233	–	–
– Three years later	45 179	67 746	–	–	–
– Four years later	54 443	–	–	–	–
Current estimate of cumulative claims	54 443	67 746	81 233	–	4 509
Cumulative payments to date	23 529	3 619	53 500	–	760
Liability recognized in balance sheet	77 792	71 365	134 733	–	5 269

Rupees '000

		Note	2019	2018
28.	**Net commission expense**			
	Commission paid or payable		7 779 762	6 394 402
	Deferred commission expense - opening		600 740	689 587
	Deferred commission expense - closing		(598 669)	(600 740)
	Net commission		7 781 833	6 483 249
	Less:			
	Commission received or recoverable		902 581	862 511
	Unearned reinsurance commission - opening		394 848	461 616
	Unearned reinsurance commission - closing		(430 936)	(394 848)
	Commission from reinsurers		866 493	929 279
	Other acquisition cost		963 951	395 938
			7 879 291	5 949 908
29.	**Management expenses**			
	Salaries, wages and benefits	29.1	2 386 745	2 023 983
	Bonus		117 511	115 327
	Gratuity		22 525	16 737
	Rent, rates and taxes		28 527	57 436
	Telephone		109 071	19 536
	Postage and telegram		9 249	70 099
	Gas, electricity and fuel		90 498	51 278
	Printing and stationery		98 199	75 184
	Travelling, club and entertainment		174 836	207 541
	Depreciation		619 604	531 741
	Repair and maintenance		153 302	99 196
	Publicity		158 697	211 363
	Service charges		(50 198)	(52 748)
	Bank charges and commission		22 043	11 186
	Tracker		192 041	151 533
	Bad debts		140 533	41 437
	Inspection fee		14 890	28 019
	Annual supervision fee of SECP		87 554	67 897
	Training		5 946	5 618
	Insurance expense		3 914	4 051
	Levy to IAP		2 000	1 500
	Business procurement		13 993	3 657
	Security service		9 176	8 104
	Meeting and conference		4 223	8 047
	Conveyance		11 452	10 111
	Legal and professional charges - business related		104 726	68 826
	Appointed actuary fees		13 009	8 699
	Fees and subscription		33 462	19 950
	Miscellaneous		116 252	121 675
			4 693 780	3 986 983

29.1 These include Rs. 27.73 million (2018: Rs. 26.26 million) being contribution for employees' provident fund and Rs. 45.57 million (2018: Rs. 6.19 million) charges for post employment benefit.

Rupees '000

		2019	2018
30.	**Investment income**		
	Income from equity securities		
	- Available-for-sale Dividend income	186 039	283 871
	- Fair value through profit and loss Dividend income	895 686	1 150 687
	Income from debt securities		
	- Available-for-sale Return on debt securities	9 114 927	3 707 891
	- Held to maturity On government securities	485 416	320 128
	Income from term deposits		
	Return on debt securities	2 053 189	737 743
		12 735 257	6 200 320
	Net realized gains / (losses) on investments		
	Available-for-sale financial assets		
	Realized gains on:		
	Equity securities	606 407	177 993
	Realized losses on:		
	Equity securities	(114 416)	(27 248)
	Net unrealized gains on investments	491 991	150 745
	Impairment in value of available-for-sale equity securities	(60 013)	(27 510)
	Investment related expenses	(600)	(1 207)
	Total Investment income	13 166 635	6 322 348
31.	**Net realized fair value gains / (losses) on financial assets**		
	Available-for-sale financial assets		
	Realized gains on:		
	Equity securities	29 565	2 235 330
	Realized losses on:		
	Equity securities	(7 835 917)	(5 750 347)
	Government securities	(1 573)	(3 394)
		(7 807 925)	(3 518 411)
32.	**Net fair value gains / (losses) on financial assets at fair value through profit or loss**		
	Net unrealized gains / (losses) on investments in financial assets - government securities and debt securities (designated upon initial recognition)	511 196	(883 747)
	Net unrealized gains / (losses) on investments at fair value through profit or loss (designated upon initial recognition) - equity securities	2 483 628	(5 056 898)
	Total investment income	2 994 824	(5 940 645)
	Exchange gain	23 606	26 908
	Reversal / (impairment) in value of available-for-sale securities	13 350	(4 196)
	Investment related expenses	(5 427)	(6 101)
		3 026 353	(5 924 034)

Rupees '000

	Note	2019	2018
33. Rental income			
Rental income		161 034	152 161
Less: Expenses of investment property		(48 685)	(48 170)
		112 349	103 991
34. Other income			
Gain on sale of property and equipment		95 032	70 758
Return on loans to employees		21 317	11 435
Exchange difference		26 507	81 729
Return on bank balances		156 746	45 289
Others		9 924	6 426
		309 526	215 637
35. Other expenses			
Legal and professional fee other than business related		13 532	14 825
Auditors' remuneration	35.1	14 433	12 220
Subscription to association		19 664	15 243
Charity and donations		21 848	21 439
Printing and stationery		1 264	758
Advertisements and publicity		4 088	1 097
Travelling		666	72
Directors' fees		1 900	2 000
		77 395	67 654
35.1 Auditors' remuneration			
Audit fee		4 300	3 900
Special certifications and sundry advisory services		8 731	7 091
Out-of-pocket expenses		1 402	1 229
		14 433	12 220

35.2 Donations

Donations include the following in whom the directors are interested:

Name of Director	Interest in donee	Name and address of donee	2019	2018
Saifuddin N. Zoomkawala	Board member	Shaukat Khanum Memorial Trust, 7A Block R-3, M.A. Johar Town, Lahore.	1 900	500
Saifuddin N. Zoomkawala and Ali Raza Siddiqui	Board Member	Fakhr-e-Imdad Foundation, Mirpurkhas Digri Road, Mirwah Gorchani, Mirpurkhas.	300	330
Hasanali Abdullah	Board Member	The Aga Khan Hospital and Medical College Foundation, Stadium Road, Karachi.	–	715
Saifuddin N. Zoomkawala	Board Member	Sindh Institute of Urology and Transplantation, Civil Hospital, Karachi.	2 839	1 614
Syed Salman Rashid	Spouse (Trustee)	Anjuman Kashana-e-Atfal-o-Naunihal	50	50
Rafique R. Bhimjee	Spouse (Trustee)	The Garage School	–	500

Rupees '000

	2019	2018
36. Window takaful operations - Operator's Fund		
Wakala fee	659 174	497 644
Management expenses	(288 932)	(236 364)
Commission expense	(229 689)	(171 788)
Investment income	59 198	22 664
Other income	15 026	6 014
Other expenses	(634)	(718)
	214 143	117 452

	2019	(Restated) 2018
37. Taxation		
For current year		
Current	1 685 610	1 530 288
Deferred	177 991	(738 293)
Super tax	–	66 636
	1 863 601	858 631
For prior year(s)		
Prior year tax	126 756	177 491
super tax	–	102 292
	126 756	279 783
	1 990 357	1 138 414

37.1 Relationship between tax expense and accounting profit:

	Effective tax rate % 2019	Effective tax rate % (Restated) 2018	Rupees '000 2019	Rupees '000 (Restated) 2018
Profit before taxation			5 359 755	4 719 266
Tax at the applicable rate	29.00	29.00	1 554 329	1 368 587
Others	5.77	(8.64)	309 272	(407 664)
Prior year tax	2.36	3.76	126 756	177 491
Tax charge for the year	37.13	24.12	1 990 357	1 138 414

38. Earnings per share - basic and diluted

Rupees '000

		2019	(Restated) 2018
Profit (after tax) for the year	(Rupees '000)	2 547 472	2 799 199
Weighted average number of ordinary shares	(Numbers '000)	200 000	200 000
Earnings per share	(Rupees)	12.74	14.00

39. Compensation of directors and executives

Rupees '000

	2019				2018			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Fees	–	4 250	–	4 250	–	5 400	–	5 400
Managerial remuneration	64 674	18 000	754 046	836 720	60 173	16 200	671 660	748 033
Leave encashment	–	–	22 076	22 076	–	–	14 790	14 790
Bonus	7 171	–	91 054	98 225	8 722	–	87 421	96 143
Retirement benefit	4 726	–	49 132	53 858	4 382	–	43 289	47 671
Utilities	1 319	238	23 950	25 507	1 254	232	21 888	23 374
Medical expenses	1 299	444	17 994	19 737	1 481	531	13 761	15 773
Leave passage	1 619	354	6 022	7 995	1 658	388	4 919	6 965
Total	80 808	23 286	964 274	1 068 368	77 670	22 751	857 728	958 149
Number of persons	2	12	231	245	2	11	214	227

39.1 The Chief Executive Officer of the Holding Company is provided with Holding Company maintained cars, furnished accommodation and medical insurance cover. The Executives are provided with free use of Holding Company cars, medical insurance cover and certain items of household furniture and fixtures in accordance with their entitlements. The Chief Executive is not given any rent allowance but is provided with maintained furnished accommodation. The Chairman is provided with free use of Holding Company car, maintained furnished accommodation, medical insurance cover and residential utilities.

39.2 The Chief Executive of the Subsidiary Company is provided with Subsidiary Company maintained cars, furnished accommodation and medical insurance cover. The Executives are provided with Subsidiary Company maintained cars, medical insurance cover and in certain cases, household items and furniture in accordance with their terms of employment. The chairman is provided with free use of Subsidiary Company car, medical insurance cover and residential utilities.

The Non Executive Directors were paid Directors meeting fee of Rs. 4.3 million (2018: Rs. 5.4 million). No other remuneration was paid to Non Executive Directors.

40. Non-controlling interest

40.1 Acquisition of Non-controlling interest

During the year, the Group acquired an additional 487,500 shares of EFU Life Assurance Limited i.e. 0.488 % from Non-controlling interest, increasing its ownership from 43.43 % to 43.92 % for Rs. 110.995 million.

40.2 Summary of non-controlling interest

Rupees '000

	2019	(Restated) 2018
Opening balance	4 184 692	4 278 100
Profit for the year	807 933	758 316
Acquisition of shares by Holding Company without change in control	(34 320)	(2 604)
Dividend distribution	(890 283)	(849 120)
Reversal of incremental depreciation net of tax	3 126	–
	4 071 148	4 184 692

41. Related party transactions

Related parties comprise of directors, major shareholders, key management personnel, associated companies, and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

Rupees '000

	2019	2018
Transactions		
Associated companies		
Premium written	427 921	327 897
Premium paid	40 969	19 308
Claims paid	148 413	210 288
Commission paid	215 203	155 882
Travelling expenses	2 685	1 723
Donation paid	1 989	2 853
Dividend paid	1 328 044	1 213 042
Interest on bank deposits	768 185	169 544
Payments for car	19 988	–
Investment buy	500 000	–
Investment sold	25 558	244 483
Bank deposit (withdrawn) / made	(95 500)	25 000
Key management personnel		
Premium written	2 439	3 673
Claims paid	60	–
Dividend paid	19 839	18 509
Loan to key employees	6 000	2 000
Loan recovered	4 400	3 997
Compensation	215 708	207 124
Others		
Premium written	215 146	163 927
Claims paid	46 691	17 781
Dividend paid	650 494	628 083
Brokerage paid	664	527
Employees' funds		
Contribution to provident fund	64 233	51 193
Contribution to gratuity fund	25 399	18 754
Contribution to pension fund	26 886	3 469
Dividend paid	9 688	10 309
Balances		
Others		
Balances receivable	71 539	49 342
Balances payable	42 420	3 223
Deposits maturing within 12 months	5 483 500	5 329 000
Investment in related party	653 525	172 190
Bank balances	375 797	869 823
Employees' funds receivable / (payable)		
EFU gratuity fund	2 084	(86 847)
EFU pension fund	27 605	24 143

42. Segment Information

Rupees '000

For the year ended 31 December 2019

Current year	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Aggregate General Insurance	Shareholders' Fund	Statutory Fund	Aggregate Life Assurance	Aggregate 2019
	General Insurance						Life Assurance			
Premium receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	13 883 909	3 044 725	3 942 492	1 862 772	–	22 733 898	–	31 731 729	31 731 729	54 465 627
Less: Sales tax	1 646 353	326 368	471 398	215 496	–	2 659 615	–	–	–	2 659 615
Stamp duty	541	144 393	1 267	1 246	–	147 447	–	–	–	147 447
Federal insurance fee	120 772	24 994	31 410	16 079	–	193 255	–	–	–	193 255
Gross written premium (inclusive of administrative surcharge)	12 116 243	2 548 970	3 438 417	1 629 951	–	19 733 581	–	31 731 729	31 731 729	51 465 310
Gross direct premium	12 077 235	2 499 443	3 141 031	1 607 873	–	19 325 582	–	31 731 729	31 731 729	51 057 311
Facultative inward premium	–	1 238	–	–	–	1 238	–	–	–	1 238
Administrative surcharge	39 008	48 289	297 386	22 078	–	406 761	–	–	–	406 761
Insurance premium earned	11 458 515	2 409 529	3 485 982	1 589 692	–	18 943 718	–	31 731 729	31 731 729	50 675 447
Insurance premium ceded to reinsurers	9 551 067	937 823	11 380	1 024 533	–	11 524 803	–	608 450	608 450	12 133 253
Net insurance premium	1 907 448	1 471 706	3 474 602	565 159	–	7 418 915	–	31 123 279	31 123 279	38 542 194
Commission income	622 741	22 212	118	221 422	–	866 493	–	–	–	866 493
Net underwriting income	2 530 189	1 493 918	3 474 720	786 581	–	8 285 408	–	31 123 279	31 123 279	39 408 687
Insurance claims	2 444 437	1 026 594	1 792 946	709 346	–	5 973 323	–	16 117 049	16 117 049	22 090 372
Insurance claims recovered from reinsurers	1 723 666	293 689	2	427 655	–	2 445 012	–	446 390	446 390	2 891 402
Net claims	(720 771)	(732 905)	(1792 944)	(281 691)	–	(3 528 311)	–	(15 670 659)	(15 670 659)	(19 198 970)
Commission expense	(735 251)	(249 338)	(306 214)	(131 995)	–	(1 422 798)	–	(7 322 986)	(7 322 986)	(8 745 784)
Management expenses	(833 606)	(519 979)	(1352 876)	(225 992)	–	(2 932 453)	–	(1 761 327)	(1 761 327)	(4 693 780)
Net insurance claims and expenses	(2 289 628)	(1 502 222)	(3 452 034)	(639 678)	–	(7 883 562)	–	(24 754 972)	(24 754 972)	(32 638 534)
Net change in insurance liabilities (other than outstanding claims)	–	–	–	–	–	–	–	(11 046 950)	(11 046 950)	(11 046 950)
Underwriting result	240 561	(8 304)	22 686	146 903	–	401 846	–	(4 678 643)	(4 678 643)	(4 276 797)
Net Investment income						1 577 511	–	11 589 124	11 589 124	13 166 635
Net realized fair value losses on financial assets						–	–	(7 807 925)	(7 807 925)	(7 807 925)
Net fair value gain on financial assets at fair value through profit and loss						–	–	3 026 353	3 026 353	3 026 353
Rental income						112 349	–	–	–	112 349
Other income						218 973	–	90 553	90 553	309 526
Change in fair value of investment property						433 899	–	–	–	433 899
Other expense						(50 913)	–	(26 482)	(26 482)	(77 395)
Finance cost						(14 090)	–	–	–	(14 090)
Reversal of workers' welfare fund						145 631	–	127 426	127 426	273 057
Profit before tax from takaful operations - OPF						214 143	–	–	–	214 143
Profit before tax						3 039 349	–	2 320 406	2 320 406	5 359 755

Rupees '000

As at 31 December 2019

Current year	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Aggregate General Insurance	Shareholders' Fund	Statutory Fund	Aggregate Life Assurance	Aggregate 2019
	General Insurance						Life Assurance			
Corporate segment assets - conventional	11 117 939	1 417 980	757 556	1 470 076	–	14 763 551	–	126 784 698	126 784 698	141 548 249
Corporate segment assets - Takaful OPF	50 093	5 656	170 040	8 374	–	234 163	–	–	–	234 163
Corporate unallocated assets - conventional						27 987 534	3 926 433	–	3 926 433	31 913 967
Corporate unallocated assets - Takaful OPF						525 579	–	–	–	525 579
Consolidated total assets						43 510 827	3 926 433	126 784 698	130 711 131	174 221 958
Corporate segment liabilities	15 298 581	2 366 260	2 430 554	3 332 385	–	23 427 780	–	122 033 355	122 033 355	145 461 135
Corporate segment liabilities - Takaful OPF	57 216	6 641	321 788	6 913	–	392 558	–	–	–	392 558
Corporate unallocated liabilities						2 392 120	1 237 583	–	1 237 583	3 629 703
Corporate unallocated liabilities - Takaful OPF						1 602	–	–	–	1 602
Consolidated total liabilities						26 214 060	1 237 583	122 033 355	123 270 938	149 484 998

Location	External premium less reinsurance by geographical segments 2019
Pakistan	38 536 153
* EPZ	6 041
Total	38 542 194

* This represents US Dollar equivalent in Pak Rupees.

