



VISION / MISSION STATEMENT



THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

VISION / MISSION & VALUES

Vision Statement

Our vision is to be the best insurance society.

Mission Statement

Our mission is to provide top quality insurance services to our valued clients, improve the business processes and quality of our human resource.

Values

Our values are:

➤ **Integrity**

We believe in honesty, integrity and transparency.

➤ **Ethics**

Ethics is one of our core values and we strictly follow ethical principals in our business conduct.

➤ **Professionalism**

We believe that professionalism can help us in achieving success and goals of our organization.

➤ **Excellence**

We strive to achieve excellence in what we do.

➤ **Commitment**

We have strong commitment towards serving our clients as per their expectations.





STATEMENT OF ETHICS & BUSINESS PRACTICE



THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

Introduction and objective

The Cooperative Insurance Society of Pakistan Limited is the apex cooperative society registered under the Cooperative Societies Act, 1925 on August 06, 1949, and is engaged in provision of general insurance services. The objectives of the society are to provide general insurance services, particularly to the cooperative sector in Pakistan helping them to meet their insurance needs. The Cooperative Insurance Society has an enhanced commitment and professionalism to provide expertise at a distinct level.

The Statement of Ethics and Statement of Business Practices that all members of staff and Directors are required to follow as "Code of Conduct" is given below.

Statement of Ethics

All Directors and Staff are required to:

- Act with integrity, dignity and in an ethical manner when dealing with the public, clients, and peers.
- Always protect the confidentiality of client information except where required by law to disclose it.
- Protect the confidentiality of information relating to the Society both during Directorship or employment and after retirement / termination as well.
- Obtain written permission, other than directors, from the Society's Compliance Officer /the Chief Executive Officer to hold any position, paid or unpaid, with any outside party, firm or organization.
- Maintain accurate records of business transactions related to the Society or its clients.
- Report any business or professional activities or any beneficial interests that may result in a conflict with or be competitive with the interests of the Society.
- Report any person or activity to the Compliance Officer / CEO that in their opinion is in violation of this statement.

Statement of Business Practices:

- Our business is founded on trust, and we manage it ethically, lawfully, and fairly.
- We hold responsibilities towards our clients in the highest regard.
- We recruit the most suitable workforce, motivate them, reward them, and encourage them to innovate.
- We contribute towards our Society's financial goals and concentrate on achieving superior results.
- We believe in quality in every task assigned to us and work to the best of our efforts.
- We work hard in provision of quality services to our clients.

The image shows two handwritten signatures in black ink. The signature on the left is more stylized and appears to be 'S.M. J.', while the signature on the right is simpler and appears to be 'U.S.'. There is a vertical line between the two signatures.

September 09, 2022

Ref. No. A/21975/22

Board of Directors
 The Cooperative Insurance Society of Pakistan Limited
 23-Shahrah-e-Quaid-e-Azam,
 Lahore.

Dear Sirs,

AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2021

We are pleased to inform you that we have completed the audit of financial statements of **The Cooperative Insurance Society of Pakistan Limited** (the Society) for the year ended December 31, 2021. Along with this letter we have annexed a draft of the financial statements prepared by the management and our draft Auditor's Report thereon for identification purposes. We will be issuing a separate letter highlighting the weaknesses, we observed during the performance of our audit procedures, in the internal controls and accounting routines of your Society.

We shall be pleased to sign our report in present or amended form after:

- a) Financial statements are signed by the Chairman, Chief Executive Officer, 2 Directors and Chief Financial Officer.
- b) We have received:
 1. A certified true copy of the minutes of the meeting of the Board of Directors approving the final draft of financial statements;
 2. Management representation letter signed by the management.
- c) We have seen the Board's specific approvals of the followings:

	Amount Rupees
1. Additions in property and equipment during the year (cost)	3,506,250
2. Deletions in property and equipment during the year (cost)	1,314,500
3. Trade debts, advances and receivables written off	60,000
4. Transactions with related parties as disclosed in the financial statements.	

We require your assistance in obtaining the data as at December 31, 2021 as set out in Appendix I.

SIGNIFICANT MATTERS

During the course of our audit of the accompanying financial statements, certain matters were noted by us that, in our view, warrant the attention of the Board. These matters are reproduced in the following seriatim:

1. We observed that "Punjab Provincial Cooperative Bank Limited (PPCBL)" holds 73% shareholding in Society. It is the only Bank with whom the Society is conducting business. It was observed that the Auditors of PPCBL expressed adverse opinion on the financial statements of PPCBL for the year ending June 30, 2021. It stated

"The State Bank of Pakistan through its letter No. OSED/SED-3/44(01)/00636/2020 dated May 07, 2020 has directed the Bank not to on-board new customers i.e. depositors and borrowers, on account of violation of AML/CFT Regulations issued by SBP, till implementation of remedial plan and application of a Transaction Monitoring System (TMS) etc. The Bank has not shared any way forward with us. This situation indicates that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. The financial statements do not disclose this fact as the management is of the view that the Bank will continue its operations as a going concern in future."

In case the above restriction of onboarding new customers persists, the Society's insurance business would suffer consequentially as its entire business is from PPCBL and it does not do business with other parties. The Board is suggested to devise a strategy of expanding the customer base in order to minimize reliance on a single business partner.

2. The Society has availed temporary exemption from IFRS 9 – Financial Instruments as mentioned in note 2.7 of the financial statements. However, it would become applicable once IFRS-17- Insurance Contracts become effective from January 01, 2023.

The Board is suggested to ascertain the effects of adaption of this change and train the staff regarding the understanding and application of IFRS-9 – Financial Instruments and IFRS-17 – Insurance Contracts.

Responsibilities of the Management and Auditors in relation to the Financial Statements

The auditors are responsible to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 and the Companies Act, 2017 and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding assets of the Society and prevention and detection of fraud and irregularities.

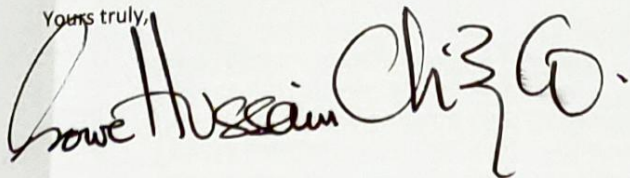
In preparing the financial statements, the management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Society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

We would like to inform the Board that unless we have signed the auditors' report on these financial statements, the same shall remain and be deemed un-audited. In case of any discrepancy on the Society's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Society's registered office.

This letter has been prepared for the sole use of the Board of Directors, management and others within the Society. It must not be disclosed to a third party or quoted to or referred to without our written consent. No responsibility is assumed by us to any other person. Please provide an early response to this letter to facilitate us to issue the Auditors' Report.

We wish to place on record our appreciation for the co-operation and courtesy extended to us by your staff during the course of our audit. Should you like to discuss any of the above matters or the audited financial statements, please feel free to contact us.

Yours truly,



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE COOPERATIVE INSURANCE SOCIETY
OF PAKISTAN LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED** (the Society), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000, and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Society's affairs as at December 31, 2021 and of the loss, its comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the director's report, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Boards of directors are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) Proper books of account have been kept by the Society as required by the Companies Act, 2017 (XIX of 2017);
- b) The statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Society's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Other Matter

The financial statements of the Society for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 31, 2021.

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

Lahore
Dated: September 20, 2022
UDIN: AR202110051bu0J4f5vs


CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

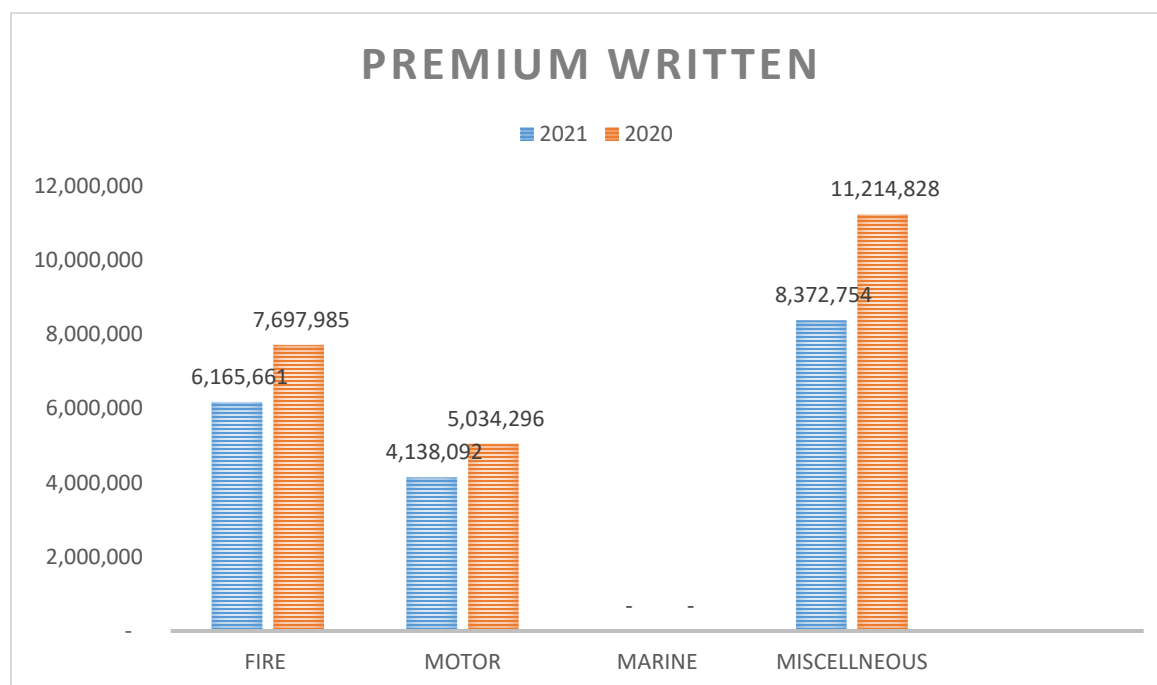
The Cooperative Insurance Society of Pakistan Limited (the Society) was incorporated on August 06, 1949, as a cooperative society under the Cooperative Societies Act, 1925. The Society is engaged in non-life insurance business.

