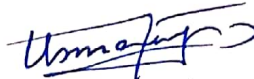


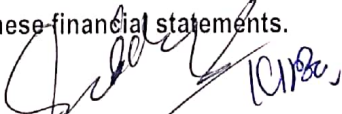
THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020


Assets	Note	2020 Rupees	Restated 2019 Rupees	As on 01-01-2019 Rupees
Property and equipment	5	2,216,184,198	2,220,483,727	2,223,077,152
Intangible assets	6	268,800	358,400	448,000
Investment property	7	68,818,000	68,370,750	67,923,500
Investments				
Equity securities	8	96,895,006	67,631,849	55,358,882
Term deposits	9	3,011,450	3,011,450	3,011,450
Deposits and sundry receivables	10	1,840,911	5,091,517	4,027,540
Insurance / reinsurance receivables - premium due but unpaid		402,859	555,721	10,226
Reinsurance recoveries against outstanding claims		130,994	106,442	41,415
Deferred commission expense		1,896,672	2,571,660	1,416,540
Security deposits	11	59,400	59,400	71,344
Taxation - payments less provision		2,086,347	2,030,128	1,852,556
Prepaid reinsurance premium ceded		1,643,884	2,300,606	1,185,965
Cash and bank balances	12	14,731,473	13,218,221	7,340,711
Total Assets		2,407,969,994	2,385,789,871	2,365,765,281
Equity and Liabilities				
Capital and reserves attributable to Society's equity holders				
Ordinary share capital	13	500,032,400	500,032,400	500,032,400
Reserves	14	1,765,411,502	1,747,022,475	1,808,500,359
Unappropriated profit		79,804,693	78,838,207	8,592,840
Total equity		2,345,248,595	2,325,893,082	2,317,125,599
Liabilities				
Underwriting provisions				
Outstanding claims including IBNR		1,564,877	1,378,182	733,920
Unearned premium reserves		10,926,437	17,076,866	9,549,846
Premium deficiency reserve		-	125,473	4,198,648
Unearned reinsurance commission	15	306,162	153,012	194,499
Deferred taxation	16	46,075,041	35,629,971	30,010,436
Insurance / reinsurance payables		401,224	1,425,495	493,306
Lease Liability	17	978,919	1,197,538	1,398,600
Unclaimed dividend		242,330	242,330	242,330
Other creditors and accruals	18	2,226,409	2,667,922	1,818,097
Total liabilities		62,721,399	59,896,789	48,639,682
Total equity and liabilities		2,407,969,994	2,385,789,871	2,365,765,281
Contingencies and commitments	19			

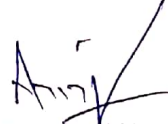
The annexed notes 1 to 38 form an integral part of these financial statements.


Usman Amjad
Chief Financial Officer


Fatah Khan Niazi
Chief Executive Officer


Mr. Saddique Akbar
Director

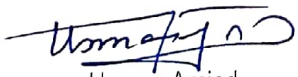

Ch. Ahsan Mahmood
Director


Sh. Aziz-ul-Haq Paracha
Chairman

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Note</u>	<u>2020</u> <u>Rupees</u>	<u>Restated</u> <u>2019</u> <u>Rupees</u>
Net insurance premium	20	26,472,863	23,463,541
Net insurance claims	21	(4,062,466)	(768,303)
Net commission	22	(3,833,547)	(3,323,184)
Insurance claims and acquisition expenses		(7,896,013)	(4,091,487)
Premium deficiency reserve		125,473	4,073,175
Management expenses	23	(14,700,997)	(17,509,606)
		(14,575,524)	(13,436,431)
Underwriting results		4,001,326	5,935,623
Investment income	24	2,271,514	2,603,719
Rental income from investment property		8,213,337	7,829,067
Other income	25	618,851	879,274
Other expenses	26	(13,433,607)	(14,128,779)
Results of operating activities		(2,329,905)	(2,816,719)
Finance cost - lease finance charges		(215,333)	(211,091)
Profit before tax		1,456,088	2,907,813
Income tax expense	27	(2,877,416)	(3,013,887)
Loss after tax		(1,421,328)	(106,074)
Loss per share - Basic	32	(0.028)	(0.002)

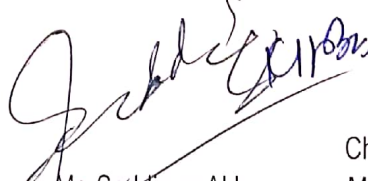
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Usman Amjad


Chief Financial Officer


Fatah Khan Niazi

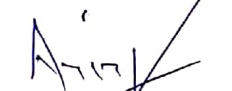
Chief Executive Officer


Mr. Saddique Akbar

Director


Ch. Ahsan Mahmood

Director


Sh. Aziz-ul-Haq Paracha

Chairman

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Note</u>	<u>2020</u> <u>Rupees</u>	Restated 2019 <u>Rupees</u>
Loss after taxation		(1,421,328)	(106,074)
Other Comprehensive Income			
Unrealized gain on available for sale investments	8.2	29,263,156	12,497,968
Deferred tax attributable to unrealized gain on available for sale investments		(8,486,315)	(3,624,411)
Other Comprehensive Income for the year		20,776,841	8,873,557
Total comprehensive income for the year		19,355,513	8,767,483

The annexed notes 1 to 38 form an integral part of these financial statements.

 Usman Amjad Chief Financial Officer	 Fatah Khan Niazi Chief Executive Officer	 Mr. Saddique Akbar Director	 Ch. Ahsan Mahmood Director	 Sh Aziz-ul-Haq Paracha Chairman
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THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	Rupees.....						
	Share Capital	Reserves			Unappropriated profit	Total	
		Revaluation surplus	Capital reserves	Fair value reserves			Revenue
Paid up Share Capital	General reserve						
Balance as at 01-01-2019 as previously reported	500,032,400	1,764,051,651	3,295,965	35,814,595	5,338,148	1,808,500,359	2,317,125,599
Effects for the change in accounting policy (note - 4.35)	-	(67,837,953)	-	-	-	(67,837,953)	-
Balance as at 01-01-2019 as restated	500,032,400	1,696,213,698	3,295,965	35,814,595	5,338,148	1,740,662,406	2,317,125,599
Total comprehensive income for the year - net of tax, restated							
Loss for the year after taxation	-	-	-	-	-	-	(106,074)
Other comprehensive income for the year	-	-	8,873,557	-	-	8,873,557	8,873,557
Transactions with the society's owners							
Surplus transferred to unappropriated profit on account of incremental depreciation charged during the year net off deferred tax	-	(2,513,488)	-	-	-	(2,513,488)	2,513,488
Balance as at 31-12-2019 - restated	500,032,400	1,693,700,210	3,295,965	44,688,152	5,338,148	1,747,022,475	2,325,893,082
Total comprehensive income for the year - net of tax							
Loss for the year after taxation	-	-	-	-	-	-	(1,421,328)
Other comprehensive income for the year	-	-	-	20,776,841	-	20,776,841	20,776,841
Transactions with the society's owners							
Surplus transferred to unappropriated profit on account of incremental depreciation charged during the year net off deferred tax	-	(2,387,814)	-	-	-	(2,387,814)	2,387,814
Balance as at 31-12-2020	500,032,400	1,691,312,396	3,295,965	65,464,993	5,338,148	1,765,411,502	2,345,248,595

The annexed notes 1 to 38 form an integral part of these financial statements.



Usman Amjad
Chief Financial Officer



Fatah Khan Niazi
Chief Executive Officer



Mr. Sadique Akbar
Director



Ch. Ahsan Mahmood
Director



Sh. Aziz-Ul-Haq
Paracha
Chairman

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Note</u>	<u>2020</u> <u>Rupees</u>	<u>2019</u> <u>Rupees</u>
Operating activities			
a) Underwriting Activities			
Premium received		24,099,971	32,729,866
Reinsurance premium paid		(3,992,224)	(2,542,507)
Claims paid		(3,988,970)	(201,070)
Reinsurance and other recoveries received		88,647	12,000
Commission paid		(3,434,490)	(4,774,688)
Commission received		429,081	254,897
Other underwriting payments		(4,719,466)	(5,396,859)
Other underwriting receipts		4,619,636	5,770,507
Net cash inflows from underwriting activities		13,102,185	25,852,146
b) Other operating activities			
Income tax paid		(974,881)	(971,335)
Finance cost paid		(215,333)	(211,091)
General management expenses paid		(14,700,997)	(17,509,606)
Other operating payments		(6,115,508)	(8,957,351)
Other operating receipts		164,601	131,256
Net cash outflows from other operating activities		(21,842,119)	(27,518,128)
Total cash outflows from all operating activities		(8,739,934)	(1,665,982)
Investment activities			
Profit / return received on deposit with PPCBL		56,750	60,571
Dividends received		2,214,764	2,543,148
Rent received		8,224,891	6,691,722
Proceeds from disposal of property and equipment		2,500	370,914
Lease payments		(218,619)	(201,062)
Purchase of property and equipment		(27,100)	(1,921,800)
Net cash inflows from investing activities		10,253,186	7,543,493
Net Financing Activities		-	-
Net cash flows from financing activities		-	-
Net cash flow from all activities		1,513,252	5,877,511
Cash and cash equivalents at beginning of the year		13,218,221	7,340,711
Cash and cash equivalents at end of the year	12	14,731,473	13,218,221

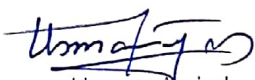

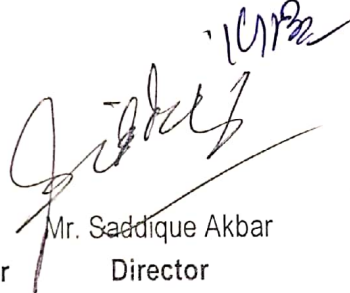


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	2020 <u>Rupees</u>	2019 <u>Rupees</u>
<u>Reconciliation of operating cash flows to the statement of profit or loss:</u>		
Operating cash flows	(8,739,934)	(1,666,365)
Depreciation of property and equipment	(4,321,243)	(4,497,142)
Amortization of intangible asset	(89,600)	(89,600)
Fair value of investment property	447,250	447,250
(Decrease) / increase in assets other than cash	(4,654,407)	4,109,890
Decrease / (increase) in liabilities other than running finance	7,401,841	(5,838,631)
Interest, dividend, rental income and deferred tax expense	8,534,765	7,428,524
	<u>(1,421,328)</u>	<u>(106,074)</u>
Loss after taxation		

Cash and cash equivalents for the purposes of the Statement of Cash Flows consists of:

Cash in hand		629,515	460,162
Cash at bank in current accounts		<u>14,101,958</u>	<u>12,758,059</u>
	12	<u>14,731,473</u>	<u>13,218,221</u>

The annexed notes 1 to 38 form an integral part of these financial statements.