Rupees '000

For the year ended 31 December 2018 (Restated)

Prior year

	General Insurance						Life Assurance			
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Aggregate General Insurance	Shareholders' Fund	Statutory Fund	Aggregate Life Assurance	Aggregate 2018
Premium receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	12 895 905	2 886 201	4 010 360	1 822 916	–	21 615 382	–	23 676 006	23 676 006	45 291 388
Less: Sales tax	1 525 679	312 835	481 888	200 622	–	2 521 024	–	–	–	2 521 024
Stamp duty	577	122 959	1 474	1 417	–	126 427	–	–	–	126 427
Federal insurance fee	112 535	24 245	34 923	16 051	–	187 754	–	–	–	187 754
Gross written premium (inclusive of administrative surcharge)	11 257 114	2 426 162	3 492 075	1 604 826	–	18 780 177	–	23 676 006	23 676 006	42 456 183
Gross direct premium	11 213 071	2 372 921	3 133 247	1 580 617	–	18 299 856	–	23 676 006	23 676 006	41 975 862
Facultative inward premium	3 621	1 470	–	–	–	5 091	–	–	–	5 091
Administrative surcharge	40 422	51 771	358 828	24 209	–	475 230	–	–	–	475 230
Insurance premium earned	11 553 011	2 430 015	3 417 118	1 522 610	–	18 922 754	–	23 676 006	23 676 006	42 598 760
Insurance premium ceded to reinsurers	9 535 277	878 659	10 098	936 371	–	11 360 405	–	368 862	368 862	11 729 267
Net insurance premium	2 017 734	1 551 356	3 407 020	586 239	–	7 562 349	–	23 307 144	23 307 144	30 869 493
Commission income	674 538	34 375	–	220 366	–	929 279	–	–	–	929 279
Net underwriting income	2 692 272	1 585 731	3 407 020	806 605	–	8 491 628	–	23 307 144	23 307 144	31 798 772
Insurance claims	1 463 294	892 590	1 701 763	503 265	–	4 560 912	–	9 586 888	9 586 888	14 147 800
Insurance claims recovered from reinsurers	863 674	307 046	(106)	301 428	–	1 472 042	–	375 246	375 246	1 847 288
Net claims	(599 620)	(585 544)	(1701 869)	(201 837)	–	(3 088 870)	–	(9 211 642)	(9 211 642)	(12 300 512)
Commission expense	(838 143)	(278 589)	(283 314)	(116 883)	–	(1 516 929)	–	(5 362 258)	(5 362 258)	(6 879 187)
Management expenses	(711 638)	(485 507)	(1 181 149)	(200 731)	–	(2 579 025)	–	(1 407 958)	(1 407 958)	(3 986 983)
Net insurance claims and expenses	(2 149 401)	(1 349 640)	(3 166 332)	(519 451)	–	(7 184 824)	–	(15 981 858)	(15 981 858)	(23 166 682)
Net change in insurance liabilities (other than outstanding claims)	–	–	–	–	–	–	–	(1 276 786)	(1 276 786)	(1 276 786)
Underwriting result	542 871	236 091	240 688	287 154	–	1 306 804	–	6 048 500	6 048 500	7 355 304
Net Investment income						961 456	–	5 360 892	5 360 892	6 322 348
Net realized fair value losses on financial assets						–	–	(3 518 411)	(3 518 411)	(3 518 411)
Net fair value (loss) / gain on financial assets at fair value through profit and loss						–	–	(5 924 034)	(5 924 034)	(5 924 034)
Rental income						103 991	–	–	–	103 991
Other income						161 227	–	54 410	54 410	215 637
Other expenses						(50 127)	–	(17 527)	(17 527)	(67 654)
Share of profit of associate						103 952	–	–	–	103 952
Change in fair value of investment property						10 681	–	–	–	10 681
Profit before tax from window takaful operations - Operator's Fund						117 452	–	–	–	117 452
Profit before tax						2 715 436	–	2 003 830	2 003 830	4 719 266

Rupees '000

As at 31 December 2018 (Restated)

Prior year

	General Insurance						Life Assurance			
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Aggregate General Insurance	Shareholders' Fund	Statutory Fund	Aggregate Life Assurance	Aggregate 2018
Corporate segment assets - conventional	9 872 846	1 065 081	566 140	1 173 896	–	12 677 963	–	114 113 442	114 113 442	126 791 405
Corporate segment assets - Takaful OPF	43 226	9 011	271 746	16 810	–	340 793	–	–	–	340 793
Corporate unallocated assets - conventional						27 595 994	4 095 697	–	4 095 697	31 691 691
Corporate unallocated assets - Takaful OPF						280 509	–	–	–	280 509
Consolidated total assets						40 895 259	4 095 697	114 113 442	118 209 139	159 104 398
Corporate segment liabilities	13 582 908	1 884 044	2 413 449	2 769 154	–	20 649 555	–	109 371 963	109 371 963	130 021 518
Corporate segment liabilities - Takaful OPF	39 704	8 149	308 033	11 345	–	367 231	–	–	–	367 231
Corporate unallocated liabilities						2 347 219	1 320 761	–	1 320 761	3 667 980
Corporate unallocated liabilities - Takaful OPF						40 280	–	–	–	40 280
Consolidated total liabilities						23 404 285	1 320 761	109 371 963	110 692 724	134 097 009

Location	External premium less reinsurance by geographical segments 2018
Pakistan	30 853 801
* EPZ	15 692
Total	30 869 493

* This represents US Dollar equivalent in Pak Rupees.

43. Movement in investment

Name of investment	Held to maturity	Available-for-sale	Fair value through P & L	Total
At beginning of previous year	430 550	14 946 693	–	15 377 243
Additions	114 521 821	34 150 877	224 541 423	373 214 121
Disposals (sale and redemptions)	(95 655 966)	(34 190 743)	(132 499 256)	(262 345 965)
Fair value net losses (excluding net realized gains / (losses))	–	(1 214 917)	(5 926 218)	(7 141 135)
Impairment losses	–	(45 854)	–	(45 854)
At beginning of current year	19 296 405	13 646 056	86 115 949	119 058 410
Additions	178 393 104	43 274 559	214 467 886	436 135 549
Disposals (sale and redemptions)	(174 152 836)	(41 087 256)	(212 360 728)	(427 600 820)
Fair value net gains / (losses) (excluding net realized gains / (losses))	–	(1 037 975)	2 437 532	1 399 557
Impairment losses	–	(73 363)	–	(73 363)
At end of current year	23 536 673	14 722 021	90 660 639	128 919 333

44. Management of insurance and financial risk

44.1 Insurance risk

The principal risk the Group faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the vary nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimize insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits.

The Holding Company underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Holding Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Holding Company may not suffer ultimate net insurance losses beyond the Holding Company's risk appetite in any one year.

The Holding Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Holding Company are substantially dependent upon any single reinsurance contract. The Holding Company obtains reinsurance cover only from companies with sound financial health.

For Subsidiary Company, the occurrence of any single claim and amount paid on a single claim is a random event. However, as the number of contracts and independent lives increase, the estimated claim amounts and the number of claims get closer to the actual figures. This phenomenon is observed when pool of contracts is large enough and lives are independent. To manage this risk, Subsidiary Company monitors its concentration risk, on several parameters, and maintains diversity in its portfolio of insurance contracts.

In order to maintain this diversification, the Subsidiary Company takes a number of steps to manage the overall insurance risk of its portfolio of insurance contracts. The risk of an individual life is broadly assessed in light of its: medical condition, which include living habits, physical health and medical history; occupational condition, which assesses an individual's job profile and whether any characteristics of the job could have a significant impact on that individuals mortality; financial condition, which determines the individuals ability and affordability to purchase and maintain an insurance contract over the long-term.

The Subsidiary Company identifies and defines parameters in its underwriting strategy to clearly identify individuals (sub-standard lives) which could potentially increase the overall risk of insurance portfolio. Based on certain parameters, such individuals pay an extra charge called Extra Mortality Premium, in order to compensate for extra risk added to existing pool of insured individuals. These measures allow the Subsidiary Company to charge an individual life in line with the risk contributed to its insurance portfolio. These underwriting measures also discourage accumulation of sub-standard lives in the insured pool, thereby managing the overall insurance risk of Subsidiary Company in the long-term.

The Subsidiary Company also manages its geographical concentration of risk. Currently the Subsidiary Company's geographical concentration of risk for its Individual Life sales force business is as follows:

Individual Conventional Business:

	Diversification of Risk Portfolio	
	Before Reinsurance	After Reinsurance
Azad Kashmir	2.08 %	2.55 %
Balochistan	5.11 %	6.10 %
Gilgit Baltistan	1.60 %	2.18 %
Khyber Pakhtunkhwa	2.06 %	2.40 %
Punjab	40.89 %	41.16 %
Sindh	48.27 %	45.60 %

Individual family takaful business:

	Diversification of risk portfolio	
	Before reinsurance	After reinsurance
Azad Kashmir	2.22 %	2.20 %
Balochistan	0.60 %	0.60 %
Gilgit Baltistan	0.00 %	0.00 %
Khyber Pakhtunkhwa	2.74 %	4.00 %
Punjab	50.30 %	52.58 %
Sindh	44.14 %	40.62 %

For Group Life business, the Subsidiary Company's geographical concentration of risk is as follows:

	Diversification of risk portfolio	
	Before reinsurance	After reinsurance
Conventional business		
Sindh	56.54 %	53.23 %
Punjab	46.46 %	46.77 %
Group family takaful business		
Punjab	83.15 %	78.90 %
Sindh	16.85 %	21.10 %

The Subsidiary Company also has reinsurance arrangements with its reinsurance partners, to whom the Subsidiary Company passes any excess insurance risk beyond its retention levels. Limits are continually monitored and kept in line with the overall risk tolerance. This allows the Subsidiary Company to retain the risk according to its risk capacity and minimizes excessive claim payouts. Currently, the total risk retained on individual life products is Rs. 2,000,000 per life for the death risk, Rs. 500,000 for individual takaful policies and Rs. 1,000,000 for risks associated with critical illness plans. For Group life, the Subsidiary Company currently retains Rs. 2,000,000 of total life risk on each life and Rs. 1,000,000 for group family takaful business. For critical life cover, 50 % of the sum covered is retained for both, group life and group family takaful business.

44.1.1 Frequency and severity of claims

Holding Company

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Holding Company manages these risk through the measures described above. The Holding Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Holding Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at consolidated financial statements date:

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

The Holding Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Holding Company.

The Holding Company's class wise major gross risk exposure is as follows:

Rupees '000

Class	2019	2018
Fire and property damage	280 008 000	158 826 990
Marine, aviation and transport	137 734 000	96 978 630
Motor	60 000	47 040
Miscellaneous	45 430 000	16 398 450

Since the Holding Company operates in Pakistan only, hence, all the insurance risks relate to policies written in Pakistan.

Subsidiary Company

Frequency and severity can have a significant impact on total claims paid out by the Subsidiary Company. High frequency of claims could occur due to adverse experience of mortality or disability. Adverse mortality experience, in short-term, could be due to a wide-range spread of fatal contagious disease, an epidemic. Over a longer term, overall health practices, eating and living habits could potentially have an adverse effect on mortality.

About 90 % of Subsidiary Company's business is concentrated in the provinces of Sindh and Punjab. This concentration is largely in line with the population of these provinces relative to country's total population. The Subsidiary Company's diversified portfolio of contracts helps limit the frequency and severity of claims. However, in event of large number of deaths or disabilities, Subsidiary Company does face the risk of paying out excessive claims. To manage and mitigate this exposure, arrangements in form of reinsurance and catastrophe cover are in place.

In Group life business, frequency and severity of claims can be affected by concentration of business in a specifically risky class of industry. Claim frequency can rise substantially from businesses in industries that are more prone to accidents due to the nature of work they perform. Likewise, severity of claims can also be associated with business concentration in a specific class of industry. The Subsidiary Company continually monitors its concentration risk and takes measures to keep its business portfolio well diversified.

Contracts in group life, are mainly one year term life contracts, where premium rates are generally guaranteed for one year only. The Subsidiary Company retains the right of changing premium rates by incorporating the claim experience of a group insured, thereby allowing the Subsidiary Company to charge a specific group in line with its claim experience.

The Subsidiary Company regularly carries out an exercise to monitor time lags between intimation and settlement claim dates. The study reveals that a significant portion of claims are settled within twelve months of claim intimation.

44.1.2 Sources of uncertainty in estimation of future claim payments

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

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

44.1.3 Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Subsidary Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

44.1.4 Mortality, Disability and Critical Illness

Mortality and disability rates are basic assumptions used in valuation of policyholder liabilities. For mortality, life table EFU (61-66) is being currently used. The life table was published more than 40 years ago and may not reflect mortality improvements. For reserving purposes, a 10 % mortality loading is used over EFU (61-66) rates to build in conservatism. An analysis of past mortality experience, reveals that 10 % mortality loading for reserving purposes is appropriate to ensure prudence.

Sudden adverse experience in mortality might occur due to epidemics, causing deaths on a mass scale due to incurable contagious illnesses. Mortality may also deteriorate over a period of time, due to wide-scale changes in living life styles, eating and health habits.

Sensitivity test with respect to mortality is carried out and impact on policyholder liabilities is observed. When mortality rates increase by 10 %, policyholder liabilities increase by 0.063 %. Likewise, when mortality rates decrease by 10 %, policyholder liabilities decrease by 0.063 %.

In absence of credible disability and critical illness incidence rates, the Subsidiary Company uses reinsurance rates for actuarial liability valuation of disability and critical illness benefits.

44.1.5 Investment income - Statutory fund

Investment income is an important assumption for valuation of long-term conventional plans. This is the rate at which future expected benefits and expected premiums are discounted. Currently, the valuation assumption used for investment income is 3.75 % p.a.

Sensitivity test with respect to investment income is carried out and its impact on policyholder liabilities observed. When investment rate is increased by 10 %, policyholder liabilities decrease by 0.002 %. Likewise, when investment income rate is decreased by 10 %, policyholder liabilities increase by 0.002 %.

44.1.6 Sources of uncertainty in estimation of future benefit payments and life insurance premium receipts

The uncertainty with respect to future premiums and benefits may arise due to unexpected changes in mortality or disability experience. Adverse mortality experience will result in excess benefit payments, and reduced future premium income.

Likewise, unexpected changes in surrender and lapse could also have a significant impact on future realized premiums. Estimates of lapses and surrenders are based on internal experience studies carried out annually. Factors that could affect policyholder behavior include market factors such as interest rates, policyholder preferences in terms of the monetary value that a policyholder relates with the insurance policy, the frequency of premium payments and the age of the individual.

44.1.7 Process used to decide on assumptions

Assumptions used to determine policyholder liabilities include, mortality / disability / critical illness rates, investment returns for conventional business, investment returns for investment linked business, expenses and mortality loading.

Mortality assumptions should in principle reflect adequate conservatism in liabilities. The Subsidiary Company considers EFU (61-66) life table to be appropriate for actuarial valuation of policyholder liabilities.

Disability and Critical illness rates used for liability valuation are the reinsurance rates provided by the reinsurer. Due to lack of sufficient claim experience for these disabilities and critical illnesses, the Subsidiary Company considers this as the best estimate available.

The Subsidiary Company uses an investment return assumption of 3.75 % per annum to evaluate actuarial liabilities of its conventional plans. Liabilities of conventional products should in principle reflect a long term conservative interest rate, to reflect adequate conservatism. An investment return of 3.75 % per annum is hence considered appropriate.

For Unit-linked products where the death benefit is paid in form of annuity, the Subsidary Company uses a discount rate of 6 % to evaluate present value of future stream of cash flows. In principle, the interest rate assumption set to discount cash flows should reflect the expected returns on assets backing these liabilities. The Subsidary Company expects to earn at least a 6 % return on assets backing these unit-linked liabilities.

In valuation of unearned premium reserve for unit-linked plans a loading of 10 % is applied on rates from efu (61-66). In opinion of Subsidary Company's management and appointed actuary this assumption is prudent.

Since from Annual 2014 onwards the Subsidiary Company shall maintain 100 % retention on its books on account of Solvency Margin, the Subsidiary Company will no longer keep an extra reserve on account of mortality fluctuation. It is the opinion of Subsidiary Company's management and appointed actuary that this assumption is prudent.

The Subsidiary Company reserves for any increase in actuarial liability resulting from the possible reinstatement of lapsed policies. The current liability valuation also takes into account cash value of units pertaining to policies lapsed in last 2 years. A unit-linked policy lapses when the second annual premium of policy is not received. In principle, cash value of a lapsed policy is not surrenderable, as per provisions and conditions, unless the second premium is paid and policy is reinstated. However, the Subsidiary Company recognizes the possibility of these lapsed policies to be reinstated and hence carries out periodic studies to determine expected renewals. In opinion of the Subsidiary Company's management and appointed actuary assumptions used to set aside a liability against these lapsed policies is prudent.

For the purpose of liability adequacy tests the Subsidiary Company makes assumptions relating to expenses. For this purpose, regular expense analyzes are carried out based on actual expenses and transaction volumes.

Rupees '000

Assumption	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
Mortality	116 721 178	116 493 560
Investment returns	116 721 178	116 708 244

45.1.8 Sensitivity analysis

The Holding Company believes that the claim liabilities under insurance contracts outstanding at the yearend are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the consolidated financial statements. The impact on the profit before tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analyzed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.

Rupees '000

	Profit before tax		Shareholders' equity	
	2019	2018	2019	2018
Impact of change in claim liabilities by +10 %				
Fire and property damage	(81 814)	(67 202)	(58 088)	(47 713)
Marine, aviation and transport	(45 544)	(35 806)	(32 336)	(25 422)
Motor	(71 805)	(64 914)	(50 982)	(46 089)
Miscellaneous	(19 990)	(13 409)	(14 193)	(9 520)
	(219 153)	(181 331)	(155 599)	(128 744)
Impact of change in claim liabilities by -10 %				
Fire and property damage	81 814	67 202	58 088	47 713
Marine, aviation and transport	45 544	35 806	32 336	25 422
Motor	71 805	64 914	50 982	46 089
Miscellaneous	19 990	13 409	14 193	9 520
	219 153	181 331	155 599	128 744

The basic assumptions used in valuation of liabilities are mortality, disability, critical illness rates and investment returns assumed in discounting future cash flows. The table below presents sensitivity results with respect to above mentioned factors, with their impact observed on policyholder liabilities:

	% change in sensitivity variable	% change in policyholder liabilities
Worsening of mortality and critical illness rates	10 %	0.062 %
Improvement in mortality and critical illness rates	10 %	(0.062 %)
Increase in investment returns	10 %	(0.002 %)
Decrease in investment returns	10 %	0.002 %

44.2 Financial risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, interest rate risk and other price risk). The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

44.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Group believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Group's maximum exposure to credit risk:

Rupees '000

	2019	2018
Financial assets		
Term deposits	20 103 352	15 555 707
Loans and other receivables	3 494 624	3 210 709
Insurance / reinsurance receivables	4 266 731	3 746 654
Reinsurance recoveries against outstanding claims	4 081 849	3 363 439
Cash and bank	6 905 236	6 052 924
	38 851 792	31 929 433

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

Rupees '000

Rating	2019	2018
AAA	7 826 663	6 793 174
AA+	3 175 073	3 694 496
AA	2 706 835	2 239 694
AA-	5 521 036	6 553 274
A+	5 463 350	723 312
A-	100 000	–
A	1 746 596	1 340 455
	26 539 553	21 344 405

The credit quality of Group's investment in term finance certificates can be assessed with reference to external credit ratings as follows:

Rupees '000

Rating	Short Term	Rating Agency	2019	2018
Agritech Limited - 3rd Issue (B)	D	PACRA	5 665	5 665
Agritech Limited - 3rd Issue (A)	D	PACRA	34 972	34 972
New Allied Electronics Limited	N/A	–	3 481	3 481
Soneri Bank Limited	AA-	PACRA	100 000	100 000
Habib Bank Limited	AA+	VIS	100 000	–
Dubai Islamic Bank limited	AA-	VIS	80 000	80 000
The Hub Power Company Limited	AA+	PACRA	50 450	–
Engro Polymer & Chemicals Limited	AA	VIS	50 688	–
Engro Fertilizers Limited	AA	PACRA	–	91 000
Bank AL Habib ADT 1	AA	PACRA	400 000	300 289
Bank AL Habib ADT 2	AA	PACRA	99 960	–
Bank AL Habib TFC	AA	PACRA	392 940	–
Al Baraka Bank Limited	A-	PACRA	14 866	22 189
Byco Oil Pakistan Limited	AAA	PACRA	73 781	100 000
Bank Al-Falah Limited	AA	PACRA	115 015	115 132
MCB Bank Limited	AAA	PACRA	–	101 592
PAEL	AA-	PACRA	–	99 994
United Bank Limited	AAA	VIS	1 250 000	1 250 000
Soneri Bank Tier II Perpetual TFC	A+	PACRA	50 000	50 000
Askari Bank Limited. TIER I	AA	PACRA	500 000	500 000
Dubai Islamic Bank Limited TIER I	AA	VIS	100 000	100 000
Habib Bank Limited	A1+	VIS	200 000	–
JS Bank Limited	A	PACRA	500 000	–
Bank Alfalah Perpetual TFC	AA	PACRA	100 000	–
			4 221 818	2 954 314

Investment in Government securities are not exposed to any credit risk.