The Directors of your Society are pleased to present the 73rd Annual Report of the Society for the year ended December 31, 2021.

Your Society's loss after tax for the year 2021 was Rs. 1,019,682/- as compared to loss of Rs. 1,421,328/- in 2020.

Your Society has underwritten Rs. 18,676,507/- Direct Premium inside Pakistan as compared to Rs. 23,947,109/- in 2020 showing decrease of 22.01%, while the Net Premium Revenue was Rs. 17,242,702/- as compared to Rs. 26,472,863/- in 2020. Underwriting profit was Rs. 1,181,017/- compared to Profit of Rs. 4,001,326/- in 2020.

Amounts in Rupees



Given the insurance sector's potential for expansion and growth, your Society is expected to have further growth in underwriting profits in the ensuing years.

The segment wise performance was as follows:

FIRE AND PROPERTY

The written premium decreased by 19.91% to Rs. 6,165,661/- compared to Rs. 7,697,985/- in 2020. Claim expense as percentage of net premium revenue was 0.33% as against 50% in 2020. The underwriting result for the year Rs. 1,317,467/- as compared to loss in Previous year 2020 of Rs. (2,575,980)/-.

MARINE, AVIATION AND TRANSPORT

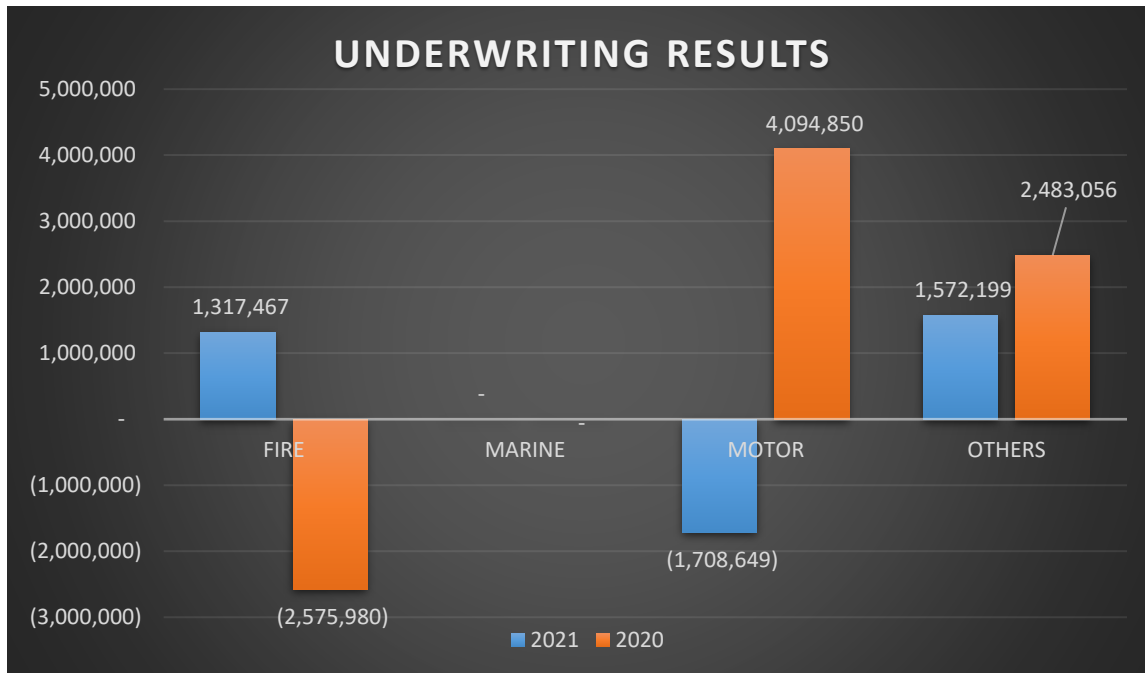
The society has not underwritten any business in this sector.

MOTOR

The written premium decreased by 17.80% to Rs. 4,138,092/- compared to Rs. 5,034,296/- in 2020. Claim expense as percentage of net premium revenue was 7.71% as against 2.64% in 2020. The underwriting Loss for the year was Rs. (1,708,649)/- as compared to profit of Rs. 4,094,250/- in 2020.

MISCELLEANOUES (LIVESTOCK & OTHERS)

The written premium decreased by 25.34% to Rs. 8,372,754/- compared to Rs. 11,214,828/- in 2020 . The claim expense as percentage of net premium revenue was -1.70% in the year under report as compared to 0.22% in corresponding year. The underwriting profit for the year was Rs. 1,572,199/- as compared to profit of Rs. 2,483,056/- in 2020.



Investment Income

The dividend income for the year was Rs. 3,914,295/- as against Rs. 2,214,764/- last year. The total investment income for the year was Rs. 3,956,627/- as against Rs. 2,271,514/- last year.

Information Technology

The Society continues to invest in technology to offer state of the art service to the customers. In year 2018 a customized accounting software was developed and tested on trial basis. The performance of the accounting software was satisfactory. It was fully functional in the year ended December 31, 2019. The Society is continuously improving the accounting software to meet the informational and reporting needs of the Society and all Society's data is cloud base now as per SECP guideline and purchase paid Software (MS office, Power Bi and Microsoft Automate).

Appropriation

The loss after tax was Rs. 1,019,682/- as compared to loss of Rs. 1,421,328/- in 2020.

Credit Rating

Your Society is rated by JCR-VIS who has assigned rating of BB with stable outlook.

Prospects for 2022

Your board of directors are optimistic as to the prospects for the year 2022. Our strategy for 2022 is designed to deliver sustainable, profitable growth in a changing and competitive business environment to fetch due share in the industry.

The Society intends to continue investing in people and making the Cooperative Insurance the best place to build career, invest in systems and processes to further improve service to customers.

Reinsurance

Your Society continues to enjoy very sound reinsurance arrangements with government owned entity Pakistan Reinsurance Company Limited which is 'AA' rated reinsurer.

Related Party Transactions

At each board meeting, the Board of Directors approves Society's transactions with Associated Companies / Related parties, if any. There has been no transaction with related party.

Capital Management and Liquidity

The Society maintains strong financial base. Your Society carefully administers its liquidity to ensure its ability to meet all its obligations efficiently. The Society operates and honors its obligations through the cash flow generated from its core business as well as investment and other income.

Board Committees

Your Society maintains following board committees:

Audit Committee

The Audit Committee is assisted by the Internal Auditor in reviewing the adequacy of operational controls and in monitoring and managing risks to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Society. The principal responsibility of the Internal Auditors is to conduct periodic audits to ensure adequacy in operational controls, consistency in application of policies and procedures and compliance with applicable laws. The Board's Audit Committee comprises of the following members:

1. Mr. Ayyaz Mehmood Khilji - Chairman (Independent director)
2. Mr. Ahsan Mahmood – (Non-executive director)
3. Mr. Muhammad Shafie – Member (Non-executive director)
4. Mr. Atif Aslam (Member/secretary)

Investment Committee

The Society has a Board level investment committee to review the investment portfolio. The committee is also responsible for developing the investment policy for the Society. The Board's Investment Committee comprises of the following members:

1. Mr. Muhammad Shafie – Chairman (Non-executive director)
2. Mr. Ayyaz Mehmood Khilji (Independent director)
3. Ch. Nisar – Member (Non-executive director)
4. Chief Executive Officer
5. Chief Financial Officer

Remuneration Committee & Nomination Committee

The committee is responsible for recommending to the Board human resource management policies of the Society as well as the selection, evaluation and compensation of key officers of the Society. The Board's Human Resource and Remuneration Committee comprises of the following members:

1. Mr. Aziz-ul-Haq Piracha – Chairman (Non-executive director)
2. Mr. Ayyaz Mehmood Khilji (Independent director)
3. Mr. Muhammad Shafie – Member (Non-executive director)
4. Mr Fateh Khan Niazi - (Member Secretary)

Management Committee

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

Underwriting Committee

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

1. Mr. Aziz-ul-Haq Piracha – Chairman (Non-executive director)
2. Mr. Imtiaz-ul-Hassan– Member (Non-executive director)
3. Ch. Nisar Ahmed – Member (Non-executive director)
4. Malik Muhammad Ashraf (Member/ Secretary)

Claims Settlement Committee

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

1. Mr. Aziz-ul-Haq Piracha – Chairman (Non-executive director)
2. Mr. Ahsan Mahmood – Member (Non-executive director)
3. Mr. Imtiaz-ul-Hassan – Member (Non-executive director)
4. Mr. Usman Amjad (Member/ Secretary)

Reinsurance and Coinsurance Committee

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

1. Mr. Ahsan Mahmood – Chairman (Non-executive director)
2. Mr. Muhammad Shafie – Member (Non-executive director)
3. Mr. Muhammad Jameel – Member/Secretary

Ethics / Compliance and Risk Management Committee

The ethics / compliance and risk management committee oversee the activities of the risk management function of the Society and makes appropriate recommendations to the Board to mitigate probable risks falling within the purview of the risk management function.