 Usman Amjad Chief Financial Officer	 Fatah Khan Niazi Chief Executive Officer	 Mr. Saddique Akbar Director	 Ch. Ahsan Mahmood Director	 Sh Aziz-ul-Haq Paracha Chairman
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THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1 Legal Status and Nature of Business

The Cooperative Insurance Society of Pakistan Limited (the "Society" or "Society") was incorporated as a Cooperative Society under the Cooperative Societies Act, 1925 on August 6, 1949 and is engaged in General Insurance Business. The registered office of the society is situated at Cooperative Insurance Building, 23 Shahrah-e-Quaid-e-Azam, Lahore.

2 Basis of Preparation and Statement of Compliance

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as are notified under the Companies Act, 2017; Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017. In case requirements differ, the provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017 shall prevail.

2.2 Basis of Measurement

These accounts have been prepared under the historical cost convention without taking into account the effects of inflation except for the following financial / non-financial assets. All the transactions reflected in these financial statements are on an accrual basis, except for those reflected in the statement of cash flows. The financial / non-financial assets carried at values other than cost are as follows:

- o Land and buildings classified as owner occupied property and recognized as property and equipment in accordance with IAS-16, carried under revaluation model;
- o Investment property recognized under IAS-40, carried at fair value;
- o Available for sale investments recognized under IAS-39, carried at fair value with the corresponding change in fair value through the statement of other comprehensive income;

2.3 Use of Judgments and Estimates

The preparation of these 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 year of the revision and future periods if the revision affects both current and future periods.

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

	<u>Note</u>
Provision for unearned premiums	4.2
Premium deficiency reserve	4.4
Premium due but unpaid	4.5
Provision for outstanding claims (including IBNR)	4.7
Fair values, useful lives of property and equipment and impairment factor	4.11
Useful lives of Right of use assets and impairment factor	4.12
Useful lives of intangible assets and impairment factor	4.15
Fair values of investment property	4.16
Provision for current and deferred taxation	4.18
Impairment of financial and non-financial assets	4.23
Provision for receivable balances doubtful of recovery	4.32

ICB

2.4 Standards, interpretations and amendments with respect to the approved accounting standards that are effective during the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Society's accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or do not have any significant effect on the Society's operations and therefore not stated in these financial statements. Other major amendments and interpretations to the standards that are effective during the year are detailed below. However, these interpretations and amendments do not have any material financial impact on the financial position and financial performance of the society.

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 1 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.

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 1 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.

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.

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.

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.

2.5 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

The following standards, amendments and interpretations of accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after 01 January 2021:

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.

YCB

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 the statement of profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Society has determined that it is eligible for the temporary exemption option since the Society 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 Society doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Society can defer the application of IFRS 9 until the application of IFRS 17.

3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the Society's functional and presentation currency.

4 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied to all the years presented, unless otherwise stated.

4.1 Investments

All investments are initially recognized at cost, being the fair value of the consideration given (including transaction costs). All the 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 society commits to purchase or sell the investments. The classification of investments depends on the purpose for which these were acquired. The Society has not classified any investments at "fair value through profit or loss" as at the date of the statement of financial position.

4.1.1 Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity that the Society has both intent and ability to hold to maturity. Subsequent to initial recognition, these investments are measured at amortized cost less any accumulated impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method.

These investments are reviewed for impairment at year end and any losses arising from impairment in values are charged to the statement of profit or loss.

4.1.2 Available-for-sale

Available for sale investments are those non-derivative financial instruments that are not eligible to be classified as "fair value through profit or loss" or "held to maturity" are designated as 'available-for-sale'. At the time of acquisition, these investments are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Subsequent to the 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 and accumulated in statement of changes in equity. On derecognition or impairment of these investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to the statement of profit or loss for the year in which these are derecognized. In case of any reversal in impairment, the amounts so reversed are taken to the statement of comprehensive income.

Quoted available-for-sale investments are remeasured at fair value subsequent to initial recognition. Gains or losses on investments on remeasurement of these investments are recognized in the statement of comprehensive income. The value of unquoted available-for-sale investments has been included on the basis of breakup value as per the latest available financial statements placed on the official website of the investee companies.

These are reviewed for impairment at each reporting date and any losses arising from impairment in values are charged to the statement of profit or loss.

ICPA

4.1.3 Derivatives

Derivative instruments held by the society 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 the assets and derivatives with negative market values (unrealized losses) are included in liabilities in the statement of financial position. The revaluation gains and losses are included in the statement of profit or loss.

4.2 Unearned Premium Reserve

The unearned premium reserve is the unexpired portion of the premium including administrative surcharge, which relates to business in force at the reporting date. Unearned premiums have been calculated by applying 1/24th method as specified in the Insurance Rules, 2017.

4.3 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.

4.4 Premium Deficiency Reserve

The Society determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose, the average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. Evaluation of adequacy of liability of premium deficiency reserve 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 reporting date in respect of policies in force at reporting 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 statement of profit or loss for the year.

The expected ultimate net claim ratios for the unexpired periods of policies in force at the reporting date for each class of business is as follows:

	<u>2020</u>	<u>2019</u>
- Fire and property damage	2.28%	2.93%
- Motor	9.78%	16.18%
- Miscellaneous	4.08%	4.42%

4.5 Premium due but Unpaid

These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. The society regularly assesses the allowance for uncollectibles based on the ageing analysis of the policy holders, credit history of timely receipts from the customers is tracked to identify doubtful balances, regular appraisals of the financial soundness of the policy holders through questionnaires for the possible constraints on the liquidity of the customers in response to adverse impacts on the business economy to determine the estimate of balances that may be impaired. Based on the management's assessment, if there are reasons to believe that certain balances are impaired and there is objective evidence that the recoverability of the premium due is not assured or impaired, the allowance for uncollectibles is made in the financial statements.

4.6 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts. It includes related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

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4.7 Provision for Outstanding Claims (including IBNR)

The Society recognizes liability in respect of all claims incurred up to the reporting date, and the liability is measured at the undiscounted value of expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported ("IBNR"), expected claims settlement costs.

The SECP, through its circular 9 of 2016 dated March 9, 2016, issued "Guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016" for non-life insurance companies, with the requirement that all provisions of these guidelines be complied with, with effect from July 1, 2016. The Guidelines require that this provision be estimated for each class of business, using the prescribed "Chain Ladder Method" or an alternate method as allowed under the provisions of the Guidelines.

An actuarial valuation / estimation as at December 31, 2018 has been carried out by an independent firm of actuaries namely; Messrs Nauman Associates for determination of IBNR for each class of business. The actuaries appointed by the management of the Society represent that the Society has a low count of claims in all lines of business, as a result of which there is insufficient data to develop triangles necessary for reserve estimation pursuant to the "Chain Ladder Method". Accordingly, an alternative method has been adopted by the actuaries whereby IBNR reserves are estimated at 5% of the earned premiums.

4.8 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.

4.9 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 Society's right to receive the same are established.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, policy stamps and bank balances in current accounts.

4.11 Property and equipment - Operating fixed assets

Owned

Items of property and equipment except freehold land and building are stated at cost less accumulated depreciation and impairment in value, if any. Building is stated at the revalued amount less accumulated depreciation and impairment in value, if any. Land is stated at revalued amount less accumulated impairment in value, 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"

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 benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to the statement of profit or loss currently.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Society and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss.

Increase in the carrying amounts arising on revaluation of land and buildings are recognized, net of tax, in other comprehensive income and accumulated in capital reserve i.e. revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, and all other decreases are charged to profit or loss.

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The Society reviews the useful lives of property and equipment on a regular basis. Any change in the estimates in the future years might affect the carrying amount of the respective items of property and equipment with a corresponding effect on depreciation and impairment.

Depreciation is charged to the income statement after applying the reducing balance method at the rates specified in Note 5. 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 statement of profit or loss and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from surplus on revaluation of property and equipment to unappropriated profit through the statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year. Assets' residual values and useful lives are reviewed and adjusted at each reporting date, if impact on depreciation is significant.

In respect of additions and disposals during the year, depreciation is charged from the month in which the asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed of.

An item of property and equipment is derecognized when it is probable that no future economic benefits will flow to the society from its use or disposal. Gains and losses on disposals of an asset are determined by comparing the sale proceeds with the carrying amounts of the asset disposed of and are recognized in the statement of profit or loss when the asset is disposed of.

4.12 Right-of-use assets and their related lease liability

Right of-use assets

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The company mainly lease properties for its operations and recognize a right of use asset with the corresponding lease liability at the lease commencement date. On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation and accumulated impairment losses, and are adjusted for any remeasurements of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. The estimated useful lives of assets are determined on the same basis as that for owned assets, the right of use assets are periodically reduced by impairment losses, if any.

Right-of-use assets are depreciated from the commencement date to the earlier of the end of their expected useful lives or end of lease term using the reducing balance method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

4.13 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. Under this method, the lease liability is subsequently increased by the finance cost on the lease liability and decreased by lease payments made. The lease liability is also remeasured to reflect any reassessment or change in lease terms i.e. when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised or a change in the estimate of the amount expected to be payable under a residual value guarantee. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Society has elected not to recognize right of use assets asset and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expense on a straight line basis over the lease term.

4.14 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 fixed assets.

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4.15 Intangible Assets

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the Society. Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expense incidental to bring the asset for its intended use.