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. As at 31 December 2019, the premiums due but unpaid (other than impaired balances) includes amount receivable within one year and above one year amounting to Rs. 3,740 million (2018: Rs. 3,314 million) and Rs. 257 million (2018: Rs. 256 million) respectively.

The credit quality of amounts due from other insurers / reinsurers and claim recoveries from reinsurers can be assessed with reference to external credit ratings as follows:

Rupees '000

Rating	2019		2018	
	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims
A or above (including Pakistan Reinsurance Company Limited)	39 382	3 752 506	20 299	3 259 048
B or above	–	119 142	–	156 739
Others	189	210 201	–	140 870
	39 571	4 081 849	20 299	3 556 657

As at 31 December 2019, the amounts due from insurers / reinsurers includes amount receivable within one year and above one year amounting to Rs. 19.343 million (2018: Rs. 1.588 million) and Rs. (3.186) million (2018: Rs. 5.212 million) respectively.

44.2.2 Liquidity risk

Liquidity risk is the risk that the Holding Company will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The objective of the Holding Company's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Holding Company's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Holding Company's liabilities as at financial statement date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

Rupees '000

	2019		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Outstanding claims including IBNR	6 273 372	6 273 372	–
Insurance / reinsurance payable	6 325 914	6 325 914	–
Other creditors and accruals	4 613 687	4 613 687	–
	17 212 973	17 212 973	–

Rupees '000

	2018		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Outstanding claims including IBNR	5 176 757	5 176 757	–
Retirement benefit obligations	62 704	62 704	–
Insurance / reinsurance payable	5 333 106	5 333 106	–
Other creditors and accruals	2 054 552	2 054 552	–
	12 627 119	12 627 119	–

In life insurance business, liquidity risk is the risk that the Subsidiary Company is unable to meet its funding requirements, without incurring a material loss in disposing off its illiquid assets. To guard against this risk, the Subsidiary Company maintains a healthy balance of cash and cash equivalents and readily marketable securities. Liquidity is monitored regularly and assets are frequently rebalanced to maintain a certain level of liquidity at all times. Going forward, the Subsidiary Company also plans to set up a contingency plan, whereby alternate sources of liquidity will be identified and assets would be analyzed and ranked in their liquidity order, to determine which assets would need to be disposed off first in case of a liquidity crisis.

The expected payouts in liabilities along with maturity profile of assets and liabilities are monitored to ensure that adequate liquidity is maintained within the Subsidiary Company, to avoid the need of liquidating assets below their actual market value.

The following extract, classifies the assets and liabilities of the Subsidiary Company by type of product in each Statutory Fund as at 31st December 2019. The table below also presents details of assets under Shareholder's Fund:

Rupees '000

	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholder's Fund	Total
Available-for-sale:				
– Government securities	73 449 781	–	–	73 449 781
– Other fixed income securities	9 276 491	–	–	9 276 491
Held to maturity:				
– Government securities	–	2 033 997	719 764	2 753 761
– Other fixed income securities	–	33 000	10 000	43 000
Available-for-sale:				
– Listed equities	10 340 471	11 014	105 049	10 456 534
– Mutual funds	299 595	–	111 119	410 714
– Unlisted equities and mutual funds	–	–	16 008	16 008
Loans and receivables	–	–	172 543	172 543
– Insurance receivables	–	230 585	–	230 585
Reinsurance assets	–	23 414	–	23 414
Cash and cash equivalents	24 449 950	864 852	44 304	25 359 106
Cash and stamps	13 377	64	–	13 441
Investment income accrued	2 706 588	41 110	12 419	2 760 117
Advances and deposits	95 235	57 216	–	152 451
Income tax asset	3 167	3 167	1 054 887	1 061 221
Prepayments	49 579	1 637	–	51 216
Sundry receivables	76 671	24 165	50 000	150 836
Fixed assets	1 278 082	–	1 630 338	2 908 420
Total assets	122 038 987	3 324 221	3 926 431	129 289 639

Rupees '000

	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholder's Fund	Total
Long-term insurance contracts and investment contracts:				
Fixed term	69 309 146	294 573	–	69 603 719
Whole of life	45 676 469	–	–	45 676 469
Short-term insurance contracts	–	1 105 106	–	1 105 106
Riders	–	346 131	–	346 131
Equity	–	–	5 907 940	5 907 940
Other liabilities	7 053 372	1 578 411	(1 981 509)	6 650 274
Total liabilities	122 038 987	3 324 221	3 926 431	129 289 639

44.2.3 Market risk

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

The Holding Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates markets. In addition, the Holding Company actively monitors the key factors that affect the underlying value of these securities.

In addition, the Subsidiary Company is exposed to market risk in relation to its investments with respect to products other than unit-linked products (in unit-linked products, investment risk is borne by the policyholder). The Subsidiary Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities, equity and term finance certificates. The Subsidiary Company, along with minimizing market risk by careful diversification in assets, also periodically carries out an Asset liability management exercise, to match its duration of assets and liabilities.

44.2.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group has securities and deposits that are subject to interest rate risk. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its financial assets are denominated.

The information about Group's exposure to interest rate risk based on contractual reprising or maturity dates whichever is earlier is as follows:

Rupees '000

	2019						
	Interest / mark-up bearing			Non-interest / non-mark-up bearing			
	Maturity upto one year	Maturity above one year	Sub total	Maturity upto one year	Maturity above one year	Sub total	Total
Financial assets							
Investments	31 868 008	83 412 912	115 280 920	10 883 256	12 941 502	23 824 758	139 105 678
Loans and other receivables	24 932	197 318	222 250	3 272 373	–	3 272 373	3 494 623
Cash and bank deposits	2 766 461	–	2 766 461	6 013 515	–	6 013 515	8 779 976
Insurance / reinsurance receivables	–	–	–	4 275 640	–	4 275 640	4 275 640
Reinsurance recoveries against outstanding claims	–	–	–	4 081 849	–	4 081 849	4 081 849
Others	5 700 107	–	5 700 107	13 400	–	13 400	5 713 507
	40 359 508	83 610 230	123 969 738	28 540 033	12 941 502	41 481 535	165 451 273
Financial liabilities							
Outstanding claims including IBNR	–	–	–	6 273 372	–	6 273 372	6 273 372
Insurance / reinsurance payables	–	–	–	7 271 474	–	7 271 474	7 271 474
Other creditors and accruals	–	–	–	7 129 198	–	7 129 198	7 129 198
	–	–	–	20 674 044	–	20 674 044	20 674 044

Rupees '000

	2018						
	Interest / mark-up bearing			Non-interest / non-mark-up bearing			
	Maturity upto one year	Maturity above one year	Sub total	Maturity upto one year	Maturity above one year	Sub total	Total
Financial assets							
Investments	69 318 977	11 517 251	80 836 228	33 719 800	4 502 382	38 222 182	119 058 410
Loans and other receivables	37 491	91 176	128 667	3 082 042	–	3 082 042	3 210 709
Cash and bank deposits	993 700	–	993 700	260 786	–	260 786	1 254 486
Insurance / reinsurance receivables	–	–	–	3 471 084	324 523	3 795 607	3 795 607
Reinsurance recoveries against outstanding claims	–	–	–	3 363 439	–	3 363 439	3 363 439
Others	4 786 063	–	4 786 063	13 462	–	13 462	4 799 525
	75 136 231	11 608 427	86 744 658	43 910 613	4 826 905	48 737 518	135 482 176
Financial liabilities							
Outstanding claims including IBNR	–	–	–	5 176 757	–	5 176 757	5 176 757
Retirement benefits obligations	–	–	–	62 704	–	62 704	62 704
Insurance / reinsurance payables	–	–	–	5 526 324	–	5 526 324	5 526 324
Other creditors and accruals	–	–	–	3 575 960	–	3 575 960	3 575 960
	–	–	–	14 341 745	–	14 341 745	14 341 745

Sensitivity analysis

As on 31 December 2019, the Group had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

Rupees '000

	Change in basis points	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2019	100	27 976	19 863
	(100)	(27 976)	(19 863)
31 December 2018	100	45 421	32 249
	(100)	(45 421)	(32 249)

44.2.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

44.2.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity investments amounting to Rs. 13,638 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Group limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The table below summarizes Group's market price risk as of 31 December 2019 and 2018. It shows the effect of a 10 % increase and 10 % decrease in the market prices of equity investments as on those dates on Group's profit and equity.

Had all equity investments, other than associate, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and measurement, the impact of hypothetical change would be as follows:

Rupees '000

	Fair value	Price change	Estimated fair value	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2019	13 638 413	10 % increase	15 002 254	–	968 327
		10 % decrease	12 274 572	–	(968 327)
31 December 2018	38 222 181	10 % increase	42 044 399	–	2 713 775
		10 % decrease	34 399 962	–	(2 713 775)

44.2.3.4 Other risks

The Subsidiary Company faces a number of financial risks in its assets and liabilities, apart from insurance risk. These risks can be broadly categorized as expense risk, lapse risk, market risk, credit risk and liquidity risk. This section describes these risks on the Subsidiary Company level and identifies and describes the processes and strategy of management to manage these risks.

44.2.3.5 Expense risk

The risk that the Subsidiary Company faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Subsidiary Company mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the Subsidiary Company to adjust its pricing in time to account for higher than expected expenses.

The Subsidiary Company closely monitors its expenses by regularly carrying out an expense analysis for its business. The assumptions for future policy expense levels are determined from the Subsidiary Company's most recent annual expense analysis, with an extra margin built-in to account for variability in future expenses. A review of product pricing is carried out each year based on the latest available expense factors. Constant monitoring of expenses enables the Subsidiary Company to take corrective actions in time.

Based on the results of expense analysis, the Subsidiary Company apportions its management expenses to different lines of business.

44.2.3.6 Lapse risk

The risk the Subsidiary Company faces is that future persistency rates may be lower than assumed in pricing, thus impacting the emergence of profit from its portfolio of individual life policies. The Subsidiary Company however is confident that this risk is insignificant as the Subsidiary Company places tremendous emphasis on quality customer services and retention of clients by making persistency standard an integral part of the sales force culture. The Subsidiary Company has been consistently maintaining good levels of persistency and will continue a similar trend in future.

The Subsidiary Company has robust systems in place to regularly monitor the lapse experience. Regular focus on persistency is embedded in the Subsidiary Company culture and is an integral part of the monitoring of the sales force performance and remuneration.

44.3 Fair value

44.3.1 IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

44.3.2 All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets where fair value is only disclosed and is different from their carrying value:

Rupees '000

As at 31 December 2019

	Available-for-sale	Fair value through profit and loss	HTM	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using Level 1	Level 2	Level 3
Financial assets measured at fair value										
Investments										
Equity securities - quoted	3 461 784	10 266 217					13 728 001	13 728 001		
Equity securities - unquoted		508					508			508
Government securities		70 853 495					70 853 495		70 853 495	
Mutual funds	144 867	265 847					410 714		410 714	
Sukuk bonds		4 677 570					4 677 570		4 677 570	
Debt securities	9 654 535	4 431 921					14 086 456		14 086 456	
Financial assets not measured at fair value										
Term deposits *					444 352		444 352			
Government securities			5 350 047				5 350 047		5 340 466	
Loans and other receivables *				258 678			258 678			
Insurance / reinsurance receivables *				4 021 641	3 063 402		7 085 043			
Reinsurance recoveries against outstanding claims *				4 081 850			4 081 850			
Advances *				172 543	2 760 117		2 932 660			
Certificate of investment *		210 000					210 000			
Cash and bank *		25 372 548			1 191 688		26 564 236			
Total assets of window takaful operations - Operator's Fund *	248 024			131 288	260 628		639 940		248 024	
	13 509 210	116 078 106	5 350 047	8 666 000	7 720 187	–	151 323 550	13 728 001	95 616 725	508
Financial liabilities not measured at fair value										
Outstanding claims including IBNR *						(6 273 372)	(6 273 372)			
Premium received in advance *						(68 262)	(68 262)			
Insurance / reinsurance payables *						(6 067 883)	(6 067 883)			
Other creditors and accruals *						(6 637 400)	(6 637 400)			
Total liabilities of window takaful operations - Operator's Fund *						(62 298)	(62 298)			
	13 509 210	116 078 106	5 350 047	8 666 000	7 720 187	(19 109 215)	132 214 335	13 728 001	95 616 725	508

Rupees '000

As at 31 December 2018

	Available-for-sale	Fair value through profit and loss	HTM	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using Level 1	Level 2	Level 3
Financial assets measured at fair value										
Investments										
Equity securities - quoted	38 275 882	7 374					38 283 256	38 283 256		
Equity securities - unquoted	31 508						31 508			31 508
Government securities	51 909 147						51 909 147		51 909 147	
Mutual funds	177 087						177 087		177 087	
Sukuk bonds	1 332 919						1 332 919		1 332 919	
Debt securities	10 764 737						10 764 737		10 764 737	
Financial assets not measured at fair value										
Term deposits *					15 555 707		15 555 707			
Government securities			1 063 719				1 063 719		1 047 472	
Loans and other receivables *				3 210 709			3 210 709			
Insurance / reinsurance receivables *				3 746 654			3 746 654			
Reinsurance recoveries against outstanding claims *				3 363 439			3 363 439			
Advances *				124 610	884 760		1 009 370			
Other assets *					2 695 536		2 695 536			
Certificate of investment *	210 000						210 000			
Cash and bank *	19 829 503				1 266 562		21 096 065			
Total assets of window takaful operations - Operator's Fund *	176 593			245 849	89 319		511 761			
	122 707 376	7 374	1 063 719	10 691 261	20 491 884	–	154 961 614	38 283 256	65 231 362	31 508
Financial liabilities not measured at fair value										
Outstanding claims including IBNR *						(5 176 757)	(5 176 757)			
Premium received in advance *						(770 933)	(770 933)			
Insurance / reinsurance payables *						(5 526 324)	(5 526 324)			
Other creditors and accruals *						(3 575 960)	(3 575 960)			
Total liabilities of window takaful operations - Operator's Fund *						(60 414)	(60 414)			
	122 707 376	7 374	1 063 719	10 691 261	20 491 884	(15 110 388)	139 851 226	38 283 256	65 231 362	31 508

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

44.4 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and meet the regulatory, solvency and paid up capital requirements so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

45. **Non-adjusting event after the financial statement date**

The Board of Directors in its meeting held on 08 February 2020 have announced a final cash dividend in respect of the year ended 31 December 2019 of Rs. 5.50 per share, 55.00 % (2018: Rs. 6.25 per share, 62.50 %). In addition, the Board of Directors have also approved the transfer to general reserve from unappropriated profit amounting to Rs. 400 million (2018: Rs. 1,500 million). These consolidated financial statements for the year ended 31 December 2019 do not include the effect of these appropriations, which will be accounted for subsequent to the year end.

46. **Number of employees**

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

	2019	2018
At year end	3 768	3 454
Average during the year	3 602	3 203

47. **Corresponding Figures**

47.1 The effects of changes stated in note 4.2 have been accounted for retrospectively in accordance with IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of consolidated financial statements of prior years. Resultantly, the cumulative effect of adjustments that arose as at 31 December 2018 have been presented and disclosed as part of the Consolidated Statement of Changes in Equity, while the corresponding period adjustment through other comprehensive income and profit or loss is restated and disclosed as part of the Consolidated Statement of Comprehensive Income and Consolidated Profit and Loss Account respectively. The Consolidated Statement of Financial Position also presents the prior year numbers as restated, due to the said change.

47.2 Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons.

48. **General**

Figures have been rounded off to the nearest thousand rupees.

