AA+
BY-VIS

ANNUAL REPORT 2023

GROWTH & SUSTAINABILITY

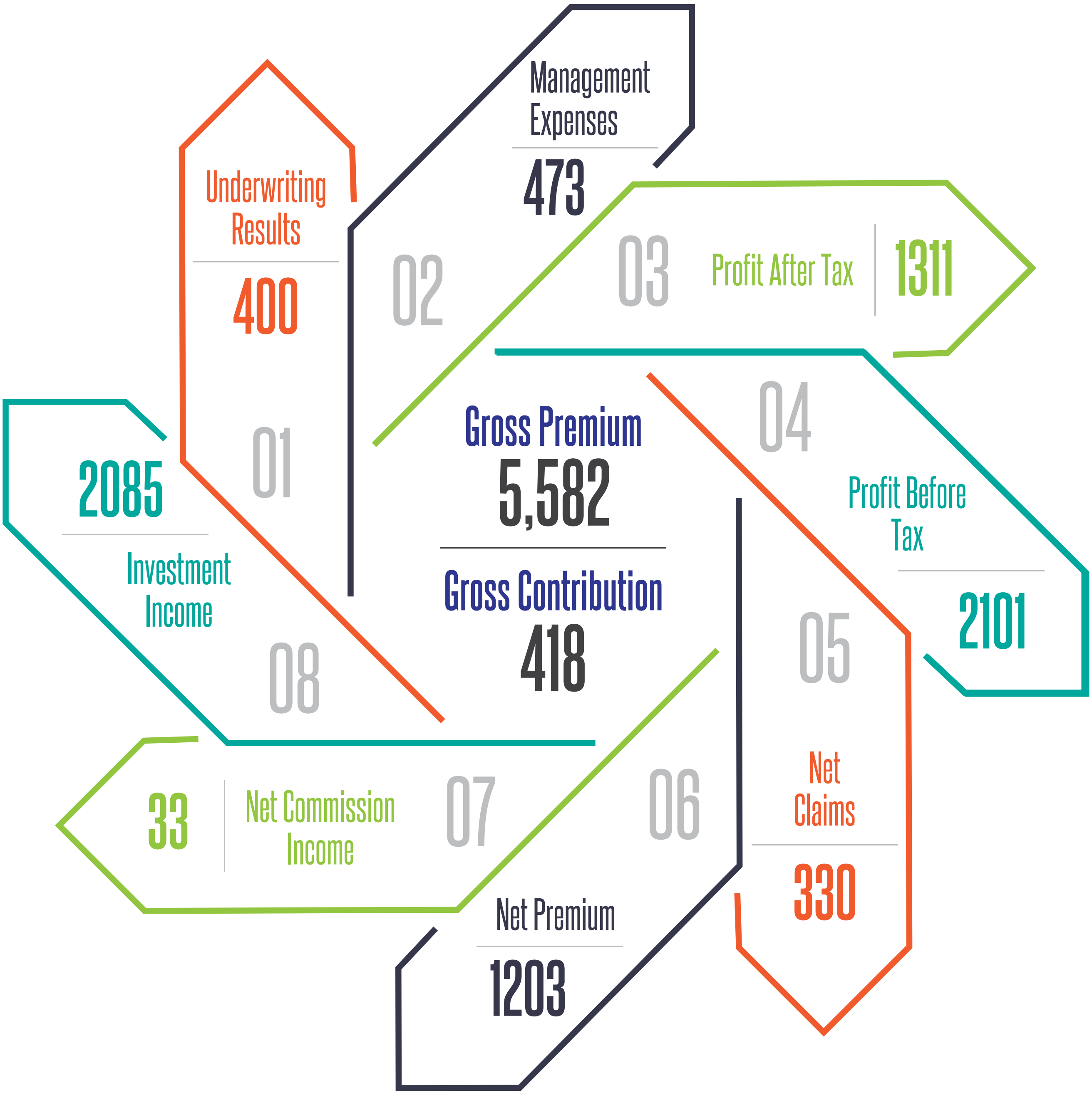
SECURITY GENERAL INSURANCE COMPANY LTD.

(Window Takaful Operations)

CONTENTS

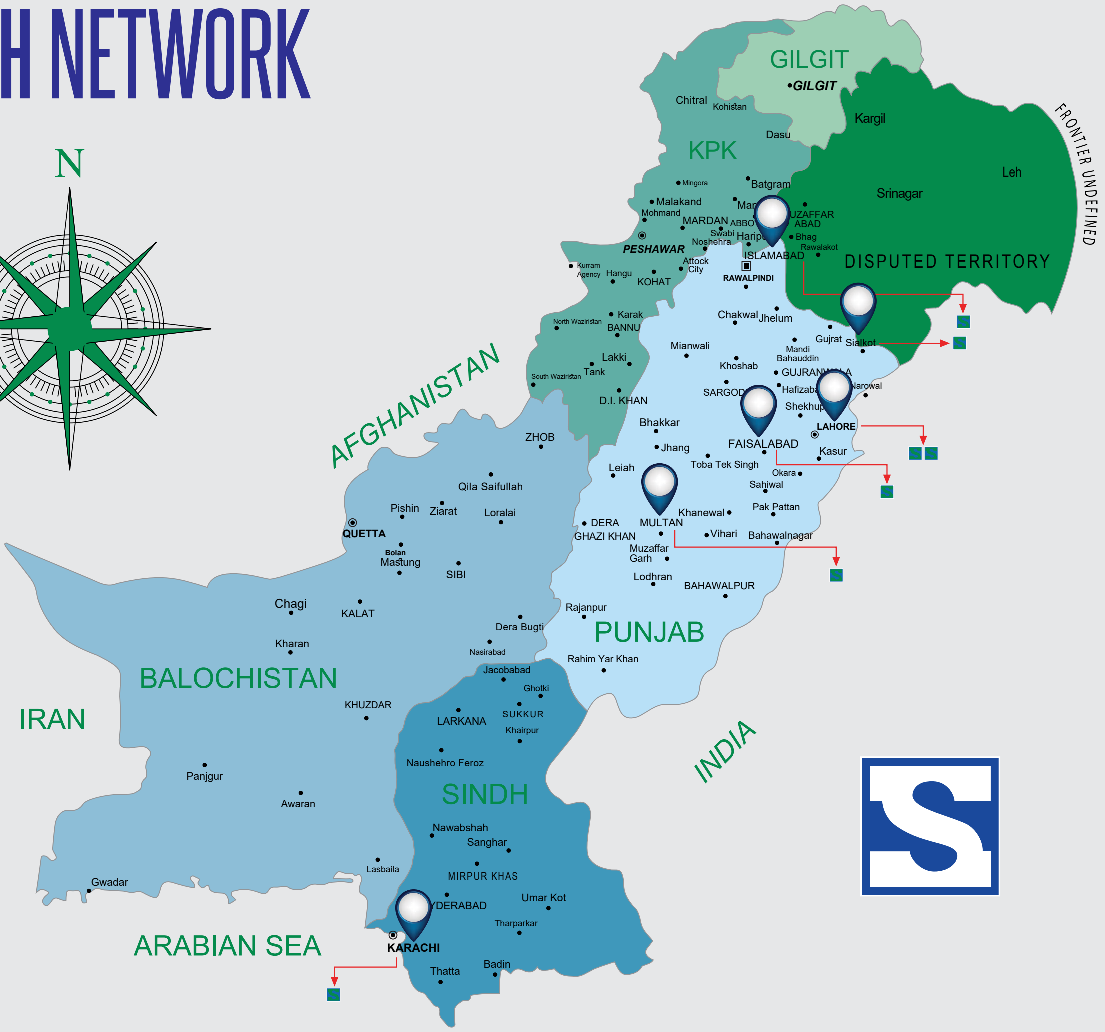
HIGHLIGHTS

Rupees in Million



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

BRANCH NETWORK



HEAD OFFICE:
SGI House 18-C/E-1, Gulberg-III,
Main Shahrah-e-Hazart Imam Hussain Shaheed Lahore.

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

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

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

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

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

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

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

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

MISSION STATEMENT

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

QUALITY POLICY & OBJECTIVES

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

TO ACHIEVE MARKET DOMINANCE THROUGH

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

TO ACHIEVE CUSTOMER SATISFACTION THROUGH

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

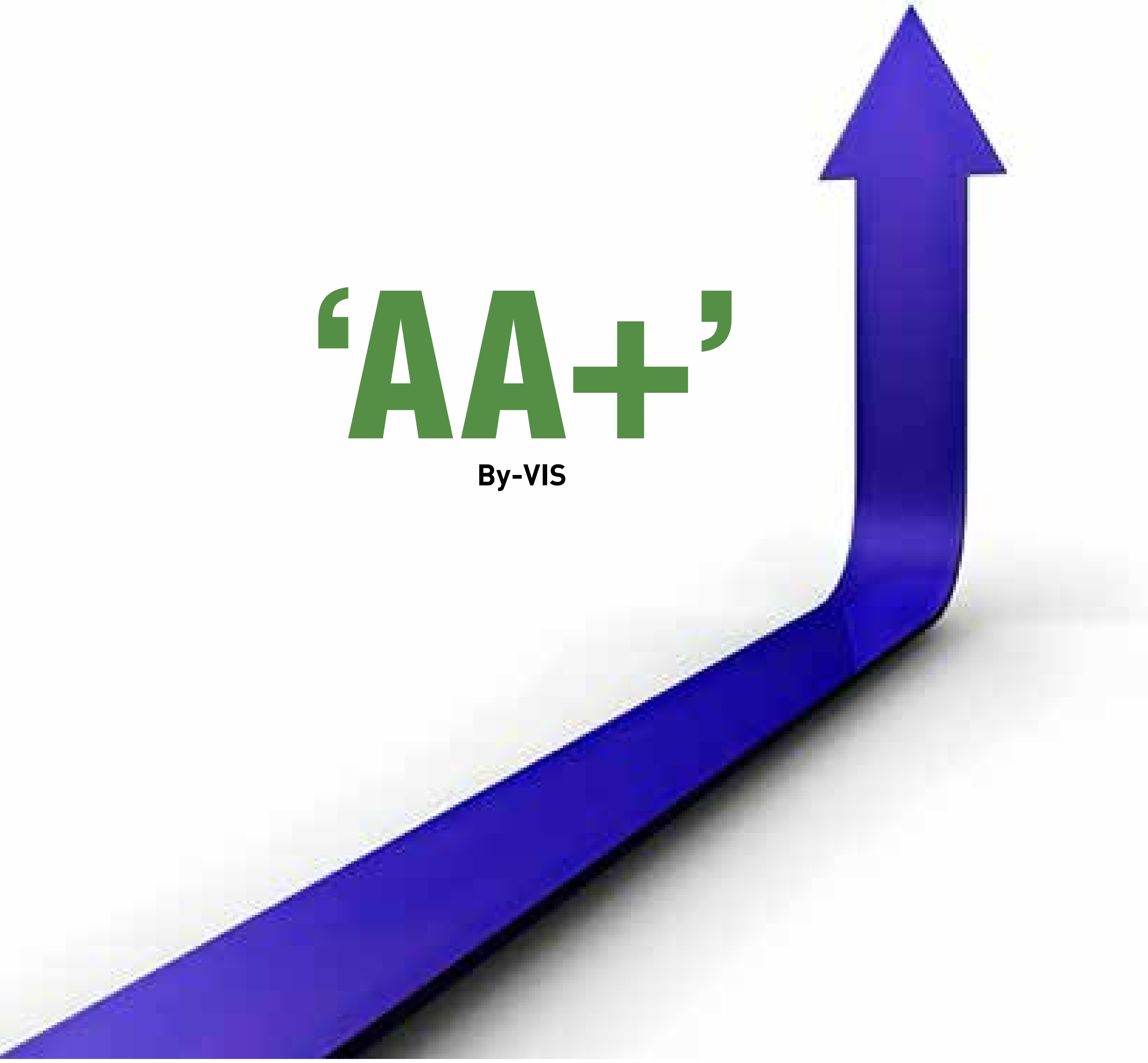
TO ACHIEVE SUPERIOR RISK UNDERWRITING CAPACITY

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

TO ACHIEVE STAKEHOLDERS' CONFIDENCE & CONTINUOUSLY IMPROVE PERFORMANCE

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

INSURER FINANCIAL STRENGTH RATING



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By-VIS

BOARD OF DIRECTORS

Mian Hassan Mansha
Chairman

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

Iqraa Hassan Mansha
Director

Nabeela Waheed
Director

Muhammad Azam
Director

Khawaja Khalil Shah
Director

Farrukh Aleem
Chief Executive Officer

Khalid Mahmood Chohan
Company Secretary

CEO MESSAGE

Farrukh Aleem
C.E.O

“

To Our Proud Policy Holders, Sponsors, Members and Employees

As the Chief Executive Officer of SGI, I am honored to share our steadfast commitment to conducting business with integrity, ethics, and transparency. Over the past decade, we have diligently cultivated our services, which are now synonymous with our dedication to supporting our clients through knowledge sharing. Despite the challenges posed by economic and political fluctuations, we remain steadfast in our pursuit of excellence in reinsurance and the local market. To navigate these challenges, we have prioritized technological innovation, process refinement, and fostering a supportive work environment for our employees.