Expenditure which enhances the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Amortization is provided on a straight line basis at the rate specified in note 6 to these financial statements. Amortization on addition to intangible assets is charged from the month of addition while no amortization is charged for the month of disposal or deletion of assets.

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.

4.16 Investment property

Investment Property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in production or supply of goods or services as for administrative purpose.

The Society's investment property comprises of land and building which is carried at fair value less identified impairment loss, if any. Where a significant portion / area of a building or a separate building is rented out to earn rentals or for capital appreciation, the property or the premises so rented out are classified as investment property. In case the significant portion of property is being utilized by the owner; and that the rental portion can also not be sold out, such property will remain be grouped under the head "Property and equipment" in accordance with the provision of IAS 40, "Investment Property".

An investment property is initially recognized at cost which is the fair value of the consideration paid. Subsequent to each reporting period it is measured at fair value with a corresponding change in profit or loss. In case an owner occupied property is transferred from operating fixed assets after revaluation to investment property, the revalued amount will be the fair value of such investment property on the date of transfer. However, the revaluation surplus arising on investment property shall be credited to "Surplus on revaluation of property, plant and equipment" and treated as mentioned in note - 4.11 above.

In case where a property qualifies the recognition criteria of an investment property since inception but was being inadvertently grouped under property and equipment under IAS 16, the same is classified as investment property from the beginning of the earliest period presented and carried at fair value. In this case, the changes in the fair value are recognized in the statement of profit or loss both for the year of change of classification of the property from "Property and equipment" to "Investment Property" and the comparable period while all the previous fair value reserves accumulated as "Surplus on revaluation of property and equipment" in the statement of changes in equity as at the beginning of the earliest period presented pertaining to the investment property is transferred from the "Surplus on revaluation of property and equipment" to "Unappropriated profits / retained earnings" within the statement of changes in equity.

An investment property is derecognized on disposal or when its nature of substance is changed i.e. it becomes owner occupied property and transferred to operating fixed assets or when no future economic benefits are expected from its sale. The gain or loss on disposal or retirement of investment property represented by the difference between the sale proceeds and its carrying amount is recognized as an income or expense in the statement of profit or loss.

4.17 Revenue Recognition

Premium

The revenue recognition policy for premiums is given under note 4.3.

Commission income

The revenue recognition policy for commission income is given under note 4.9.

Investment Income

Income from held-to-maturity investments is recognized on a time proportion basis, taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held-to-maturity investments is amortized and taken to profit or loss over the term of the investment. Gains / losses on sale of available for sale investments are recognized in the statement of profit or loss in the year of sale.

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Dividend income

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

Rental income

Rental income is recognized on accrual basis over the term of lease.

Other miscellaneous receipts are recognized on receipt basis.

4.18 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the statement of profit or loss, 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.

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.

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 reporting 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 calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the financial position date. Deferred tax is charged or credited in the income statement, except where deferred tax arises on the items credited or charged directly to equity in which case it is included in equity.

4.19 Expenses of Management

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

4.20 Zakat

Zakat under the Zakat and Usher Ordinance, 1980 is accounted for in the year of deduction.

4.21 Staff Retirement Benefits - defined contribution plan

The staff retirement benefits comprise of funded provident fund scheme which covers all the permanent employees. Equal contributions are made by both the Society and the employees to the fund at the rate of 8.44% of basic salary.

4.22 Operating Segments

The Society has three primary business segments for reporting purposes, namely; fire, motor vehicles and miscellaneous.

An operating segment is a component of the Society that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Society's other components. All operating segments' results are reviewed regularly by the Society to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

The Society accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and Insurance Rules, 2017 as primary reporting format based on the Society's practice of reporting to the management on the same basis.

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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.

4.23 Impairment

Financial assets

A financial asset is assessed at each reporting 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 indicate that one or more events have had a negative effect on the estimated future cash flow of that asset.

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

If a decline in fair value is significant or prolonged, then there is objective evidence of impairment, regardless of how long the management intends to hold the investment. If there has been a significant or prolonged decline in the market price of investee companies at the reporting date, then the impairment test is performed in accordance with IAS 36.

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

Non-financial assets

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

4.24 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.

Financial assets and financial liabilities are recognized at the time when the Society becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the ownership of the asset. Financial liabilities are derecognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liabilities is recognized in the statement of profit or loss of the current year.

4.25 Offsetting of financial assets and liabilities

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

4.26 Reinsurance Contracts

Contracts entered into by the Society with reinsurers under which the Society cedes insurance risks assumed during normal course of its business and according to which the Society is compensated for losses on insurance contracts issued by the Society 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.

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Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

An impairment review of reinsurance assets is performed at each reporting date. If there is objective evidence that the asset is impaired, the Society reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the statement of profit or loss.

4.27 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 Society.

Provisions are recognized when the Society 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.

4.28 Contingencies and Commitments

These are not accounted for in the financial statements unless these are actual liabilities and are only disclosed when:

- a) there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Society; or
- b) there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events not wholly within the control of the Society.

The Society has disclosed significant contingent liabilities for the pending litigations and claims against the Society based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the financial position date. However, based on the best judgment of the Society and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the statement of financial position date.

4.29 Related party transactions

Transactions with related parties are carried on at arm's length prices, determined in accordance with pricing methods as approved by the Board of Directors, except in rarely extreme circumstances, subject to the approval of the Board, where it is in the interests of the society to do so. Parties are said to be related if they are able to influence the operating and financial decisions of the society.

4.30 Insurance contracts

Insurance contracts are those contracts where the Society (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 Society underwrites non-life insurance contracts that can be categorized into fire damage, marine, 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.

Fire insurance contracts mainly compensate the customers for damage suffered to their property.

Marine provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to 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 are included under miscellaneous insurance cover.

4.31 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

4.32 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 Society 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.

4.33 Earning Per Share

The Society 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 Society 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.

4.34 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

4.35 Change in accounting policy

During the year, the society has changed its accounting treatment for the recognition and measurement of investment properties in line with the requirements of IAS-40, "Investment Property using a fair value model". Previously, the society was following the practice of recognizing land and buildings given on rent under IAS 16, "Property, Plant and Equipment" which was not in accordance with the postulate of investment properties. Accordingly, the society has now adopted the recognition and measurement requirements as laid in IAS 40 to align the accounting treatment of investment property which are not classified as owner occupied property and fall outside its purview. This change in policy has been adopted retrospectively in accordance with the IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors". This change in accounting policy has introduced the presentation of investment property as a separate line item with a corresponding change in fair value through profit or loss in both the years i.e. December 31, 2020 and December 31, 2019. However, the fair value reserves, net of deferred tax, at the beginning of the earliest period presented attributable to this property that had previously been recognized as "Surplus on revaluation of Property and equipment", have now been transferred to unappropriated profit from revaluation reserves within equity.

The recognition of land and building as investment property measured at fair value requires the annual determination of fair value of investment property with a corresponding change in value be recognized in profit or loss. The fair value is determined using the hierarchy levels in accordance with IFRS 13, "Fair Value Measurement". Under the fair value method, the investment properties are not depreciated. The treatment of investment properties in accordance with IAS 40 using a fair value model has resulted in the reversal of depreciation both for the year and prior years while recognizing the fair value gain in the respective periods.

The property classified as investment property has been recognized and measured since the beginning of the earliest period presented based on its latest valuation carried out in September 06, 2018. Similarly, the latest valuation exercise by the independent valuer namely; Messrs Muhammad Siddique Associates (Pvt) Limited were carried out at December 31, 2020 for the year ended December 31, 2019 and December 31, 2020 to recognize the fair value change in the investment property in the statement of profit or loss. As a result of this change in recognition criteria of investment property, the depreciation charge on the operating fixed assets that had previously been recognized has now been recomputed and incorporated in these financial statements retrospectively and the fair value gain has also been recognized in this manner after taking into account the related deferred tax effects.

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The impact of this change in policy is as follows:

	As at 31-12-2019	As at 01-1-2019
Statement of financial position		
Assets		
Decrease in property and equipment	(67,793,825)	(67,923,500)
Increase in investment property	68,370,750	67,923,500
Equity and liabilities		
Decrease in revaluation reserve	(67,746,389)	(67,837,954)
Increase in unappropriated profit	67,837,954	67,837,954
Deferred taxation	66,533	-
Statement of profit or loss		
Increase in profit before taxation fair value gain on investment property	447,250	-
Increase in deferred tax	(66,533)	-
Statement of Other comprehensive income		
Increase in total comprehensive income	380,717	-

4.36 Correction of errors

During the year, an error was discovered in the recognition of incremental depreciation related to revalued assets where the society was directly accounting for the effect of incremental depreciation to the statement of profit or loss rather than within equity. This treatment was not in accordance with the requirements of IAS 16, which requires the incremental depreciation net of deferred tax should be credited from revaluation reserve to retained earnings within equity. However, the society was only charging depreciation in the statement of profit or loss to the extent of historical cost of revalued assets and the incremental depreciation net of deferred tax was charged to revaluation reserve in the statement of changes in equity. This treatment had artificially increased the profit before and after taxation and earnings per share of the society. This error has also been treated in accordance with IAS 8, by restating the figures of the corresponding period.