49. **Date of authorization for issue of consolidated financial statements**

These consolidated financial statements were authorized for issue by the Board of Directors in its meeting held on 08 February 2020.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Annexure - A

Window Takaful Operations Financial Statements

For the year ended 31 December 2019

EFU General Insurance Limited – Window Takaful Operations
Statement of Financial Position
As at 31 December 2019

Rupees '000

	Note	Operator's Fund	Participants' Takaful Fund	31 December 2019 Aggregate	31 December 2018 Aggregate
Assets					
Property and equipment	6	1 800	–	1 800	2 740
Investments					
Debt securities	7	248 024	721 066	969 090	1 035 253
Term deposits	8	150 000	440 000	590 000	215 000
Loans and other receivables	9	6 933	16 195	23 128	13 687
Takaful / retakaful receivables	10	8 365	209 969	218 334	248 598
Retakaful recoveries against outstanding claims	18	–	127 576	127 576	104 603
Salvage recoveries accrued		–	31 425	31 425	45 050
Deferred commission expense	20	117 290	–	117 290	106 313
Wakala fee receivable		108 508	–	108 508	228 363
Modarib fee receivable		7 475	–	7 475	7 757
Deferred wakala fee		–	322 463	322 463	309 127
Deferred taxation	11	719	–	719	488
Prepayments	12	–	237 323	237 323	205 199
Cash and bank	13	110 628	343 552	454 180	290 075
Total assets		759 742	2 449 569	3 209 311	2 812 253
Funds and liabilities					
Operator's Fund					
Statutory fund		100 000	–	100 000	100 000
Revaluation reserve - available-for-sale investments		(1 244)	–	(1 244)	(1 015)
Accumulated profit		266 687	–	266 687	114 646
		365 443	–	365 443	213 631
Waqf / Participants' Takaful Fund					
Cede money		–	500	500	500
Revaluation reserve - available-for-sale investments		–	(6 211)	(6 211)	(8 918)
Accumulated surplus		–	377 601	377 601	294 859
		–	371 890	371 890	286 441
Liabilities					
Underwriting provisions					
Outstanding claims including IBNR	18	–	615 868	615 868	396 875
Unearned contribution reserve	16	–	1 101 418	1 101 418	1 050 127
Unearned retakaful rebate	19	–	32 617	32 617	20 656
Unearned wakala fee	17	322 463	–	322 463	309 127
Contribution received in advance		–	3 190	3 190	2 796
Takaful / retakaful payables		2 416	192 209	194 625	169 648
Wakala fee payable		–	108 508	108 508	228 363
Modarib fee payable		–	7 475	7 475	7 757
Taxation - provision less payments		7 249	–	7 249	36 949
Other creditors and accruals	14	62 171	16 394	78 565	89 883
		394 299	2 077 679	2 471 978	2 312 181
Total liabilities		394 299	2 077 679	2 471 978	2 312 181
Total equity and liabilities		759 742	2 449 569	3 209 311	2 812 253
Contingencies and commitments	15				

The annexed notes 1 to 35 form an integral part of these financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

EFU General Insurance Limited – Window Takaful Operations
Profit and Loss Account
For the year ended 31 December 2019

Rupees '000

	Note	2019	2018
Participants' Takaful Fund - (PTF) Revenue Account			
Net takaful contribution	16	1 917 997	1 559 144
Wakala expense	17	(659 174)	(497 644)
Net takaful claims	18	(1 101 144)	(772 737)
Direct expenses		(215 245)	(217 149)
Retakaful rebate	19	55 210	41 698
Underwriting results		(2 356)	113 312
Investment income - net off modarib	22	65 392	32 513
Other income - net off modarib	23	19 706	8 619
		85 098	41 132
Surplus for the year		82 742	154 444
Operator's Fund - (OPF) Revenue Account			
Wakala fee		659 174	497 644
Management expenses	21	(288 932)	(236 364)
Commission expense	20	(229 689)	(171 788)
		140 553	89 492
Investment income	22	59 198	22 664
Other income	23	15 026	6 014
Other expenses	24	(634)	(718)
		73 590	27 960
Profit before tax		214 143	117 452
Income tax expense	25	(62 102)	(36 426)
Profit after tax		152 041	81 026

The annexed notes 1 to 35 form an integral part of these financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
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Karachi 08 February 2020

EFU General Insurance Limited – Window Takaful Operations
Statement of Comprehensive Income
For the year ended 31 December 2019

Rupees '000

	2019	2018
Participants' Takaful Fund		
Surplus for the year	82 742	154 444
Other comprehensive income		
Unrealized loss on available-for-sale investments during the year - net	–	(514)
Reclassification adjustments relating to available-for-sale investments disposed off during the year- net	2 707	(7 125)
Total items that may be reclassified subsequently to profit and loss account	2 707	(7 639)
Total comprehensive income for the year	85 449	146 805
Operator's Fund		
Profit for the year	152 041	81 026
Other comprehensive income		
Reclassification adjustments relating to available-for-sale investments disposed off during the year - net	(322)	(1 323)
Deferred tax on available-for-sale investments	93	383
Total items that may be reclassified subsequently to profit and loss account	(229)	(940)
Total comprehensive income for the year	151 812	80 086

The annexed notes 1 to 35 form an integral part of these financial statements.

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Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

EFU General Insurance Limited – Window Takaful Operations
Cash Flow Statement
For the year ended 31 December 2019

Rupees '000

	Operator's Fund	Participants' Takaful Fund	2019 Aggregate	2018 Aggregate
Operating cash flows				
a) Takaful activities				
Takaful contribution received	–	2 326 216	2 326 216	2 041 465
Retakaful contribution paid	–	(344 784)	(344 784)	(254 506)
Claims paid	–	(991 810)	(991 810)	(834 611)
Retakaful and other recoveries received	–	96 410	96 410	88 821
Commission paid	(237 205)	–	(237 205)	(188 768)
Retakaful rebate received	–	67 171	67 171	46 292
Wakala fee received / (paid)	792 364	(792 364)	–	–
Management expenses paid	(286 953)	(215 246)	(502 199)	(452 155)
Net cash flow from takaful activities	268 206	145 593	413 799	446 538
b) Other operating activities				
Income tax paid	(91 939)	–	(91 939)	(7 977)
Other operating payments	(3 193)	15 658	12 465	(16 048)
Other operating receipts	(995)	(13 136)	(14 131)	(33 404)
Net cash flow (used in) / from other operating activities	(96 127)	2 522	(93 605)	(57 429)
Total cash flow from all operating activities	172 079	148 115	320 194	389 109
Investment activities				
Profit / return received	49 714	100 662	150 376	60 063
Modarib fee received / (paid)	21 282	(21 282)	–	–
Payment for investments	(697 896)	(1 304 476)	(2 002 372)	(1 581 969)
Proceeds from disposal of investments	511 143	1 184 777	1 695 920	1 181 763
Fixed capital expenditure	(13)	–	(13)	(227)
Total cash flow used in investing activities	(115 770)	(40 319)	(156 089)	(340 370)
Net cash flow from all activities	56 309	107 796	164 105	48 739
Cash and cash equivalents at the beginning of the year	54 319	235 756	290 075	241 336
Cash and cash equivalents at the end of year	110 628	343 552	454 180	290 075
Reconciliation to profit and loss account				
Operating cash flow	172 079	148 115	320 194	389 109
Depreciation expense	(953)	–	(953)	(994)
Loss on disposal of property and equipment	–	–	–	(96)
Loss on disposal of investments	–	–	–	(514)
Other investment income	59 198	65 392	124 590	55 691
Other income	15 026	19 768	34 794	13 625
(Decrease) / increase in assets other than cash	(106 682)	22 919	(83 763)	533 293
Decrease / (increase) in liabilities other than borrowings	13 373	(173 452)	(160 079)	(754 644)
Profit / surplus for the year	152 041	82 742	234 783	235 470
Attributed to				
Operator's Fund	152 041	–	152 041	81 026
Participants' Takaful Fund	–	82 742	82 742	154 444
	152 041	82 742	234 783	235 470

The annexed notes 1 to 35 form an integral part of these financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

EFU General Insurance Limited – Window Takaful Operations
Statement of Changes in Funds
For the year ended 31 December 2019

Rupees '000

	Operator's Fund			
	Statutory fund	Unrealized gain / (loss) on revaluation of available-for-sale investments-net	Accumulated profit	Total
Balance as at 01 January 2018	100 000	(75)	33 620	133 545
Total comprehensive income for the year ended 31 December 2018				
Profit for the year			81 026	81 026
Other comprehensive income		(940)		(940)
Balance as at 31 December 2018	100 000	(1 015)	114 646	213 631
Balance as at 01 January 2019	100 000	(1 015)	114 646	213 631
Total comprehensive income for the year ended 31 December 2019				
Profit for the year			152 041	152 041
Other Comprehensive Income		(229)		(229)
Balance as at 31 December 2019	100 000	(1 244)	266 687	365 443

	Participants' Takaful Fund			
	Cede money	Unrealized gain / (loss) on revaluation of available-for-sale investments-net	Accumulated surplus	Total
Balance as at 01 January 2018	500	(1 279)	140 415	139 636
Surplus for the year			154 444	154 444
Other comprehensive income		(7 639)		(7 639)
Balance as at 31 December 2018	500	(8 918)	294 859	286 441
Balance as at 01 January 2019	500	(8 918)	294 859	286 441
Surplus for the year			82 742	82 742
Other Comprehensive Income		2 707		2 707
Balance as at 31 December 2019	500	(6 211)	377 601	371 890

The annexed notes 1 to 35 form an integral part of these financial statements.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

EFU General Insurance Limited – Window Takaful Operations
Notes to the Financial Statements
For the year ended 31 December 2019

1. Legal status and nature of business

EFU General Insurance Limited (the Operator) was allowed to undertake Window Takaful Operations (the Operations) on 16 April 2015 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

For the purpose of carrying on the takaful business, the Operator has formed a Waqf / Participants' Takaful Fund (PTF) on 06 May 2015 under the Waqf deed. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.

2. Basis of preparation and statement of compliance

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

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

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

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

2.1 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the available-for-sale investments that have been measured at fair value.

2.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is also the Operator's functional currency. All financial information presented in Pakistani Rupees has been rounded off to the nearest rupees in thousand, unless otherwise stated.

3. Summary of significant accounting policies

The significant accounting policies and method of computation adopted in preparation of financial statements are consistent to all years presented in these financial statements.

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated on the straight line basis as specified in note 6 to these financial statements.

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

Depreciation on additions to property and equipment is charged from the month in which an asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Operator and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account.

Gains or losses on disposal of fixed assets are included in profit and loss account.

3.2 Takaful contracts

Takaful contracts are those contracts where the Participants' Takaful Fund (PTF) has accepted significant Takaful risk from another party (the contractholder) by agreeing to compensate the contractholders if a specified uncertain future event adversely affects the contractholders.

Once a contract has been classified as a Takaful contract, it remains a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

The Operator underwrites non-life takaful contracts that can be categorised into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contractholder is another Takaful Operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those, which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as Takaful Operator.

Fire and property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties, passenger and cargo.

Motor takaful covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other takaful contracts like cash in hand, cash in transit, personal accident, infidelity, public liabilities, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous takaful cover.

3.3 Contribution

For all the takaful contracts, contributions / cover notes issued including administrative surcharge received / receivable under a policy / cover note are recognized as written from the date of attachment of the risk to the policy / cover note and over the period of contract from inception to the expiry of policy. Where contributions for a policy are payable in instalments, full contribution for the duration of the policy is recognized as written at the inception of the policy and related assets set up for contributions receivable at a later date. Contributions are stated on gross basis and exclusive of taxes and duties levied on contributions.

3.4 Unearned contributions reserve

The unearned contribution reserve is the unexpired portion of the contribution including administrative surcharge which relates to business in force at the financial statement date. Unearned contribution has been calculated by applying 1/24th method as specified in the Insurance Rules, 2017.

3.5 Contribution deficiency reserve (liability adequacy test)

At each financial statement date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned contribution liability for that class. It is performed by comparing the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, wakala and other underwriting expenses, expected to be incurred after financial statement date in respect of policies in force at financial statement date with the carrying amount of unearned contribution liability. Any deficiency is recognized by establishing a provision (contribution deficiency reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable.

The movement in the contribution deficiency reserve is recognized as an expense or income in the profit and loss account for the year.

The expected ultimate net claim ratios for the unexpired periods of policies in force at financial statement date for each class of business is as follows:

	2019	2018
– Fire and property damage	42 %	44 %
– Marine, aviation and transport	21 %	26 %
– Motor	52 %	50 %
– Miscellaneous	87 %	56 %

3.6 Retakaful contracts

Contracts entered into by the Operator with retakaful operator under which the Operator arranges to cede takaful risks of PTF assumed during normal course of the business and according to which the PTF is compensated for losses on takaful contracts issued by the Operator are classified as retakaful contracts held.

Retakaful contribution is recognized as an expense at the time the retakaful is ceded. Commission on retakaful cessions are recognized in accordance with the policy of recognizing contribution revenue.

Retakaful assets represent balances due from retakaful companies and retakaful recoveries against outstanding claims. Retakaful recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts. Retakaful liabilities represent balances due to retakaful companies and are primarily contributions payable for retakaful contracts and are recognized at the same time when retakaful contributions are recognized as an expense.

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

An impairment review of retakaful assets is performed at each financial statement date. If there is an objective evidence that the asset is impaired, the Operator reduces the carrying amount of the retakaful asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

3.7 Receivables and payables

3.7.1 Receivables and payables related to takaful contracts

Receivables and payables related to takaful contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the takaful receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Operator reduces the carrying amount of the takaful receivable accordingly and recognizes that impairment loss in the profit and loss account.

Provision for impairment in contribution receivables is estimated on a systematic basis after analysing the receivables as per their ageing.

3.7.2 Creditors, accruals and provisions

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

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

3.8 Segment reporting

An operating segment is a component of the operations that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, Takaful Rules, 2012 and the Insurance Rules, 2017 as the primary reporting format.

The Operator has four primary business segments for reporting purposes namely, fire and property damage, marine, aviation and transport, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.2.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned accordingly while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.9 Cash and cash equivalent

For the purposes of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand.

3.10 Revenue recognition

3.10.1 PTF

3.10.1.1 Contribution

The revenue recognition policy for contributions is given under note 3.3.

3.10.1.2 Rebate from retakaful operators

The revenue recognition policy for rebate from retakaful operator is given under note 3.17.2.

3.10.2 OPF

The revenue recognition policy for wakala fee is given under note 3.20.

3.10.3 PTF / OPF

3.10.3.1 Investment Income

Profit on investments, profit on profit and loss sharing accounts and bank deposits are recognized on accrual basis.

3.11 Investments

– In debt securities - available-for-sale

– In term deposits - held to maturity

3.11.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which transaction costs are charged to profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are accounted for at the trade date. Trade date is the date when the Operator commits to purchase or sell the investments.

3.11.2 Measurement

3.11.2.1 Available-for-sale

Available-for-sale Investments are those non-derivative financial instruments that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, these are remeasured at fair value. Surplus / deficit on revaluation from one reporting date to another is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss account for the period within statement of comprehensive income. Whereas, any reversal in impairment is taken in statement of comprehensive income.

These are reviewed for impairment at each reporting date and any losses arising from impairment in values are charged to the profit and loss account.

3.11.2.2 Held to maturity

At the time of acquisition, investments with fixed maturity, where management has both the intention and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment in value, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method.

The difference between the redemption value and the purchase price of the held to maturity investment is amortized and taken to the profit and loss account over the term of investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

3.12 Offsetting of financial assets and financial liabilities

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

3.13 Claims

Claims are charged to PTF as incurred based on estimated liability for compensation owed under the takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

3.13.1 Provision for outstanding claims (including IBNR)

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

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

3.13.2 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the financial statement date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

3.13.3 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. In accordance with SECP circular no. 9 of 2016, the Operator has changed its method of estimation of IBNR. The Operator now takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

3.14 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or below Operator's fund, in which case it is recognized in other comprehensive income or below Operator's fund.

3.14.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

3.14.2 Deferred

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

The taxation of Operators Fund is made while including in the Company's results as a whole and accordingly taxation has been recorded.

3.15 Impairment

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

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each financial statement and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.16 Expenses of management

Expenses allocated to the PTF represent directly attributable expenses and these are allocated to various revenue accounts on equitable basis.

All common expense between the Company and OPF are proportionately allocated.

3.17 Commission

3.17.1 Commission expense

Commission expenses incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of contribution revenue by applying the 1/24th method.

3.17.2 Rebate from retakaful operators

Rebate from retakaful operators is deferred and recognized as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates.

3.18 Foreign currencies

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions.

3.19 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, contributions due but unpaid, amount due from other takaful operators / retakaful operators, accrued investment income, retakaful recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other takaful operators / retakaful operators, accrued expenses, agents balances, other creditors, deposits and unclaimed dividends.

All the financial assets and liabilities are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument and de-recognized when the Operator loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

3.20 Wakala fees

The Operator manages the general takaful operations for the participants and charges 22.50 % (2018: 25 %) for fire and property, 27.5 % (2018: 35 %) for marine, aviation and transport, 31 % (2018: 30 %) for motor, 15 % (2018: 25 %) for miscellaneous of gross contribution written including administrative surcharge as wakala fee against the services.

Wakala fee is recognized on the same basis on which the related revenue is recognized. Unexpired portion of wakala fee is recognized as a liability of OPF and an asset of PTF.

3.21 Modarib fee

The Operator also manages the participants' investment as modarib and charges 25 % (2018: 25 %) of investment income and profit on profit and loss sharing accounts and bank deposits earned by the PTF as Modarib fee. It is recognized on the same basis on which related revenue is recognized.

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

4. Standards, interpretations and amendments effective during the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Operator's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Operator's operations and therefore not detailed in these financial statements. During the year, certain new standards and amendments to existing standards became effective. However, they did not have material effect on these financial statements.

SECP vide its S.R.O. 88(1) / 2017 and S.R.O. 89(1) / 2017 dated 09 February 2017 has issued Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 which prescribed a new format for the financial statements of Insurance Companies, effective from the year ended 31 December 2018. Accordingly, these financial statements are prepared in accordance with the new format.

In addition, Companies Act 2017 also became effective for the financial statements for the year ended 31 December 2017. As the Operator's financial statements are prepared in accordance with the format prescribed by the Insurance Rules, 2017, it did not have a direct impact on the financial statements except that for disclosure of related parties transactions, as required by fourth schedule of Companies Act, 2017 the definition of related parties as given in IAS 24 'Related parties' has been followed.

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

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

Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Operator shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Operator.

IFRS 14 'Regulatory Deferral Accounts' - (effective for annual periods beginning on or after 01 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and / or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Operator's financial statements.

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Operator has determined that it is eligible for the temporary exemption option since the Operator has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Operator doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Operator can defer the application of IFRS 9 until the application IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

b) all other financial assets.