During the year 2023, we grew Gross premium revenue. Key financial performance and strength indicators of Company are admirable and are as follows:

- Gross Premium = PKR 6 Billion.
- Net Profit After Tax = PKR 1.3 Billion
- Investments = PKR 21.65 Billion.
- Equity = PKR 18.22 Billion.

As Security General Insurance Company, our vision, mission, and guiding principles keep us focused on our clients, human resource and the members' well being who vested their trust on us. We guide and offer them the best and innovative products which not only best suites to their risk management strategy but also help them to do it better both in terms of protection and cost effectiveness. SGICL had made equity investments of Rs. 6 Billion over the last six years in companies with lucrative businesses. Investment portfolio is continuously growing and generating reasonable income.

Moving ahead, we are focused on accelerating the execution of our growth strategy while continuing to improve market penetration with strength of services and keeping profitable portfolio for all the stakeholders.

Looking ahead, our focus remains on accelerating the execution of our growth strategy while expanding our market presence and maintaining a profitable portfolio for all stakeholders. SGICL is committed to sustained growth while optimizing our portfolio mix to enhance the company's bottom line.

I extend my sincerest gratitude to our clients, employees, sponsors, and stakeholders for their unwavering support in propelling us forward on the path of progress. Wishing everyone a prosperous and healthy year ahead!

Have a prosperous and healthy year ahead!

COMPANY INFORMATION

Board of Directors

Mian Hassan Mansha
Chairman

Iqraa Hassan Mansha
Director

Muhammad Azam
Director

Farrukh Aleem
CEO

Nabeela Waheed
Director

Khawaja Khalil Shah
Director

Management

Farrukh Aleem
CEO

Hafiz Khuram Shahzad
CFO

Khalid Mahmood Chohan
Company Secretary

Audit Committee

Mian Hassan Mansha
Chairman

Mahmood Akhtar
Member

Inayat Ullah Niazi
Member

External Auditors

Riaz Ahmad & Company
Chartered Accountants

Internal Auditors

Ahsan & Ahsan
Chartered Accountants

Lawyers

Hamid Law Associates

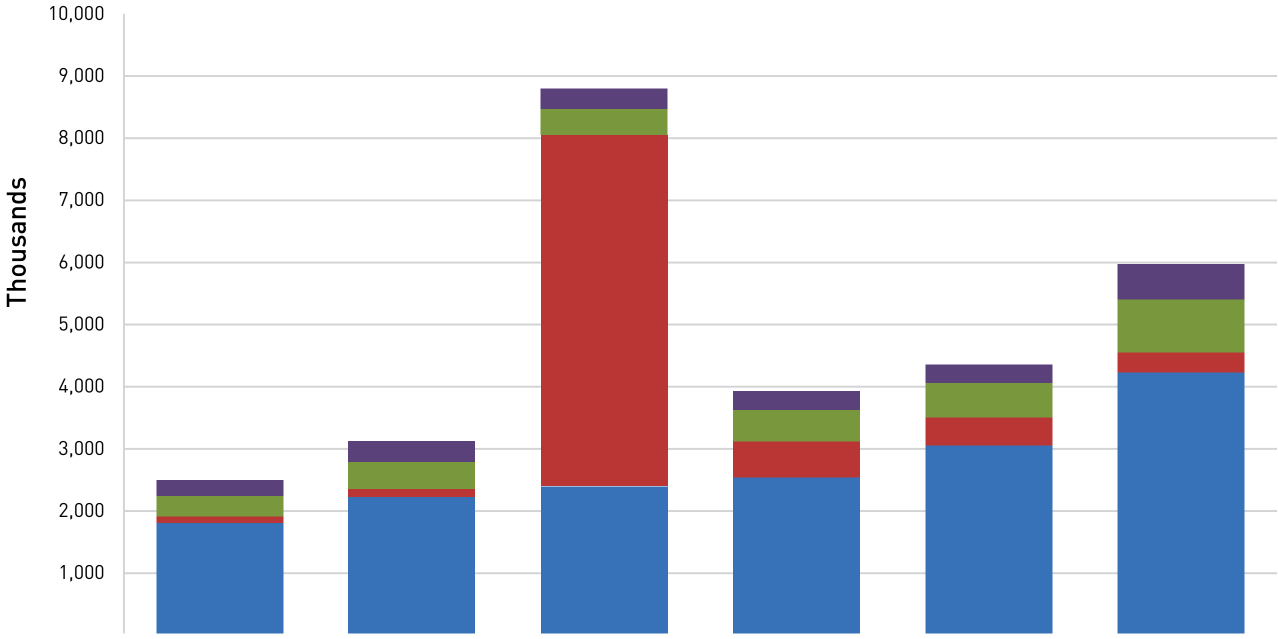
Head Office

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

KEY FINANCIAL DATA

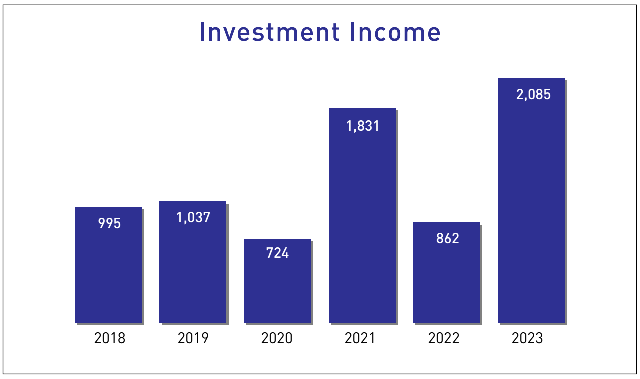
Description	2023	2022	2021	2020	2019	2018
			Rupees in Million			
Gross Premium	5,582	4,359	3,924	8,799	3,122	2,496
Gross Contribution	418	275	194	104	105	20
Profit after Tax	1,311	611	1,500	707	959	854
Profit before Tax	2,101	1,043	2,104	1,008	1,353	1,292
Investment Income	2,085	862	1,831	724	1,037	995
Underwriting Income	400	295	391	369	302	294
Net Revenue	1,203	926	924	816	696	600
Net Claims	297	220	120	111	110	83
Paid up Capital	681	681	681	681	681	681
Authorized Share Capital	1,000	1,000	1,000	1,000	1,000	1,000
Underwriting Reserve	4,120	3,982	2,818	8,095	2,734	2,261
Investments	21,646	16,288	19,430	16,590	16,254	14,015
Fixed Assets	239	214	193	160	149	124
Retained Profit	12,994	12,323	12,017	10,862	10,496	9,877

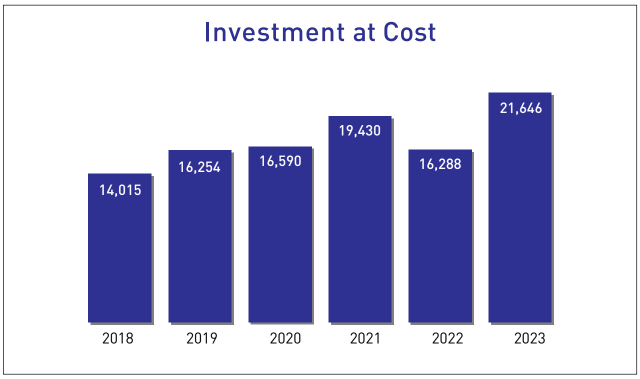
DEPARTMENT WISE GROSS PREMIUM

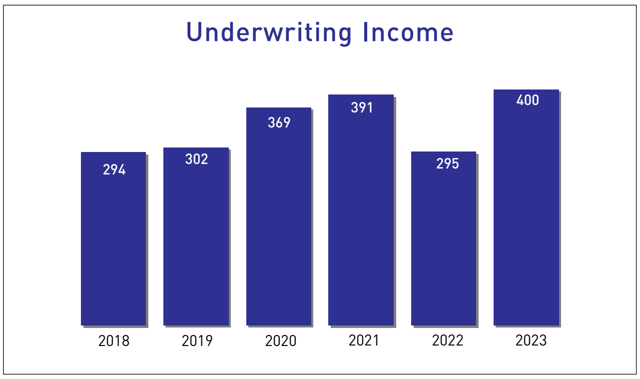


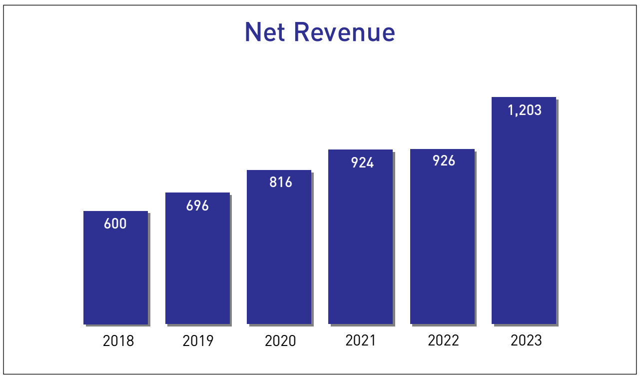
	2018	2019	2020	2021	2022	2023
MISC. & Others	245,484	340,686	320,047	262,569	292,586	571,538
MOTOR	341,213	429,171	434,980	538,853	564,141	859,542
MARINE	99,843	123,940	5,643,423	586,812	230,973	316,884
FIRE	1,809,350	2,227,944	2,400,535	2,535,684	3,271,136	4,229,279
TOTAL	2,495,890	3,121,741	8,798,985	3,923,918	4,634,262	6,000,511

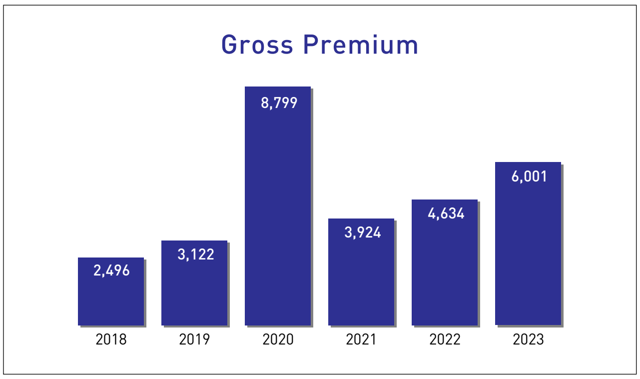
KEY FINANCIAL DATA
GRAPHICAL HIGHLIGHTS

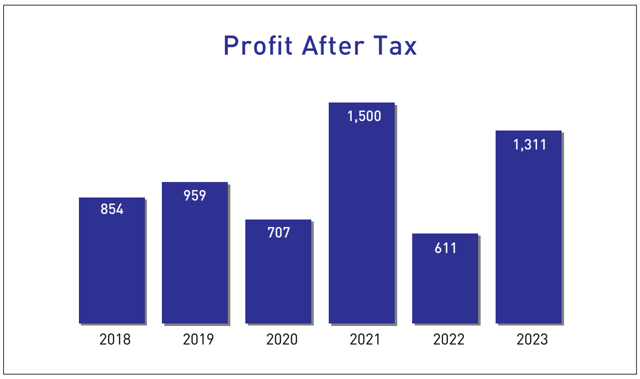


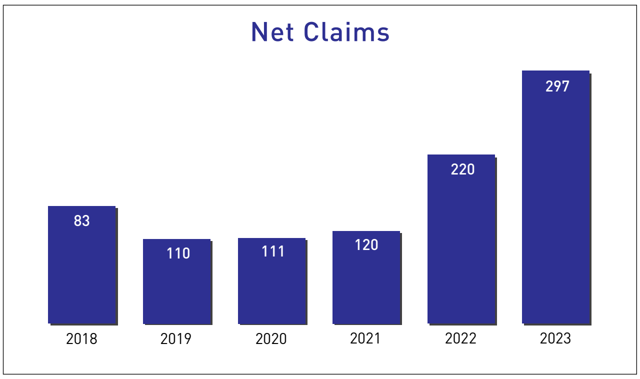


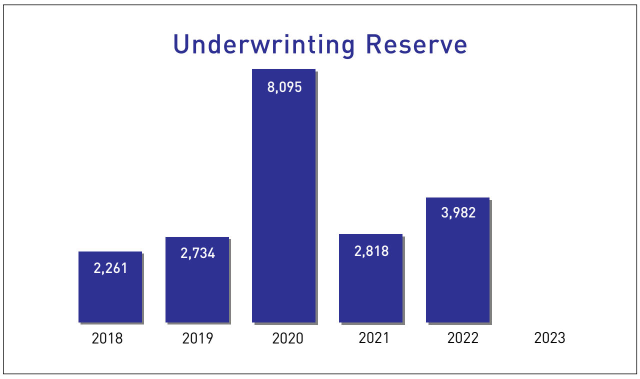












FIRE & ALLIED PERLIS INSURANCE

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

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

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

- the individual
- the entity (organization).