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

1. Mr. Ahsan Mahmood – Chairman (Non-executive director)
2. Mr. Saddique Akbar – Member (Non-executive director)
3. Mr. Muhammad Shafie – Member (Non-executive director)

4. Mr. Fahad Amjad - (Member/ Secretary)

Risks to Business

Business risks and mitigation factors are described in detail at Note # 29 of the audited financial statements.

Corporate Social Responsibility

The impact of our presence in society is both direct and indirect. The impact flows from the resources we consistently mobilize and the investments we make.

Energy conservation

We keep a close watch over our energy conservation. All electrical items used in our offices are energy friendly. Lights are switched off during Lunch Break.

Environmental protection measures

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

Directors Election and Meetings

The Directors of your Society were elected at the Annual General Meeting held on October 18, 2020, for a term of three years. The attendance at the meeting was as under:

Sr. No	Name	No. of Meetings held	No. of Meetings Attend
1	Mr. Aziz-ul-Haq Piracha -Non Executive	4	4
2	Ch. Ahsun Mahmood-Non Executive	4	4
3	Ch. Nisar Ahmad-Non Executive	4	4
4	Mr. Imtiaz-ul- Hassan -Non Executive	4	4
5	Mr. Malik Muhammad Shafie-Non Executive	4	4
6	Mr. Saddique Akbar -Non Executive	4	4
7	Mr. Ayyaz Mehmood Khilji – Assistant Registrar(I&M)Cooperative(ex-officio appointed by the Registrar Cooperatives)	4	3

Statement of Ethics and Business Practices

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

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

Corporate and Financial Reporting Framework

- a) The financial statements prepared by the management of the Society present fairly its situation, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts have been maintained by the Society.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- d) The International Financial Reporting Standards (IFRS) as applicable in Pakistan, have been followed in preparation of financial statements and any departure from there has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Society's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance.
- h) The key operating and financial data for the last six years is annexed.
- i) There has been no trading of shares by Chief Executive, Directors, Chief Financial Officer, Society Secretary, their spouses, and minor children as the shares of the society are not listed on any stock exchange.
- j) All the shareholders of the society are cooperative societies and is no individual shareholders as the same are barred under the law.

We would like to thank our valued customers for their continued patronage and support and to Pakistan Reinsurance Company Limited, Securities and Exchange Commission of Pakistan for their guidance and assistance. The Directors of your Society also place on record their appreciation of the efforts made by officers, field force and staff for their dedicated efforts for the Society.



Chairman
On Behalf of Board of Directors
Dated: August 25, 2022

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	2021	2020
		Rupees	Rupees
ASSETS			
Property and equipment	4	2,232,483,850	2,216,184,198
Intangible assets	5	179,200	268,800
Investment property	6	70,903,000	68,818,000
Investments:			
- Equity securities	7	92,037,809	96,895,006
- Term deposits		3,011,450	3,011,450
Sundry receivables	8	2,350,743	1,840,911
Insurance / reinsurance receivables		507,252	402,859
Security deposits	9	59,400	59,400
Reinsurance recoveries against outstanding claims		110,044	130,994
Deferred commission expense		1,400,028	1,896,672
Taxation - payment less provisions		2,046,671	2,086,347
Prepaid reinsurance premium		2,087,670	1,643,884
Cash and bank balances	10	12,286,480	14,731,473
Total Assets		2,419,463,597	2,407,969,994
EQUITY AND LIABILITIES			
Capital and Reserves Attributable to Society's Equity Holders			
EQUITY			
Ordinary share capital	11	500,032,400	500,032,400
Reserves	12	1,774,321,289	1,765,411,502
Unappropriated profit		81,429,713	79,804,693
Total Equity		2,355,783,402	2,345,248,595
Liabilities			
Underwriting Provisions			
Outstanding claims including IBNR		1,011,646	1,564,877
Unearned premium reserves		9,370,003	10,926,437
Unearned reinsurance commission	13	415,470	306,162
Deferred taxation	14	49,156,001	46,075,041
Insurance / reinsurance payables		59,276	401,224
Lease liability	15	-	978,919
Unclaimed dividend		242,330	242,330
Other creditors and accruals	16	3,425,469	2,226,409
Total Liabilities		63,680,195	62,721,399
Total Equity and Liabilities		2,419,463,597	2,407,969,994
Contingencies and Commitments	17	-	-

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR


DIRECTOR


CHAIRMAN

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 Rupees	2020 Rupees
Net insurance premium	18	17,242,702	26,472,863
Net insurance claims	19	(63,663)	(4,062,466)
Net commission and other acquisition costs	20	(2,722,228)	(3,833,547)
Insurance claims and acquisition expenses		(2,785,891)	(7,896,013)
Premium deficiency reserve		-	125,473
Management expenses	21	(13,275,794)	(14,700,997)
		<u>(13,275,794)</u>	<u>(14,575,524)</u>
Underwriting Results		1,181,017	4,001,326
Investment income	22	3,956,627	2,271,514
Rental income		8,932,262	8,213,337
Other income	23	2,833,805	618,851
Other expenses	24	(15,257,433)	(13,433,607)
Results of Operating Activities		465,261	(2,329,905)
Finance cost - lease finance charges		<u>(35,083)</u>	<u>(215,333)</u>
Profit before Taxation		1,611,195	1,456,088
Taxation	25	(2,630,877)	(2,877,416)
Net Loss for the Year		<u>(1,019,682)</u>	<u>(1,421,328)</u>
Loss (after taxation) per share- rupees		<u>(0.020)</u>	<u>(0.028)</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR


DIRECTOR


CHAIRMAN

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 Rupees	2020 Rupees
Net Loss for the Year		(1,019,682)	(1,421,328)
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Unrealized loss on available for sale investments during the period	7.1.2	(4,857,197)	29,263,157
Related deferred tax impact		1,408,587	(8,486,316)
Unrealized gain on revaluation of non-current assets during the period		18,052,429	-
Related deferred tax impact		(3,049,329)	-
Other comprehensive income for the year		11,554,490	20,776,841
Total Comprehensive Income for the Year		<u>10,534,808</u>	<u>19,355,513</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR


DIRECTOR


CHAIRMAN

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

Description	Share Capital	Reserves					Unappropriated Profit	Total
	Paid up Share Capital	Capital Reserves	General Reserves	Fair value Reserves	Revaluation reserve	Subtotal		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at January 01, 2020	500,032,400	3,295,965	5,338,148	44,688,152	1,693,700,210	1,747,022,475	78,838,207	2,325,893,082
Incremental depreciation on revaluation surplus - net of tax	-	-	-	-	(2,387,814)	(2,387,814)	2,387,814	-
Net loss for the year	-	-	-	-	-	-	(1,421,328)	(1,421,328)
Other comprehensive income for the year	-	-	-	20,776,841	-	20,776,841	-	20,776,841
	-	-	-	20,776,841	-	20,776,841	(1,421,328)	19,355,513
Transfer to general reserves	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	<u>500,032,400</u>	<u>3,295,965</u>	<u>5,338,148</u>	<u>65,464,993</u>	<u>1,691,312,396</u>	<u>1,765,411,502</u>	<u>79,804,693</u>	<u>2,345,248,595</u>
Balance as at January 01, 2021	500,032,400	3,295,965	5,338,148	65,464,993	1,691,312,396	1,765,411,502	79,804,693	2,345,248,595
Incremental depreciation on revaluation surplus - net of tax	-	-	-	-	(2,644,702)	(2,644,702)	2,644,702	-
Net loss for the year	-	-	-	-	-	-	(1,019,682)	(1,019,682)
Other comprehensive income / (loss) for the year	-	-	-	(3,448,611)	15,003,100	11,554,489	-	11,554,489
	-	-	-	(3,448,611)	15,003,100	11,554,489	(1,019,682)	10,534,807
Transfer to general reserves	-	-	-	-	-	-	-	-
Balance as at December 31, 2021	<u>500,032,400</u>	<u>3,295,965</u>	<u>5,338,148</u>	<u>62,016,382</u>	<u>1,703,670,794</u>	<u>1,774,321,289</u>	<u>81,429,713</u>	<u>2,355,783,402</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR


DIRECTOR


CHAIRMAN

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting Activities		
Insurance premium received	18,676,507	24,099,971
Reinsurance premium paid	(3,434,025)	(3,992,224)
Claims paid	(1,129,910)	(3,988,970)
Reinsurance and other recoveries received	533,966	88,647
Commission paid	(2,648,667)	(3,434,490)
Commission received	532,391	429,081
Underwriting payments	(908,476)	(4,719,466)
Other underwriting receipts	462,136	4,619,636
Net Cash flow from underwriting activities	12,083,922	13,102,185
Other Operating Activities		
Income tax paid	(1,150,983)	(974,881)
Finance cost paid	(35,083)	(215,333)
General management expenses paid	(13,275,794)	(14,700,998)
Other operating payments	(8,134,492)	(6,115,508)
Other operating receipts	-	164,601
	<u>(22,596,352)</u>	<u>(21,842,119)</u>
Total Cash flow from all Operating Activities	(10,512,430)	(8,739,934)
Investment Activities		
Profit / return received	42,332	56,750
Dividends received	3,914,295	2,214,764
Rent received	8,595,979	8,224,891
Sale proceed of asset	-	2,500
Intangible acquired	-	-
Lease payments	(978,919)	(218,619)
Purchase of software	-	(27,100)
Fixed capital expenditure	(3,506,250)	-
Total Cash Flow from Investing Activities	8,067,437	10,253,186
Financing Activities		
Share capital issued	-	-
Total Cash Flow from Financing Activities	-	-
Net Cash (Outflow) / Inflow from All Activities	(2,444,993)	1,513,252
Cash and cash equivalent at the beginning of the year	14,731,473	13,218,221
Cash and Cash Equivalent at the End of the Year	<u>12,286,480</u>	<u>14,731,473</u>

Reconciliation of Operating Cash Flows to Profit and Loss Account

	2021	2020
	Rupees	Rupees
Operating cash flow	(10,512,430)	(8,739,934)
Depreciation expense	(5,190,969)	(4,321,243)
Amortization	(89,600)	(89,600)
Loss on disposal of vehicle	(68,058)	-
Increase / (decrease) in assets other than cash	500,741	(4,654,407)
Increase / decrease in liabilities other than running finance	1,143,245	7,401,841
Interest, dividend, rental income and deferred income / (loss)	11,112,389	8,534,765
Fair value of Investment property	2,085,000	447,250
Loss after taxation	<u>(1,019,682)</u>	<u>(1,421,328)</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

**CHIEF EXECUTIVE****CHIEF FINANCIAL OFFICER****DIRECTOR****DIRECTOR****CHAIRMAN**

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1

Legal Status and Operations

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 including fire, motor, livestock insurance.

The registered office of the Society is situated at Cooperative Insurance Building, 23 Shahrah-e-Quaid-e-Azam, Lahore.

Note 2

Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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 (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules, 2017 and 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** These financial statements have been prepared in accordance with the format prescribed under Insurance Rules, 2017.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain assets (land and building and investments in securities) which are measured at revalued amount.

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Society's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Note 2, Basis of Preparation - Continued...

Note 2.5, Use of estimates and judgments - Continued...

These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised, if the revision affects only that period, or in the period of revision as well as future periods if the revision affects both current and future periods.

	Note
Provision for unearned premiums	3.8 & 18
Premium due but unpaid	3.8
Premium deficiency reserve	3.9
Provision for outstanding claims (including IBNR)	3.1 & 19
Provision for taxation	3.14 & 25
Fair values, useful lives of property and equipment	3.2 & 4
Useful lives of intangible assets	3.4 & 5
Fair values of investment property	3.5 & 6
Provision of current and deferred taxation	3.14 & 25
Impairment of financial and non-financial assets	3.26

2.6 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 January 01, 2021 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.

2.7 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 January 01, 2021:

Standards, Interpretations or Amendments	Effective Date
Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16	January 01, 2022
Reference to the conceptual framework - Amendments to IFRS 3	January 01, 2022
Onerous Contracts - Costs of fulfilling a contract - Amendments to IAS 37	January 01, 2022
Annual improvement process IAS 41 Agriculture - Taxation in fair value measurements	January 01, 2022
Classification of liabilities as current or non-current - Amendment to IAS 1	January 01, 2023
Definition of Accounting Estimate - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	
Amendments to IAS 12	January 01, 2023
IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 01, 2022
IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

Note 2, Basis of Preparation - Continued...

Note 2.7, Standards, interpretations that are not yet effective - Continued...

On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting (applicable immediately) which contains changes that will set a new direction for IFRS in future. The Conceptual Framework primarily serves as a tool for 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.

IFRS 9 - Financial Instruments IFRS 9 'Financial Instruments' has become applicable, however as an insurance Society, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

- a) Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis.
- b) All other financial assets

As at December 31, 2021				
Fail the SPPI Test		Pass the SPPI Test		
Fair Value	Change in unrealized gain / (loss) during the period	Carrying value	Cost less impairment	Change in unrealized gain / (loss) during the period

Financial Assets

Cash and bank	12,286,480	-	-	-	-
Investment in equity securities	92,037,809	(4,857,197)	-	-	-
Investment in debt securities					
Held to maturity	-	-	10,850	-	-
Term deposits	-	-	500,000	-	-
Other receivables	2,047,939	-	-	-	-
Total	106,372,228	(4,857,197)	510,850	-	-

Note 3

Summary of Significant Accounting Policies

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently, unless stated otherwise.

Note 3, Summary of Significant Accounting Policies - Continued...

3.1 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 period, 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 insurance 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.

3.2 Property and equipment

Owned

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.

Depreciation is charged to the profit or loss account by applying reducing balance method at the rates specified in Note 4. Assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation is charged on additions from the month the asset is put to use and on disposals up to the month of disposal.

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.

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.

Gains and losses on disposals of an asset are determined by comparing sale proceeds with the carrying amount of the assets disposed of.

Note 3, Summary of Significant Accounting Policies - Continued...

Note 3.2, Property and equipment - Continued...

Increase in the carrying amounts arising on revaluation of land and buildings are recognized, net of tax, in other comprehensive income and accumulated in reserves 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.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

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

At the inception of the contract, the Society assesses whether a contract is, or contains, a lease. The Society applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Society recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within note 4 and are subject to impairment in line with the Society's policy.

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.

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 Society's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognized 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.

3.4 Intangible assets

These are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to profit or loss account over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 5 to the financial statements. Amortization is calculated from the month the assets are available for use, while no amortization is charged for the month in which the assets are disposed off. Software development costs are only capitalized to the extent the future economic benefits are expected to be derived by the Society.

Note 3, Summary of Significant Accounting Policies - Continued...

3.5 Investment property

Investment property, which is property held to earn rentals and /or for capital appreciation is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. The changes in fair value are recognized in profit or loss account. The fair value of investment property is determined at the end of each year using current market prices for comparable real estate, adjusted for any differences in nature, location and condition. The key assumptions used to determine the fair value of investment properties are provided in Note 6.

3.6 Investments

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

3.6.1 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.

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

3.6.2 Available-for-sale

Investments which are not eligible to be classified as "fair value through profit or loss" or "held to maturity" are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates and are classified as available-for-sale.

Quoted available-for-sale investments are remeasured at fair value subsequent to initial recognition. Gains or losses 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 of the investee companies.

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

3.7 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 receivables 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.

Note 3, Summary of Significant Accounting Policies - Continued...

3.8 Premium

Premium income under a policy is recognized, evenly over the period of insurance from the date of issuance of the policy till the date of its expiry.

3.9 Premium deficiency reserve

The Society is required, as per Insurance Rules, 2017 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the reporting date. The charge for premium deficiency reserve is recorded as an expense in the statement of comprehensive income.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined.

3.10 Claims

Insurance claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, and any adjustments to claims outstanding from previous years.

The Society recognizes liability in respect of all claims incurred up to the reporting date which is measured at undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except otherwise expressly indicated in an insurance contract.

The liability for claims include amounts, relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims and settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

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, effective 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 for determination of IBNR for each class of business. The Society's appointed actuaries 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 earned premiums.

3.11 Commission

Commission expenses incurred in obtaining and recording policies is deferred and recognized in statement of comprehensive income as an expense in accordance with the pattern of recognition of premium revenue.

Note 3, Summary of Significant Accounting Policies - Continued...

3.12 Reinsurance Contracts

Insurance contracts entered into by the Society with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Society recognizes the entitled benefits under the contract as various reinsurance assets. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amount recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

The deferred portion of reinsurance premium ceded is recognized as a prepayment which is calculated by using 1/24th method as prescribed by the Insurance Rules, 2017.

The Society assesses its reinsurance assets for impairment on reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Society reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

3.13 Reinsurance recoveries against outstanding claims

Claims recoveries recoverable from the reinsurer are recognized as receivable at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

3.14 Taxation

Current

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

Deferred

Deferred tax is recognized using the balance sheet liability method, in respect of temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all the taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Note 3, Summary of Significant Accounting Policies - Continued...

Note 3.14, Taxation - Continued...

The carrying amount of deferred tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to other comprehensive income except in the case of items credited or charged to equity in which case it is included in equity.

3.15 Prepayments

Prepayments are recorded as an asset. These are amortized as and when due over the period.

3.16 Cash and cash equivalents

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

3.17 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 future for goods and services received, whether or not billed to the Society.

Provisions are recognized when the Society has a present legal or constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current estimate.

3.18 Staff retirement benefits

The staff retirement benefits comprise funded provident fund scheme which covers all 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.

3.19 Dividend and bonus shares

Dividend to shareholders is recognized as liability in the period in which it is approved. Similarly, reserve for issue of bonus shares is recognized in the year in which such issue is approved.