Operator Fund

Rupees '000

	31 December 2019				
	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less Impairment	Change in unrealized gain or (loss) during the year
Cash and bank *	110 628	–	–	–	–
Investments in debt securities - available-for-sale	–	–	248 024	–	(322)
Term deposits *	150 000	–	–	–	–
Loans and other receivables *	6 933	–	–	–	–
Total	267 561	–	248 024	–	(322)

	31 December 2019							
	Gross carrying amounts of debt instruments that pass the SPPI test							
	AAA	AA+	AA-	AA	A+	A	BBB+	Unrated
Investments in debt securities - available-for-sale	37 789	30 306	44 402	–	90 410	–	16 351	30 518
Term deposits	–	45 000	–	50 000	–	55 000	–	–
Total	37 789	75 306	44 402	50 000	90 410	55 000	16 351	30 518

Participants' Takaful Fund

Rupees '000

Financial assets	31 December 2019				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or (loss) during the year	Carrying Value	Cost less Impairment	Change in unrealized gain or (loss) during the year
Cash and bank *	343 552	–	–	–	–
Investments in debt securities - available-for-sale	–	–	721 066	–	2 707
Term deposits *	440 000	–	–	–	–
Loans and other receivables *	16 195	–	–	–	–
Total	799 747	–	721 066	–	2 707

	31 December 2019							
	Gross carrying amounts of debt instruments that pass the SPPI test							
	AAA	AA+	AA-	AA	A+	A	BBB	Unrated
Investments in debt securities - available-for-sale	37 804	75 763	64 409	45 000	67 679	–	16 332	420 288
Term deposits	–	55 000	–	235 000	–	150 000	–	–
Total	37 804	130 763	64 409	280 000	67 679	150 000	16 332	420 288

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

5. Accounting estimates and judgements

The preparation of these financial statements are in conformity with approved accounting standards which requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

	Note .
– Property and equipment	3.1
– Unearned contributions reserve	3.4
– Contribution deficiency reserve (liability adequacy test)	3.5
– Receivables and payables related to takaful contracts	3.7.1
– Provision for outstanding claims (including IBNR)	3.13.1
– Taxation	3.14
– Impairment	3.15

6. Property and equipment

Rupees '000

	OPF - 2019									
	Cost					Depreciation				Written down value
	As at 01 January	Additions	(Disposal)	As at 31 December	Rate %	As at 01 January	For the year	(Disposal)	As at 31 December	As at 31 December
Furniture and fixtures	1 502	–	–	1 502	10	474	150	–	624	878
Office equipment	333	–	–	333	10	118	34	–	152	181
Computer equipment	682	13	–	695	30	510	94	–	604	91
Vehicles	3 376	–	–	3 376	20	2 051	675	–	2 726	650
	5 893	13	–	5 906		3 153	953	–	4 106	1 800

	OPF - 2018									
	Cost					Depreciation				Written down value
	As at 01 January	Additions	(Disposal)	As at 31 December	Rate %	As at 01 January	For the year	(Disposal)	As at 31 December	As at 31 December
Furniture and fixtures	1 502	–	–	1 502	10	324	150	–	474	1 028
Office equipment	333	–	–	333	10	85	33	–	118	215
Computer equipment	562	227	(107)	682	30	385	136	(11)	510	172
Vehicles	3 376	–	–	3 376	20	1 376	675	–	2 051	1 325
	5 773	227	(107)	5 893		2 170	994	(11)	3 153	2 740

7. Investment in Debt Securities - Available-for-sale

7.1 Operator's Fund

	2019			2018		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Fixed Income Securites						
Ijara Sukuks	30 518	–	30 518	30 575	–	30 575
Corporate Sukuks	219 258	–	219 258	147 448	–	147 448
	249 776	–	249 776	178 023	–	178 023
Deficit on revaluation	–	–	(1 752)	–	–	(1 430)
	249 776	–	248 024	178 023	–	176 593

Rupees '000

Name of investments	Maturity year	Effective yield %	Profit payment	Face value	31 December 2019
Ijara Sukuks					
3 Years Ijara Sukuk XVII	2020	5.11%	Half yearly	20 500	20 295
3 Years Ijara Sukuk XVII	2020	5.14%	Half yearly	10 000	9 900
					30 195
Corporate Sukuk					
5 Years Fatima Fertilizer Limited Sukuk	2021	13.49%	Half yearly	25 001	14 398
1.25 Years Pak Elektron Limited Sukuk	2021	15.04%	Quarterly	25 000	25 000
5 Years Byco Petroleum Limited Sukuk	2022	10.74%	Quarterly	50 000	36 891
5 Years Hascol Petroleum Limited Sukuk	2022	10.19%	Quarterly	25 001	16 192
7 Years K-Electric Limited Sukuk	2022	13.05%	Quarterly	28 000	20 118
5 Years AGP Limited Sukuk	2022	13.96%	Quarterly	40 000	40 300
5 Years Dubai Islamic Bank Limited Sukuk	2023	12.66%	Quarterly	25 000	25 000
4 Years Hub Power Company Limited Sukuk	2023	14.86%	Quarterly	10 000	10 090
10 Years Meezan Bank Limited Sukuk	2026	11.35%	Half yearly	30 000	29 840
					217 829
					248 024

Name of investments	Maturity year	Effective yield %	Profit payment	Face value	31 December 2018
Ijara Sukuks					
3 Years Ijara Sukuk XVII	2020	5.11%	Half yearly	20 500	20 133
3 Years Ijara Sukuk XVII	2020	5.14%	Half yearly	10 000	9 821
					29 954
Corporate Sukuk					
5 Years Engro Fertilizer Limited Sukuk	2019	6.37%	Half yearly	26 250	26 250
5 Years Fatima Fertilizer Limited Sukuk	2021	10.43%	Half yearly	25 001	21 615
5 Years Byco Petroleum Limited Sukuk	2022	9.25%	Quarterly	50 000	50 059
5 Years Hascol Petroleum Limited Sukuk	2022	10.23%	Quarterly	25 001	23 715
5 Years Dubai Islamic Bank Limited Sukuk	2023	12.27%	Quarterly	25 000	25 000
					146 639
					176 593

7.2 Participants' Takaful Fund

	2019			2018		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Fixed Income Securites						
Ijara Sukuks	420 288	–	420 288	670 116	–	670 116
Corporate Sukuks	306 988	–	306 988	197 461	–	197 461
	727 276	–	727 276	867 577	–	867 577
Deficit on revaluation	–	–	(6 210)	–	–	(8 917)
	727 276	–	721 066	867 577	–	858 660

Rupees '000

Name of investments	Maturity year	Effective yield %	Profit payment	Face value	31 December 2019
Ijara Sukuk					
3 Years Ijara Sukuk XIX	2020	5.04%	Half yearly	15 000	14 850
3 Years Ijara Sukuk XIX	2020	5.10%	Half yearly	200 000	198 000
3 Years Ijara Sukuk XIX	2020	5.13%	Half yearly	50 000	49 500
3 Years Ijara Sukuk XIX	2020	5.13%	Half yearly	30 000	29 700
3 Years Ijara Sukuk XIX	2020	5.14%	Half yearly	25 000	24 750
3 Years Ijara Sukuk XIX	2020	5.13%	Half yearly	40 000	39 600
3 Years Ijara Sukuk XIX	2020	5.14%	Half yearly	30 000	29 700
3 Years Ijara Sukuk XIX	2020	5.13%	Half yearly	30 000	29 700
					415 800
Corporate Sukuk					
5 Years Fatima Fertilizer Limited Sukuk	2021	13.48%	Half yearly	17 858	14 399
1.25 Years Pak Elektron Limited Sukuk	2021	15.04%	Quarterly	25 000	25 000
5 Years Byco Petroleum Limited Sukuk	2022	11.26%	Quarterly	45 833	36 891
5 Years Hascol Petroleum Limited	2022	10.18%	Quarterly	19 643	16 191
7 Years K-Electric Limited Sukuk	2022	13.05%	Quarterly	42 000	35 207
5 Years AGP Limited Sukuk	2022	13.96%	Quarterly	17 500	17 631
5 Years Dawood Hercules Sukuk II	2023	13.88%	Quarterly	50 000	44 854
5 Years Dubai Islamic Bank Limited Sukuk	2023	12.66%	Quarterly	25 000	25 000
4 Years Hub Power Company Limited Sukuk	2023	14.86%	Quarterly	40 000	40 360
10 Years Meezan Bank Limited Sukuk	2026	11.35%	Half yearly	50 000	49 733
					305 266
					721 066

Name of investments	Maturity year	Effective yield %	Profit payment	Face value	31 December 2018
Ijara Sukuks					
3 Years Ijara Sukuk XVII	2019	5.39%	Half yearly	58 000	58 012
3 Years Ijara Sukuk XVII	2019	5.35%	Half yearly	41 500	41 508
3 Years Ijara Sukuk XVII	2019	7.51%	Half yearly	22 000	22 004
3 Years Ijara Sukuk XVII	2019	7.57%	Half yearly	13 000	13 003
3 Years Ijara Sukuk XVII	2019	7.67%	Half yearly	40 000	40 008
3 Years Ijara Sukuk XVII	2019	7.48%	Half yearly	55 000	55 011
3 Years Ijara Sukuk XVII	2019	7.88%	Half yearly	20 000	20 004
3 Years Ijara Sukuk XIX	2020	5.04%	Half yearly	15 000	14 732
3 Years Ijara Sukuk XIX	2020	5.10%	Half yearly	200 000	196 420
3 Years Ijara Sukuk XIX	2020	5.13%	Half yearly	50 000	49 105
3 Years Ijara Sukuk XIX	2020	5.13%	Half yearly	30 000	29 463
3 Years Ijara Sukuk XIX	2020	5.14%	Half yearly	25 000	24 553
3 Years Ijara Sukuk XIX	2020	5.13%	Half yearly	40 000	39 284
3 Years Ijara Sukuk XIX	2020	5.14%	Half yearly	30 000	29 463
3 Years Ijara Sukuk XIX	2020	5.13%	Half yearly	30 000	29 463
					662 033
Corporate Sukuk					
5 Years Engro Fertilizer Limited Sukuk	2019	6.37%	Half yearly	26 250	26 250
5 Years Fatima Fertilizer Limited Sukuk	2021	10.42%	Half yearly	25 001	21 615
5 Years Byco Petroleum Limited Sukuk	2022	9.21%	Quarterly	50 000	50 059
5 Years Hascol Petroleum Limited Sukuk	2022	8.63%	Quarterly	25 001	23 703
5 Years Dawood Hercules Sukuk II	2023	10.60%	Quarterly	50 000	50 000
5 Years Dubai Islamic Bank Limited Sukuk	2023	12.29%	Quarterly	25 000	25 000
					196 627
					858 660

8. Investment in term deposit

Rupees '000

	Note	2019 OPF	2019 PTF	2019 Aggregate	2018 OPF	2018 PTF	2018 Aggregate
Held to maturity							
Term deposit	8.1	150 000	440 000	590 000	35 000	180 000	215 000
		150 000	440 000	590 000	35 000	180 000	215 000

8.1 The rate of profit on term deposit certificates issued by our banks range from 11.50 % to 13.50 % per annum (2018: 8.20 % to 9.50 % per annum) depending on tenure. These term deposit certificates have maturities upto December 2020.

9. Loans and other receivables - considered good

9.1 Operator's Fund

Rupees '000

	2019	2018
Accured investment income	6 598	3 087
Security deposits	301	301
Other receivables	34	224
	6 933	3 612

9.2 Participants' Takaful Fund

	2019	2018
Accured investment income	14 784	9 285
Other receivables	1 411	790
	16 195	10 075

10. Takaful / retakaful receivables - unsecured and considered good

10.1 Operator's Fund

These represents amount due from other takaful / retakaful of Operator's Fund

10.2 Participants' Takaful Fund

These represents amount due from other takaful / retakaful of Participants' Takaful Fund

Rupees '000

	2019	2018
11. Deferred taxation		
Deferred debit arising in respect of:		
Accelerated tax depreciation	211	73
Unrealized loss on available-for-sale investments	508	415
	719	488

Rupees '000

	Note	2019	2018
12. Prepayments			
Participants' Takaful Funds			
Prepaid retakaful contribution ceded	16	177 814	129 406
Prepaid charges for vehicle tracking devices		59 509	75 793
		237 323	205 199

	Note	2019 OPF	2019 PTF	2019 Aggregate	2018 OPF	2018 PTF	2018 Aggregate
13. Cash and other accounts							
Cash and cash equivalents							
Policy stamps		–	1 193	1 193	–	649	649
Cash at bank							
Current accounts		7 164	10 616	17 780	30	2 802	2 832
Saving accounts	13.1	103 464	331 743	435 207	54 289	232 305	286 594
		110 628	343 552	454 180	54 319	235 756	290 075

13.1 The rate of profit on profit and loss sharing accounts from various banks were 10.50 % per annum (2018: 8.00 % to 9.50 % per annum) depending on the size of average deposits.

Rupees '000

	2019	2018
14. Other creditors and accruals		
14.1 Operators' Fund		
Accured expenses	2 432	1 906
Agent balances	59 149	56 923
Others creditors	47	1 297
Retirement benefit obligations	–	128
Payable to EFU General Insurance Limited *	139	160
Federal excise duty payable	404	–
	62 171	60 414
14.2 Participants' Takaful funds		
Federal excise duty payable	14 001	20 972
Federal insurance fee payable	1 669	1 905
Others creditors	724	6 592
	16 394	29 469

* This represent amount payable in respect of common expenses incurred by EFU General Insurance Limited on behalf of OPF.

15. Contingencies and commitments

There are no contingencies and commitments as at 31 December 2019 (31 December 2018: Nil)

Rupees '000

	2019	2018
16. Net takaful contribution		
Written gross contribution	2 289 407	2 032 628
Unearned contribution reserve opening	1 050 127	823 906
Unearned contribution reserve closing	(1 101 418)	(1 050 127)
Contribution earned	2 238 116	1 806 407
Less:		
Retakaful contribution ceded	368 527	280 195
Prepaid retakaful contribution opening	129 406	96 474
Prepaid retakaful contribution closing	(177 814)	(129 406)
Retakaful expense	320 119	247 263
Net takaful contribution	1 917 997	1 559 144
17. Net wakala expense		
Gross wakala expense	672 510	599 944
Deferred wakala expense opening	309 127	206 827
Deferred wakala expense closing	(322 463)	(309 127)
Net wakala expense	659 174	497 644
18. Net takaful claim expense		
Claims paid	1 005 435	820 460
Outstanding claims including IBNR opening	(396 875)	(340 118)
Outstanding claims including IBNR closing	615 868	396 875
Claims expense	1 224 428	877 217
Less:		
Retakaful and other recoveries received	100 311	88 821
Retakaful and other recoveries in respect of outstanding claims opening	(104 603)	(88 944)
Retakaful and other recoveries in respect of outstanding claims closing	127 576	104 603
Retakaful and other recoveries revenue	123 284	104 480
Net takaful claims expense	1 101 144	772 737
19. Rebate from retakaful operators		
Rebate received or recoverable	67 171	46 292
Unearned retakaful rebate opening	20 656	16 062
Unearned retakaful rebate closing	(32 617)	(20 656)
	55 210	41 698
20. Commission expense		
Commission paid or payable	240 666	217 007
Deferred commission expense opening	106 313	61 094
Deferred commission expense closing	(117 290)	(106 313)
	229 689	171 788

Rupees '000

	Note	2019	2018
21. Management expenses – OPF			
Salaries, wages and benefits	21.1	207 690	177 154
Bonus		15 780	15 654
Gratuity		2 854	2 126
Rent, rates and taxes		1 154	6 657
Telephone		1 764	1 425
Postage and telegram		2 793	1 514
Gas, electricity and fuel		5 791	5 278
Printing and stationery		3 594	3 909
Travelling and entertainment		10 454	2 844
Depreciation		26 767	13 691
Repair and maintenance		3 491	2 793
Annual supervision fee of SECP		3 134	2 189
Service charges		(3 481)	(3 907)
Bank charges and commission		31	137
Training		741	478
Insurance		215	177
Legal and professional		37	–
Miscellaneous		6 123	4 245
		288 932	236 364

21.1 These include Rs. 167 thousand (2018: Rs. 154 thousand) being contribution for employees' provident fund.

Rupees '000

	2019	2018
22. Investment income		
22.1 Operator's Fund		
Income from debt securities - available-for-sale		
– Return on debt securities (Sukuk)	23 686	5 542
Income from term deposits		
– Return on term deposits	13 715	6 284
	37 401	11 826
Add: Modarib share of PTF investment income	21 797	10 838
Investment income	59 198	22 664

Rupees '000

		Note	2019	2018
22.2	Participants' Takaful Funds - net of modarib			
	Income from debt securities - available-for-sale			
	– Return on debt securities (Sukuk)		57 641	37 600
	Income from term deposits			
	– Return on term deposits		29 548	6 265
			87 189	43 865
	Net realized gain / (loss) on investments			
	Available-for-sale financial assets			
	Realized gains on:			
	– Debt securities		–	37
	Realized losses on:			
	– Equity securities		–	(587)
			–	(514)
			87 189	43 351
	Less: Modarib share on PTF investment income		(21 797)	(10 838)
	Investment income		65 392	32 513

23. Other income

		Note	2019	2018
23.1	Other income - OPF			
	Profit on bank deposits		8 437	3 613
	Modarib share of profit on bank deposits		6 589	2 497
	Loss on fixed asset		–	(96)
			15 026	6 014
23.2	Other income - PTF			
	Profit on bank deposits		26 358	10 012
	Modarib share on profit on bank deposits		(6 589)	(2 497)
	Exchange (loss) / gain		(63)	1 104
			19 706	8 619

24. Other expenses - OPF

		Note	2019	2018
	Auditors' remuneration	24.1	634	718
			634	718
24.1	Auditors' remuneration			
	Audit fee		450	450
	Shari'ah compliance audit fee		150	150
	Out of pocket expenses		34	118
			634	718

Rupees '000

25. Taxation

	Note	2019	2018
For current year			
Current	25.1	62 240	34 168
Deferred		(138)	(98)
Super tax		–	2 356
		62 102	36 426

25.1 Relationship between tax expense and accounting profit

	Effective tax rate %		Rupees '000	
	2019	2018	2019	2018
Profit before taxation			214 143	117 452
Tax at the applicable rate	29.00	29.00	62 102	34 061
Tax effects of deduction not allowed	–	0.01	–	9
Average effective tax rate charged on income	29.00	29.01	62 102	34 070
Effect of super tax	–	2.01	–	2 356
Total average effective tax rate	29.00	31.02	62 102	36 426

26. Related party transactions

Related parties comprise of directors, major shareholders, key management personnel, associated companies, entities with common directors and employees retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel, which are on employment terms. The transactions and balances with related parties are as follows:

Rupees '000

	2019	2018
Participants' Takaful Funds		
Associated company		
Contributions written	10	28
Claim paid	30	–
Key management personnel		
Contributions written	38	38
Claim paid	–	2
Others		
Contributions written	19 877	11 199
Claim paid	8 752	5 275
(Payables) / receivables	(25)	747

27. Segment reporting

27.1 Operator's Fund

Rupees '000

	For the year ended 31 December 2019					
	Fire and property damage	Marine, aviation & transport	Motor	Misce-llaneous	Treaty	Total
Wakala fee	55 365	20 035	570 817	12 957	–	659 174
Management expenses	(6 530)	(3 548)	(275 450)	(3 404)	–	(288 932)
Commission expense	(32 720)	(11 785)	(183 713)	(1 471)	–	(229 689)
Net commission and expenses	(39 250)	(15 333)	(459 163)	(4 875)	–	(518 621)
	16 115	4 702	111 654	8 082	–	140 553
Net investment income						59 198
Other income						15 026
Other expenses						(634)
Profit before tax						214 143
						As at 31 December 2019
Corporate segment assets	50 093	5 656	170 040	8 374	–	234 163
Corporate unallocated assets						525 579
Total assets						759 742
Corporate segment liabilities	57 216	6 641	321 788	6 913	–	392 558
Corporate unallocated liabilities						1 741
Total liabilities						394 299

	For the year ended 31 December 2018					
	Fire and property damage	Marine, aviation & transport	Motor	Misce-llaneous	Treaty	Total
Wakala fee	40 749	18 529	416 344	22 022	–	497 644
Management expenses	(4 818)	(2 629)	(223 720)	(5 197)	–	(236 364)
Commission expense	(23 586)	(9 241)	(136 929)	(2 032)	–	(171 788)
Net commission and expenses	(28 404)	(11 870)	(360 649)	(7 229)	–	(408 152)
	12 345	6 659	55 695	14 793	–	89 492
Net investment income						22 664
Other income						6 014
Other expenses						(718)
Profit before tax						117 452
						As at 31 December 2018
Corporate segment assets	43 226	9 011	271 746	16 810	–	340 793
Corporate unallocated assets						280 509
Total assets						621 302
Corporate segment liabilities	39 704	8 149	308 033	11 345	–	367 231
Corporate unallocated liabilities						40 440
Total liabilities						407 671