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

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

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

Additional Coverages:

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

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

MARINE CARGO INSURANCE

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

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

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

The Clauses used for by Sea Shipments:

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

The Clause used for by Air Shipments:

- Institute Cargo Clauses Air – Covers all except general exclusions

The Clauses used for Inland Transit/Rail/Road:

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

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

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

Marine Perils

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

MOTOR INSURANCE

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

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

Motor insurance covers is available for;

1. Private Motor vehicles
2. Commercial Motor vehicles

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

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

ENGINEERING & MISCELLANEOUS INSURANCE

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

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

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

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

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

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

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

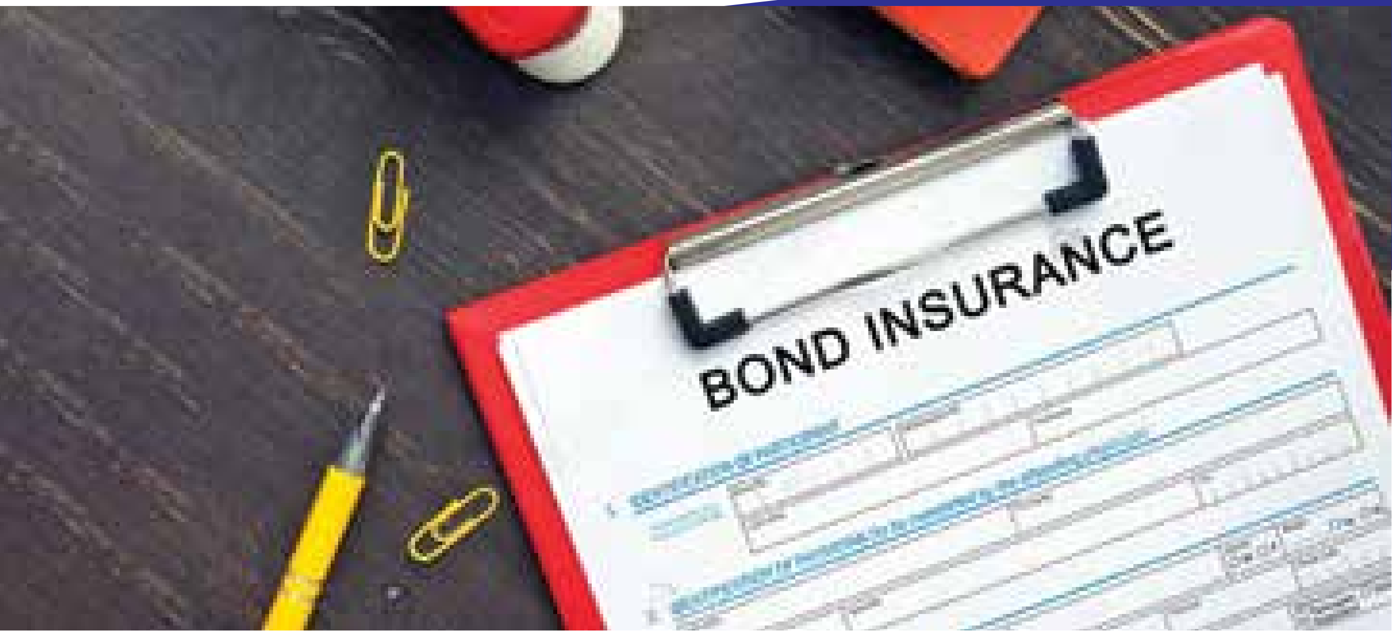
iv. Guarantee Insurance: The main types of policies included in guarantee insurance are a) insurance for performance of contract, policies, the guarantor / underwriter insures the promisee or employer against the loss arising by non-performance by the promisor or the dishonesty of the employee.

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

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

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

BONDS INSURANCE



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

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

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

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

CROPS INSURANCE

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

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

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

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

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

HOME INSURANCE

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

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

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

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

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

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

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

LIVE STOCK INSURANCE

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

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

HEALTH INSURANCE

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

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

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

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

Please visit our website for detailed information about Health Insurance.

TRAVEL INSURANCE

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

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

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting (AGM) of the members of **Security General Insurance Company Limited** (the "Company") will be held on Tuesday, April 16, 2024 at 11:00 A.M. at SGI House, 18-C/E-1, Gulberg III, Lahore to transact the following special business:

1. To receive, approve and adopt the Annual Audited Conventional and Window Takaful Financial Statements of the Company for the year ended December 31, 2023 together with the Directors' and Auditors' reports thereon.
2. To approve Final Cash Dividend @15% (i.e. Rs. 1.5 per share) for the year ended 2023, as recommended by the Board, in addition to 65% interim dividend already paid.
3. To appoint Statutory Auditors of the Company for the year 2024 and fix their remuneration.
4. Special Business:

a) To ratify and approve transactions conducted with the Related Parties during the year ended December 31, 2023 by passing the following special resolution with or without modification:

Resolved that the Related Party Transactions as disclosed in the Annual Audited Conventional and Takaful Financial Statements for the year ended December 31, 2023 and as already approved by the Board of Directors of Security General Insurance Company Limited ("the Company") be and are hereby ratified, approved and confirmed in all respects.

b) To authorize the Board of Directors of the Company to approve transactions with the Related Parties during the financial year ending on December 31, 2024 by passing the following special resolution with or without modification:

Resolved that the Board of Directors of Security General Insurance Company Limited ("the Company") be and is hereby authorized to approve the transactions to be conducted with the related parties during the financial year ending on December 31, 2024 and these transactions shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their ratification.

By order of the Board

(Khalid Mahmood Chohan)
Company Secretary

Lahore
March 05, 2024

Notes:

1. The Register of Members of the Company will remain closed from April 10, 2024 to April 16, 2024 (both days inclusive). Transfers received in order at the registered office of the Company by the close of business on April 09, 2024 will be considered in time for entitlement of 1.5% Final Cash Dividend and attending of Annual General Meeting.

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

NOTICE OF ANNUAL GENERAL MEETING

3. Shareholders are requested to immediately notify the Company of change in address, if any.

STATEMENT OF MATERIAL FACTS
UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017.

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on April 16, 2024.

a) Item No. 4(a)
Approval of transactions conducted with the Related Parties during the year ended December 31, 2023

Following transactions carried out with associated companies/related parties as disclosed in Annual Audited Conventional and Takaful Financial Statements for the year ended December 31, 2023 and have been approved by the Board as recommended by the Audit Committee on a quarterly basis pursuant to provisions of applicable laws. However, as majority of Company Directors were interested in certain related party transactions due to their common directorship and holding of shares in the associated companies/related parties, the Board has recommended for placement of the same before the shareholders of the Company in general meeting for ratification/approval.

Conventional Business	2023	2022
	(Rupees in thousand)	
(i) Related parties based on common directorship		
Transactions during the year		
Premium written	2,127,297	1,635,174
Claims paid	80,301	16,143
Dividends received	329,249	19,868
Dividend paid	97,149	46,018
Payment in respect of services	5,046	696
Receipt in respect of services	1,238	-
Commission income	3,079	3,354
(ii) Other related party		
Transactions during the year		
Premium written	187,085	161,732
Claims paid	53,385	24,867
Dividends received	-	229
Participants' Takaful Fund		
(i) Related parties based on common directorship		
Transactions during the year		
Gross contribution written	6,515	8,924
Claims paid	326	1,707
	6,841	10,631

	2023	2022
	(Rupees in thousand)	
Year end balances		
Contribution due but unpaid	1,158	465
Outstanding claims	952	1,082
	2,110	1,547
(ii) Related party - others		
Transactions during the year		
Gross contribution written	2,088	1,877
	2,088	1,877
Year end balances		
Contribution due but unpaid	-	39
Outstanding claims	441	-
	441	39

All these related party transactions during the mentioned period were executed at Arm's Length Price in a fair and transparent manner and there was no departure from the guidelines mentioned in the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 and Code of Corporate Governance for such transactions.

Pursuant to the above, these transactions have to be approved/ratified by the shareholders in the General Meeting.

b) Item No. 4(b)
To authorize the Board of Directors of the Company to approve transactions with the Related Parties during the financial year ending on December 31, 2024

The Company shall be conducting transactions with its related parties during the year ending December 31, 2023 on an arm's length basis as per approved policy with respect to transactions with related parties in the normal course of business. The majority of Directors are interested in certain transactions due to their relationship with the Company. In order to promote the transparent business practices, the Board of Directors has to be authorized to approve all transactions with the related parties from time to time during the year ending December 31, 2024 and the same will be placed before the Shareholders in the next AGM for their ratification / approval.

NOTICE OF ANNUAL GENERAL MEETING

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

Name of Investee Company	Nishat Mills Limited	Nishat Chunia Power Limited	Lalpir Power Ltd.	Pakgen Power Ltd	Hyundai Nishat Motor (Pvt) Limited (HNMPL)		
Total Investment Approved:	PKR 250 Million by way of purchase of shares was approved by members in EOGM held on October 09, 2023. for the period of four (4) years.	PKR 150 Million by way of purchase of shares was approved by members in EOGM held on August 28, 2023. for the period of four (4) years.	PKR 125 Million by way of purchase of shares was approved by members in EOGM held on October 26, 2022. for the period of four (4) years.	PKR 175 Million by way of purchase of shares was approved by members in EOGM held on October 26, 2022. for the period of four (4) years.	Equity investment upto PKR 1,310.944 million was approved by members in EOGM held on November 25, 2020. for the period of four (4) years.	Equity investment upto PKR 1,092.60 million was approved by members in EOGM held on October 26, 2022. for the period of four (4) years.	Guarantee / continuing Stand by Letter(s) of Credit (SBLC) for an amount of up to PKR 1,277.100 Million for a tenure of 7.5years was approved by members in EOGM held on December 12, 2019.
Amount of Investment Made to date:	Rs. 11.752 Million	Rs. 22.955 Million	Rs. 73.647 Million	Rs. 34.937 Million	Rs.1,310.944 Million	Rs.1,063.471 Million	Rs.1,238.37 Million
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time:	Partial investment has been made in investee Company. Further Investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	Partial investment has been made in investee Company. Further Investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	Partial investment has been made in investee Company. Further Investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	Investment has been made in investee company within approved timeline.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	Partial guarantee has been extended after the approval. Further guarantee will be extended on the request of the investee company. There is no deviation from the approved timeline.
Material changes in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per available latest audited financial statements for the year ended June 30, 2023, the basic earnings per share was Rs.34.60 and breakup value per share was Rs. 255.30 As per Latest available financial statements for the half year ended December 31, 2023 the basic earnings per share is Rs. 16.02 and breakup value per Share is Rs. 294.01.	At the time of approval, as per available latest audited financial statements for the year ended June 30, 2022, the basic earnings per share was Rs.6.82 and breakup value per share was Rs. 65.28 As per Latest available financial statements for the half year ended December 31, 2023 the basic earnings per share is Rs. 6.60 and breakup value per Share is Rs. 72.65.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2021, the basic loss per share was (Rs.2.12) and breakup value per share was Rs. 41. As per Latest available financial statements for the year ended December 31, 2023 the basic earnings per share is Rs. 12.05 and breakup value per Share is Rs. 41.70.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2021, the earnings per share was Rs.2.82 and breakup value per share was Rs. 60.64. As per Latest available financial statements for the year ended December 31, 2023 the basic earnings per share is Rs. 15.76 and breakup value per Share is Rs. 66.35.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2019, the basic loss per share was Rs.1.183 and breakup value per share was Rs. 8.93. As per Latest available financial statements for the year ended December 31, 2023 the basic earnings per share is Rs. 0.58 and breakup value per Share is Rs. 9.86.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2021, the earnings per share was Rs.1.44 and breakup value per share was Rs. 8.22. As per Latest available financial statements for the year ended December 31, 2023 the basic earnings per share is Rs. 0.58 and breakup value per Share is Rs. 9.86.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2018, the basic loss per share was Rs.1.44 and breakup value per share was Rs. 9.03. As per Latest available financial statements for the year ended December 31, 2023 the basic earnings per share is Rs. 0.58 and breakup value per Share is Rs. 9.86.