The impact of this correction of error is as follows:

	As at 31-12-2019	As at 01-1-2019
Statement of financial position		
Equity and liabilities		
Increase in unappropriated profit	976,375	-
Decrease in general reserves	(477,015)	-
Decrease in deferred taxation	(14,001)	-
Statement of profit or loss		
Decrease in profit before taxation	(3,539,413)	-
Decrease in deferred tax	1,026,430	-
Decrease in profit after taxation	(2,512,983)	-
Statement of Other comprehensive income		
Decrease in total comprehensive income	(2,512,983)	-

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5 PROPERTY AND EQUIPMENT

Particulars	Cost / Revaluation		Deletion	As at		Rate	Depreciation		Book Value		Revaluation Surplus	Written Down Value As at 31-12-2020
	As at 01-01-2020	Addition		As at 31-12-2020	As at 01-01-2020		For the year	As at 31-12-2020	As at 31-12-2020			
Owned Assets												
Land	2,345,300	-	-	2,345,300	-	-	-	-	2,345,300	-	-	2,345,300
Land - Revaluation surplus	2,145,842,197	-	-	2,145,842,197	-	-	-	-	2,145,842,197	-	2,145,842,197	2,145,842,197
Buildings	513,824	-	-	513,824	-	-	-	-	513,824	-	-	513,824
Building - Revaluation surplus	93,190,702	-	-	93,190,702	5%	4,446	429,345	4,446	93,190,702	429,345	53,899,245	84,479
Motor vehicles	6,570,680	-	-	6,570,680	20%	3,897,660	29,291,457	3,363,118	4,432,264	29,291,457	53,899,245	53,899,245
Furniture and fixtures	385,116	-	-	385,116	10%	276,143	2,138,415	534,604	276,143	2,138,415	-	2,138,415
Office equipment	338,498	27,100	(7,000)	358,598	10%	26,967	109,973	12,108	114,309	109,973	-	109,973
Cycle	6,085	-	-	6,085	10%	3,644	244,289	(1,614)	3,888	244,289	-	244,289
Sui gas installation	565	-	-	565	10%	405	144	-	421	144	-	144
Right of use Assets												
Vehicles	2,249,192,967	27,100	(7,000)	2,249,213,067	20%	3,941,503	34,547,827	(1,614)	4,323,798	34,547,827	2,209,741,442	2,214,663,043
	2,405,000	-	-	2,405,000	20%	379,740	886,042	-	1,518,958	886,042	-	1,518,958
31-12-2020	2,251,597,967	27,100	(7,000)	2,251,618,067		4,321,243	35,433,869	(1,614)	6,442,756	35,433,869	2,209,741,442	2,216,182,001

Particulars	Cost / Revaluation		Deletion	As at		Rate	Depreciation		Book Value		Revaluation Surplus	Written Down Value As at 31-12-2019
	As at 01-01-2019	Addition		As at 31-12-2019	As at 01-01-2019		For the year	As at 31-12-2019	As at 31-12-2019			
Owned Assets												
Land	2,345,300	-	-	2,345,300	-	-	-	-	2,345,300	-	-	2,345,300
Land - Revaluation surplus	2,145,842,197	-	-	2,145,842,197	-	-	-	-	2,145,842,197	-	2,145,842,197	2,145,842,197
Buildings	513,824	-	-	513,824	5%	4,680	424,899	-	513,824	424,899	-	88,925
Building - Revaluation surplus	93,190,702	-	-	93,190,702	5%	3,540,124	25,928,339	(974,544)	93,190,702	25,928,339	67,262,363	67,262,363
Motor vehicles	6,579,770	1,870,000	(979,090)	6,570,680	20%	4,381,197	3,897,660	(3,328)	4,381,197	3,897,660	-	2,673,020
Furniture and fixtures	390,225	-	(5,109)	385,116	10%	253,722	121,081	(3,328)	385,116	121,081	-	121,081
Office equipment	302,498	51,800	(15,800)	338,498	10%	25,536	88,966	(4,045)	338,498	88,966	-	249,542
Cycle	6,085	-	-	6,085	10%	3,373	244	-	3,373	244	-	244
Sui gas installation	565	-	-	565	10%	387	160	-	405	160	-	160
Right of use assets												
Vehicles	2,248,271,166	1,921,800	(999,999)	2,249,192,967	20%	4,022,467	30,607,938	(981,917)	5,480,469	30,607,938	2,213,104,560	2,218,585,029
	2,405,000	-	-	2,405,000	20%	474,675	1,898,698	-	506,302	1,898,698	-	1,898,698
31-12-2019	2,250,676,166	1,921,800	(999,999)	2,251,597,967		4,497,142	31,114,240	(981,917)	7,379,167	31,114,240	2,213,104,560	2,220,483,727

5.1 The depreciation charge for the year has been allocated to other expenses (note - 26).
 5.2 The carrying values of the items of property and equipment, had there been no revaluation, has been disclosed in note 5 above.

6 INTANGIBLE ASSETS

Particulars	Cost			Amortization			Written Down Value As At 31-12-2020
	Balance 01-01-2020	Addition	Balance 31-12-2020	Rate	For the year	As at 31-12-2020	
Computer Software	448,000	-	448,000	20%	89,600	179,200	268,800
31-12-2020	448,000	-	448,000		89,600	179,200	268,800
31-12-2019	-	448,000	448,000	20%	89,600	89,600	358,400

10/1/2020

7 INVESTMENT PROPERTY

		2020			2019 (Restated)		
Balance as at January 01,	7.1	65,677,500	2,693,250	68,370,750	65,330,000	2,593,500	67,923,500
Fair value adjustments		347,500	99,750	447,250	347,500	99,750	447,250
Balance as at December 31,		66,025,000	2,793,000	68,818,000	65,677,500	2,693,250	68,370,750

7.1 The Society has again revalued its investment property, measured at fair value, as a result of fresh revaluation exercise carried out on December 31, 2020 (previously December 31, 2019) by an independent valuer namely Messrs Muhammad Siddique Associates (Pvt) Limited (PBA's approved valuers in all PVA-0064 - Panels), having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. This exercise resulted in a fair value surplus of Rs. 0.447 million (2019: surplus of Rs. 0.447 million). The basis used for remeasurement / revaluation are the same as disclosed. The fair value of the investment property has been categorized as at Level 2 of fair value hierarchy.

8 EQUITY SECURITIES

Available for Sale

	2020 Rupees	2019 Rupees
8.1	96,895,006	67,631,849

8.1 Available for Sale

Number of Certificates	Face Value Per Certificate	Company's Name	Cost	Surplus / (Deficit)	Fair value
<u>Listed Equities</u>					
779,998	10	Pakistan Re-insurance Company Limited	131,620	21,333,925	21,465,545
5,444	10	Zeal Pakistan Cement Factory Limited	190,555	(188,160)	2,395
196,430	10	Feroze sons Laboratories Limited	181,030	64,717,478	64,898,508
			503,205	85,863,243	86,366,448
<u>Unlisted Equities</u>					
44,426	100	Punjab Provincial Cooperative Bank Limited - shareholder	4,442,600	3,788,355	8,230,955
100	100	National Cooperative Supply Corporation Limited	10,000	2,287,603	2,297,603
			4,452,600	6,075,958	10,528,558
		31-12-2020	4,955,805	91,939,201	96,895,006

Number of Certificates	Face Value Per Certificate	Company's Name	Cost	Surplus / (Deficit)	2019 Rupees Carrying Amount
<u>Listed Equities</u>					
779,998	10	Pakistan Re-insurance Company Limited	131,620	22,808,121	22,939,741
5,444	10	Zeal Pakistan Cement Factory Limited	190,555	(188,160)	2,395
163,692	10	Feroze sons Laboratories Limited	181,030	34,132,087	34,313,117
			503,205	56,752,048	57,255,253
<u>Unlisted Equities</u>					
44,426	100	Punjab Provincial Cooperative Bank Limited - shareholder	4,442,600	3,638,333	8,080,933
100	100	National Cooperative Supply Corporation	10,000	2,285,663	2,295,663
			4,452,600	5,923,996	10,376,596
		31-12-2019	4,955,805	62,676,044	67,631,849

ICRB

	Note	2020 Rupees	2019 Rupees
8.2 The movement in this head of account is as follows:			
Opening balance as at January 01,		67,631,849	55,133,882
Change in Fair value			
Listed equities		29,111,195	6,573,972
Unlisted equities		151,962	5,923,996
		29,263,157	12,497,968
Closing balance as at December 31,		96,895,006	67,631,850

9 TERM DEPOSITS

Held to Maturity	9.1	3,011,450	3,011,450
9.1 Held to Maturity			
State Bank of Pakistan	9.1.1		
Cash Deposit		2,500,600	2,500,600
Defence Savings Certificates		10,850	10,850
Punjab Provincial Cooperative Bank Limited (PPCBL) - shareholder	9.1.2		
Term Deposit		500,000	500,000
		3,011,450	3,011,450

9.1.1 These deposits are held as statutory deposit u/s 29 of the Insurance Ordinance 2000 for an indefinite period. These deposits do not bear any profit / return.

9.1.2 This deposit is kept for a term of one year with a maturity upto December 31, 2021 and is renewable on maturity. It carries profit @ 11.35% per annum (2019: 8.35% per annum).

10 DEPOSITS AND SUNDRY RECEIVABLES

Rent receivable	10.1	1,276,536	1,288,090
Balance with statutory authorities			
Income tax paid under protest		302,804	302,804
Loan to employees		34,000	27,000
Others	10.2	227,571	3,473,623
		1,840,911	5,091,517
10.1 Rent receivable			
Considered good		1,276,536	1,288,090
Considered doubtful		638,583	638,583
		1,915,119	1,926,673
Less: provision for doubtful receivables		638,583	638,583
		1,276,536	1,288,090

The Society recognized a provision against rentals receivable after consideration of a number of factors, including (but not limited to) an analysis of historical bad debt experience, aging of the receivables portfolio, expected future write-offs, the nature and quantum of collateral held, and an assessment of specifically identifiable customer accounts considered at risk or uncollectible.

Movement of the provision is as under:

Opening balance as at January 01,	638,583	706,583
Amounts written off during the year	-	(68,000)
Closing balance as at December 31,	638,583	638,583

10.2 Included within "Other receivables", during last year, was a receivable in the sum of Rs. 3.2 million from a branch of The Punjab Provincial Cooperative Bank Limited ("PPCBL"). This amount was advanced to the branch, as a goodwill gesture and prior to the completion of claim assessment procedures, pursuant to the robbery of insured gold at one of its branches. The Society is of the view that events subsequent to the robbery, including recovery of the stolen amounts, render this amount recoverable from PPCBL. However, during the year the management of the Society has written off this receivable and charged it to claim paid expense.