27.2 Participants' Takaful Fund

Rupees '000

	For the year ended 31 December 2019					
	Fire and property damage	Marine, aviation & transport	Motor	Misce-llaneous	Treaty	Total
Contribution receivable (inclusive of sales tax, federal insurance fee and administrative surcharge)	334 548	82 694	2 140 526	64 019	–	2 621 787
Less: Sales tax	40 459	8 645	248 146	7 449	–	304 699
Stamp duty	41	4 532	206	7	–	4 786
Federal insurance fee	2 911	688	18 736	560	–	22 895
Gross written contribution (inclusive of administrative surcharge)	291 137	68 829	1 873 438	56 003	–	2 289 407
Gross direct contribution	287 786	65 270	1 603 829	55 751	–	2 012 636
Administrative surcharge	3 351	3 559	269 609	252	–	276 771
Takaful contribution earned	235 496	69 919	1 869 408	63 293	–	2 238 116
Takaful contribution ceded to retakaful	(211 502)	(53 227)	(6 578)	(48 812)	–	(320 119)
Net contribution revenue	23 994	16 692	1 862 830	14 481	–	1 917 997
Rebate from retakaful operator	36 540	11 976	20	6 674	–	55 210
Net underwriting income	60 534	28 668	1 862 850	21 155	–	1 973 207
Insurance claims	(111 138)	(16 125)	(1 053 223)	(43 942)	–	(1 224 428)
Insurance claims recovered from retakaful	100 960	12 878	–	9 446	–	123 284
Net claims	(10 178)	(3 247)	(1 053 223)	(34 496)	–	(1 101 144)
Wakala expense	(55 365)	(20 035)	(570 817)	(12 957)	–	(659 174)
PTF direct expense	(8)	(6)	(215 226)	(5)	–	(215 245)
Net insurance claims and expenses	(65 551)	(23 288)	(1 839 266)	(47 458)	–	(1 975 563)
Underwriting result	(5 017)	5 380	23 584	(26 303)	–	(2 356)
Net Investment income						65 392
Other income						19 706
Surplus for the year						82 742
						As at 31 December 2019
Corporate segment assets	332 940	22 583	452 121	64 140	–	871 784
Corporate unallocated assets						1 577 785
Total assets						2 449 569
Corporate segment liabilities	436 659	56 583	1 448 345	112 223	–	2 053 810
Corporate unallocated liabilities						23 869
Total liabilities						2 077 679

Rupees '000

For the year ended 31 December 2018

	Fire and property damage	Marine, aviation & transport	Motor	Misce-llaneous	Treaty	Total
Contribution receivable (inclusive of sale tax, federal insurance fee and administrative surcharge)	238 221	72 472	1 936 091	80 580	–	2 327 364
Less: Sales tax	28 741	7 747	225 027	9 186	–	270 701
Stamp duty	32	3 482	185	6	–	3 705
Federal insurance fee	2 074	606	16 943	707	–	20 330
Gross written contribution (inclusive of administrative surcharge)	207 374	60 637	1 693 936	70 681	–	2 032 628
Gross direct contribution	204 699	57 733	1 385 083	70 495	–	1 718 010
Administrative surcharge	2 675	2 904	308 853	186	–	314 618
Takaful contribution earned	164 054	52 936	1 501 330	88 087	–	1 806 407
Takaful contribution ceded to retakaful	(145 971)	(41 250)	–	(60 042)	–	(247 263)
Net contribution revenue	18 083	11 686	1 501 330	28 045	–	1 559 144
Rebate from retakaful operator	23 966	9 281	–	8 451	–	41 698
Net underwriting income	42 049	20 967	1 501 330	36 496	–	1 600 842
Insurance claims	(53 866)	(15 302)	(733 251)	(74 798)	–	(877 217)
Insurance claims recovered from retakaful	48 378	12 047	(281)	44 336	–	104 480
Net claims	(5 488)	(3 255)	(733 532)	(30 462)	–	(772 737)
Wakala expense	(40 749)	(18 529)	(416 344)	(22 022)	–	(497 644)
PTF direct expense	(10)	(7)	(217 116)	(16)	–	(217 149)
Net insurance claims and expenses	(46 247)	(21 791)	(1 366 992)	(52 500)	–	(1 487 530)
Underwriting result	(4 198)	(824)	134 338	(16 004)	–	113 312
Net Investment income						32 513
Other income						8 619
Surplus for the year						154 444
						As at 31 December 2018
Corporate segment assets	206 304	22 346	562 024	100 569	–	891 243
Corporate unallocated assets						1 299 708
Total assets						2 190 951
Corporate segment liabilities	306 098	56 869	1 344 796	159 521	–	1 867 284
Corporate unallocated liabilities						37 226
Total liabilities						1 904 510

28. Movement in investment

28.1 Operator's Fund

Rupees '000

Name of investment	Available-for-sale	Held to maturity	Total
At beginning of previous year	30 481	122 500	152 981
Additions	153 404	586 000	739 404
Disposals (sale and redemptions)	(5 969)	(673 500)	(679 469)
Fair value net losses (excluding net realized gains / (losses))	(1 323)	–	(1 323)
At beginning of year	176 593	35 000	211 593
Additions	147 896	550 000	697 896
Disposals (sale and redemptions)	(76 143)	(435 000)	(511 143)
Fair value net losses (excluding net realized gains / (losses))	(322)	–	(322)
At end of year	248 024	150 000	398 024

28.2 Participants' Takaful Fund

Name of investment	Available-for-sale	Held to maturity	Total
At beginning of previous year	606 540	100 000	706 540
Additions	372 528	470 000	842 528
Disposals (sale and redemptions)	(112 769)	(390 000)	(502 769)
Fair value net losses (excluding net realized gains / (losses))	(7 639)	–	(7 639)
At beginning of year	858 660	180 000	1 038 660
Additions	214 476	1 090 000	1 304 476
Disposals (sale and redemptions)	(354 777)	(830 000)	(1 184 777)
Fair value net gains (excluding net realized gains / (losses))	2 707	–	2 707
At end of year	721 066	440 000	1 161 066

29. Surplus distribution

Takaful surplus attributable to the Participants' is calculated after charging all direct cost and setting aside various reserves.

30. Qard-e-Hasna

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

Operator would be allowed to recover this qard from the PTF over any period without charging any profit.

31. Management of takaful and financial risk

31.1 Takaful risk

The principal risk that is faced under takaful contracts is the possibility that the covered event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. By the very nature of the takaful contract, this risk is random and therefore unpredictable. The objective of the Operator is to ensure that sufficient reserves are available to cover these liabilities.

The Operator manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. The underwriting strategy aims to minimise takaful risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Operator underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of takaful are generally regarded as short-term takaful contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate takaful risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Operator has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Retakaful arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such retakaful arrangements is that the PTF may not suffer ultimate net takaful losses beyond the PTF's risk appetite in any one year.

The Operator's arrangement of retakaful is diversified such that it is neither dependent on a single retakaful operator nor the operations of the Operator are substantially dependent upon any single retakaful contract. The Operator obtains retakaful cover only from companies with sound financial health.

31.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Operator manages these risk through the measures described above. The Operator has limited its exposure to catastrophic and riot events by use of retakaful arrangements.

The Operator monitors concentration of takaful risks primarily by class of business. The table below sets out the concentration of the claims and contribution liabilities (in percentage terms) by class of business at financial statement date:

	2019				2018			
Class	Gross claims liabilities	Net claims liabilities	Gross contribution liabilities	Net contribution liabilities	Gross claims liabilities	Net claims liabilities	Gross contribution liabilities	Net contribution liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	15	2	15	2	13	2	10	1
Marine, aviation and transport	1	0	1	0	1	0	1	0
Motor	75	94	81	97	67	90	85	97
Miscellaneous	9	4	3	1	19	8	4	2
	100	100	100	100	100	100	100	100

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

The Operator evaluates the concentration of exposures to individual and cumulative takaful risks and establishes its retakaful policy to reduce such exposures to levels acceptable to the Operator.

The Operator's class wise major gross risk exposure is as follows:

Rupees ‘000

Class	2019	2018
Fire and property damage	16 870 000	5 551 990
Marine, aviation and transport	150 340	161 720
Motor	34 350	12 460
Miscellaneous	1 072 500	1 050 000

Since the Operator operates in Pakistan only, hence, all the takaful risks relate to policies written in Pakistan.

31.1.2 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial statement date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the financial statement date. The details of estimation of outstanding claims (including IBNR) are given under note 3.13.

31.1.3 Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. The Operator has taken actuarial advice for the determination of IBNR claims, which has been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

The contribution liabilities have been determined such that the total contribution liability provisions (unearned contribution reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of financial statement date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

31.1.4 Sensitivity analysis

The Operator believes that the claim liabilities under takaful contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the PTF surplus of the changes in the claim liabilities net of retakaful is analyzed below. The sensitivity to changes in claim liabilities net of retakaful is determined separately for each class of business while keeping all other assumptions constant.

Rupees '000

	PTF Revenue 2019	PTF Equity 2019	PTF Revenue 2018	PTF Equity 2018
Impact of change in claim liabilities by + 10 %				
Fire and property damage	(825)	(825)	(458)	(458)
Marine, aviation and transport	(169)	(169)	(93)	(93)
Motor	(45 901)	(45 901)	(26 470)	(26 470)
Miscellaneous	(1 935)	(1 935)	(2 207)	(2 207)
	(48 830)	(48 830)	(29 228)	(29 228)
Impact of change in claim liabilities by - 10 %				
Fire and property damage	825	825	458	458
Marine, aviation and transport	169	169	93	93
Motor	45 901	45 901	26 470	26 470
Miscellaneous	1 935	1 935	2 207	2 207
	48 830	48 830	29 228	29 228

31.2 Financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, profit rate risk and other price risk). The Operator's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Operator's financial performance.

The Board of Directors has overall responsibility for establishment and over sight of the Operator's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

31.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Operator believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Operator's maximum exposure to credit risk:

Rupees '000

	2019			2018		
	OPF	PTF	Aggregate	OPF	PTF	Aggregate
Financial assets:						
Term deposits	150 000	440 000	590 000	35 000	180 000	215 000
Loans and other receivables	6 933	16 195	23 128	3 612	10 075	13 687
Takaful / retakaful receivables	8 365	209 969	218 334	6 117	242 481	248 598
Retakaful recoveries against outstanding claims	–	127 576	127 576	–	104 603	104 603
Wakala fee receivable	108 508	–	108 508	228 363	–	228 363
Modarib fee receivable	7 475	–	7 475	7 757	–	7 757
Cash and bank	110 628	343 552	454 180	54 319	235 756	290 075
	391 909	1 137 292	1 529 201	335 168	772 915	1 108 083

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

Rupees '000

Rating	2019			2018		
	OPF	PTF	Aggregate	OPF	PTF	Aggregate
AAA	–	2 893	2 893	–	8 065	8 065
AA+	15 728	78 304	94 032	6 260	56 535	62 795
AA	57 242	129 080	186 322	–	2 048	2 048
AA-	–	–	–	14 985	137 517	152 502
A+	20 435	67 242	87 677	20 034	30 409	50 443
A	17 223	64 840	82 063	13 040	533	13 573
	110 628	342 359	452 987	54 319	235 107	289 426

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables.

The credit quality of claim recoveries from retakaful operators can be assessed with reference to external credit ratings as follows:

a. Operator's Fund

Rupees '000

Rating	2019	2018
	Amounts due from takaful / retakaful	Amounts due from takaful / retakaful
A or above	8 365	6 059
B or above	–	58
	8 365	6 117

As at 31 December 2019, the amount due from takaful / retakaful operator includes amount receivable within one year and above one year amounting to Rs. 4.270 million (2018: Rs. 4.620 million) and Rs. 4.095 million (2018: Rs. 1.497 million) respectively.

b. Participants' Takaful Fund

Rupees '000

Rating	2019		2018	
	Amounts due from takaful / retakaful	Retakaful recoveries against outstanding claims	Amounts due from takaful / retakaful	Retakaful recoveries against outstanding claims
A or above	3 901	126 968	–	103 789
B or above	–	608	–	814
	3 901	127 576	–	104 603

As at 31 December 2019, the amount of Rs. 3.901 million (2018: Rs. Nil) due from takaful / retakaful operator is receivable within one year.

31.2.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected retakaful recoveries.

The objective of the Operator's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Operator's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Operations liabilities as at financial statement date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

Rupees '000

	OPF 2019		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Takaful / retakaful payables	2 416	2 416	–
Other creditors and accruals	62 171	62 171	–
	64 587	64 587	–

	PTF 2019		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Provision for outstanding claims (including IBNR)	615 868	615 868	–
Takaful / retakaful payables	192 209	192 209	–
Wakala fee payable	108 508	108 508	–
Modarib fee payable	7 475	7 475	–
Other creditors and accruals	16 394	16 394	–
	940 454	940 454	–

Rupees '000

	OPF 2018		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Takaful / retakaful payables	1 181	1 181	–
Other creditors and accruals	60 414	60 414	–
	61 595	61 595	–

	PTF 2018		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Provision for outstanding claims (including IBNR)	396 875	396 875	–
Takaful / retakaful payables	168 467	168 467	–
Wakala fees payable	228 363	228 363	–
Modarib fees payable	7 757	7 757	–
Other creditors and accruals	29 469	29 469	–
	830 931	830 931	–

31.2.3 Market risk

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

The Operator limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates' markets. In addition, the Operator actively monitors the key factors that affect the underlying value of these securities.

31.2.3.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Operator has securities and deposits that are subject to profit rate risk. The Operator limits profit rate risk by monitoring changes in profit rates in the currencies in which its financial assets are denominated.

Maturity profile of financial assets and liabilities:

Rupees '000

OPF 2019

	Profit / Markup bearing			Non-Profit / Non-Markup bearing			
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	Total
Financial assets							
Investments							
Debt securities	–	248 024	248 024	–	–	–	248 024
Term deposits	150 000	–	150 000	–	–	–	150 000
Loan and other receivables	–	–	–	6 933	–	6 933	6 933
Takaful / retakaful receivables	–	–	–	8 365	–	8 365	8 365
Wakala fees receivable	–	–	–	108 508	–	108 508	108 508
Modarib fees receivable	–	–	–	7 475	–	7 475	7 475
Cash and bank	103 464	–	103 464	7 164	–	7 164	110 628
	253 464	248 024	501 488	138 445	–	138 445	639 933
Financial liabilities							
Takaful / retakaful payables	–	–	–	2 416	–	2 416	2 416
Other creditors and accruals	–	–	–	62 171	–	62 171	62 171
	–	–	–	64 587	–	64 587	64 587

OPF 2018

	Profit / Markup bearing			Non-Profit / Non-Markup bearing			
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	Total
Financial assets							
Investments							
Debt securities	–	176 593	176 593	–	–	–	176 593
Term deposits	35 000	–	35 000	–	–	–	35 000
Loan and other receivables	–	–	–	3 612	–	3 612	3 612
Takaful / retakaful receivables	–	–	–	6 117	–	6 117	6 117
Wakala fees receivable	–	–	–	228 363	–	228 363	228 363
Modarib fees receivable	–	–	–	7 757	–	7 757	7 757
Cash and bank	54 289	–	54 289	30	–	30	54 319
	89 289	176 593	265 882	245 879	–	245 879	511 761
Financial liabilities							
Takaful / retakaful payables	–	–	–	1 181	–	1 181	1 181
Other creditors and accruals	–	–	–	60 414	–	60 414	60 414
	–	–	–	61 595	–	61 595	61 595

Rupees '000

PTF 2019

	Profit / Markup bearing			Non-Profit / Non-Markup bearing			
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	Total
Financial assets							
Investments							
Debt securities	–	721 066	721 066	–	–	–	721 066
Term deposits	440 000	–	440 000	–	–	–	440 000
Loan and other receivables	–	–	–	16 195	–	16 195	16 195
Takaful / retakaful receivables	–	–	–	209 696	–	209 696	209 696
Retakaful receivables against outstanding claims	–	–	–	127 576	–	127 576	127 576
Cash and bank	331 743	–	331 743	11 809	–	11 809	343 552
	771 743	721 066	1 492 809	365 276	–	365 276	1 858 085
Financial liabilities							
Provision for outstanding claims (including IBNR)	–	–	–	615 868	–	615 868	615 868
Takaful / retakaful payables	–	–	–	192 209	–	192 209	192 209
Wakala fee payables	–	–	–	108 508	–	108 508	108 508
Modarib fee payables	–	–	–	7 475	–	7 475	7 475
Other creditors and accruals	–	–	–	16 394	–	16 394	16 394
	–	–	–	940 454	–	940 454	940 454

PTF 2018

	Profit / Markup bearing			Non-Profit / Non-Markup bearing			
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	Total
Financial assets							
Investments							
Debt securities	–	858 660	858 660	–	–	–	858 660
Term deposits	180 000	–	180 000	–	–	–	180 000
Loan and other receivables	–	–	–	10 074	–	10 074	10 074
Takaful / retakaful receivables	–	–	–	242 481	–	242 481	242 481
Retakaful receivables against outstanding claims	–	–	–	104 603	–	104 603	104 603
Cash and bank	232 305	–	232 305	3 451	–	3 451	235 756
	412 305	858 660	1 270 965	360 609	–	360 609	1 631 574
Financial liabilities							
Provision for outstanding claims (including IBNR)	–	–	–	396 875	–	396 875	396 875
Takaful / retakaful payables	–	–	–	168 467	–	168 467	168 467
Wakala fee payables	–	–	–	228 363	–	228 363	228 363
Modarib fee payables	–	–	–	7 757	–	7 757	7 757
Other creditors and accruals	–	–	–	29 469	–	29 469	29 469
	–	–	–	830 931	–	830 931	830 931

Sensitivity analysis

As on 31 December 2019, the Operator had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in profit rates during the year would have decreased / increased profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing profit rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

Operator's Fund

Rupees '000

	Change in basis points	Effect on profit and loss before tax	Operator's Fund
31 December 2019	100	1 035	735
	(100)	(1 035)	(735)
31 December 2018	100	543	386
	(100)	(543)	(386)

Participants' Takaful Fund

	Change in basis points	Effect on PTF Revenue	Participants' Takaful Fund
31 December 2019	100	3 317	3 317
	(100)	(3 317)	(3 317)
31 December 2018	100	2 357	2 357
	(100)	(2 357)	(2 357)

31.2.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. The Operator, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

31.3 Fair value

31.3.1 IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

31.3.2 All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets where fair value is only disclosed and is different from their carrying value:

31.3.3 Operator's Fund

Rupees '000

As at 31 December 2019

	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using: Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Ijara Sukuks	30 195				30 195		30 195	
Corporate Sukuks	217 829				217 829		217 829	
Financial assets not measured at fair value								
Investments								
Term deposits *			150 000		150 000			
Loans and other receivables *		6 933			6 933			
Takaful / retakaful receivables *		8 365			8 365			
Wakala fee receivable *		108 508			108 508			
Modarib fee receivable *		7 475			7 475			
Cash and bank balances *			110 628		110 628			
	248 024	131 281	260 628		639 933		248 024	
Financial liabilities not measured at fair value								
Other creditors and accruals *				(62 171)	(62 171)			
	248 024	131 281	260 628	(62 171)	577 762	–	248 024	–

As at 31 December 2018

	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using: Level 1	Level 2	Level 3
Financial assests measured at fair value								
Investments								
Ijara Sukuk	29 954				29 954		29 954	
Corporate Sukuks	146 639				146 639		146 639	
Financial assets not measured at fair value								
Investments								
Term deposits *			35 000		35 000			
Loans and other receivables *		3 612			3 612			
Takaful / retakaful receivables *		6 117			6 117			
Wakala fee receivable *		228 363			228 363			
Modarib fee receivable *		7 757			7 757			
Cash and bank balances *			54 319		54 319			
	176 593	245 849	89 319		511 761		176 593	
Financial liabilities not measured at fair value								
Other creditors and accruals *				(60 414)	(60 414)			
	176 593	245 849	89 319	(60 414)	451 347	–	176 593	–

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

31.3.4 Participants' Takaful Fund

Rupees '000

As at 31 December 2019

	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Ijara Sukuk	415 800				415 800		415 800	
Corporate Sukuk	305 266				305 266		305 266	
Financial assets not measured at fair value								
Investments								
Term deposits *			440 000		440 000			
Loans and other receivables *		16 195			16 195			
Takaful / retakaful receivables *		209 969			209 969			
Retakaful recoveries against outstanding claims *		127 576			127 576			
Cash and bank balances *			343 552		343 552			
	721 066	353 740	783 552		1 858 358		721 066	
Financial liabilities not measured at fair value								
Outstanding claims including IBNR *				(615 868)	(615 868)			
Contributions received in advance *				(3 190)	(3 190)			
Takaful / retakaful payable *				(192 209)	(192 209)			
Wakala fee payable *				(108 508)	(108 508)			
Modarib fee payable *				(7 475)	(7 475)			
Other creditors and accruals *				(16 394)	(16 394)			
	721 066	353 740	783 552	(943 644)	914 714	–	721 066	–

As at 31 December 2018

	Available-for-sale	Loan & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investments								
Ijara Sukuks	662 032				662 032		662 032	
Corporate Sukuks	196 628				196 628		196 628	
Financial assets not measured at fair value								
Investments								
Term deposits *			180 000		180 000			
Loans and other receivables *		10 075			10 075			
Takaful / retakaful receivables *		242 481			242 481			
Retakaful recoveries against outstanding claims *		104 603			104 603			
Cash and bank balances *			235 756		235 756			
	858 660	357 159	415 756		1 631 575		858 660	
Financial liabilities not measured at fair value								
Outstanding claims including IBNR *				(396 875)	(396 875)			
Contributions received in advance *				(2 796)	(2 796)			
Takaful / retakaful payable *				(168 467)	(168 467)			
Wakala fee payable *				(228 363)	(228 363)			
Modarib fee payable *				(7 757)	(7 757)			
Other creditors and accruals *				(29 469)	(29 469)			
	858 660	357 159	415 756	(833 727)	797 848	–	858 660	–

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

32. Statement of solvency

Rupees '000

	31 December 2019
Assets	
Investment	
Debt securities	721 066
Term deposits	440 000
	1 161 066
Current assets - others	
Takaful / Retakaful receivables	209 969
Salvage recoveries accrued	31 425
Loans and other receivables	16 195
Retakaful recoveries against outstanding claims	127 576
Deferred Wakala fees	322 463
Prepayments	237 323
	944 951
Cash and bank	343 552
Total assets	2 449 569
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance 2000	
Contribution due since more than three months	58 718
Total of In-admissible assets	58 718
Total admissible assets	2 390 851
Total Liabilities	
Underwriting provisions	
Outstanding claims (including IBNR)	615 868
Unearned contribution reserves	1 101 418
Unearned Retakaful Rebate	32 617
Contribution received in advance	3 190
Takaful / retakaful payables	192 209
Wakala fee payable	108 508
Modarib fee payable	7 475
Other creditors and accruals	16 394
Total liabilities	2 077 679
Total net admissible assets	313 172

33. Corresponding Figures

33.1 Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons.

34. General

Figures have been rounded off to the nearest thousand rupees.

35. Date of authorization for issue of financial statements

These financial statements were authorized for issue by the Board of Directors in its meeting held on 08 February 2020.

SAAD BHIMJEE	MAHMOOD LOTIA	ALTAF GOKAL	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Chief Financial Officer	Managing Director & Chief Executive	Chairman

Karachi 08 February 2020

Pattern of Shareholding
As at 31 December 2019

Number of shareholders	Shareholdings		Shares held
	From	To	
316	1	100	12 093
318	101	500	85 044
203	501	1000	157 625
318	1001	5000	795 478
126	5001	10000	926 448
66	10001	15000	836 168
37	15001	20000	668 820
30	20001	25000	693 719
16	25001	30000	439 103
9	30001	35000	287 809
18	35001	40000	703 830
7	40001	45000	308 877
7	45001	50000	337 514
6	50001	55000	307 780
7	55001	60000	404 204
2	60001	65000	124 054
4	65001	70000	268 768
8	70001	75000	576 310
11	75001	80000	867 269
1	80001	85000	80 040
3	85001	90000	261 405
2	90001	95000	186 467
10	95001	100000	989 200
1	100001	105000	103 100
6	105001	110000	642 557
2	110001	115000	225 574
6	115001	120000	707 896
3	125001	130000	383 299
1	135001	140000	138 534
2	150001	155000	302 514
2	155001	160000	318 397
1	160001	165000	162 162
1	165001	170000	169 300
1	200001	205000	202 400
2	205001	210000	414 993
1	215001	220000	215 093
1	235001	240000	237 600
1	240001	245000	243 000
1	250001	255000	250 300
1	265001	270000	270 000
1	275001	280000	277 992
1	295001	300000	295 558
1	310001	315000	314 471
1	315001	320000	316 800
2	365001	370000	735 065
3	370001	375000	1 120 162
1	390001	395000	391 907
2	395001	400000	796 000
1	405001	410000	410 000
1	450001	455000	450 001
1	455001	460000	456 393
1	530001	535000	530 684
1	595001	600000	600 000
1	620001	625000	623 610
1	675001	680000	679 200
1	765001	770000	769 100
2	790001	795000	1 584 181
1	800001	805000	802 008
1	860001	865000	861 114
3	930001	935000	2 800 000
1	1010001	1015000	1 011 392
1	1340001	1345000	1 343 972
1	2015001	2020000	2 018 205
1	2490001	2495000	2 491 760
1	2700001	2705000	2 704 126
1	2965001	2970000	2 969 110
1	3140001	3145000	3 141 987
1	4315001	4320000	4 315 676
1	4680001	4685000	4 680 961
1	5440001	5445000	5 440 575
1	6660001	6665000	6 663 900
1	9685001	9690000	9 687 798
1	10785001	10790000	10 786 619
1	13845001	13850000	13 845 355
1	15965001	15970000	15 965 743
1	16575001	16580000	16 579 935
1	24040001	24045000	24 042 744
1	42190001	42195000	42 191 152
1603			**200 000 000**

Categories of shareholders	Shareholders	Shares held	Percentage
Associated Companies, Undertakings and Related Parties			
EFU Life Assurance Ltd.		4 680 961	
Jahangir Siddiqui & Co. Ltd.		42 191 152	
J S Bank Limited		5 440 575	
JS Infocom Limited		679 200	
Jahangir Siddiqui & Sons Limited		2 969 110	
Jahangir Siddiqui Securities Services Limited		3 141 987	
Energy Infrastructure Holding (Private) Limited		10 786 619	
Trustee - Future Trust		6 663 900	
Trustee EFU General Insurance Ltd., Staff Provident Fund		215 093	
Trustees EFU General Ins. Ltd., Officer's Pension Fund		116 900	
Trustees EFU General Insurance Ltd., Employees Gratuity Fund		209 261	
Trustees EFU Life Assurance Ltd. Employees Provident Fund		733	
Trustees Of Allianz EFU Health Ins. E.P.F		44 800	
	13	77 140 291	38.57
NIT	–	–	–
Directors, CEO and their spouse and minor children			
Saifuddin N. Zoomkawala		316 800	
Abdul Rehman Haji Habib		8 323	
Hasanali Abdullah		372 358	
Taher G. Sachak		2 046	
Ali Raza Siddiqui		800	
Mohammed Iqbal Mankani		625	
Mahmood Lotia		1 328	
Saad Bhimjee		842	
Daanish Bhimjee		500	
Lulua Saifuddin Zoomkawala		792 000	
	10	1 495 622	0.75
Executives	9	338 464	0.17
Public sector companies and corporations	1	4 315 676	2.16
Banks, Development Finance Institutions, Non-Banking Finance Companies	8	1 808 347	0.90
Insurance Company	1	4 800	0.00
Modarabas and Mutual Funds	2	129 275	0.06
Charitable Institutions	4	24 216 406	12.11
Local Individuals / Others	1 550	79 893 436	39.96
Foreign Investors (repatriable basis)	5	10 657 683	5.33
Total	1 603	200 000 000	100
Shareholders holding 5% or more voting interest			
Jahangir Siddiqui & Co. Ltd.		42 191 152	21.10
Managing Committee Of Ebrahim Alibhai Foundation		24 042 744	12.02
Rafique R. Bhimjee		16 579 935	8.29
Muneer R. Bhimjee		15 965 743	7.98
Bano R. Bhimjee		13 845 355	6.92
Energy Infrastructure Holding (Private) Limited		10 786 619	5.39

Glossary

- **Authorised Share Capital** - The maximum value of share that a Company can issue.
- **Bonus Shares** - Free shares given to current shareholders out of profit.
- **Book Value** - The value of an asset as entered in a company's books.
- **Capital Expenditure** - The cost of long-term improvements and fixed assets.
- **Capital Gain** - Portion of the total gain recognised on the sale of investments.
- **Claims** - The amount payable under a contract of insurance arising from occurrence of an insured event.
- **Claims Incurred** - The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
- **Commission** - Remuneration to an intermediary for services such as selling and servicing an insurer's products.
- **Contribution** - The amount payable by a Participant to the Participants' Takaful Fund under a Takaful Contract for the purpose of mutual protection and assistance.
- **Corporate Social Responsibility** - Is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
- **Deferred Commission** - Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
- **Deferred Tax** - An accounting concept (also known as future income taxes), meaning a future tax liability or asset in respect of taxable temporary differences.
- **Defined Benefit Plans** - Are post-employment benefit plans.
- **Depreciation** - Is the systematic allocation of the cost of an asset over its useful life.
- **Doubtful Debts** - Is a debt where circumstances have rendered its ultimate recovery uncertain.
- **Earnings per Share** - Amounts of after tax profit or loss attributable to ordinary shareholders of the entity.
- **Equity Method** - Method of accounting whereby the investment is initially recognized at cost and adjusted periodically for the post-acquisition change in the investor's share of net assets of the investee.
- **Exchange Gain / (Loss)** - Difference resulting from translating a given number of units of one currency into another currency at different exchange rates.
- **Facultative Reinsurance** - The reinsurer assumes a share of selected individual risks. The primary insurer can offer an individual risk in reinsurance, which the reinsurer accepts on a case by case basis.
- **Fair Value** - The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing business partners in an arm's length transaction.
- **General Insurance** - All kinds of non-life Insurance i.e., Fire, Marine, Motor and all Other Insurance as defined in the Insurance Ordinance, 2000.
- **General Takaful** - Takaful other than Family Takaful.
- **Gross Premium** - Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
- **Group Health Insurance** - A single health policy covering a group of individuals, usually employees of the same company or members of the same association and their dependents.

- **Human Resource Development** - A framework for the expansion of within an organization through the development of both the organization and the individual to achieve performance improvement.
- **Impairment** - The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
- **Incurred but not Reported (IBNR)** - Claim incurred but not reported to the insurer until the financial statements reporting date.
- **Inflation** - A general increase in prices and fall in the purchasing value of money.
- **Insurance Contract** - A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event at an agreed consideration.
- **Insurer Financial Strength Rating** - Provides an assessment of the financial strength of an insurance company.
- **Intangible** - An identifiable non-monetary asset without physical substance.
- **Internal Control** - An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.
- **Loss Ratio** - Percentage ratio of claims expenses to premium.
- **Market Share** - The portion of a market controlled by a particular company or product.
- **Market Value** - The highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.
- **Mudaraba** - A Mudaraba is an Investment partnership, whereby the investor (the Rab-ul-Mal) provides capital to another party / entrepreneur (the Mudarib) in order to undertake a business / investment activity. While profits are shared on a pre-agreed ratio, loss of investment is born by the investor only. The mudarib loses its share of the expected income.
- **Mudaraba Based Contract** - An investment Contract based on the principle of Mudaraba.
- **National Exchequer** - The account into which tax funds and other public funds are deposited.
- **Net Asset Value** - The value of all tangible and intangible assets of a company minus its liabilities.
- **Net Premium Revenue** - Gross earned premium less Reinsurance expense.
- **Non-Life Insurance** - Non Life Insurance and General Insurance have the same meaning.
- **Operator** - A Takaful Operator or a Window Takaful Operator, authorized under SECP Takaful Rules, 2012.
- **Operator Fund** - A fund set up by a General Takaful Operator which shall undertake all transactions which the Operator undertakes other than those which pertain to Participant Takaful Funds set up by the Operator.
- **Outstanding Claim** - A type of technical reserve or accounting provision in the financial statements of an insurer to provide for the future liability for claims.
- **Paid-up Capital** - The amount paid or contributed by shareholders in exchange for shares of a company's Stock.
- **Participant** - A Person who participates in a Takaful scheme and to whom a Takaful Contract is issued.
- **Participants' Membership Documents** - The documents detailing the benefits and obligations of a Participant under a Takaful Contract.
- **Participant Takaful Fund (PTF)** - A Separate Waqf Fund set up into which the Participant's Risk related contributions are paid and from which risk related benefits are paid out.
- **Period of Takaful or Policy Period** - The length of time for which the Takaful protection will be effective.
- **Premium** - The amount that has to be paid as consideration for the insurance cover provided by an insurer.
- **Present Value** - Future amounts that have been discounted to the present.
- **Proxy** - Power of attorney by which the shareholder transfers the voting rights to another shareholder.
- **Qard-e-Hasna** - An interest free loan to the PTF from the Operator's Fund, when the PTF is in deficit and insufficient to meet their all liabilities.
- **Quoted** - Being listed on a Stock Exchange.
- **Registered Office** - The registered office is an address which is registered with the government registrar as the official address of a company.
- **Reinsurance** - A method of insurance arranged by insurers to share the exposure of risks accepted.
- **Reinsurance Commission** - Commission received or receivable in respect of premium paid or payable to a reinsurer.
- **Reinsurance Premium** - The premium payable to the reinsurer in respect of reinsurance contract.
- **Related Party** - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
- **Retrocession** - Transfer of risk from a reinsurer to another reinsurer.
- **Revenue Reserves** - Reserve that is normally regarded as available for distribution through the profit and loss account, including general reserves and other specific reserves created out of profit and unappropriated profit.
- **Risk** - Condition in which there is a possibility of loss.
- **Risk Management** - Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.
- **Shariah Advisor** - Shariah Advisor of the Operator working in such capacity appointed by the Operator under Rule 26 of the SECP Takaful Rules, 2012.
- **Statutory Levies** - Fee charged (levied) by a government on a product, income, or activity.
- **Strategic Objective** - A broadly defined objective that an organization must achieve to make its strategy succeed.
- **Subsequent Event** - Non Adjusting - Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading.
- **Takaful** - Takaful is an arrangement based on the principles of brotherhood and mutual help wherein participants contribute in a fund to help those who need it most in times of financial difficulties.
- **Takaful Contract** - Any contract of Family Takaful or General Takaful.
- **Tangible** - An asset whose value depends on particular physical properties.
- **Term Finance Certificate** - A debt instrument issued by an entity to raise funds.
- **Underwriting Profit** - This is the profit generated purely from the General Insurance business without taking into account the investment income and other non-technical income and expenses.
- **Unearned Premium** - It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.
- **Window Takaful Operator** - A Registered Insurer authorized under SECP Takaful Rules, 2012 to carry on Takaful business as Window Operations in addition to Conventional Insurance Business.
- **Wakala** - Agent-principal relationship, where a person nominates another to act on his behalf.
- **Wakala Based Contract** - A contract based on the principle of Wakala (agency).