DIRECTORS' REPORT TO THE MEMBERS

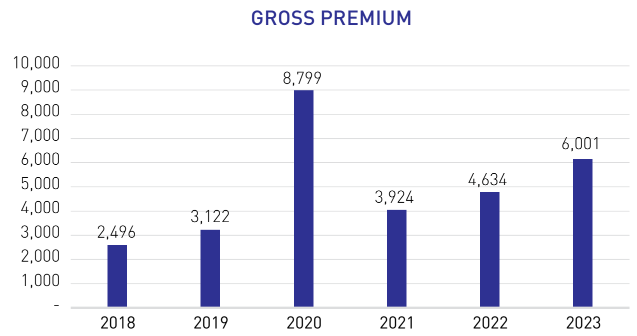
on Unconsolidated Condensed Financial Information
For the Year Ended 31st December 2023

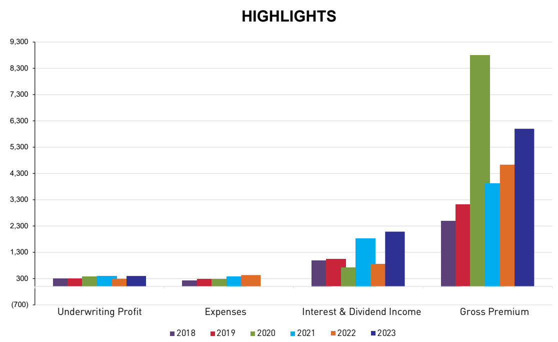
On behalf of the Board, I am pleased to present the 28th annual report of the Company for the year ended 31st December 2023.

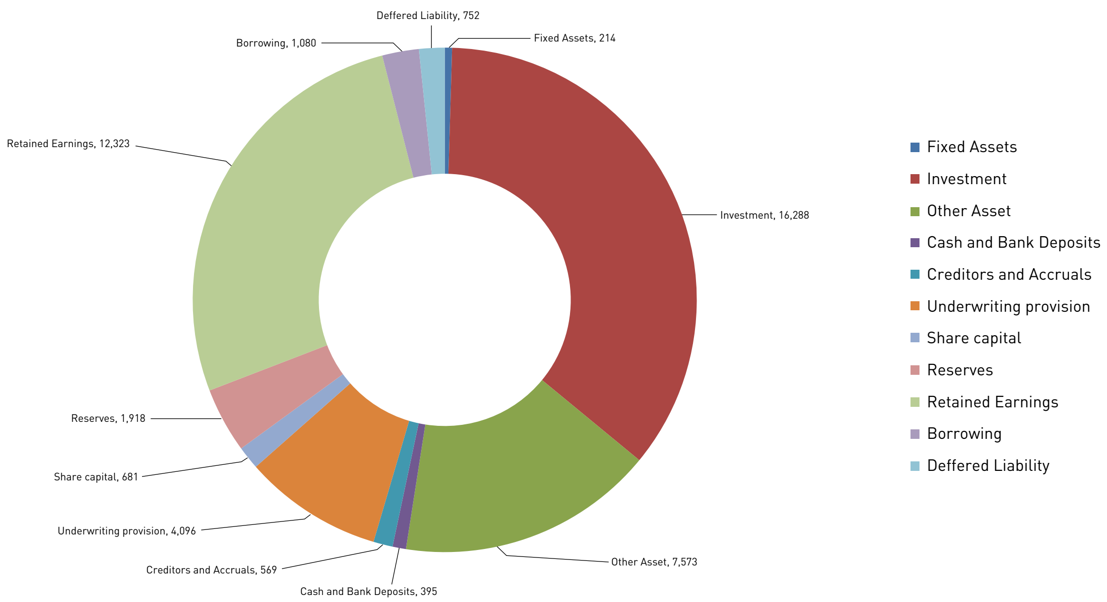
COMPANY'S PERFORMANCE DURING 2023:

SGI underwrote a gross premium / contribution of RS. 6 billion during the year 2023.

	31 December 2023	31 December 2022	Increase / decrease
	Rupees in millions		%
Gross written premium/Contribution	6,001	4,634	29.50
Net premium	1,203	926	29.91
Net commission	33	(0.3)	11,100.00
Net claims	297	220	35
Underwriting results	400	294	36.05
Other Income	88	92	(4.35)
Investment income	2,085	862	141.88
Financial charges	495	210	135.71
Profit before tax	2,101	1,043	101.44
Profit after tax	1,311	611	114.57
Earnings per share [Rupees]	19.26	8.98	114.48





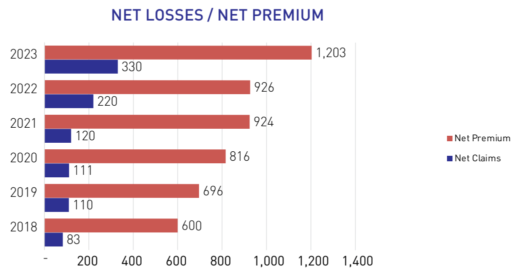


DIRECTORS' REPORT TO THE MEMBERS

on Unconsolidated Condensed Financial Information
For the Year Ended 31st December 2023

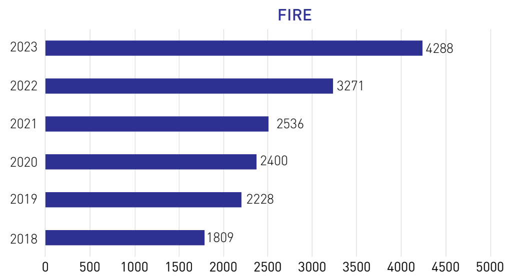
UNDERWRITING ACTIVITY:

The Gross Premium of the Company has increased by 28% and the Net Premium has increased by 30%. Net Claims increased by 35% and Underwriting profit is increased by 35% over the corresponding period of last year.



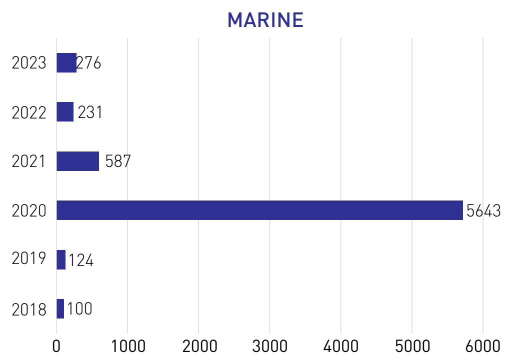
FIRE & PROPERTY DAMAGE:

Premium written in Fire business has increased as compared to same year during last year by 31%. The underwriting profit from the fire business for the year ended December 31st 2023 is 40% (2022: 40%). The fire and property portfolio represents 77% (2022: 75%) of the total underwriting portfolio of SGI.



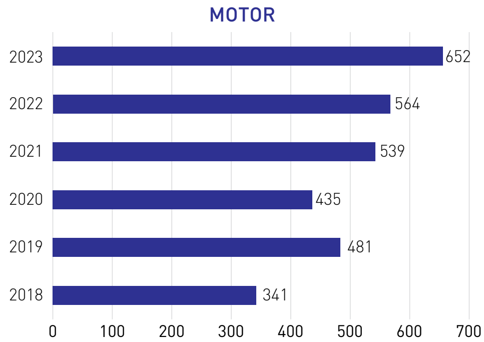
MARINE AVIATION AND TRANSPORT BUSINESS:

Premium written in Marine business has increased as compared to same year during last year by 20%. The underwriting profit from the Marine business for the year ended December 31st 2023 is 38% (Loss 2022: 6%). The Marine portfolio represents 5% (2022: 4%) of the total underwriting portfolio of SGI.



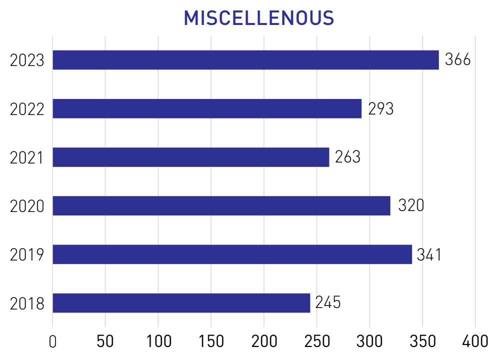
MOTOR:

The gross premium from the motor business has increased from Rs. 564 million during the year ended December 31st 2022 to Rs. 652 million during the year ended December 31st 2023. The profitability from the motor business for the year ended December 31st 2023 is 31% (2022: 25%) of net premium from this business. Motor Business represents 12% (2022: 13%) of the total underwriting portfolio of the company.



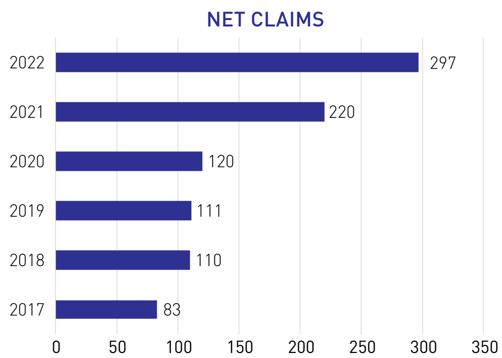
MISCELLANEOUS:

The Gross Premium from miscellaneous business is icreased from Rs. 293 million for the year ended December 31st 2022 to Rs. 266 million for the year ended December 31st 2023.



CLAIMS:

The overall net claims expenses increased from Rs.220 million during the year ended December 31st 2022 to Rs.297 million during the year ended December 31st 2023. Net Claims are 25% of the net premium revenue (2022: 24%).



DIRECTORS' REPORT TO THE MEMBERS

on Unconsolidated Condensed Financial Information
For the Year Ended 31st December 2023

INVESTMENT:

The company has made an investment of Rs. 1,092 million in HNMPL, Rs.39 million in MTL, Rs.23 million in NCPL, Rs.12 million in NML, Rs. 9 million in DGKC and Rs.4 million in LPL during the year 2023. The market value of our investment portfolio has increased from Rs. 16.28 billion to Rs.21.64 billion as at December 31st 2023. The Company earned a dividend of Rs.2,060 billion from its investment portfolio (2022:1,308 million).

CASH FLOW:

As of December 31st 2023, the net cash flow generated from all underwriting activities is Rs. 148 million and total inflow from all operating activities is Rs. (632) million.

EARNING PER SHARE:

Earnings per share have increased from Rs. 8.98 for the year ended December 31st 2022 to Rs. 19.26 for the year ended December 31st 2023.

APPROPIRATIONS:

Directors, in their meeting held on March 05, 2024, have recommended a 15% cash dividend. This is in addition to 65% interim cash dividend paid on the basis of half yearly & 3rd quarter ended results for 2023.

CREDIT RATING:

VIS Credit Rating Company Ltd., has improved the insurer Financial Strength (IFS) Rating of SGI at 'AA+'

HEALTH, SAFETY AND ENVIRONMENT

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

EXTERNAL AUDITORS

The present Auditors, M/s. Riaz Ahmad & Co, Chartered Accountants have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP).