3.20 Revenue recognition

The revenue recognition policy for premiums is given under note 3.8.

The revenue recognition policy for commission income is given under note 3.11.

Income from held-to-maturity investments is recognized on a time proportion basis, taking into account the effective yield on investments. The difference between the redemption value and the purchase price of the held-to-maturity investments is amortized and taken to profit and loss over the term of the investment.

Gains / losses on sale of available-for-sale investments are recognized in profit and loss in the year of sale.

Note 3, Summary of Significant Accounting Policies - Continued...

Note 3.20, Revenue recognition - Continued...

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

Rental income is recognized on accrual basis.

3.21 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

3.22 Zakat

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

3.23 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 Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.24 Financial instruments

Financial assets and financial liabilities within the scope of IAS-39 are recognized at the same time when the Society enters into contractual relationship with others and de-recognized when the Society loses control over contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and financial liabilities is included in other comprehensive income for the year.

3.25 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position if the Society has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.26 Impairment of 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 that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in profit and loss account. Provisions for impairment are reviewed at each reporting date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.27 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.

3.28 Related party transactions

Transactions with related parties are carried out 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 interest 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.

Note 4

Property and Equipment

	Note	2021 Rupees	2020 Rupees
Operating Fixed Assets	4.1	2,232,483,850	2,214,665,240
Right of Use Assets	4.1.1	-	1,518,958
		<u>2,232,483,850</u>	<u>2,216,184,198</u>

4.1 Operating Fixed Assets

December 31, 2021

PARTICULARS	Cost / Revalued Amount						Rate	Accumulated Depreciation					Book value as at December 31, 2021
	Opening balance as at January 01, 2021	Adjustments	Additions	Revaluation surplus	(Disposals)	Closing balance as at December 31, 2021		Opening balance as at January 01, 2021	Adjustments	Charge for the year	(Disposals)	Closing balance as at December 31, 2021	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land	2,148,187,497	-	-	7,537,503	-	2,155,725,000	-	-	-	-	-	-	2,155,725,000
Buildings	93,704,526	(29,720,802)	-	10,514,926	-	74,498,650	5%	29,720,802	(29,720,802)	3,724,933	-	3,724,933	70,773,717
Motor vehicles	6,570,680	2,405,000	3,372,400	-	(1,314,500)	11,033,580	20%	4,432,264	986,193	1,320,607	(1,246,442)	5,492,622	5,540,958
Furniture and fixtures	385,116	-	-	-	-	385,116	10%	276,143	-	10,897	-	287,040	98,076
Office equipment	358,598	-	133,850	-	-	492,448	10%	114,309	-	34,147	-	148,456	343,992
Cycle	6,085	-	-	-	-	6,085	10%	3,888	-	220	-	4,108	1,977
Sui gas installation	565	-	-	-	-	565	10%	421	-	14	-	435	130
	2,249,213,067	(27,315,802)	3,506,250	18,052,429	(1,314,500)	2,242,141,444		34,547,827	(28,734,609)	5,090,818	(1,246,442)	9,657,594	2,232,483,850
Right of use Assets													
Vehicles	2,405,000	(2,405,000)	-	-	-	-	20%	886,042	(986,193)	100,151	-	-	-
	2,251,618,067	(29,720,802)	3,506,250	18,052,429	(1,314,500)	2,242,141,444		35,433,869	(29,720,802)	5,190,969	(1,246,442)	9,657,594	2,232,483,850

Note 4, Operating Fixed Assets - Continued

December 31, 2020

PARTICULARS	Cost / Revalued Amount						Rate	Accumulated Depreciation					Book Value as at December 31, 2021
	Opening balance as at January 01, 2021	Adjustments	Additions	Revaluation surplus	(Disposals)	Closing balance as at December 31, 2021		Opening balance as at January 01, 2021	Adjustments	Charge for the year	(Disposals)	Closing Balance As at December 31, 2021	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land	2,148,187,497	-	-	-	-	2,148,187,497	-	-	-	-	-	-	2,148,187,497
Buildings	93,704,526	-	-	-	-	93,704,526	5%	26,353,238	-	3,367,564	-	29,720,802	63,983,724
Motor Vehicles	6,570,680	-	-	-	-	6,570,680	20%	3,897,660	-	534,604	-	4,432,264	2,138,416
Furniture & Fixtures	385,116	-	-	-	-	385,116	10%	264,035	-	12,108	-	276,143	108,973
Office Equipment	338,498	-	27,100	-	(7,000)	358,598	10%	88,956	(1,614)	26,967	-	114,309	244,289
Cycle	6,085	-	-	-	-	6,085	10%	3,644	-	244	-	3,888	2,197
Sui Gas Installation	565	-	-	-	-	565	10%	405	-	16	-	421	144
	2,249,192,967	-	27,100	-	(7,000)	2,249,213,067		30,607,938	(1,614)	3,941,503	-	34,547,827	2,214,665,240
Right of use Assets													
Vehicles	2,405,000	-	-	-	-	2,405,000	20%	506,302	-	379,740	-	886,042	1,518,958
	2,251,597,967	-	27,100	-	(7,000)	2,251,618,067		31,114,240	(1,614)	4,321,243	-	35,433,869	2,216,184,198

4.1.1 Vehicles include a car transferred from right of use assets, whose ownership has not been transferred in the name of the Society.

4.1.2 Vehicle having cost of Rs 1.3 million was written off due to theft. This vehicle was purchased on December 01, 2006. The net book value of vehicle was Rs 68,056 at the time of theft.

Note 4, Operating Fixed Assets - Continued...

4.1.3 Had the revaluation of these assets not been made, the carrying value of these assets as at reporting date would have been as under:

	2021	2020
	Rupees	Rupees
Freehold land	2,345,300	2,345,300
Building on freehold land	80,255	88,925
	<u>2,425,555</u>	<u>2,434,225</u>

4.1.4 Forced sale value and assessed value of these fixed assets as at the date of revaluation (i.e. December 31, 2020) was as under:

	Forced sale value	Assessed sale value
	Rupees	Rupees
Freehold land	1,832,366,250	2,155,725,000
Building on freehold land	63,323,853	74,498,650
	<u>1,895,690,103</u>	<u>2,230,223,650</u>

Note 5

Intangible Assets

Particulars	Cost			Rate	Amortization			Written Down Value as at December 31, 2021
	As at January 01, 2021	Addition	As at December 31, 2021		As at January 01, 2021	For the Year	As at December 31, 2021	
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	
Computer software- 2021	448,000	-	448,000	20%	179,200	89,600	268,800	179,200
Computer software- 2020	448,000	-	448,000	20%	89,600	89,600	179,200	268,800

Note 6

Investment Property

	Note	2021			2020		
		Land	Building	Total	Land	Building	Total
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at January 01,	6.1	66,025,000	2,793,000	68,818,000	65,677,500	2,693,250	68,370,750
Fair value adjustments		2,085,000	-	2,085,000	347,500	99,750	447,250
Balance as at December 31,		<u>68,110,000</u>	<u>2,793,000</u>	<u>70,903,000</u>	<u>66,025,000</u>	<u>2,793,000</u>	<u>68,818,000</u>

6.1 This represents building in Rawalpindi representing 1390 square feet. Latest fair value of the investment property was determined by independent valuer M/s Muhammad Siddique Associates (Private) Limited as on December 31, 2021, having recognition on the penal of PBA. The valuer used market comparable approach to arrive at the fair value. The key observable input under this approach are the price per square feet from current year sales of comparable properties in the area (location and size). As at the reporting date, there was a fair value gain of Rs. 2.085 million (2020: Rs. 0.447 million).

6.2 The forced sale value of the investment property is assessed at Rs. 60.267 million (2020 Rs 58.495 million) as at the reporting date.

Note 7

Investments

		2021	2020
	Note	Rupees	Rupees
Equity securities	7.1	92,037,809	96,895,006
Term deposits	7.2	3,011,450	3,011,450
		<u>95,049,259</u>	<u>99,906,456</u>

Note 7, Investments- Continued...

7.1 Equity securities

7.1.1 Available for sale

Number of Shares	Face Value Per Share	Company Name	Cost	Surplus / (Deficit)	Fair Value
<u>Listed equities</u>					
779,998	10	Pakistan Re-insurance Company Limited	131,620	17,340,335	17,471,955
5,444	10	Zeal Pakistan Cement Factory Limited	190,555	(188,160)	2,395
196,430	10	Ferozesons Laboratories Limited	181,030	63,821,757	64,002,787
			503,205	80,973,932	81,477,137
<u>Unlisted equities</u>					
44,426	100	Punjab Provincial Cooperative Bank Limited	4,442,600	3,841,072	8,283,672
100	100	National Cooperative Supply Corporation	10,000	2,267,000	2,277,000
			4,452,600	6,108,072	10,560,672
Total as at December 31, 2021			4,955,805	87,082,004	92,037,809

Number of Shares	Face Value Per Share	Company 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	Ferozesons 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	4,442,600	3,788,355	8,230,955
100	100	National Cooperative Supply Corporation	10,000	2,287,603	2,297,603
			4,452,600	6,075,958	10,528,558
Total as at December 31, 2020			4,955,805	91,939,201	96,895,006

Note 7, Investments- Continued...