ICAB

	Note	2020 Rupees	2019 Rupees
11 SECURITY DEPOSITS - against			
Rented premises		50,000	50,000
Utilities		9,400	9,400
		<u>59,400</u>	<u>59,400</u>
12 CASH AND BANK BALANCES			
Cash with banks in current accounts		14,101,958	12,758,059
Cash in hand - policy stamps and petty cash		629,515	460,162
		<u>14,731,473</u>	<u>13,218,221</u>
13 ORDINARY SHARE CAPITAL			
272,257 ordinary shares of Rs 10 each, fully paid up in cash		2,722,570	2,722,570
49,730,983 ordinary shares of Rs 10 each, fully paid up in cash		497,309,830	497,309,830
		<u>50,032,400</u>	<u>50,032,400</u>

13.1 The share capital of the society is held by the following cooperative banks and others:

PATTERN OF SHAREHOLDING

Name of Shareholders	2020		2019	
	Total Number of Shares	Percentage of Shares	Total Number of Shares	Percentage of Shares
The Punjab Provincial Cooperative Bank Limited	36,318,949	73%	36,318,949	73%
The Lahore Central Cooperative Store	3,020,198	6%	3,020,198	6%
The Frontier Cooperative Bank Limited	2,984,458	6%	2,984,458	6%
Others	7,679,635	15%	7,679,635	15%
	<u>50,003,240</u>		<u>50,003,240</u>	

13.2 As per the bye-laws of the society, no member of any society shall have more than one vote in its affairs, provided that in the case of an equality of votes the chairman shall have a casting vote.

14 RESERVES		2020	Restated 2019
		Rupees	Rupees
Capital Reserves			
Capital reserve	14.1	3,295,965	3,295,965
Fair Value Reserve - net off tax	14.2	65,464,994	44,688,153
Revaluation Reserve - net off tax	14.3	1,691,312,395	1,693,700,209
		<u>1,760,073,354</u>	<u>1,741,684,327</u>
General reserve		5,338,148	5,338,148
		<u>1,765,411,502</u>	<u>1,747,022,475</u>

14.1 This represents the reserve created in accordance with the provisions of the bye-laws of the society and will be utilized in a manner as specified therein. This reserve is not available for distribution as dividend to the members.

14.2 FAIR VALUE RESERVE - net off tax

Opening balance as at January 01,		44,688,153	35,814,596
Add: Surplus arose during the year	8.2	29,263,157	12,497,968
Less: Deferred tax attributable to fair value surplus		(8,486,316)	(3,624,411)
		<u>20,776,841</u>	<u>8,873,557</u>
Closing balance as at December 31,		<u>65,464,994</u>	<u>44,688,153</u>

13.2.1 This reserve is not available for distribution as dividend to the members of the society and will be reclassified to profit or loss on the sale of available for sale investments.

ACIB

14.3 REVALUATION RESERVE - net off tax

	2020 Rupees	Restated 2019 Rupees
Opening balance as previously reported, net off deferred tax	1,693,700,209	1,764,051,651
Less: transferred to unappropriated profit (note - 4.35)	-	(67,837,954)
Opening balance - restated	-	1,696,213,697
Less: Incremental depreciation	(3,363,118)	(3,540,124)
Add: Deferred tax liability attributable to incremental depreciation	975,304	1,026,636
	(2,387,814)	(2,513,488)
Closing balance as at December 31,	<u>1,691,312,395</u>	<u>1,693,700,209</u>

The Land and Buildings of the Society were revalued by an independent valuer Messrs Muhammad Siddique Associates (Pvt) Ltd, an approved valuator of Pakistan Bank's Association on September 06, 2018. The basis used for revaluation were as follows:

Freehold land

Fair market value of freehold land was assessed through survey of land, taking into account, the land specifications i.e. the location and condition, inquiries from property dealers / estate agents, recent matured transactions in the vicinity and market trend.

Building on freehold land

All sections of the buildings and civil works with regard to their existence, condition and level of maintenance and a market survey is conducted to obtain the present value rates of construction in the surrounding area. Depending on the age of the building, the depreciation is applied at usual rates of 2.5% per annum on straight line basis to arrive at present market value. Similarly appreciation in value and rates of construction materials and present labour rates are given due consideration while calculating construction rates.

Forced sale value of the items of property, plant and equipment that were revalued on September, 2018 are as follows:

Particulars	Rupees
Land - freehold	1,881,489,875
Buildings	63,476,288
	<u>1,944,966,163</u>

14.3.1 This reserve is not available for distribution as dividend to the members.

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15 UNEARNED REINSURANCE COMMISSION

	2020 Rupees		2019 Rupees	
Commission received or receivable	Commission from reinsurers	Commission from reinsurers	Unearned Commission	
Fire and property damage	79,449	38,881	43,848	16,538
Live stock and others	349,632	237,050	252,536	136,474
	<u>429,081</u>	<u>275,931</u>	<u>296,384</u>	<u>306,162</u>

	Note	2020 Rupees	Restated 2019 Rupees
16 DEFERRED TAXATION	16.1	<u>46,075,041</u>	<u>35,629,971</u>

16.1 The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law permits net settlement. Therefore, they have been offsetted in the statement of financial position as follows:

Deferred tax (assets) / liabilities arising in respect of:

Taxable temporary differences

Accelerated tax depreciation and allowance of assets	18,687,495	19,850,812
Right of use assets, net off related lease liability	156,611	203,337
Fair value of investment property	809,970	781,043
Unrealized gain on available for sale investments	26,662,368	18,176,053

Deductible temporary differences

Tax losses	(241,403)	(3,381,274)
	<u>46,075,041</u>	<u>35,629,971</u>

The reconciliation in this head of account is as follows:

Particulars	Balance as at December 31, 2019	Recognized in statement of profit or loss	Recognized in other comprehensive income	Balance as at December 31, 2020
Right of use assets - net of lease liability	203,337	(46,726)	-	156,611
Fair value of investment property	781,043	28,927	-	809,970
Unrealized gain on available for sale investments	18,176,053	-	8,486,315	26,662,368
Tax losses	(3,381,274)	3,139,871	-	(241,403)
	<u>15,779,159</u>	<u>3,122,072</u>	<u>8,486,315</u>	<u>27,387,546</u>

17 LEASE LIABILITY

The movement in this head of account is as follows:

Opening balance as at January 01,		1,197,538	1,398,600
Less: payments made during the year		(218,619)	(201,062)
Closing balance as at December 31,	17.1	<u>978,919</u>	<u>1,197,538</u>
Less: current portion		(265,386)	(218,619)
Non current portion		<u>713,533</u>	<u>978,919</u>

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17.1 MATURITY OF LEASE TERM

2020		
<i>Minimum Lease Payments</i>	<i>Finance cost for future Period</i>	<i>Present Value</i>
.....Rupees.....		
Not later than one year	433,951	168,565
Later than one year and not later than five years	867,902	154,369
	<u>1,301,853</u>	<u>322,934</u>
		<u>978,919</u>

2019		
<i>Minimum Lease Payments</i>	<i>Finance cost for future Period</i>	<i>Present Value</i>
.....Rupees.....		
Not later than one year	433,952	215,333
Later than one year and not later than five years	1,301,853	322,934
	<u>1,735,805</u>	<u>538,267</u>
		<u>1,197,538</u>

The terms of the leases are as follows:

Lease agreements with United Bank Limited, through third party, is related to lease of a motor vehicle. The liabilities under these arrangements are payable in monthly instalments. Interest rates implicit in the lease is used as discounting factor to determine the present value of minimum lease payments. The lease is for a five years period.

Lease agreement carries purchase option at the end of lease period and the Society intends to exercise its option to purchase the leased assets upon completion of the lease term. Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposit amounting to Rs. 1,082,250.

	2020 <u>Rupees</u>	2019 <u>Rupees</u>
18 OTHER CREDITORS AND ACCRUALS		
Duties and taxes payable	661,828	761,659
Security deposits from tenants - investment property	1,255,000	1,255,000
Bonus payable	9,581	9,581
Other payables	300,000	641,682
	<u>2,226,409</u>	<u>2,667,922</u>

19 CONTINGENCIES AND COMMITMENTS

- 19.1 During the month of November 2017, a claim was intimated regarding burglary at the Punjab Provincial Cooperative Bank Limited (PPCBL), Shuja Abad whereby gold insured by the Society was theft. There is claim of Rs 9.15 million by PPCBL regarding the above case. As per preliminary investigation it has transpired that bank staff was involved in the above robbery. The insurance policy does not provide risk coverage if the staff of the bank involved in the theft. Moreover, some of the culprits involved in the robbery have been caught by the Police and investigations are under way. The Society had paid Rs 3.2 million to PPCBL as goodwill gesture which was treated as advance. During the year, the management of the Society has made hundred percent provision against the advance as the recovery of the amount paid as advance is doubtful. The management is confident that no liability would arise on the part of the Society.
- 19.2 There are a number of legal cases instituted by the society and it has filed suits against various tenants for ejection, which are pending adjudication at the terminal date. In addition to this, a case for rejection against the illegal occupation by State Life Insurance Cooperation of Pakistan over a substantial part of the Society's property, is also pending adjudication. However, there are no financial implications on the society and it bears no financial obligation in relation to these cases, anticipating a favourable decision in all such legal cases.
- 19.3 For the tax year 2012, the tax department has created a tax demand in the sum of Rs. 1.134 million by passing an order dated 30-06-2014, after conducting the tax audit of the Society mainly on the issue of inadmissibility and disallowance of certain expenses. Being aggrieved from the order, the Society filed an appeal before the Appellate Tribunal (ATIR) which is pending adjudication at the terminal date. The Society and its tax advisor are of the firm view that the outcome of the appeal will be decided in their favour.
- 19.4 There are no known material commitments of the society at the reporting date (2019: NIL).