The external auditors have confirmed that their firm is in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

The external auditors attended those Audit Committee meetings in which audited / reviewed financial statements of the Company were considered by the Audit Committee. The auditors have confirmed that they have no issue of independence and they have already reported all their concerns in the Board and management letters. Audit Committee recommended appointment and remuneration of the external auditors for the financial year ended December 31, 2023, for consideration of the Board.

RELATED PARTY TRANSACTIONS

Related party transactions are placed before the Audit Committee. These transactions are reviewed / recommended by the Audit Committee and approved by the Board of Directors on quarterly basis. Details of related party transactions are disclosed in note 35 of the financial statements and note 30 of the Window Takaful Operation financial statements.

DIRECTORS' REPORT TO THE MEMBERS

on Unconsolidated Condensed Financial Information
For the Year Ended 31st December 2023

DIRECTORS' REMUNERATION

The Company pay meeting fee to non- executive directors. Company's remuneration policy is structured in line with prevailing industry trends and business practices.

BOARD AUDIT COMMITTEE:

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

Name of Member	Category	Attendance
Mian Hassan Mansha	Chairman	4
Mr. Inayat Ullah Niazi	Member	4
Mr. Mahmood Akhtar	Member	4

STATUTORY AUDIT:

The auditors have expressed an unqualified opinion on the financial statements of the Company for the year 2023.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

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

- The Financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 2017, the Insurance Ordinance 2000, the Insurance Rule 2017, the Insurance Accounting Regulations 2017, Takaful rules 2012 and General Takaful Accounting Regulations 2019. These statements present fairly the company's state of affair, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data of last six years is available in the annual report.
- All applicable statutory payments on account of taxes, duties etc were regularly and timely deposited in the Government treasury.
- Value of investment of Provident Fund as at 31st December 2023 stands at Rs. 45.2 million and investment of Gratuity fund as at December 31st 2023, stands at Rs. 80.2 million.

During the year under review, Six Board Meetings were held, attendance position was as under:

- The aggregate shares held by the Associated Companies are:

Sr. No	Name of Member	Attendance
1.	Mian Hassan Mansha (Chairman)	6
2.	Mr. Mahmood Akhtar	6
3.	Mr. Inayat Ullah Niazi	6
4.	Mr. Muhammad Azam	5
5.	Ms. Nabeela Waheed	6
6.	Mr. Farrukh Aleem (CEO)	6

DIRECTORS' REPORT TO THE MEMBERS

on Unconsolidated Condensed Financial Information
For the Year Ended 31st December 2023

1. Nishat Mills Limited 10,226,244

- The pattern of shareholding is given on page 38 of this report.

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

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

FUTURE OUTLOOK 2023:

The economy of Pakistan, after two relatively challenging years, appears to be heading towards another challenging year. Whilst inflation remains high, primarily attributed to increase in food and utility prices.

Our strategy for 2024 is designed to achieve steady growth in the challenging business environment in order to attain better position in the industry.

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

ACKNOWLEDGEMENTS:

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

On behalf of Board of Directors

FARRUKH ALEEM
CEO

Nabeela Waheed
Director

Lahore
March 05, 2024

ڈائریکٹرز کی رپورٹ برائے اراکین

- مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں رائج بین الاقوامی اکاؤنٹنگ اصولوں کی پیروی کی گئی ہے اور ان میں کسی بھی قسم کے سقم کو مناسب انداز میں ظاہر کیا گیا ہے۔
- داخلی کنٹرول کا ایک مربوط نظام موجود ہے جس کی موثر انداز میں نگرانی ہوتی ہے اور اس کا اطلاق ہو تا ہے۔ ۔
- کمپنی کی کاروبار جاری رکھنے کی صلاحیت میں کوئی ابہام موجود نہیں ہے۔
- کارپوریٹ گورننس کی بہترین عمل داری میں کوئی ٹھوس رکاوٹ موجود نہیں ہے۔
- گذشتہ چھے برس کے بنیادی آپریٹنگ اور مالیاتی ڈیٹا کی تفصیلات سالانہ رپورٹ میں دستیاب ہیں۔
- ٹیکس اور ڈیوٹی وغیرہ کی بابت تمام رقوم باقاعدگی سے اور بروقت سرکاری خزانے میں جمع کرائی جاتی ہیں۔
- 31 دسمبر 2023 تک پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت روپے ہے۔ 45.2 ملین اور سرمایہ کاری 31 دسمبر 2023 تک گریجویٹی فنڈ کی رقم روپے ہے۔ 80.2 ملین
- کمپنی بعض خطرات اور غیر یقینی صورتِ حال سے بے نقاب ہے جس کا ہر وقت انتظامیہ اور بورڈ آف ڈائریکٹر کے ذریعے جائزہ لیا جاتا ہے۔
- زیرجائزہ سال کے دوران بورڈ کے چھے اجلاس منعقد ہوئے حاضری کی تفصیلات حسب ذیل ہیں:

نام رکن	تعداد اجلاس
میاں حسن منشا (چیئر مین)	6
مسٹر محمود اختر	6
مسٹر عنایت اللہ نیازی	6
مسٹر محمد اعظم	5
مس نبیلہ وحید	6
مسٹر فرخ علیم (CEO)	6

○ 1. نشاط ملز لمیٹڈ 10,226,244

- شیئر ہولڈنگ کی وضع اس رپورٹ کے صفحہ 38 میں دی گئی ہے۔

تخصیصات میں بیان کردہ تفصیلات کے علاوہ سال کے اختتام اور رپورٹ ہذا کے اجرا کی تاریخ تک کوئی مادی تبدیلی/ عہد واقع نہیں ہوا ہے ۔

مستقبل کا منظر نامہ

نسبتاً دو مشکل سالوں کے بعد پاکستان کی معیشت ایک بار پھر مشکل برس کی جانب گامزن ہے۔ اشیائے خوردونوش اور توانائی کی قیمتوں میں اضافے کے باعث افراطِ زر کی شرح بھی بلند رہنے کی توقع ہے۔

سال 2023 کے لئے ہماری حکمت عملی مشکل ترین کاروباری ماحول میں مستقل نمو حاصل کرنے کے لئے تیار کی گئی ہے تاکہ انڈسٹری میں اپنی پوزیشن مزید مستحکم بنائی جا سکے۔

ہم پروڈکٹس اور کسٹمر سیگمنٹ پر بھرپور توجہ دے رہے ہیں جہاں ہمیں مقابلتاً بہتر درجہ حاصل ہے جس کے ذریعے ہم اپنے صارفین کو بہترین منافع پیش کر سکتے ہیں۔

اظہار تشکر

ہمارے معزز کلائنٹس کی وفاداری ہمیں طویل مدت کے لئے مارکیٹ میں اپنی پوزیشن برقرار رکھنے میں مدد کرتی ہے۔ ہم اُن کے اعتماد کے لئے شکر گزار ہیں۔ مارکیٹ میں اپنی پوزیشن کو بہتر کرنے کے لئے ہم شیئر ہولڈرز کی سپورٹ کو تسلیم کرتے ہیں ۔ ہم اپنے ری انشورنس بروکرز کے بھی تہہ دل سے شکر گزار ہیں جنہوں نے اپنی پیشہ ورانہ خدمات اور سپورٹ کے ذریعے اس عمل میں اہم کردار ادا کیا۔ ہم رہنمائی اور تعاون کے لئے SECP کو بھی خراج تحسین پیش کرتے ہیں۔ ہم اپنے ڈیویلپمنٹ افسران، عملے اور ایگزیکٹوز کی پیشہ ورانہ خدمات اور انتھک محنت کو بھی سراہتے ہیں جس کے باعث کمپنی اپنے اہداف حاصل کرنے میں کامیاب ہوئی۔

منجانب بورڈ آف ڈائریکٹرز

فرخ علیم
CEO

نبیلہ وحید
ڈائریکٹر

لاہور: 05 مارچ، 2024ء

ڈائریکٹرز کی رپورٹ برائے اراکین

کریڈٹ ریٹنگ

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے SGI کی انشورر فائنینشیل سٹرینتھ (IFS) ریٹنگ میں'AA+' بہتری کا اعلان کیا ہے۔

صحت، حفاظت اور ماحولیات

ہم صحت، حفاظت اور ماحولیات کی بابت اعلیٰ ترین عیار کو برقرار رکھنے پر قوی یقین رکھتے ہیں تاکہ ہمارے ساتھ کام کرنے والے افراداور ہمارے ارد گرد موجود آبادیوں کی بہتر زندگی کو یقینی بنایا جا سکے۔

بیرونی آڈیٹرز

موجودہ آڈیٹرز، ریاض احمد اور کمپنی، چارٹرڈ اکاؤنٹنٹس کو انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش درجہ بندی دی گئی ہے۔

بیرونی آڈیٹرز نے تصدیق کی ہے کہ ان کی کمپنی انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے ضابطہ اخلاق سے متعلق رہنما خطوط کی تعمیل کرتی ہے جیسا کہ ICAP نے اپنایا ہے۔

بیرونی آڈیٹرز نے آڈٹ کمیٹی کے ان اجلاسوں میں شرکت کی جن میں آڈٹ کمیٹی کے ذریعہ کمپنی کے آڈٹ/جائزہ شدہ مالیاتی گوشواروں پر غور کیا گیا۔ آڈیٹرز نے تصدیق کی ہے کہ ان کے پاس آزادی کا کوئی مسئلہ نہیں ہے اور انہوں نے پہلے ہی بورڈ اور انتظامیہ کے خطوط میں اپنے تمام خدشات کی اطلاع دی ہے۔ آڈٹ کمیٹی نے بورڈ کے غور کے لیے 31 دسمبر 2023 کو ختم ہونے والے مالی سال کے لیے بیرونی آڈیٹرز کی تقرری اور معاوضے کی سفارش کی۔

متعلقہ فریقین سے لین دین

متعلقہ فریقین سے لین دین کو آڈٹ کمیٹی کے سامنے رکھا گیا ہے۔ ان معاملات پر آڈٹ کمیٹی نے نظرثانی کر کے تجاویز دی ہیں جب کہ بورڈ آف ڈائریکٹرز نے سہ ماہی بنیادوں پر انہیں منظور کیا ہے۔ متعلقہ فریقین سے لین دین کو مالیاتی اسٹیٹمنٹس کے نوٹ 35 اور ونڈو تکافل آپریشن کی مالیاتی اسٹیٹمنٹس کے نوٹ 30میں درج کیا گیا ہے ۔

ڈائریکٹرز کا مشاہرہ

کمپنی نان ایگزیکٹو ڈائریکٹرز کو اجلاس میں شرکت کی فیس ادا کرتی ہے۔ کمپنی کی معاوضہ پالیسی حالیہ انڈسٹری رجحانات اور کاروباری عمل داری کے عین مطابق وضع کی گئی ہے۔

بورڈ آڈٹ کمیٹی

زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے جس میں حاضری کی تفصیلات حسب ذیل ہیں:

نام رکن	عہدہ	تعداد اجلاس جن میں شرکت کی
میاں حسن منشا	چیئر مین	4
مسٹر عنایت اللہ نیازی	رکن	4
مسٹر محمود اختر	رکن	4

لازمی آڈٹ

آڈیٹرز نے سال2023ء کی مالیاتی اسٹیٹمنٹس پر غیر حتمی رائے کا اظہار کیا ہے۔

کاروباری و مالیاتی رپورٹنگ فریم ورک

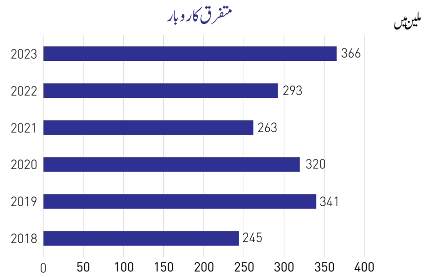
کوڈ آف کارپوریٹ گورننس کے مالیاتی رپورٹنگ فریم ورک کی تعمیل میں ڈائریکٹرز نے مندرجہ ذیل کی توثیق کی ہے:

- مالیاتی اسٹیٹمنٹس بمعہ نوٹس کمپنیز ایکٹ 2017ء، انشورنس آرڈیننس 2000ء، انشورنس قواعد 2017ء، انشورنس اکاؤنٹنگ ضوابط 2017ء، تکافل قواعد 2012ء اور جنرل تکافل اکاؤنٹنگ ضوابط 2019ء کی تعمیل میں تیار کی گئی ہیں۔ یہ اسٹیٹمنٹس کمپنی کے کاروباری امور، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بھرپور عکاسی کرتی ہیں۔
- کمپنی نے باقاعدہ کھاتوں کی کتابیں تیار کر رکھی ہیں
- مالیاتی اسٹیٹمنٹس کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات معقول اندازوں کے مطابق لگائے جاتے ہیں۔

ڈائریکٹرز کی رپورٹ برائے اراکین

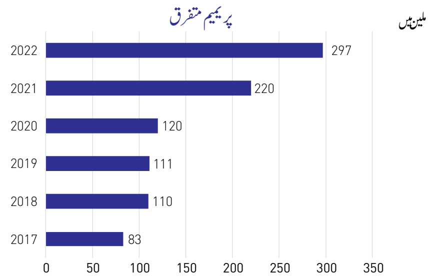
متفرقات

متفرق بزنس کے کل پریمیم میں 31 دسمبر 2022ء کو اختتام پذیر سال کے لئے 293 ملین روپے کی نسبت 31 دسمبر 2023ء کو اختتام پذیر سال کے دوران 266 ملین روپے کا اضافہ واقع ہوا۔



کلیمز

مجموعی خالص کلیمز اخراجات میں 31 دسمبر 2022ء کو اختتام پذیر سال کے دوران 220 ملین روپے کی نسبت 31 دسمبر 2023ء کو اختتام پذیر سال کے دوران 297 ملین روپے کا اضافہ ریکارڈ ہوا۔ خالص کلیمز خالص پریمیم آمدنی کا 25% (2022: 24%)ہیں۔



سرمایہ داری

کمپنی نےسال 2023ء کے دورانHNMPL میں 1,092ملین روپے ، MTL میں 39 ملین روپے، NCPL میں 23 ملین روپے، MNL میں 12 ملین روپے اور DGKC میں 9 ملین روپے اور 4 ملین روپے LPL میں سرمایہ کاری کی ۔ہمارے انویسٹمنٹ پورٹ فولیوں کی مارکیٹ ویلیو میں 31دسمبر 2023ء کو 16.28 بلین روپے کی نسبت 31.64 بلین روپے کا اضافہ ہوا۔ کمپنی نے اپنے انویسٹمنٹ پورٹ فولیو سے 2,060 بلین روپے (2022: 1,308 ملین روپے)کا منافع منقسمہ حاصل کیا۔

کیش فلو

31دسمبر 2023ء کو تمام تحریری سرگرمیوں سے حاصل خالص کیش فلو 148 ملین روپے ہے جبکہ تمام آپریٹنگ سرگرمیوں کا ان فلو سےکل (632) ملین روپے ہے۔

فی حصص آمدنی

31دسمبر 2022ءکو اختتام پذیر مدت کے دوران فی حصص آمدنی میں8.99 روپے کی نسبت 31دسمبر 2023ءکو اختتام پذیر سال کے لئے 19.26 روپے رہی۔فی حصص آمدنی میں یہ اضافہ ہوا۔

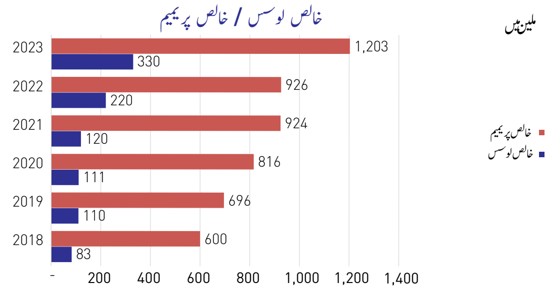
تخصیصات

ڈائریکٹرز نے 05 مارچ2024ء کو منعقدہ اپنے اجلاس میں 15% نقد منافع منقسمہ کی تجویز دی ۔ یہ منافع سال 2023ء کے لئے نصف سالہ اورسہ ماہی نتیجہ 2023 کے لیے نتائج کی ادا شدہ 65% کے عبوری نقد منافع منقسمہ کے علاوہ ہے۔

ڈائریکٹرز کی رپورٹ برائے اراکین

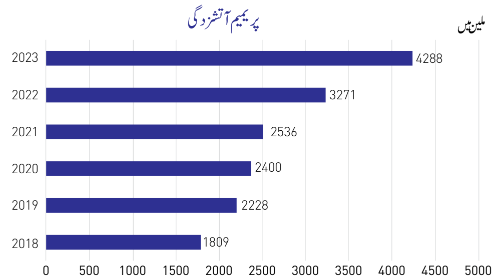
انڈر رائٹنگ عمل

گذشتہ برس کی نسبت کمپنی کے مجموعی پریمیم میں 28% کا اضافہ ہوا اور خالص پریمیم 30% تک بڑھا جبکہ خالص کلیمز میں 35% اضافہ اور تحریری منافع میں 35% اضافہ ہوا۔



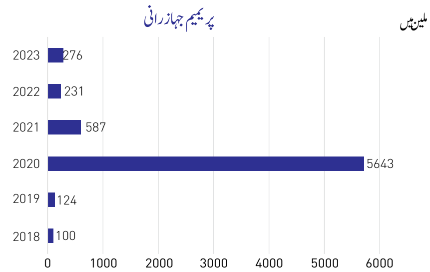
آتشزدگی اوراملاک آتشزدگی

آتش بزنس میں تحریر شدہ پریم میں گذشتہ برس کی اسی مدت کی نسبت 31% کا اضافہ ہوا۔ 31دسمبر 2023ء کو اختتام پذیر سال کے لئے فائر بزنس سے تحریری منافع 40% (2022: 40%)درج ہوا ۔ آتشزدگی اوراملاک کے پورٹ فولیوSGI کے کل انڈررائٹنگ پورٹ فولیو کا 77%(2022: 75%) ریکارڈ ہوا۔



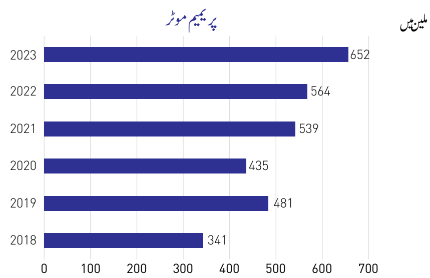
بحری، ہوا بازی اور نقل و حمل

بحری ہوا بازی اور نقل و حمل بزنس کے تحریری پریمیم میں گذشتہ برس کی اسی مدت کی نسبت 20% اضافہ ہوا۔ 31دسمبر 2023ء کو اختتام پذیر سال کے لئے میرین بزنس سے تحریری منافع38% (خسارہ 2022: 6%)ریکارڈ ہوا ۔بحری پورٹ فولیو SGI کے کل تحریری پورٹ فولیو کا 5% (2022: 4%) ہے۔



موٹر

موٹر بزنس سے کل پریمیم میں 31دسمبر 2022ء کواختتام پذیر گذشتہ برس کے دوران 564 ملین روپے کی نسبت 31 دسمبر 2023ء کو اختتام پذیر سال کے دوران 652 ملین روپے اضافہ ریکارڈ ہوا۔ 31دسمبر 2023ء کو اختتام پذیر سال کے لئے موٹربزنس سے منافع خالص پریمیم کا31%(2022: 25%) ہے۔ موٹر بزنس کمپنی کے کل تحریری پورٹ فولیو کا 12% (2022: 13%) ہے۔



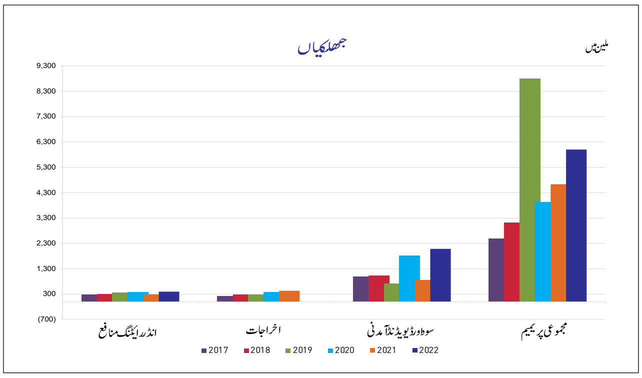
ڈائریکٹرز کی رپورٹ برائے اراکین

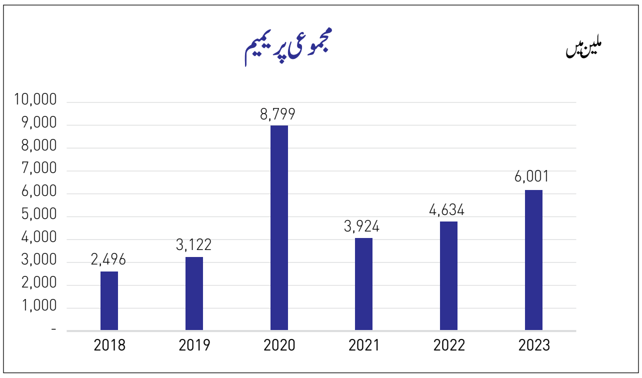
بورڈ کی جانب سے میں 31 دسمبر 2023ء کو اختتام پذیر سال کے لئے کمپنی اٹھائیسویں (28ویں) سالانہ رپورٹ ازراہِ مسرت پیش کرتا ہوں۔

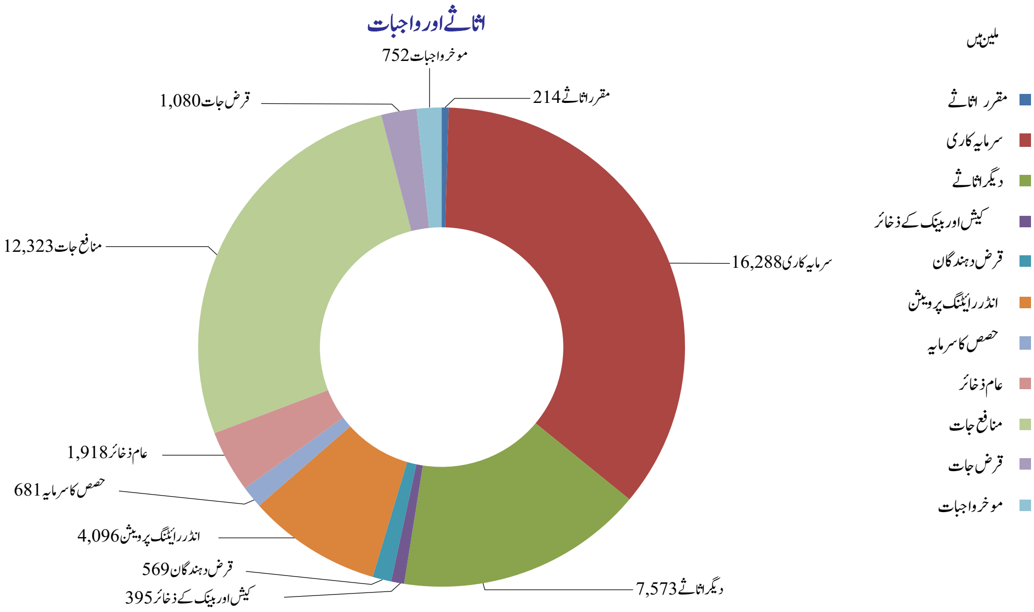
سال 2023ء کے دوران کمپنی کی کارکردگی

SGI نے سال 2023ء کے دوران 6 بلین روپے کے کل پریمیم/کنٹری بیوشن تحریر کیا۔

	31دسمبر 2023ء	31 دسمبر 2022ء	اضافہ/کمی (فی صد)
	ملین روپوں میں		
کل تحریر شدہ پریمیم	6,001	4,634	29.50
خالص پریمیم	1,203	926	29.91
خالص کمیشن	33	(0.3)	11,100.00
خالص کلیمز	297	220	35.00
انڈر رائٹنگ امور سے نفع	400	294	36.05
دیگر آمدنی	88	92	(4.53)
سرمایہ کاری آمدنی	2,085	862	141.88
مالیاتی اخراجات	495	210	135.71
نفع بمعہ ٹیکس	2,101	1,043	101.44
نفع علاوہ ٹیکس	1,311	611	114.57
فی حصص آمدنی	19.26	8.98	114.48