7.1.2 Movement in this head of accounts is as follows:

	2021	2020
Note	Rupees	Rupees
Opening balance	96,895,006	67,631,849
Change in fair value		
Listed equities	(4,889,311)	29,111,195
Unlisted equities	32,114	151,962
	(4,857,197)	29,263,157
Closing balance	<u>92,037,809</u>	<u>96,895,006</u>

7.2 Term deposits

Term deposits	7.2.1	<u>3,011,450</u>	<u>3,011,450</u>
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7.2.1 Held to maturity

State Bank of Pakistan	7.2.1.1		
- Cash deposit		2,500,600	2,500,600
- Defense saving certificates		10,850	10,850
Term deposit	7.2.1.2	<u>500,000</u>	<u>500,000</u>
		<u>3,011,450</u>	<u>3,011,450</u>

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

7.2.1.2 This deposit is kept with Punjab Provincial Cooperative Bank Limited (PPCBL) for a term of one year with a maturity of up to December 31, 2021 and is renewable on maturity. It carries profit @ 11.35% per annum. (2020: 11.35% per annum).

Note 8

Sundry Receivables

		2021	2020
		Rupees	Rupees
Rent receivable	8.1	1,612,819	1,276,536
Income taxes		302,804	302,804
Staff advance		35,000	34,000
Others - Advances to branches	8.2	400,120	227,571
		<u>2,350,743</u>	<u>1,840,911</u>

8.1 Rent Receivable

Considered good		1,612,819	1,276,536
Considered doubtful		608,583	638,583
		<u>2,221,402</u>	<u>1,915,119</u>
Less: Provision for doubtful receivables	8.3	(608,583)	(638,583)
		<u>1,612,819</u>	<u>1,276,536</u>

Note 8, Sundry receivables - Continued...

	2021	2020
	Rupees	Rupees
8.2 Other receivable	914,120	227,571
Provision for doubtful receivables	(514,000)	-
	<u>400,120</u>	<u>227,571</u>

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.

8.3 Movement of the provision is as under:

Opening balance	638,583	638,583
Amounts written off during the year	(60,000)	-
Provision charged during the year	30,000	-
Closing balance	<u>608,583</u>	<u>638,583</u>

Note 9

Security Deposits

	2021	2020
	Rupees	Rupees
Against rent premises	50,000	50,000
Against utilities	9,400	9,400
	<u>59,400</u>	<u>59,400</u>

Note 10

Cash and Bank Balances

	2021	2020
	Rupees	Rupees
Cash with banks in current accounts	11,922,237	14,101,958
Cash in Hand - Policy stamp and Petty Cash	364,243	629,515
	<u>12,286,480</u>	<u>14,731,473</u>

Note 11

Ordinary Share Capital

	2021	2020		2021	2020
	No. of shares	No. of shares		Rupees	Rupees
	49,730,983	49,730,983	Ordinary shares of Rs 10 each, fully paid up in cash	497,309,830	497,309,830
	272,257	272,257	Ordinary shares of Rs 10 each, bonus shares	2,722,570	2,722,570
	<u>50,003,240</u>	<u>50,003,240</u>		<u>500,032,400</u>	<u>500,032,400</u>

11.1 The share capital of the Society is held by the following cooperative banks and others:

Pattern of shareholding

Name of Shareholder	2021		2020	
	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>100%</u>	<u>50,003,240</u>	<u>100%</u>

11.2 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 equity of votes the chairman shall have a casting vote.

Note 12

Reserves

		2021	2020
		Rupees	Rupees
Capital reserves	12.1	3,295,965	3,295,965
General reserves	12.2	5,338,148	5,338,148
Fair value reserves	12.3	62,016,383	65,464,994
Revaluation reserves	12.4	<u>1,703,670,793</u>	<u>1,691,312,395</u>
		<u>1,774,321,289</u>	<u>1,765,411,502</u>

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

12.2 This reserve is not available for distribution as dividend to the shareholders of the Society and will be reclassified to profit or loss on the sale of available for sale investment.

12.3 Fair value reserve

Opening balance	65,464,994	44,688,153
Add: (Loss) / gain during the year	(4,857,197)	29,263,157
Less: Deferred tax attributable to fair value loss / (gain)	1,408,587	(8,486,316)
	<u>(3,448,610)</u>	<u>20,776,841</u>
Closing balance	<u>62,016,384</u>	<u>65,464,994</u>

12.4 Revaluation reserve

Opening balance	1,691,312,395	1,693,700,209
Add: Surplus on revaluation during the year	18,052,429	-
Less: Deferred tax liability on surplus on revaluation	(3,049,329)	-
Less: Incremental depreciation	(3,724,933)	(3,363,118)
Add: Deferred tax liability on incremental depreciation	1,080,231	975,304
Closing Balance	<u>1,703,670,793</u>	<u>1,691,312,395</u>

The land and buildings of the Society were revalued by an independent valuer M/s Muhammad Siddique Associates (Private) Limited, an approved valuator of Pakistan Bank's Association on December 31, 2020 which has been adopted effective January 01, 2021.

12.4.1 The surplus on revaluation of property and equipment is not available for distribution to shareholders of the Society.

Note 13

Unearned Reinsurance Commission

		2021		2020	
		Rupees		Rupees	
Particulars	Commission received or receivable	Unearned commission		Commission from reinsurers	Commission from reinsurers
		Opening	Closing		
	Rupees	Rupees	Rupees	Rupees	Rupees
Fire and property damage	63,898	57,106	55,144	65,860	57,106
Live stock and others	468,493	249,056	360,326	357,223	249,056
	<u>532,391</u>	<u>306,162</u>	<u>415,470</u>	<u>423,083</u>	<u>306,162</u>

Note 14

Deferred Liability

	2021	2020
	Rupees	Rupees
Deferred tax debits / (credits) arising in respect of:		
Non-current assets	20,852,891	18,687,495
Surplus on revaluation of non-current assets	3,049,329	156,611
Assets Subject to Finance Lease	-	809,970
Investment - Available for sale	25,253,781	26,662,368
Tax losses	-	(241,403)
	<u>49,156,001</u>	<u>46,075,041</u>

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

Note 15

Lease Liability

		2021	2020
		Rupees	Rupees
Movement in this head of account is as follows			
Opening balances		978,919	1,197,538
Less: Payments made during the year		<u>978,919</u>	<u>(218,619)</u>
Closing balance	15.1	-	978,919
Less: current portion		-	(265,386)
Non current portion		<u>-</u>	<u>713,533</u>

15.1 Maturity Of Lease Term

2021			
	Minimum Lease Payments	Finance Cost for Future Period	Present Value
	Rupees		
Not later then one year	-	-	-
Later then one year but not later then five years	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
2020			
	Minimum Lease Payments	Finance Cost for Future Period	Present Value
	Rupees		
Not later then one year	433,951	168,565	265,386
Later then one year but not later then five years	867,902	154,369	713,533
	<u>1,301,853</u>	<u>322,934</u>	<u>978,919</u>

Note 16

Other Creditors and Accruals

	2021	2020
	Rupees	Rupees
Duties and taxes payable	720,570	661,828
Rent securities	1,380,000	1,255,000
Bonus payable	-	9,581
Other payables	869,852	300,000
Salaries payable	455,047	-
	<u>3,425,469</u>	<u>2,226,409</u>

Note 17

Contingencies and Commitments

17.1 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 Corporation of Pakistan over the substantial part of the Society's property is also pending adjudication. The case was decided in favor of the Society on November 03, 1992.

However, an appeal was filed on September 10, 2018 before the Honorable High Court, Lahore against the Society wherein the tenant (State life Insurance Company) challenged the decision of Civil Judge for evacuation of the rented building which is owned by the Society. The Society is contesting the case before the concerned Honorable Court and is hopeful for a favorable outcome.

17.2 A case was filed on April 23, 2015 before the Honorable Additional District Judge (Jhang) against the Society wherein the policyholder (Cooperative Society Pir Kot Sadhana) challenged the decision of "The Cooperative Society of Pakistan Limited" for non payment of claim of live stock (buffalos) amounting Rs. 540,000. The Cooperative Insurance Society of Pakistan Limited is of the view that the policy covers livestock including only goats and sheep and is contesting the case before the concerned Honorable Court. The Society is hopeful for a favorable outcome.

17.3 A case was filed on February 7, 2020 before the Honorable Civil Judge against the Society and Punjab Provincial Cooperative Bank Limited wherein the policyholder, Cooperative Thrift and Credit Society, wanted to recover its research record lost in Punjab Provincial Cooperative Band Limited. The Cooperative Insurance Society of Pakistan Limited is contesting the case before the concerned Honorable Court and is hopeful for a favorable outcome.

17.4 There are no known commitments as at December 31, 2021 (2020: NIL)

Note 18

Net Insurance Premium

	2021	2020
	Rupees	Rupees
Written gross premium	18,676,507	23,947,109
Unearned premium reserve - opening	10,926,437	17,076,866
Unearned premium reserve - closing	9,370,003	10,926,437
Premium earned	<u>20,232,941</u>	<u>30,097,538</u>
Less:		
Reinsurance premium ceded	3,434,025	2,967,953
Prepaid reinsurance premium - opening	1,643,884	2,300,606
Prepaid reinsurance premium - closing	2,087,670	1,643,884
Reinsurance expense	<u>2,990,239</u>	<u>3,624,675</u>
	<u><u>17,242,702</u></u>	<u><u>26,472,863</u></u>

18.1 All the insurance business is provided by Punjab Provincial Cooperative Bank Limited (PPCBL). PPCBL holds 73% of Society's shareholding.