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	2020	2019
	Rupees	Rupees
20 NET INSURANCE PREMIUM		
Written gross premium	23,947,109	33,350,615
Unearned premium reserve - opening	17,076,866	9,549,847
Unearned premium reserve - closing	10,926,437	17,076,866
Premium earned	<u>30,097,538</u>	<u>25,823,596</u>
Less:		
Reinsurance premium ceded	2,967,953	3,474,696
Prepaid reinsurance premium - opening	2,300,606	1,185,965
Prepaid reinsurance premium - closing	1,643,884	2,300,606
Reinsurance expense	<u>3,624,675</u>	<u>2,360,055</u>
	<u><u>26,472,863</u></u>	<u><u>23,463,541</u></u>
21 NET INSURANCE CLAIMS		
Claims paid	3,988,970	201,070
Outstanding claims including IBNR - closing	1,564,877	1,378,180
Outstanding claims including IBNR - opening	1,378,182	733,920
Claims expense	<u>4,175,665</u>	<u>845,330</u>
Less:		
Reinsurance and other recoveries received	88,647	12,000
Reinsurance and other recoveries in respect of outstanding claims - opening	106,442	41,415
Reinsurance and other recoveries in respect of outstanding claims - closing	130,994	106,442
Reinsurance and other recoveries revenue	<u>113,199</u>	<u>77,027</u>
	<u><u>4,062,466</u></u>	<u><u>768,303</u></u>
22 NET COMMISSION		
Commission paid or payable	3,434,490	4,774,688
Deferred commission expense - opening	2,571,660	1,416,540
Deferred commission expense - closing	1,896,672	2,571,660
Net commission	<u>4,109,478</u>	<u>3,619,568</u>
Less:		
Commission received or recoverable	429,081	254,897
Unearned reinsurance commission - opening	153,012	194,499
Unearned reinsurance commission - closing	306,162	153,012
Commission from reinsurance	<u>275,931</u>	<u>296,384</u>
	<u><u>3,833,547</u></u>	<u><u>3,323,184</u></u>

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		2020 Rupees	2019 Rupees
23	MANAGEMENT EXPENSES		
	Salaries, wages and benefits	12,151,225	14,172,999
	Rent, taxes and utilities	939,811	807,551
	Communication expenses	377,989	455,382
	Printing and stationery	669,003	833,695
	Travelling and entertainment	431,252	980,990
	Other expenses	131,717	258,989
		<u>14,700,997</u>	<u>17,509,606</u>
24	INVESTMENT INCOME		
	Income from financial assets		
	Income from equity securities - available-for-sale investments		
	Dividend income	24.1 2,214,764	2,543,148
	Income from debt securities - held to maturity		
	Income from term deposits	56,750	60,571
		<u>2,271,514</u>	<u>2,603,719</u>
24.1	Dividend income is derived from the following parties:		
	Pakistan Re-insurance Company Limited	1,559,996	1,559,996
	Feroze sons Laboratories Limited	654,768	983,152
		<u>2,214,764</u>	<u>2,543,148</u>
		2020 Rupees	Restated 2019 Rupees
25	OTHER INCOME		
	Miscellaneous receipts	171,601	78,811
	Gain on disposal of property and equipment	-	353,213
	Fair value adjustment on revaluation of investment property	447,250	447,250
		<u>618,851</u>	<u>879,274</u>
26	OTHER EXPENSES		
	Chief executive remuneration	26.1 520,530	408,558
	Salaries, wages and benefits	26.2 2,264,929	2,422,216
	Travelling and vehicle running expenses	903,069	783,712
	Rent, rates and taxes	1,754,302	2,133,272
	Repair and maintenance	366,549	790,330
	Advertisement and publicity	30,000	333,350
	Fee and subscription	125,000	266,000
	Bank charges	61,970	59,953
	General charges	159,414	110,235
	Website and software maintenance expenses	137,294	129,356
	Charity and donation	11,000	-
	Legal and professional charges	1,991,513	1,701,535
	Auditors remuneration	26.3 300,000	120,000
	Rent receivable written off	394,308	-
	Amortization of intangible asset	89,600	89,600
	Depreciation of property and equipment	4,321,243	4,497,142
	Loss on disposal of property and equipment	2,886	-
	Miscellaneous expenses	-	283,520
		<u>13,433,607</u>	<u>14,128,779</u>

26.1 Directors and chief executive remuneration

The aggregate amounts of the remuneration including all benefits to the Chief executive and directors of the society charged in these financial statements are as follows:

	2020		2019	
	Chief Executive	Directors	Chief Executive	Directors
Managerial remuneration	336,500	-	297,958	-
House rent allowance	108,250	-	75,600	-
Medical allowance	75,780	-	35,000	-
	<u>520,530</u>	<u>-</u>	<u>408,558</u>	<u>-</u>
Number	<u>1</u>	<u>8</u>	<u>1</u>	<u>8</u>

No remuneration has been paid to the directors of the Society, consistent with the bye laws of the Society. In addition to this, no benefit / perquisite of any kind was paid to the chief executive of the society other than the remuneration as disclosed above.

26.2 These include Rs. 137,819 (2019: Rs. 96,535) on account of contribution to employees provident fund.

26.3 Auditors' Remuneration

Audit fee - financial statements
Certification fee

	2020 Rupees	2019 Rupees
Audit fee - financial statements	250,000	90,000
Certification fee	50,000	30,000
	<u>300,000</u>	<u>120,000</u>

27 Taxation

Current

Minimum
Presumptive
Prior year

	2020 Rupees	Restated 2019 Rupees
Minimum	(522,867)	(475,869)
Presumptive	(332,215)	(317,894)
Prior year	(63,578)	-
	(918,660)	(793,763)
Deferred	(1,958,119)	(2,220,124)
	<u>(2,876,779)</u>	<u>(3,013,887)</u>

27.1 The provision for taxation has been computed under the rules and procedures as framed in the Income Tax Ordinance, 2001 and provision for taxation under the minimum tax being the highest is recognized in these financial statements in addition to the provision for presumptive tax regime in case of dividend income which is full and final charged to tax at the rates specified for these incomes in the tax laws. There is no relationship between tax expense and accounting profit as the provision for current taxation is based on the turnover tax u/s 113 of the Income Tax Ordinance, 2001, therefore no numerical reconciliation is applicable in the instant case.

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28 SEGMENT INFORMATION

28.1 Segment operations

For the year ended 31-12-2020

	Fire and property damage	Motor	Live stock and others	Total
-----Rupees-----				
Premium receivable (inclusive of FED, Federal insurance fee and administrative surcharge)	8,798,287	5,753,867	12,817,804	27,369,958
Less: Sales tax	1,023,290	669,207	1,490,781	3,183,278
Federal insurance fee	77,011	50,364	112,195	239,570
Gross Written Premium (inclusive of administrative surcharge)	7,697,985	5,034,296	11,214,828	23,947,109
Gross direct premium	7,331,984	4,794,940	10,681,619	22,808,543
Administrative surcharge	366,001	239,356	533,209	1,138,566
Insurance premium earned	7,878,324	9,594,671	12,624,543	30,097,538
Insurance premium ceded to reinsurers	373,837	939,319	2,311,519	3,624,675
Net insurance premium	7,504,487	8,655,352	10,313,024	26,472,863
Commission income	38,881	-	237,050	275,931
Net underwriting income	7,543,368	8,655,352	10,550,074	26,748,794
Insurance claims	3,815,747	228,472	131,446	4,175,665
Insurance claims recovered from reinsurers	4,586	249	108,364	113,199
Net claims	3,811,161	228,223	23,082	4,062,466
Commission expense	1,077,393	1,081,013	1,951,072	4,109,478
Premium deficiency reserve	505,044	161,340	(791,857)	(125,473)
Management expenses	4,725,750	3,090,526	6,884,721	14,700,997
Net insurance claims and expenses	10,119,348	4,561,102	8,067,018	22,747,468
Underwriting result	(2,575,980)	4,094,250	2,483,056	4,001,326
Net investment income				2,271,514
Rental income				8,213,337
Other income				618,851
Other expenses				(13,433,607)
Finance cost - lease finance charges				(215,333)
Profit before taxation				1,456,088

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For the year ended 31-12-2019

	Motor	Live stock and others	Total	
-----Rupees-----				
Premium receivable (inclusive of FED, Federal insurance fee and administrative surcharge)	9,374,659	11,423,039	15,975,765	36,773,463
Less: Sales tax	811,513	988,830	1,382,935	3,183,278
Federal insurance fee	61,074	74,418	104,078	239,570
Gross Written Premium (inclusive of administrative surcharge)	8,502,072	10,359,791	14,488,752	33,350,615
Gross direct premium	8,093,399	7,488,035	14,488,752	30,070,186
Administrative surcharge	408,673	2,871,756	-	3,280,429
Insurance premium earned	6,731,736	9,096,233	9,995,625	25,823,594
Insurance premium ceded to reinsurers	281,379	368,589	1,710,086	2,360,054
Net insurance premium	6,450,357	8,727,644	8,285,540	23,463,541
Commission income	43,848	-	252,536	296,384
Net underwriting income	6,494,205	8,727,644	8,538,076	23,759,925
Insurance claims	(30,148)	495,897	379,586	845,335
Insurance claims recovered from reinsurers	6,857	13,689	56,486	77,032
Net claims	(37,005)	482,208	323,100	768,303
Commission expense	954,619	1,327,649	1,337,300	3,619,568
Premium deficiency reserve	(119,413)	(2,322,541)	(1,631,221)	(4,073,175)
Management expenses	4,463,724	5,439,056	7,606,826	17,509,606
Net insurance claims and expenses	5,261,925	4,926,372	7,636,005	17,824,302
Underwriting result	1,232,281	3,801,273	902,069	5,935,623
Net investment income				2,603,719
Rental income				7,829,067
Other income				879,274
Other expenses				(14,128,779)
Finance cost - lease finance charges				(211,091)
Profit before taxation				2,907,813

28.2 Segment assets and liabilities

As at 31-12-2020

Description	Fire and property damage	Motor	Live stock and others	Unallocated	Total
-----Rupees-----					
Segment assets	1,333,461	689,487	2,051,461	2,403,895,585	2,407,969,994
Segment liabilities	4,905,038	1,011,512	7,282,150	49,522,699	62,721,399

As at 31-12-2019

Description	Fire and property damage	Motor	Live stock and others	Unallocated	Total
-----Rupees-----					
Segment assets	1,393,130	1,529,859	2,611,440	2,380,255,442	2,385,789,871
Segment liabilities	5,524,709	5,394,625	9,239,694	39,737,761	59,896,789

28.3 Other information

All the assets of the society are located in Pakistan and the society is generating its revenues through its operations in Pakistan. There is no customer to whom the insurance policies have been written more than 10% of the total revenue of the society.