PATTERN OF SHARE HOLDING
as on December 31, 2023

	Shareholding		
Number of Shareholders	From	To	Total Shares Held
6	1	500	3,000
1	455001	460000	457,038
1	640001	645000	643,667
1	915001	920000	915,903
1	2395001	2400000	2,399,454
1	6570001	6575000	6,571,880
1	8130001	8135000	8,133,467
2	9045001	9050000	18,098,742
1	9680001	9685000	9,681,374
1	10225001	10230000	10,226,244
1	10930001	10935000	10,931,731
17			68,062,500

CLASSIFICATION OF SHARES BY CATEGORIES
as at December 31, 2023

Categories of Members	Numbers	Shares Held	Percentage
Individuals	11	38,082,843	55.95
Investment Companies	1	6,571,880	9.66
Insurance Companies	2	10,138,412	14.90
Joint Stock Companies	3	13,269,365	19.50
Financial Institutions	0	0	0.00
Modaraba Companies	0	0	0.00
Foreign Investors	0	0	0.00
Others	0	0	0.00
Total	17	68,062,500	100.00

DIRECTORS & THEIR SPOUSE(S) AND MINOR CHILDREN:

as at December 31, 2023

Sr. No	Name of Shareholder	Designation	Shares Held	%
1	Mr. Hassan Mansha	Director / Chairman	9,049,371	13.00
2	Mrs. Nabeela Waheed	Director	500	0.00
3	Mr. Muhammad Azam	Director	500	0.00
4	Mr. Mahmood Akhtar	Director	500	0.00
5	Mr. I.U. Niazi	Director	500	0.00

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST

as at December 31, 2023

	Name of Shareholder	Shares Held	%
1	Mrs. Naz Mansha	10,931,731	16.06
2	Nishat Mills Limited	10,226,244	15.02
3	Adamjee Insurance Co. Ltd	9,681,374	14.22
4	Mian Hassan Mansha	9,049,371	13.30
5	Mian Umer Mansha	9,049,371	13.30
6	Mian Raza Mansha	8,133,467	11.95
7	Roomi Holdings (Pvt) Ltd.	6,571,880	9.66
Associated Company:-			
	Nishat Mills Limited	10,226,244	15.02

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For The Year Ended 31 December 2023

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

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

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

Category	Names
Independent Director	NIL*
Executive Directors	Mr. Farrukh Aleem
Non Executive Directors	Mr. Hassan Mansha Mr. Muhammad Azam Mr. Mehmood Akhtar Mr. Inayat Ullah Niazi
Female Director	Ms. Nabeela Waheed

*Independent director will be appointed in next election of Directors which is due on 30 April 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. The Board has formed the following Management Committees:

Underwriting Committee:	
Name of Member	**Category**
Mr. Mahmood Akhtar	Chairman
Mr. Farrukh Aleem	Member
Mr. Muhammad Aamir Jamil	Member

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For The Year Ended 31 December 2023

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

Reinsurance and co-insurance Committee:	
Name of Member	**Category**
Mr. Mahmood Akhtar	Chairman
Mr. Farrukh Aleem	Member
Mr. Muhammad Omer Qureshi	Member
Mr. Muhammad Haris	Member

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

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:	
Name of Member	**Category**
Mr. Hassan Mansha	Chairman
Mr. Mahmood Akhtar	Member
Mr. Farrukh Aleem	Member

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

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

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

Audit Committee:	
Name of Member	**Category**
Mr. Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Mahmood Akhtar	Member

19. The terms of reference of the Committees have been formed and advised to the Committees for compliance. The frequency of meetings (quarterly/half yearly / yearly) of the Committees were as follows:

Committee	Frequency
Ethics, Human Resource and Remuneration Committee	2
Nominations Committee	2
Investment Committee	2
Audit Committee	4
Underwriting Committee	4
Claim Settlement Committee	4
Reinsurance & Co-insurance Committee	4
Risk Management & Compliance Committee	4

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

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer, and the Head of Internal Audit possess such qualifications and experience as is required under the Code of Corporate Governance for insurers, 2016. The appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management, and grievance function possess qualifications and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For The Year Ended 31 December 2023

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

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses, and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

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

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

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

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

28. The Board ensures that as part of this risk management system, the Company gets itself rated by VIS Credit Rating Company Ltd., which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency is AA + with a stable outlook on December 26, 2023.

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

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

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

On behalf of Board of Directors

Lahore
March 05, 2024

Chief Executive Officer

Riaz Ahmad & Company
Chartered Accountants

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
T: +92 (42) 3571 81 37-9
racolhr@racopk.com
www.racopk.com

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Security General Insurance Company Limited

Review Report on the Statement of Compliance contained in the Code of Corporate Governance for Insurers, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) prepared by the Board of Directors of Security General Insurance Company Limited (the Company) for the year ended 31 December 2023 in accordance with the requirements of clause (lxxvi) of the Code.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended 31 December 2023.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: 15 March 2024

UDIN: CR202310158cHTVzMfE3

A member of Nexia International

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

The incharge of the management of the business is Farrukh Aleem, Chief Executive Officer and the report on the affairs of business during the year 2023 signed by him , and approved by the Board of Directors is part of the Annual Report 2023 under the title of "Directors' Report to Members" and

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

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

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

Lahore.
Dated: March 05, 2024

Chief Executive Officer	Director	Director	Chairman

Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

Riaz Ahmad & Company
Chartered Accountants

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
T: +92 (42) 3571 81 37-9
racolhr@racopk.com
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INDEPENDENT AUDITOR'S REPORT

To the members of Security General Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Security General Insurance Company Limited (the Company), which comprise the statement of financial position as at 31 December 2023, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2023 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: 15 March 2024

UDIN: AR202310158NEKmDOXP9

STATEMENT OF FINANCIAL POSITION
as at December 31, 2023

	Note	2023	2022
		(Rupees in thousand)	
ASSETS			
Property and equipment	5	231,015	207,663
Intangible assets	6	8,167	6,644
Investment property	7	455,460	456,927
Investments			
Equity securities	8	21,424,445	16,116,156
Debt securities	9	73,805	73,772
Term deposits	10	148,000	98,500
Loans and other receivables	11	46,930	58,322
Insurance / reinsurance receivables	12	4,382,536	3,506,956
Reinsurance recoveries against outstanding claims	25	1,009,936	1,554,424
Salvage recoveries accrued		6,050	5,200
Deferred commission expense / acquisition cost	26	171,740	104,447
Prepayments	13	2,099,398	1,687,142
Cash and banks	14	944,649	394,570
		31,002,131	24,270,723
Total assets of window takaful operations - Operator's Fund	15	273,721	198,952
TOTAL ASSETS		31,275,852	24,469,675
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS			
Ordinary share capital	16	680,625	680,625
Reserves	17	4,540,482	1,917,666
Un-appropriated profit		12,993,984	12,323,302
TOTAL EQUITY		18,215,091	14,921,593
LIABILITIES			
UNDERWRITING PROVISIONS			
Outstanding claims including IBNR	25	1,264,095	1,769,101
Unearned premium reserves	24	2,856,177	2,213,321
Unearned reinsurance commission	26	127,307	113,283
Retirement benefit obligations	18	3,505	5,338
Deferred taxation	19	2,670,545	746,338
Borrowings	20	2,089,422	1,079,667
Premium received in advance		3,017	15,033
Insurance / reinsurance payables	21	2,993,895	2,631,049
Other creditors and accruals	22	662,514	569,237
Taxation - provision less payments		245,603	302,463
		12,916,080	9,444,830
Total liabilities of window takaful operations - Operator's Fund	15	144,681	103,252
TOTAL LIABILITIES		13,060,761	9,548,082
TOTAL EQUITY AND LIABILITIES		31,275,852	24,469,675
CONTINGENCIES AND COMMITMENTS	23		

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

Chief Executive Officer — Director — Director — Hasan Mansha, Chairman

PROFIT AND LOSS ACCOUNT
For The Year Ended 31 December 2023

	Note	2023	2022
		Rupees in thousand	
Net insurance premium	24	1,203,464	925,844
Net insurance claims	25	(297,034)	(220,373)
Net commission and other acquisition (cost) / income	26	(32,911)	288
Insurance claims and acquisition expenses		(329,945)	(220,085)
Management expenses	27	(473,305)	(410,976)
UNDERWRITING RESULTS		400,214	294,783
Investment income	28	2,085,279	862,249
Other income	29	87,972	92,154
Other expenses	30	(32,815)	(25,486)
RESULTS OF OPERATING ACTIVITIES		2,540,650	1,223,700
Finance costs	31	(494,595)	(209,821)
Profit before tax from window takaful operations - operator's fund	15	54,656	29,425
PROFIT BEFORE TAXATION		2,100,711	1,043,304
Income tax expense	32	(790,044)	(432,274)
PROFIT AFTER TAX		1,310,667	611,030
EARNINGS (AFTER TAX) PER SHARE - RUPEES	33	19.26	8.98

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

Chief Executive Officer

Director

Director

Hasan Mansha
Chairman

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2023

	2023	2022
	Rupees in thousand	
PROFIT AFTER TAX	1,310,667	611,030
OTHER COMPREHENSIVE INCOME / (LOSS):		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS ACCOUNT		
Remeasurements of defined benefit obligation - net of tax	4,422	2,206
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		
Unrealized gain / (loss) on available-for-sale investments - net of tax	2,625,004	(2,187,579)
Reclassification adjustment for net gain on sale of available-for-sale investments included in profit and loss account - net of tax	-	(1,532)
Reclassification adjustment for impairment loss against available-for-sale investments charged to profit and loss account - net of tax	-	37,547
	2,625,004	(2,151,564)
Other comprehensive income / (loss) for the year	2,629,426	(2,149,358)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	3,940,093	(1,538,328)

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

Chief Executive Officer   Director   Director   Chairman

CASH FLOW STATEMENT

For The Year Ended 31 December 2023

		Note	2023	2022
			Rupees in thousand	
	OPERATING CASH FLOWS			
a)	**UNDERWRITING ACTIVITIES**			
	Insurance premiums received		4,835,576	4,060,519
	Reinsurance premiums paid		(3,917,466)	(3,407,027)
	Claims paid		(1,577,501)	(871,484)
	Reinsurance and other recoveries received		1,288,801	691,108
	Commissions paid		(361,421)	(244,747)
	Commissions received		279,141	264,295
	Management expenses paid		(418,748)	(397,852)
	Other underwriting receipts		19,511	18,347
	NET CASH GENERATED FROM UNDERWRITING ACTIVITIES		147,893	113,159
b)	**OTHER OPERATING ACTIVITIES**			
	Income tax paid		(860,574)	(450,544)
	Other operating payments		(2,035)	(19,097)
	Other operating receipts		82,570	87,243
	NET CASH USED IN OTHER OPERATING ACTIVITIES		(780,039)	(382,398)
	TOTAL CASH USED IN ALL OPERATING ACTIVITIES		(632,146)	(269,239)
	INVESTMENT ACTIVITIES			
	Profit / return received		25,530	13,149
	Dividends received		2,059,937	1,287,525
	Payments for investments		(2,355,576)	(1,651,756)
	Proceeds from investments		1,581,951	1,480,621
	Fixed capital expenditure		(79,185)	(68,649)
	Proceeds from sale of property and equipment		14,307	11,781
	TOTAL CASH FROM INVESTING ACTIVITIES		1,246,964	1,072,671
	FINANCING ACTIVITIES			
	Interest paid		(427,899)	(180,687)
	Loan received		600,000	-
	Repayment of loan		(430,136)	(330,500)
	Dividends paid		(646,595)	(306,281)
	Total cash used in financing activities		(904,630)	(817,468)
	NET CASH USED IN ALL ACTIVITIES		(289,812)	(14,036)
	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		341,796	355,832
	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	51,984	341,796