Note 19

Net Insurance Claims

	2021	2020
	Rupees	Rupees
Claims paid	1,129,910	3,988,970
Outstanding claims including IBNR - opening	1,564,877	1,378,182
Outstanding claims including IBNR - closing	1,011,646	1,564,877
Claims expense	<u>576,679</u>	<u>4,175,665</u>
Less:		
Reinsurance and other recoveries received	533,966	88,647
Reinsurance and other recoveries in respect of outstanding claims - opening	130,994	106,442
Reinsurance and other recoveries in respect of outstanding claims - closing	110,044	130,994
Reinsurance and other recoveries revenue	<u>513,016</u>	<u>113,199</u>
	<u><u>63,663</u></u>	<u><u>4,062,466</u></u>

Note 20

Net Commission

	2021	2020
	Rupees	Rupees
Commission paid or payable	2,648,667	3,434,490
Deferred commission expense - opening	1,896,672	2,571,660
Deferred commission expense - closing	1,400,028	1,896,672
Net commission	<u>3,145,311</u>	<u>4,109,478</u>
Less		
Commission received or recoverable	532,391	429,081
Unearned reinsurance commission - opening	306,162	153,012
Unearned reinsurance commission - closing	415,470	306,162
Commission from reinsurance	<u>423,083</u>	<u>275,931</u>
	<u><u>2,722,228</u></u>	<u><u>3,833,547</u></u>

Note 21

Management Expenses

	2021	2020
	Rupees	Rupees
Salaries, wages and benefits	10,966,886	12,151,225
Rent, taxes and electricity	691,955	939,811
Communication	489,345	377,989
Printing and stationery	625,458	669,003
Travelling and entertainment	409,550	431,252
Other expenses	92,600	131,717
	<u>13,275,794</u>	<u>14,700,997</u>

Note 22

Investment Income

	2021	2020
	Rupees	Rupees
Dividend income	3,914,295	2,214,764
Income from term deposits	42,332	56,750
	<u>3,956,627</u>	<u>2,271,514</u>

Note 23

Other Income

	2021	2020
	Rupees	Rupees
Miscellaneous receipts	9,581	171,601
Gain on disposal of motor vehicle	739,224	-
Fair value adjustment on revaluation of investment property	2,085,000	447,250
	<u>2,833,805</u>	<u>618,851</u>

Note 24

Other Expenses

		2021	2020
		Rupees	Rupees
Chief executive Remuneration	24.1	554,220	520,530
Salaries, wages, and benefits	24.2	2,167,065	2,264,929
Travelling and vehicle running expenses		2,133,269	903,069
Rent, rates and taxes		1,924,022	1,754,302
Repair and maintenance		430,861	366,549
Advertisement and publicity		30,000	30,000
Fees and subscription		381,750	125,000
Bank charges		25,996	61,970
General charges		148,280	159,414
Rent receivable written off		-	394,308
Auditor's remuneration	24.3	300,000	300,000
Legal and professional charges		1,542,930	1,991,513
Amortization		89,600	89,600
Depreciation		5,190,969	4,321,243
Loss on disposal of property and equipment		-	2,886
Miscellaneous expenses		31,752	-
Website and software maintenance expenses		306,719	137,294
Charity and donation		-	11,000
		<u>15,257,433</u>	<u>13,433,607</u>

Note 24, Other expenses - Continued...

24.1 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:

	2021		2020	
	Chief Executive	Directors	Chief Executive	Directors
Managerial remuneration	357,444	-	336,500	-
House rent allowance	115,750	-	108,250	-
Medical allowance	81,026	-	75,780	-
Travelling allowance	-	441,000	-	211,860
	<u>554,220</u>	<u>441,000</u>	<u>520,530</u>	<u>211,860</u>
Number	1	7	1	8

No remuneration has been paid to the directors of the society, consistent with the bye laws of the Society. In addition to the above benefits, the chief executive has been provided with a Society maintained car.

24.2 These include Rs. 163,024 (2020: Rs. 137,819) on account of contribution to the employees provident fund.

24.3 Auditor Remuneration

Audit fee - Financial Statements	250,000	250,000
Certification fee	50,000	50,000
	<u>300,000</u>	<u>300,000</u>

Note 25

Taxation

	2021	2020
	Rupees	Rupees
Current	1,190,659	918,660
Deferred tax	1,440,218	1,958,756
	<u>2,630,877</u>	<u>2,877,416</u>

25.2 Reconciliation of tax charge for the year

Profit before taxation	<u>1,611,195</u>	<u>1,456,088</u>
Tax @ 29% (2021: 29%) on profit before taxation	467,247	422,266
Tax effect of add backs / allowed deductions	723,412	496,394
Deferred taxation	<u>1,440,218</u>	<u>1,958,756</u>
	<u>2,630,877</u>	<u>2,877,416</u>

Note 26

Segment Information

For the year 2021

	Fire and property damage	Marine, aviation and transport	Motor	Livestock & others	Treaty	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Premium receivable (inclusive of FED, Federal insurance fee and administrative surcharge)	7,210,344	-	4,780,947	9,284,138	-	21,275,429
Less: Sales tax	(982,553)	-	(600,779)	(827,752)	-	(2,411,084)
Federal insurance fee	(62,130)	-	(42,076)	(83,632)	-	(187,838)
Gross written premium (inclusive of administrative surcharge)	6,165,661	-	4,138,092	8,372,754	-	18,676,507
Gross direct premium	5,851,162	-	3,927,016	7,945,676	-	17,723,854
Administrative surcharge	314,499	-	211,076	427,078	-	952,653
	6,165,661	-	4,138,092	8,372,754	-	18,676,507
Insurance premium earned	7,034,208	-	2,628,249	10,570,484	-	20,232,941
Insurance premium ceded to reinsurers	(303,679)	-	(555,051)	(2,131,509)	-	(2,990,239)
Net insurance premium	6,730,529	-	2,073,198	8,438,975	-	17,242,702
Commission income	65,860	-	-	357,223	-	423,083
Net underwriting income (A)	6,796,389	-	2,073,198	8,796,198	-	17,665,785
Insurance claims	19,214	-	660,168	(102,703)	-	576,679
Insurance claims recovered from reinsurers	(3,376)	-	500,314	16,078	-	513,016
Net claims	22,590	-	159,854	(118,781)	-	63,663
Commission expense	1,073,604	-	680,519	1,391,188	-	3,145,311
Management expenses	4,382,728	-	2,941,474	5,951,592	-	13,275,794
Premium deficiency reserve	-	-	-	-	-	-
Net insurance claims and expenses (B)	5,478,922	-	3,781,847	7,223,999	-	16,484,768
Underwriting result (A-B)	1,317,467	-	(1,708,649)	1,572,199	-	1,181,017
Net investment income						3,956,627
Rental income						8,932,262
Other income						2,833,805
Other expenses						(15,257,433)
Finance costs						(35,083)
Profit before tax						1,611,195

Note 26, Segment Information - Continued...

For the year 2020

	Fire and property damage	Marine, aviation and transport	Motor	Livestock & Others	Treaty	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Premium receivable (inclusive of FED, Federal insurance fee and administrative surcharge)	8,798,287	-	5,753,867	12,817,803	-	27,369,957
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)	7,697,986	-	5,034,296	11,214,827	-	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
	7,697,985	-	5,034,296	11,214,828	-	23,947,109
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 (A)	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
Management expenses	4,725,750	-	3,090,526	6,884,721	-	14,700,997
Premium deficiency reserve	505,044	-	161,340	(791,857)	-	(125,473)
Net insurance claims and expenses (B)	10,119,348	-	4,561,102	8,067,018	-	22,747,468
Underwriting result (A-B)	(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 costs						(215,333)
Profit before tax						1,456,088

26.1 Segment assets and liabilities

As at December 31, 2021

Description	Fire and property damage	Motor	Live stock and others	Unallocated	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Segment assets	1,305,582	503,810	2,295,602	2,415,358,603	2,419,463,597
Segment liabilities	3,650,375	2,113,033	5,092,987	52,823,800	63,680,195

As at December 31, 2020

Description	Fire and property damage	Motor	Live stock and others	Unallocated	Total
	Rupees	Rupees	Rupees	Rupees	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

26.2 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 livestock and others represent 39.03% (2020: 28.35%), 12.02% (2020: 32.70%) and 48.95% (2020: 38.96%) respectively of the total revenue of the Society.

THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

Notes to and forming part of the financial statements

Note 27

Solvency Statement

	2021
	Rupees
Assets	
Property and equipment	2,232,483,850
Intangible assets	179,200
Investment property	70,903,000
	2,303,566,050
Investments	
Listed equity securities	81,477,137
Unlisted equity securities	10,560,672
Term deposits	3,011,450
	95,049,259
Deferred commission expenses	1,400,028
Prepayments	2,087,670
Other receivables	5,074,110
	8,561,808
Cash and bank	12,286,480
Total assets	2,419,463,597
Inadmissible assets as per clause 32(2) of the Insurance Ordinance, 2000	
Listed equities	40,738,569
Unlisted equities	10,032,638
Land and buildings	1,558,549,102
Furniture, fixture and office equipment	444,175
Intangibles	179,200
Motor vehicles	5,540,958
	1,615,484,642
Admissible assets	803,978,955
Total liabilities	
<u>Underwriting provisions</u>	
Outstanding claims including IBNR	1,011,646
Unearned premium reserves	9,370,003
Unearned reinsurance commission	415,470
Deferred taxation	49,156,001
Insurance / reinsurance payables	59,276
Lease Liability	-
Unclaimed dividend	242,330
Other creditors and accruals	3,425,469
Total liabilities	63,680,195
Total net admissible assets	740,298,760
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	3,448,540
Under section 36 (3) (c) of Insurance Ordinance, 2000	1,636,787
	150,000,000
Net admissible assets in excess of solvency requirement	590,298,760

Note 28

Management of Insurance Risk and Financial Risk

28.1 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 minimize insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Society underwrites mainly property, fire, 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 Reinsurance Company Limited which is a Government owned entity with sound and stable financial outlook and credit rating of AA.

a) 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 risks 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 the reporting date:

Class	2021				2020			
	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	3.3	35.5	34.8	39.0	34	37	37	41
Motor	114.5	251.1	13.0	12.0	25	25	4	2
Miscellaneous	-17.8	-186.6	52.2	48.9	40	37	59	57
	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 class wise major gross risk exposure is as follows:

	2021	2020
	Rupees	Rupees
Fire and property damage	411,044,067	513,199,000
Motor	206,904,600	251,714,800
Miscellaneous	822,376,533	1,050,292,300

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the reporting date.

Note 28, Management of Insurance Risk and Financial Risk - continued.....

Note 28.1, insurance Risk - continued.....

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.

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

	Profit before tax		Shareholders' equity	
	2021	2020	2021	2020
	Rupees	Rupees	Rupees	Rupees
Impact of change in claim liabilities by +10				
Fire and property damage	(35,171)	(36,240)	(24,971)	(25,731)
Motor	(13,141)	(53,494)	(9,330)	(37,981)
Miscellaneous	(52,852)	(53,654)	(37,525)	(38,095)
	<u>(101,164)</u>	<u>(143,388)</u>	<u>(71,826)</u>	<u>(101,807)</u>
Impact of change in claim liabilities by -10				
Fire and property damage	35,171	36,240	24,971	25,731
Motor	13,141	53,494	9,330	37,981
Miscellaneous	52,852	53,654	37,525	38,095
	<u>101,164</u>	<u>143,388</u>	<u>86,304</u>	<u>101,807</u>

28.2 Financial Risk

28.2.1 Financial risk factors

The Society's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Society's overall risk management policies focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management.

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.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. As at the reporting date, the Society is not exposed to currency risk.

(ii) Interest rate risk

Interest risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of change 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.

Note 28, Management of Insurance Risk and Financial Risk - continued.....

28.3 Credit Risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Society attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Credit risk and concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. The Society's credit risk exposure is not significantly different from the reflected in these financial statements. The management monitors and limits the Society's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

The carrying amount of financial assets represents the maximum credit exposure, as specified below:-

	2021	2020
	Rupees	Rupees
Investment in equity securities	92,037,809	96,895,006
Term deposits	3,011,450	3,011,450
Sundry receivable	2,350,743	1,840,911
Insurance / reinsurance receivables	507,252	402,859
Reinsurance recoveries against outstanding claims	110,044	130,994
Security deposits	59,400	59,400
Cash at bank	11,922,237	14,101,958
	<u>109,998,935</u>	<u>116,442,578</u>

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

	Rating		Rating agency	2021	2020
	Short term	Long term			
				Rupees	Rupees
Bank Al Falah Limited	A1+	AA+	PACRA	852,942	1,104,312
First Women Bank	A2	A-	PACRA	16,637	539,054
Muslim Commercial Bank	A1+	AAA	PACRA	254,339	207,619
Punjab Provincial Cooperative Bank Limited	Not Rated	Not Rated	-	8,094,536	8,342,108
Allied Bank Limited	A1+	AAA	PACRA	2,282,201	3,272,870
National Bank of Pakistan	A1+	AAA	VIS	421,170	635,995
CDC (Investor Account Services)	Not Rated	Not Rated	-	412	-

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

	Ratings	Rating agency	2021	2020
			Rupees	Rupees
Pakistan Re-insurance Company Limited	AA	VIS	17,471,955	21,465,545
Zeal Pakistan Cement Factory	-	-	2,395	2,395
Ferozsons Laboratories Limited	-	-	64,002,787	64,898,508
Punjab Provincial Cooperative Bank Limited	-	-	8,283,672	8,230,955
National Cooperative Supply Corporation	-	-	2,277,000	2,297,603
			<u>92,037,809</u>	<u>96,895,006</u>

Note 28, Management of Insurance Risk and Financial Risk - continued.....

Note 28.3, Credit Risk - Continued...

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 therefore can be assessed with reference to external credit ratings as follows:

	Ratings	Rating agency	Reinsurance Recoveries against outstanding claims	
			2021 Rupees	2020 Rupees
Pakistan Re-insurance Company Limited	AA	VIS	110,044	130,994

As at 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.

Note 29

Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Society finances its operations through equity and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Following are the contractual maturities of financial liabilities:

	2021					
	Carrying amount Rupees	On demand Rupees	Contractual cash flows Rupees	1 year or less Rupees	1-2 years Rupees	2-5 years Rupees
December 31, 2021						
Outstanding claims including IBNR Insurance / reinsurance payables	1,011,646	1,011,646	-	-	-	-
Other creditors and accruals	59,276	59,276	-	-	-	-
Lease liability	2,704,899	2,704,899	-	-	-	-
	-	-	-	-	-	-
	<u>3,775,821</u>	<u>3,775,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2020					
	Carrying amount Rupees	On demand Rupees	Contractual cash flows Rupees	1 year or less Rupees	1-2 years Rupees	2-5 years Rupees
December 31, 2020						
Outstanding claims including IBNR Insurance / reinsurance payables	1,564,877	1,564,877	-	-	-	-
Other creditors and accruals	401,224	401,224	-	-	-	-
Lease liability	1,564,581	1,564,581	-	-	-	-
	978,919	978,919	-	265,386	433,944	279,589
	<u>4,509,601</u>	<u>4,509,601</u>	<u>-</u>	<u>265,386</u>	<u>433,944</u>	<u>279,589</u>

Note 29, Liquidity Risk - continued.....

Sensitivity analysis

As at the reporting date, the Society had no financial instruments valued at fair value through profit and loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit for the year by the amounts shown below:

	Change in basis points	Effect on profit and loss before tax	Effect on shareholder equity
Rupees in "000"			
December 31, 2021	100	423	300
	(100)	(423)	(300)
December 31, 2020	100	568	403
	(100)	(568)	(403)

Note 30

Equity / Price Risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Society's equity investments amounting to Rs. 81.477 (2020: Rs. 86.366 million) are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Society limits the 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 December 31, 2021 and 2020. 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:

	2021	2020
	Rupees	Rupees
Fair Value	81,477,137	86,366,448
Estimated fair value due to changes:		
10% increase	89,624,851	95,003,093
10% decrease	73,329,423	77,729,803
Effect on profit and loss before tax:		
10% increase	8,147,714	8,636,645
10% decrease	(8,147,714)	(8,636,645)
Effect on shareholder's equity		
10% increase	5,784,877	6,132,018
10% decrease	(5,784,877)	(6,132,018)

Note 31

Earnings per share

	2021	2020
	Rupees	Rupees
Earnings per share	(0.020)	(0.028)

Note 31, Earnings per share- continued.....

31.1 Basic earnings per share

	2021	2020
	Rupees	Rupees
Loss for the year after taxation	(1,019,682)	(1,421,328)
Weighted average number of ordinary shares outstanding during the year	50,003,240	50,003,240
Earnings per shares	(0.020)	(0.028)

31.2 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 earnings per share when exercised.

Note 32

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 shareholders and benefits for other stakeholders.

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

Return on assets / equity is computed as follows:

	2021	2020
	Rupees	Rupees
Loss before interest and tax	(1,019,682)	(1,421,328)
Net assets / equity	2,355,783,402	2,345,248,595
Return on net equity	-0.04%	-0.06%

Note 33

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 and directors of the Society have already been disclosed elsewhere in these financial statements.

Note 34

Disclosure of Employees Provident Fund Trust -Related Party

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

	2021	2020
	Rupees	Rupees
Size of fund	1,153,791	891,823
Number of members	17	17
Cost of investment - Bank Balance	1,153,791	891,823
Percentage of investment	100%	100%

Note 35

Number of Employees

Employees as at December 31, 2021

<u>2021</u>	<u>2020</u>
Number	Number
<u>76</u>	<u>95</u>

Note 36

Date of Authorization for Issue

These financial statements were approved and authorized for issue by the Board of Directors of the Society on **25-08-2022**.

Note 37

General

The figures in the financial statements have been rounded off to the nearest rupees. Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. No material re-arrangements / reclassifications have been incorporated in these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR



DIRECTOR



CHAIRMAN