Fire and property damage, motor and live stock & others represent 28.35% (2019: 27.49%), 32.70% (2019: 37.20%) and 38.96% (2019: 35.31%) respectively of the total revenue of the society.

ICM

29 Fair Value

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

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Company is current bid price.

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

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

29.1 Financial Instruments - Fair values

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

	2020								
	Carrying amount		Fair value						
Note	Available for sale	Loans and receivables	Other financial assets	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
..... Rupees									
As at 31 December 2020									
<i>Financial assets not measured at fair value</i>									
Term Deposits	-	-	3,011,450	-	-	-	-	-	3,011,450
Cash and bank balances	-	-	14,731,473	-	-	-	-	-	14,731,473
Sundry receivables	-	1,840,911	-	-	-	-	-	-	1,840,911
Security deposits	-	59,400	-	-	-	-	-	-	59,400
Reinsurance recoveries against outstanding	-	130,994	-	-	-	-	-	-	130,994
Insurance / reinsurance receivables	-	402,859	-	-	-	-	-	-	402,859
29.2	-	2,434,164	17,742,923	-	-	-	-	-	20,177,087
<i>Financial assets measured at fair value</i>									
Listed Equities	86,366,448	-	-	-	-	86,366,448	-	-	86,366,448
Unlisted Equities	10,528,558	-	-	-	-	10,528,558	-	-	10,528,558
	96,895,006	-	-	-	-	96,895,006	-	-	96,895,006

16/12/20

Non-Financial assets measured at fair value

Property and equipment	2,212,171,221	2,212,171,221	2,212,171,221
Investment property	68,818,000	68,818,000	68,818,000
	2,280,989,221	2,280,989,221	2,280,989,221

Non-Financial assets not measured at fair value

Property and equipment	4,012,977	-	-
Intangible assets	268,800	-	-
Deferred commission expense	1,896,672	-	-
Taxation - payments less provision	2,086,347	-	-
Prepaid reinsurance premium ceded	1,643,884	-	-
	9,908,680	-	-

29.2

Financial liabilities not measured at fair value

Outstanding claims including IBNR	1,564,877	1,564,877	-
Insurance / reinsurance payables	401,224	401,224	-
Lease Liability	978,919	978,919	-
Other Payables	1,564,581	1,564,581	-
Unclaimed Dividend	242,330	242,330	-
	4,751,931	4,751,931	-

29.2

Non-Financial liabilities not measured at fair value

Unearned premium reserves	10,926,437	-	-
Unearned reinsurance commission	306,162	-	-
Deferred taxation	46,075,041	-	-
Other payables	661,828	-	-
	57,969,468	-	-

29.2

10/2/20

		2019		Fair values					
		Carrying amount		Rupees					
		Loans and receivables	Other financial assets	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
As at 31 December 2019	Note								
<u>Financial assets not measured at fair value</u>									
Term Deposits		-	3,011,450	-	3,011,450	-	-	-	-
Cash and bank balances		-	13,218,221	-	13,218,221	-	-	-	-
Sundry receivables		-	-	-	5,091,517	-	-	-	-
Security deposits		5,091,517	-	-	59,400	-	-	-	-
Reinsurance recoveries against outstanding		59,400	-	-	106,442	-	-	-	-
Insurance / reinsurance receivables		106,442	-	-	555,721	-	-	-	-
	29.2	5,813,080	16,229,671	-	22,042,751	-	-	-	-
<u>Financial assets measured at fair value</u>									
Listed Equities		57,255,253	-	-	57,255,253	57,255,253	-	-	57,255,253
Unlisted Equities		10,376,596	-	-	10,376,596	10,376,596	-	-	10,376,596
		67,631,849	-	-	67,631,849	67,631,849	-	-	67,631,849
<u>Non-Financial assets measured at fair value</u>									
Property and equipment		-	-	-	2,215,538,785	-	2,215,538,785	-	2,215,538,785
Investment property		-	-	-	68,370,750	-	68,370,750	-	68,370,750
		-	-	-	2,283,909,535	-	2,283,909,535	-	2,283,909,535
<u>Non-Financial assets not measured at fair value</u>									
Property and equipment		-	-	-	4,944,942	-	-	-	-
Intangible assets		-	-	-	358,400	-	-	-	-
Deferred commission expense		-	-	-	2,571,660	-	-	-	-
Taxation - payments less provision		-	-	-	2,030,128	-	-	-	-
Prepaid reinsurance premium ceded		-	-	-	2,300,606	-	-	-	-
	29.2	-	-	-	12,205,736	-	-	-	-
<u>Financial liabilities not measured at fair value</u>									
Outstanding claims including IBNR		-	-	1,378,182	1,378,182	-	-	-	-
Insurance / reinsurance payables		-	-	1,425,495	1,425,495	-	-	-	-
Lease Liability		-	-	1,197,538	1,197,538	-	-	-	-
Other Payables		-	-	1,906,263	1,906,263	-	-	-	-
Unclaimed Dividend		-	-	242,330	242,330	-	-	-	-
	29.2	-	-	6,149,808	6,149,808	-	-	-	-
<u>Non-Financial liabilities not measured at fair value</u>									
Unearned premium reserves		-	-	-	17,076,866	-	-	-	-
Premium deficiency reserve		-	-	-	125,473	-	-	-	-
Unearned reinsurance commission		-	-	-	153,012	-	-	-	-
Deferred taxation		-	-	-	35,629,971	-	-	-	-
Other payables		-	-	-	761,659	-	-	-	-
	29.2	-	-	-	53,746,981	-	-	-	-

29.2 The Society has not disclosed the fair values of these financial / non-financial assets and liabilities as these are for short term or reprice over short term. Further, non financial assets i.e. property & equipment and intangible assets are carried at cost model in accordance with the requirements of accounting standards applicable to these elements. In addition to this, deferred taxation is outside the purview of fair value covered in IFRS 13. Therefore, their carrying amounts are reasonable approximation of their fair value.

10/1/2020

30 MANGAGEMENT OF INSURANCE AND FINANCIAL RISK

30.1 Insurance Risk

The principal risk the Society 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 very nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Society is to ensure that sufficient reserves are available to cover these liabilities.

The Society manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimise insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Society underwrites mainly property, motor and other miscellaneous business. These classes of insurance are generally regarded as short term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Society 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 Society may not suffer ultimate net insurance losses beyond the Society's risk appetite in any one year.

For reinsurance cover, the Society's 100% arrangement of reinsurance is dependent on Pakistan Resinsurance Company Limited which is a government owned company with sound and stable financial outlook and credit rating.

30.2 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 Society manages these risk through the measures described above. The Society has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Society 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 balance sheet date:

Class	2020				2019			
	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	34	37	37	41	38	41	25	28
Motor	25	25	4	2	26	26	29	29
Miscella-neous	40	37	59	57	36	33	46	43
	100	100	100	100	100	100	100	100

Since the Society operates in Pakistan only, hence, all the insurance risks relate to policies written in Pakistan.

The Society's class wise major gross risk exposure is as follows:

Class	2020	2019
-----Rupees-----		
Fire and property damage	513,199,000	553,308,000
Motor	251,714,800	19,215,006
Live stock and others	1,050,292,300	2,049,663,220

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30.1.2 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to the 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 & 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 reporting date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the reporting date. The details of estimation of outstanding claims (including IBNR) are given under note 4.7.

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

30.1.4 Sensitivity analysis

The Society 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 these financial statements. The impact on the profit before tax and shareholders' equity of the changes in the claim liabilities net of reinsurance recoveries is analysed below. The sensitivity to changes in claim liabilities net of reinsurance recoveries is determined separately for each class of business while keeping all other assumptions constant.

	Profit before tax		Shareholder's equity	
	2020	2019	2020	2019
-----Rupees-----				
Impact of changes in claim liabilities by + 10%				
Fire and property damage	(36,240)	(32,766)	(25,731)	(23,264)
Motor	(53,494)	(51,926)	(37,981)	(36,868)
Live stock and others	(53,654)	(42,481)	(38,095)	(30,162)
	(143,388)	(127,173)	(101,806)	(90,294)
Impact of changes in claim liabilities by - 10%				
Fire and property damage	36,240	32,766	25,731	23,264
Motor	53,494	51,926	37,981	36,868
Live stock and others	53,654	42,481	38,095	30,162
	143,388	127,173	101,806	90,294

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30.2 Financial risk

The Society'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 Society's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Society's financial performance.

The Board of Directors has overall responsibility for establishment and oversight of the Society's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

30.3 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 Society believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Society's maximum exposure to credit risk:

<u>Financial assets</u>	2020	2019
	<u>Rupees</u>	<u>Rupees</u>
Investments in equity securities	96,895,006	67,631,849
Term deposits	3,011,450	3,011,450
Sundry receivables	1,840,911	5,091,517
Insurance / reinsurance receivable	402,859	555,721
Reinsurance recoveries against outstanding claims	130,994	106,442
Security deposits	59,400	59,400
Bank balances	14,101,958	12,758,059
	<u>116,442,578</u>	<u>89,214,438</u>

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

Rating	2020	2019
	<u>Rupees</u>	<u>Rupees</u>
AAA	4,116,484	3,202,315
AA+	1,104,312	1,435,747
AA	-	358,000
A+	8,342,108	7,278,309
A-	539,054	483,688
	<u>14,101,958</u>	<u>12,758,059</u>

The credit quality of Company's exposure on equity instruments can be assessed with reference to external rating as follows:

	Rating	Rating Agency	2020	2019
			<u>Rupees</u>	<u>Rupees</u>
Pakistan Re-insurance Company Ltd	AA	JCR-Vis	21,465,545	22,939,741
Zeal Pakistan Cement Factory Ltd	-	-	2,395	2,395
Feroze sons Laboratories Ltd.	-	-	64,898,508	34,313,117
Punjab Provincial Coop. Bank Ltd.	-	-	8,230,955	8,080,933
National Cooperative Supply Corporation	-	-	2,297,603	2,295,663
			<u>96,895,006</u>	<u>67,631,849</u>

The management monitors exposure to credit risk in premium receivable from customers through review of credit exposure and prudent estimates of provisions for doubtful receivables, if any. As at the reporting date, all the premiums are considered good, recovered subsequent to the reporting date and are classified as due within one year.