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Zarrar Ibn Zahoor Bandey
Senior Executive Vice President

Muhammad Allauddin
Assistant Vice President

Gulberg Branch

3rd Floor, Saadi Plaza
20-Civic Centre Barket Market
New Garden Town, Lahore
35861276-78. Fax: 35861279

Javed Akhtar Sheikh, B.B.A.
Assistant Executive Director

Maqsood Ahmed
Vice President

Mian Ali Raza Shaukat
Vice President

Naseer Ahmad
Vice President

Shahzad Qamar
Assistant Vice President

Muhammad Farooq
Senior Executive Vice President
(Development)

Muhammad Rizwan-ul-Haq
Senior Vice President
(Development)

Mian Ikram Ellahi
Manager (Development)

Gulberg Arcade Unit

401 Gulberg Arcade
38G Gulberg II, Lahore.
35788207-10. Fax: 35788204

Satwat Mahmood Butt, M.B.A.
Deputy Executive Director

Imran Yasin, M.B.A, F.C.I.I.
Senior Vice President

Shazia Hussain, M.A.
Vice President

Muhammad Haroon
Assistant Vice President

Rana Khalid Manzoor
Executive Vice President
(Development)

Muhammad Naveed Asghar
Assistant Vice President
(Development)

Ather Qureshi
Chief Manager (Development)

Ichhra Branch

204, 2nd Floor, Latif Center
101 Ferozepur Road
Lahore. 37533732, 37427152
Fax: 37585814

Javaid Iqbal Khan
Exective Vice President

Ashiq Hussain Bhatti
Vice President (Development)

Mian Sikander Sheraz
Deputy Chief Manager
(Development)

Muhammad Altaf
Assistant Vice President
(Development)

Lahore Division

Co-operative Insurance Building
23 Shahrah-e-Quaid-e-Azam
Lahore
37312166 - 37243290 - 37244178
37350616 - 37312196 - 37323130
37353566. Fax: 37357966
37229604

Liaquat Ali Khan, F.C.I.I.
Senior Executive Vice President

Rao Abdul Hafeez Khan
Senior Executive Vice President

S. Farhan Ali Bokhari, M.B.A.
Senior Executive Vice President

Usman Ali, L.L.B., M.B.A.
Senior Executive Vice President

Nausherwan Haji
Senior Vice President

Raja Azhar Rafique
Vice President

Fazal Hussain
Assistant Vice President

Mansoor Anwar
Assistant Vice President

Muhammad Ajmal, M.B.A.
Assistant Vice President

Fauzia Khawaja
Vice President
(Development)

Muhammad Tayyab Nazir
Vice President
(Development)

Marium Sikandar
Chief Manager (Development)

Muhammad Ajmal, M.B.A.
Chief Manager (Development)

Saqib Riaz
Chief Manager (Development)

Leeds Centre Branch

Room No. 8 & 15, 2nd Floor
Leeds Centre, 11-E / 2
Main Boulevard, Gulberg III
Lahore. 35784055-7
Fax: 35784058 - 35874374

Iftikhar Uddin, L.L.B.
Executive Vice President

Farooq Shaukat
Assistant Vice President

Azharul Hassan Chishty
Executive Vice President
(Development)

Muhammad Salim Babar, M.B.A.
Senior Vice President
(Development)

Model Branch

EFU House, 6-D, Jail Road
Lahore 35715616-8
Fax: 35715619

S. Tayyab Hassan Gardezi, M.Sc.
Executive Vice President

Farkhanda Jabeen, A.C.I.I.
Vice President

Tanveer Ahmed
Assistant Vice President

New Garden Town Branch

2nd Floor, Salaam Chambers,
Patiala Ground, Link Macleod
Road, Lahore. 37352934
37352938. Fax: 37352941

Mohammad Sohail
Senior Executive Vice President

Mudassar Raza
Vice President

New Unit Branch Lahore

Room No. 401-407-408
Gulberg Arcade, 38-G, (Adj.)
Main Market, Gulberg II
Lahore. 35788411-13
Fax: 35788414

Muhammad Najeeb Anwar
Senior Executive Vice President

Haji Muhammad Shakeel, M.B.A.
Senior Executive Vice President
(Development)

Mujahid Khan
Vice President (Development)

Aizaz Ur Rehman
Assistant Vice President
(Development)

Amer Saleem Khan
Manager (Development)

FAISALABAD
Faisalabad Main Branch

Ahmed Plaza, Bilal Road
Faisalabad. 2610363 - 2610368
2610566 2625001
Fax: 32611667

Usman Ali Khan
Senior Executive Vice President

Ikram Ul Ghani, M.A.
Senior Vice President

Zahid Qureshi
Vice President

Ghulam Abbas, M.B.A.
Assistant Vice President

Mahmood Ali Khan, M.A.
Advisor (Development)

Shagufta Asrar Ahmad
Assistant Vice President
(Development)

Samina Imran
Chief Manager (Development)

Ch. Abdul Razzak
Manager (Development)

City Branch

2nd Floor, Fatima Tower
College Road Kohinoor Chowk,
Faisalabad. 8555123-25
Fax: 8732902

Shafaqat Ali
Executive Vice President

Dr. Ghulam Jaffar, Ph.D
Senior Vice President
(Development)

GUJRANWALA
Gujranwala Branch

3rd Floor, Din Plaza
G.T. Road Gujranwala
3845883-84, 3842593
Fax: 3859190, 3840883

M. Amer Arif Bhatti
Senior Vice President

Mohammad Arif Bhatti
Executive Vice President
(Development)

Sub Oiffce
(Al-Muqeet)

3rd Floor, Din Plaza, G.T. Road
Gujranwala. 3859290
Fax: 3859190

Qasim Ayub
Senior Vice President
(Development)

SAHIWAL
Sahiwal Branch

1st Floor 15, Sattar Complex
Stadium Road, Sahiwal
4220522 - 4221622
Fax: 4220622

Muhammad Ashfaq
Assistant Vice President

SARGODHA
Sargodha Branch

32, 2nd Floor
Rehman Trade Center
University Road, Sargodha
3721381 - 3728253
Fax: 3729023

Abdul Shakoor Piracha
Senior Vice President

SIALKOT
Sialkot Branch

1st Floor, Riaz Plaza, Paris Road
Sialkot. 4267001-3
Fax: 052-4292280

Mohammad Naeem Ahsan
Senior Vice President

Fazal-Ur-Rehman Butt
Assistant Vice President

Mudassir Atif Baig
Manager (Development)

ISLAMABAD REGION

2nd Floor, Ferozsons Building
32 Saddar Road, Rawalpindi
Cantt., Rawalpindi. 5514323
5563065 5562024 5516085
Fax: 5565406

M. Akbar Awan
Deputy Managing Director /
Regional Head

Islamabad Main Branch

Kamran Center, 1st Floor, 85
East Jinnah Avenue, Blue Area
Islamabad 2150375-8
Fax: 2150379

Malik Firdaus Alam
Senior Executive Vice President

M. Maroof Chaudhry
Senior Vice President

Amir Alvi
Vice President

Waqas Ahmed Sheikh
Vice President

Ejaz Ahmed
Executive Vice President
(Development)

Imdadullah Awan
Executive Vice President
(Development)

Somia Ali
Executive Vice President
(Development)

Zaka Ullah Khan
Senior Vice President
(Development)

Atif Muzaffar
Assistant Vice President
(Development)

Qazi Altaf Hussain
Chief Manager (Development)

Muhammad Ali Junaid
Manager (Development)

Rawalpindi Division

2nd Floor, Ferozsons Building
32 Saddar Road, Rawalpindi Cantt.
Rawalpindi
5794634 - 5563065 5562024
5516085 - 5514323
Fax: 5565406

Syed Aftab Hussain Zaidi, M.A., M.B.A.
Executive Director

Rehan Ul Haq Qazi
Executive Vice President

Saifullah
Executive Vice President

Muhammad Mobeen
Senior Vice President

Noman Mehboob, A.C.I.I.
Senior Vice President

Muhammad Haroon Akbar
Senior Vice President
(Development)

Akhtar Ali
Chief Manager (Development)

Zafar Ali Khokhar
Chief Manager (Development)

City Branch Rawalpindi

2nd Floor, Ferozsons Building
32 Saddar Road, Rawalpindi Cantt.
Rawalpindi. 5584563 - 5516882
5794684. Fax: 5794685

Agha Ali Khan
Senior Vice President

Faraz Javed
Senior Vice President
(Development)

Syed Zeeshan Abbas Abidi
Assistant Vice President
(Development)

Shehzad Akhtar
Chief Manager (Development)

ABBOTTABAD

112 Iqbal Shopping Complex
The Mall. 336371, 334186

Ejaz Ali
Chief Manager (Development)

GOTH MACHI
Goth Machi Branch

6, Commercial Area, (F.F.C.)
Distt. Rahim Yar Khan
5954550, Ext: 5154. Fax: 5954518

Altaf Hussain
Assistant Vice President

Peshawar Branch

2nd Floor, Mall Tower, 35, The Mall,
Peshawar. 5608508 - 5608504
5608507 - 5608503. Fax: 5608506

S. M. Aamir Kazmi, LL.B.
Executive Vice President

Salimullah Khan, M.Com
Senior Vice President

Ali Farman, M.A.
Vice President

Najma Riaz, M.A.
Vice President

Inayatullah Khalil
Senior Vice President
(Development)

Muhammad Riaz
Chief Manager (Development)

Khyzar Hayat, M.A.
Manager (Development)

Zia-ul-Hasan
Manager (Development)

Jamrud Road Branch

7 -10, Upper Ground Floor
Azam Tower, Jamrud Road
Peshawar. 5846120 - 5850190
Fax: 5846121

Farman Ali Afridi B.E.
Executive Vice President

Taimoor Zaib
Assistant Vice Presidnet
(Development)

MARDAN (Sub Office)

Room No. 18, 2nd Floor
Arman Tower Moqaam
Chowk Mardan
0937-862294
Fax: 866096

Arshad Iqbal, M.B.A.
Vice President (Development)

Branch Network of Window Takaful Operations

Central Division
Corporate Division
Jinnah Division
Metropolitan Division
Multan Division
SITE Division

Northern Zone

Lahore Division
Bank Square Branch, Lahore
Al-Hamd Branch
Rawalpindi Division

GENERAL

Form Of Proxy

I / We ____

of ____

being a member of E F U GENERAL INSURANCE LIMITED hereby appoint

Mr. ____

of ____

or failing him ____

of ____

as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 87th Annual General Meeting of the Company to be held on Friday March 27, 2020 at 10:00 a.m. and at any adjournment thereof.

Signed this ______________ day of ______ 2020.

WITNESSES:

1. Signature: ______________________
   Name: ______________________
   Address: ______________________
   ____
   CNIC Or Passport No: ______________________

Revenue Stamp

Signature of Member(s)

2. Signature: ______________________
   Name: ______________________
   Address: ______________________
   ____
   CNIC Or Passport No: ______________________

Shareholder's Folio No. ______________
and / or CDC
Participant I.D.No. ______________
and Sub Account No. ______________

Important:

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Kamran Centre, 1st Floor, 85 East, Jinnah Avenue, Blue Area Islamabad, not later than 48 hours before the time appointed for the meeting.

CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

پراکسی فارم

میں/ہم ____

ساکن ____

بحیثیت ممبر ای ایف یو جنرل انشورنس لمیٹڈ بذریعہ ہذا مسمی ____________________

ساکن ____

کو یا ان کی عدم دستیابی کی صورت میں مسمی ____________________

ساکن ____

کو اپنی/ ہماری جانب سے پراکسی مقرر کر رہا/ رہی ہوں تا کہ وہ جمعہ ۲۷ مارچ ۲۰۲۰ء بوقت ۱۰:۰۰ بجے صبح منعقد ہونے والے ۸۷ ویں سالانہ اجلاسِ عام یا اس کے کسی بھی التواء میں میری/ ہماری جگہ شرکت کرے اور ووٹ ڈالے۔

دستخط بروز ________ بتاریخ ________ ۲۰۲۰ء

گواہان:

۱۔ دستخط: ____________________

نام: ____________________

پتہ: ____________________

____

سی این آئی سی یا پاسپورٹ نمبر ____________________

ریونیو اسٹیمپ

ممبر (ممبران) کے دستخط

۲۔ دستخط: ____________________

نام: ____________________

پتہ: ____________________

____

سی این آئی سی یا پاسپورٹ نمبر ____________________

شیئر ہولڈر کا فولیو نمبر اور/ یا سی ڈی سی ____________________

پارٹیسپینٹ کا آئی ڈی نمبر ____________________

اور ذیلی اکاؤنٹ نمبر ____________________

اہم نوٹ:

پراکسی کا یہ فارم جو ہر طرح سے مکمل ہو، لازماً کمپنی کے رجسٹرڈ آفس واقع کامران سینٹر، پہلی منزل، ۸۵ ایسٹ، جناح ایونیو، بلیو ایریا، اسلام آباد میں اجلاس کے طے شدہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرا دیا جائے۔

سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز سے درخواست ہے کہ ہر ایک اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) یا پاسپورٹ کی مصدقہ نقل کمپنی کو پراکسی فارم جمع کرانے سے قبل اس کے ساتھ منسلک کرے۔

سی ڈی سی شیئر ہولڈرز یا ان کے پراکسیز سے درخواست ہے کہ اپنے اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ بشمول پارٹیسپینٹ کا آئی ڈی نمبر اور ان کے اکاؤنٹ نمبر اپنی شناخت میں سہولت کی غرض سے سالانہ اجلاسِ عام میں شرکت کے وقت ہمراہ لائیں۔

GENERAL

Form Of E-Voting

I / We ____

of ______________________________ being a member of EFU GENERAL INSURANCE LIMITED hereby opt for e-voting through intermediary as proxy and will exercise e-voting as per the Companies (Postal Ballot) Regulations, 2018 and hereby demand for poll for resolutions at the Annual General Meeting of the Company to be held on Friday March 27, 2020 at 10:00 a.m. and at any adjournment thereof.

My secured email address is ______________________________, please send login details, password and electronic signature through email.

Signed this ____________ day of ______ 2020.

WITNESSES:

1. Signature: ______________________
   Name: ______________________
   Address: ______________________
   ____
   CNIC Or Passport No: ______________________

Revenue Stamp

Signature of Member(s)

2. Signature: ______________________
   Name: ______________________
   Address: ______________________
   ____
   CNIC Or Passport No: ______________________

Shareholder's Folio No. ____________
and / or CDC
Participant I.D.No. ____________
and Sub Account No. ____________

Note:

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Kamran Centre, 1st Floor, 85 East, Jinnah Avenue, Blue Area, and Islamabad or through email: amin.punjani@efuinsurance.com.

ای۔ووٹنگ فارم

میں/ہم ______________ ساکن ______________
بحیثیت ای ایف یو جنرل انشورنس لمیٹڈ کی/ کے ممبر بذریعہ ہذا ای۔ووٹنگ کیلئے بذریعہ ثالثی بطور پراکسی کی اجازت دیتا ہوں/ دیتے ہیں اور یہ کمپنیز (پوسٹل بیلوٹ) ریگولیشنز ۲۰۱۸ء کے مطابق ای۔ووٹنگ کا حق استعمال کریں گے اور بذریعہ ہذا کمپنی کے سالانہ اجلاسِ عام منعقدہ بروز جمعہ ۲۷ مارچ ۲۰۲۰ء بوقت صبح ۱۰:۰۰ بجے یا کسی زیرِ التواء تاریخ پر میں قرارداد کیلئے پول کا مطالبہ کرتا ہوں/کرتے ہیں۔

میرا محفوظ ای میل ایڈریس ______________ ہے۔ برائے مہربانی لاگ ان تفصیلات، پاس ورڈ اور الیکٹرونک دستخط بذریعہ ای میل ارسال کریں۔

دستخط بروز ______ بتاریخ ______ ۲۰۲۰ء

گواہان:

۱۔ دستخط: ______________
نام: ______________
پتہ: ______________
____
سی این آئی سی یا پاسپورٹ نمبر ______________

ریونیو اسٹیمپ

ممبر (ممبران) کے دستخط

۲۔ دستخط: ______________
نام: ______________
پتہ: ______________
____
سی این آئی سی یا پاسپورٹ نمبر ______________

شیئر ہولڈر کا فولیو نمبر اور/ یا سی ڈی سی ______________
پارٹیسپنٹ کا آئی ڈی نمبر ______________
اور ذیلی اکاؤنٹ نمبر ______________

نوٹ:

پراکسی کا یہ فارم باقاعدہ مکمل کر کے لازماً کمپنی کے رجسٹرڈ آفس واقع کامران سینٹر، پہلی منزل، ۸۵ ایسٹ، جناح ایونیو، بلیو ایریا، اسلام آباد یا بذریعہ ای میل: amin.punjani@efuinsurance.com ارسال کریں۔

GENERAL

Bank Mandate Form

Date ___________________

Bank Mandate Form For Electronic Credit of Cash Dividend

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information:

(i) Shareholder's detail	
Name of Shareholder	
Folio No. / CDC Account No.	
CNIC No.	
Passport No. (in case of foreign shareholder)	
Cell Number of Shareholder	
Landline Number of Shareholder, if any	
E-mail Address	

(ii) Shareholder's bank detail	
Title of the Bank Account	
IBAN **"24 Digits"**	
Bank's Name	
Branch Name and Code No.	
Branch Address	

It is stated that the above mentioned information is correct and in case of any change therein, I/we will immediately intimate to my Broker / CDC Participant / CDC Investor Account Services or Share Registrar accordingly.

____

Signature of Shareholder

You are requested to kindly send this Form duly filled in and signed along with legible photocopy of your valid CNIC to your Broker / CDC Participant / CDC Investor Account Service (in case your shareholding is in Book Entry Form) or in case your shareholding is in physical form to our Share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S., Shahra-e-Faisal, Karachi-74400, Pakistan.

بینک مینڈیٹ فارم

تاریخ ____________

بینک مینڈیٹ فارم برائے نقد منافع منقسمہ کا الیکٹرونک کریڈٹ

معزز شیئر ہولڈر،

آپ کو بذریعہ ہٰذا اطلاع دی جاتی ہے کہ کمپنیز ایکٹ ۲۰۱۷ء کے سیکشن ۲۴۲ کے مطابق نقد کی صورت میں قابل ادائی کوئی بھی منافع منقسمہ صرف بذریعہ الیکٹرونک طریقہ کار براہِ راست استحقاق کے حامل شیئر ہولڈر کی جانب سے نامزد کردہ بینک اکاؤنٹ میں جمع کرادیا جائے گا۔ برائے مہربانی آگاہ رہیں کہ منافع منقسمہ کی ادائیگیوں کیلئے بینک مینڈیٹ فراہم کرنا لازم ہے اور اس قانونی شرط پر عملدرآمد کے ضمن میں اور اپنے بینک اکاؤنٹ میں منافع منقسمہ کی رقم براہِ راست جمع کرانے کی سہولت حاصل کرنے کے لئے آپ سے درخواست ہے کہ درج ذیل معلومات فراہم کریں۔

(i) **شیئر ہولڈر کی تفصیل**	
شیئر ہولڈر کا نام	
فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر	
سی این آئی سی نمبر	
پاسپورٹ نمبر (غیر ملکی شیئر ہولڈر ہونے کی صورت میں)	
شیئر ہولڈر کا موبائل نمبر	
شیئر ہولڈر کا لینڈ لائن نمبر، اگر کوئی ہو	
ای میل ایڈریس	

(ii) **شیئر ہولڈر کے بینک کی تفصیل**	
بینک اکاؤنٹ کا ٹائٹل	
آئی بی اے این **"۲۴ ہندسوں پر مشتمل"**	
بینک کا نام	
برانچ کا نام اور کوڈ نمبر	
برانچ کا پتہ	

یہ واضح کیا جاتا ہے کہ مذکورہ بالا معلومات درست ہیں اور ان میں کسی بھی تبدیلی سے میں/ہم فوری طور پر اپنے بروکر/سی ڈی سی پارٹیسپینٹ/سی ڈی سی انویسٹر اکاؤنٹ سروسز یا شیئر رجسٹرار کو لازمی آگاہ کروں گا۔

____

شیئر ہولڈر کے دستخط

آپ سے درخواست ہے کہ اس فارم کو مکمل طور پر بھریں اور دستخط شدہ صورت میں اپنی کارآمد اور واضح سی این آئی سی کی کاپی کے ساتھ اپنے بروکر/سی ڈی سی پارٹیسپینٹ/سی ڈی سی انویسٹر اکاؤنٹ سروس (شیئر ہولڈنگ بک انٹری کی صورت میں) یا اپنی شیئر ہولڈنگ فزیکل ہونے کی صورت میں ہمارے شیئر رجسٹرار، سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، ۹۹۔بی، بلاک۔بی، ایس ایم سی ایچ ایس، شاہراہِ فیصل، کراچی۔۷۴۴۰۰، پاکستان کو ارسال کردیں۔