The credit quality of amounts due from reinsurer and claim recoveries therefrom can be assessed with reference to external credit ratings as follows:

Description	Rating	Reinsurance recoveries against outstanding claims	
		2020	2019
		<u>Rupees</u>	<u>Rupees</u>
Pakistan Reinsurance Company Limited	A or above	130,994	106,442

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As at the reporting date, amounts in respect of reinsurance recoveries against outstanding claims are considered good, recovered subsequent to the reporting date and are classified as due within one year.

30.4 Liquidity risk

Liquidity risk is the risk that the Society 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 Society'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 Society'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 Society's liabilities as at balance sheet 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.

Financial Liabilities

Outstanding claims including IBNR
Amount due to other insurers / reinsurers
Lease liability
Other creditors and accruals
Unclaimed dividends

Carrying amount	2020	
	Up to one year	Greater than one year
-----Rupees-----		
1,564,877	1,564,877	-
401,224	401,224	-
978,919	265,386	713,533
1,564,581	1,564,581	-
242,330	242,330	-
4,751,931	4,038,398	713,533

Financial Liabilities

Provision for outstanding claims (including IBNR)
Amount due to other insurers / reinsurers
Lease liability
Other creditors and accruals
Unclaimed dividends

Carrying amount	2019	
	Up to one year	Greater than one year
-----Rupees-----		
1,378,182	1,378,180	-
1,425,495	1,425,495	-
1,197,538	218,619	978,919
1,906,263	1,906,263	-
242,330	242,330	-
6,149,808	5,170,887	978,919

30.5 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 Society 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 Society actively monitors the key factors that affect the underlying value of these securities.

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30.6 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 Society has securities and deposits that are subject to interest rate risk. The Society limits interest rate risk by monitoring changes in interest rates in the currencies in which its financial assets are denominated.

The information about Society's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

2020					
Interest / mark-up bearing				Non-interest / mark-up bearing	Total
Upto one year	Over one year to five years	Over five years	Sub total		
-----Rupees-----					
Cash and other equivalents	-	-	-	14,731,473	14,731,473
Investments - (equity securities and term deposits)	500,000	-	-	99,406,456	99,906,456
Insurance / reinsurance receivables	-	-	-	402,859	402,859
Reinsurance recoveries against outstanding claims	-	-	-	130,994	130,994
Security deposits	-	-	-	59,400	59,400
Sundry receivables	-	-	-	1,840,911	1,840,911
	500,000	-	-	116,572,093	117,072,093
Financial Liabilities					
Outstanding claims including IBNR	-	-	-	1,564,877	1,564,877
Amount due to other insurers / reinsurers	-	-	-	401,224	401,224
Other creditors and accruals	-	-	-	1,564,581	1,564,581
Lease Liability	-	-	-	978,919	978,919
Unclaimed dividends	-	-	-	242,330	242,330
	-	-	-	4,751,931	4,751,931
2019					
Interest / mark-up bearing				Non-interest / mark-up bearing	Total
Upto one year	Over one year to five years	Over five years	Sub total		
Cash and other equivalents	-	-	-	13,218,221	13,218,221
Investments - (equity securities and term deposits)	500,000	-	-	70,143,299	70,643,299
Insurance / reinsurance receivables	-	-	-	555,721	555,721
Reinsurance recoveries against outstanding claims	-	-	-	106,442	106,442
Security deposits	-	-	-	59,400	59,400
Sundry receivables	-	-	-	5,091,517	5,091,517
	500,000	-	-	89,174,600	89,674,600
Financial Liabilities					
Outstanding claims including IBNR	-	-	-	1,378,180	1,378,180
Amount due to other insurers / reinsurers	-	-	-	1,425,495	1,425,495
Other creditors and accruals	-	-	-	1,906,263	2,667,922
Lease Liability	-	-	-	1,197,538	1,197,538
Unclaimed dividends	-	-	-	242,330	242,330
	-	-	-	6,149,806	6,911,465

ICIB

30.7 Sensitivity analysis

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.

	Change in basis points	Effect on profit and loss before tax	Effect on shareholder's equity
	-----Rupees-----		
31-12-2020	100 (100)	568 (568)	392 (392)
31-12-2019	100 (100)	606 (606)	430 (430)

30.8 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 Society, at present is not materially exposed to currency risk as all of the transactions are carried out in Pakistani Rupees.

30.9 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 the factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Society's equity investments amounting to Rs. 86,366,448 (2019: Rs. 57,255,254) are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Society limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The table below summarizes the Society's market price risk as of 31 December 2020 and 2019. It shows the effect of a 10 % increase and 10 % decrease in the market prices of equity investments as on those dates on the Society's profit and equity. Had all listed equity investments 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)	Change in basis points(Rupees).....		
			Estimated Fair Value	Effect on profit and loss before tax	Effect on shareholder's equity
31-12-2020	86,366,448	100 (100)	95,003,093 77,729,803	- -	6,132,018 (6,132,018)
31-12-2019	57,255,253	100 (100)	62,980,778 51,529,728	- -	4,065,123 (4,065,123)

30.10 Capital risk management

The Society's objective when managing capital is to safeguard the Society'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 all the shareholders and benefits for other stakeholders.

The Society 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 Society may adjust the amount of dividend paid to shareholders, issue new shares or sell idle assets to pay off the debt obligations.

Return on assets / equity is computed as follows:

	2020 Rupees	2019 Rupees
Loss before interest and tax	(1,421,328)	(106,074)
Net assets / equity	2,345,248,595	2,325,893,082
Return on net equity (%)	(0.06)	(0.005)

K. P. B.

31 STATEMENT OF SOLVENCY

2020
Rupees**Assets**

Property and equipment	2,216,184,198
Intangible assets	268,800
Investment property	68,818,000
	2,285,270,998

Investments

Listed equity securities	86,366,448
Unlisted equity securities	10,528,558
Term deposits	3,011,450
	99,906,456

Loans and other receivables	
Current Assets - Others	
Deferred commission expenses	1,896,672
Prepayments	1,643,884
Other receivables	4,520,511
	8,061,067

Cash and bank	14,731,473
Total assets	2,407,969,994

Inadmissible assets as per clause 32(2) of the Insurance Ordinance, 2000

Listed Equities	43,183,224
Unlisted Equities	10,002,130
Land and Buildings	1,548,519,855
Investment property	48,172,600
Furniture, fixture and office equipment	353,406
Intangibles	268,800
Motor vehicles	3,659,571
	1,654,159,586

Admissible assets **753,810,408****Total liabilities****Underwriting provisions**

Outstanding claims including IBNR	1,564,877
Unearned premium reserve	10,926,437
Unearned reinsurance commission	306,162
Deferred taxation	46,075,041
Insurance / reinsurance payables	401,224
Lease liability	978,919
Unclaimed dividend	242,330
Other creditors and accruals	2,226,409
Total liabilities	62,721,399

Total net admissible assets **691,089,009****Minimum solvency requirement (higher of followings)**

Under section 36 (3) (a) of Insurance Ordinance, 2000	150,000,000
Under section 36 (3) (b) of Insurance Ordinance, 2000	5,294,573
Under section 36 (3) (c) of Insurance Ordinance, 2000	2,143,287

Net admissible assets in excess of solvency requirement **541,089,009**

ICMA

	2020 Rupees	Restated 2019 Rupees
	<u>(0.03)</u>	<u>(0.002)</u>
32 EARNING PER SHARE		
32.1 Basic earnings per share		
Profit for the year after taxation	(1,421,328)	(106,074)
Weighted average number of ordinary shares outstanding during the year	50,003,240	50,003,240
Earnings per share	(0.028)	(0.002)

32.2 Diluted earnings per share

No figure for diluted earnings per share has been presented as the Society has not issued any instrument which would have an impact on the earnings per share when exercised.

33 IMPACT OF COVID - 19

During the year, the novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency and International concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020. The scale and duration of this outbreak remains uncertain and it evolves globally in 2020. The Society based on its current assessment considered that there would be no significant impact that will adversely affect its business, results of operations and financial condition, except that the offices of the Society remained closed due to lock down situation in the country from March 22 till June 2020.

34 RELATED PARTY DISCLOSURE

Related parties comprise of directors, chief executive, other key management personnel and staff retirement benefit plans. 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. Outstanding balances with related parties, contribution to provident fund and remuneration to chief executive & directors of the society has already been disclosed elsewhere in these financial statements. There are no other material transactions carried out with these related parties that may require disclosure in these financial statements.

35 DISCLOSURE OF EMPLOYEES' PROVIDENT FUND TRUST - Related party

The following information is based on the audited financial statements of the Society's fund.

	2020 Rupees	2019 Rupees
Size of the fund	891,823	814,018
Number of members	17	18
Cost of Investment - Bank balances	891,823	814,018
Percentage of Investment	100%	100%

ICM

The society deposits all the employees monies and contributions in a separate scheduled bank at regular intervals of time as stipulated by the section of the Companies Act, 2017.

36 NUMBER OF EMPLOYEES

-----Numbers-----

Number of employees as at the year end

95

103

37 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issuance by the Board of Directors of the Society on May 31, 2021.

38 FIGURES

38.1 Figures in these financial statements have been re-arranged/ re-classified wherever necessary for the purpose of comparison. However there has been no material re-arrangement / re-classification in the corresponding figures except for the effects due to the change in accounting policy for investment property.

38.2 Figures in these financial statements have been rounded off to the nearest rupee.

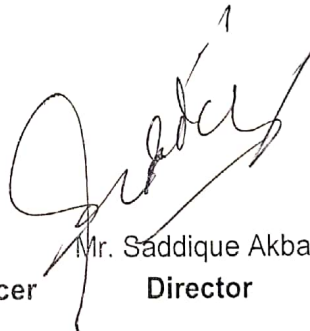
10/3/21



Usman Amjad
Chief Financial Officer



Fatah Khan Niazi
Chief Executive Officer



Mr. Saddique Akbar
Director



Ch. Ahsan Mahmood
Director



Sh Aziz-ul-Haq Paracha
Chairman