CASH FLOW STATEMENT

For The Year Ended 31 December 2023

	Note	2023	2022
		Rupees in thousand	
Reconciliation to profit and loss account			
Operating cash flows		(632,146)	(269,239)
Depreciation expense		(43,003)	(37,675)
Amortization on intangible assets		(141)	-
Financial charges expense		(494,595)	(209,821)
Profit on disposal of property and equipment		1,674	205
Profit on disposal of investments		-	2,158
Dividend income		2,059,857	1,307,769
Other investment income		26,037	16,761
Impairment on investments		-	(463,802)
Provision for doubtful sales tax receivable		(1,860)	-
Security deposits written off		(49)	-
Increase in assets other than cash		752,541	1,508,656
Decrease / (increase) in liabilities other than borrowings		177,283	(823,089)
Other adjustments			
Increase in provision for unearned premium		(642,856)	(427,658)
(Increase) / decrease in commission income unearned		(14,024)	33,057
Increase / (decrease) in commission expense deferred		67,293	(55,717)
Profit from window takaful operations for the year - Operator's Fund		54,656	29,425
Profit after taxation		1,310,667	611,030

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

Chief Executive Officer	Director	Director	Chairman

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2023

	Attributable to equity holders of the Company				
		Capital Reserve	Revenue Reserve		
	Share Capital	Fair value reserve	General Reserve	Un-appropriated profit	Total equity
	--------------------Rupees in thousand--------------------				
Balance as at 31 December 2021	680,625	4,066,134	2,000	12,017,443	16,766,202
Transaction with owners - Final dividend for the year ended 31 December 2021 at the rate of Rupees 2.50 (25%) per share	-	-	-	(170,156)	(170,156)
Profit for the year	-	-	-	611,030	611,030
Other comprehensive (loss) / income	-	(2,151,564)	-	2,206	(2,149,358)
Total comprehensive (loss) / income	-	(2,151,564)	-	613,236	(1,538,328)
Adjustment of fair value reserve to un-appropriated profit	-	1,096	-	(1,096)	-
Transaction with owners - Interim dividend for half year ended 30 June 2022 at the rate of Rupees 2.00 (20%) per share	-	-	-	(136,125)	(136,125)
BALANCE AT DECEMBER 31, 2022	680,625	1,915,666	2,000	12,323,302	14,921,593
Transaction with owners - Final dividend for the year ended 31 December 2022 at the rate of Rupees 3.00 (30%) per share	-	-	-	(204,188)	(204,188)
Profit for the year	-	-	-	1,310,667	1,310,667
Other comprehensive income	-	2,625,004	-	4,422	2,629,426
Total comprehensive income	-	2,625,004	-	1,315,089	3,940,093
Adjustment of fair value reserve to un-appropriated profit	-	(2,188)	-	2,188	-
Transaction with owners - First Interim dividend for the half year ended 30 June 2023 at the rate of Rupees 3.50 (35%) per share	-	-	-	(238,219)	(238,219)
Transaction with owners - 2nd Interim dividend for the 9 months period ended 30 September 2023 at the rate of Rupees 3.00 (30%) per share	-	-	-	(204,188)	(204,188)
Balance as at 31 December 2023	680,625	4,538,482	2,000	12,993,984	18,215,091

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

Hasan Mansha

Chief Executive Officer	Director	Director	Chairman

1 LEGAL STATUS AND NATURE OF BUSINESS

Security General Insurance Company Limited (the 'Company') is a general non-life insurance company which was incorporated as an unquoted public limited company, in Pakistan on 13 May 1996 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company has 11 (2022:11) branches in Pakistan. The Company is engaged in providing general insurance services and general takaful services in spheres of fire, marine, motor and miscellaneous. The registered office and the principal place of business is situated at SGI House, 18-C/ E1, Gulberg III, Lahore.

The Company was granted license to work as Window Takaful Operator dated 07 May 2018 by the Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on Window Takaful Operations in Pakistan. Further, the list of business units of the Company is given below:

Sr No	Business Unit	Address
1.	Lahore Branch 01	SGI House, 18-C/ E1, Gulberg – III, Lahore
2.	Lahore Branch 02	9-B, 3rd Floor, LDA Flats, Lawrance Road, Lahore
3.	Lahore Branch 03	Building No. 68, Ali Block, Garden Town, Lahore
4.	Faisalabad	2nd Floor, Regency Plaza, New Civil Lines, Faisalabad
5.	Islamabad	Office No. 4, 1st Floor Vip Plaza, I-8 Markaz, Islamabad.
6.	Sialkot	Office No. 1 & 2, 1st Floor Taseer Centre, Kutchery Road, Sialkot
7.	Multan	1st, Floor, Business City Plaza, Bosan Road, Multan.
8.	Karachi Branch 01	35N/3, Block No. 6, P.E.C.H.S. Karachi
9.	Karachi Branch 02	House No. 59-N, Nazar-ul-Islam Road, Block No. 2, P.E.C.H.S Karachi
10.	Karachi Branch 03	1st Floor, Karachi Chamber, Hasrat Mohani Road, I.I Chundrigar Road, Karachi
11.	Sukkur Branch	Room No.16, Alfa Tower, 1st Floor, Minara Road, Near District Jail, Sukkur

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019.

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

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

As per the requirements of the Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated 09 July 2015, the assets, liabilities, profit and loss and other comprehensive income of the Operator's Fund of the Window Takaful Operations of the Company have been presented as a single line item in the statement of financial position, profit and loss account and statement of comprehensive income of the Company respectively. A separate set of financial statements of the Window Takaful Operations has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

2.1 Basis of measurement

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

2.2 Functional and presentation currency

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

2.3 Amendments to published accounting and reporting standards that are effective in the current year

There are certain amended standards that are mandatory for the Company's accounting periods beginning on or after 01 January 2023 but are considered not to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

2.4 Standards and amendments to accounting and reporting standards that are not yet effective

There are certain new and amended standards that are mandatory for the Company's accounting periods beginning on or after 01 January 2024 but are considered not to be relevant or do not have any significant effect on the Company's operations although they may affect the accounting for future transactions and events upon initial application and are, therefore, not disclosed in these financial statements, except for the following:

a) IFRS 17 - Insurance contracts

This standard has been notified by the IASB to be effective for annual periods beginning on or after 01 January 2023. SECP through its notification notified the deferment of the adoption of standard for annual periods beginning on or after 01 January 2026. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

b) IFRS 9 - Financial Instruments

This standard was notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective from annual periods ending on or after 30 June 2020. This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model.

As an insurance company, the management has opted for temporary exemption from the application of IFRS-9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Company does not engage in significant activities unconnected with insurance based on historical available information.

Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

i) **Fair value of financial assets as at 31 December 2023 and change in the fair values during the year ended 31 December 2023**

Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading	As at 31 December 2023
	Rupees in thousand
Investment in debt securities – Held to Maturity (Note 9)	
Opening fair value	73,772
Unwinding during the year	33
Disposal	-
Closing fair value	73,805
Investment in term deposits (Note 10)	
Opening fair value	98,500
Additions	672,000
Disposals	(622,500)
Closing fair value	148,000
Cash at banks (Note 14)	
Opening fair value	357,530
Deposit / (withdrawals) – net	255,173
Closing fair value	612,703
Financial assets that do not meet the SPPI criteria	
Investment in equity securities – Available for Sale (Note 8)	
Opening fair value	16,116,156
Additions	1,683,574
Disposals	(959,484)
Increase in fair value	4,584,197
Impairment losses	-
Closing fair value	21,424,445
Cash at banks and deposit with SBP (Note 14)	
Opening fair value	36,186
Deposits / (withdrawals) - net	295,143
Closing fair value	331,329

c) Other standards, amendments and interpretations

Description	Effective date (period beginning on or after)
Non-Current Liabilities with Covenants (Amendments to IAS 1)	01 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	01 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	01 January 2024
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'	Deferred indefinitely
Lack of Exchangeability (Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates')	01 January 2025

3 Material accounting policy information

The material accounting policy information adopted in the preparation of these financial statements are set out below. Material accounting policy information relating to Window Takaful Operations are disclosed in separate financial statements of Window Takaful Operations which have been annexed to these financial statements. Further, accounting policies related to material class of accounts does not necessarily means it is material. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property and equipment

a) Operating assets

Operating assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost of operating assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation on all operating assets is charged to profit and loss account on reducing balance method at the rates given in note 5.1 to the financial statements so as to write off the cost of operating asset over its estimated useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged in the month in which the asset is derecognized. Management judgement and estimates are involved in determining the useful lives of assets that best reflects the expected pattern of consumption of the future economic benefits embodied in the asset by the Company.

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

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

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

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

b) Capital work-in-progress

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

3.2 Intangible assets

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

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

Intangibles having indefinite useful life

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

Intangibles having definite useful life

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

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

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

3.3 Investment property

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

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

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

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

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

3.4 Insurance contracts

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

The Company underwrites non-life insurance contracts only under four main classes of business i.e. fire and property damage, marine, aviation and transport, motor and others including miscellaneous and are issued to corporate and individual clients. The tenure of these insurance contracts depend upon terms of the policies written and vary accordingly. Nonetheless, once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

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

a) **Fire and property damage insurance:**

i) **Insurance risks and events insured**

Fire and property damage insurance contracts generally cover the policy holders against damages caused by one or more of the following: fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, burglary, etc. according to the terms and conditions of the policy. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

ii) **Revenue recognition policy**

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

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

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

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

iii) **Claims recognition**

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

Detailed accounting policies for recording and measurement of reinsurance contracts held, receivables / payables related to insurance contracts and provision for outstanding claims including IBNR are mentioned in the respective accounting policies.

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

b) Marine, aviation and transport insurance:

i) Insurance risks and events insured

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

ii) Revenue recognition policy

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

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

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

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

iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

Detailed accounting policies for recording and measurement of reinsurance contracts held, receivables / payables related to insurance contracts and provision for outstanding claims including IBNR are mentioned in the respective accounting policies.

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

c) Motor insurance:

i) Insurance risks and events insured

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

ii) Revenue recognition policy

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

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

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

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

iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

Detailed accounting policies for recording and measurement of reinsurance contracts held, receivables / payables related to insurance contracts and provision for outstanding claims including IBNR are mentioned in the respective accounting policies.

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

d) Miscellaneous insurance:

i) Insurance risks and events insured

All other insurances like crop, cash in safe, cash in transit, personal accident, health, travel, infidelity, public liabilities, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are included under miscellaneous insurance cover. As per guidance of Insurance Accounting Regulations, 2017 amounts constituting less than 10% of the gross premium revenue are clubbed together under this class of insurance contract.

ii) Revenue recognition policy

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

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

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

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

iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

Detailed accounting policies for recording and measurement of reinsurance contracts held, receivables / payables related to insurance contracts and provision for outstanding claims including IBNR are mentioned in the respective accounting policies.

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

3.5 Deferred commission expense / acquisition cost

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

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

An acquisition cost which is not incremental is recognized as an expense during the period in which it is incurred.

3.6 Unearned premium reserves

Provision for unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. The method selected by management involves judgement and estimates regarding the expected pattern of incidence of risk in relation to a particular type of policy. Majority of the insurance contracts entered into by the Company are for a period of 12 months. Policy for recognition of premium revenue is disclosed in note 3.12 to these financial statements.

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

3.7 Premium deficiency reserve (liability adequacy test)

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

For this purpose, the management engages an independent actuary to determine PDR. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve (UPR) shows whether UPR is adequate to cover the unexpired risks.

Based on actuary's advice, management creates a reserve for the same in the financial statements. The movement in the premium deficiency reserve on net basis is recorded as an expense / income in profit and loss account for the year.

3.8 Reinsurance contracts held

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

The risks undertaken by the Company under these contracts for each operating segment are stated in accounting policy of insurance contracts.

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

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

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

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

Premium ceded to reinsurers is recognized as follows:

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

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

3.9 Receivables and payables related to insurance contracts

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

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

3.10 Segment reporting

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

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

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

3.11 Cash and cash equivalents

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

3.12 Revenue recognition

a) Premium income earned

Premium income under an insurance contract is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates to its expiry as detailed in note 3.4 to the financial statements.

b) Commission income

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

c) Investment income

Following are recognized as investment income:

- Income on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on investments.
- Gain / loss on sale of investments is taken to the profit and loss account in the year of sale.
- Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.

d) Dividend income

Dividend income is recognized when the right to receive such dividend is established.

e) **Rent and other income**

Rental and other income is recognized on accrual basis.

f) **Administrative surcharge**

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

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

3.13 Investments

a) **Equity securities**

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

b) **Debt securities**

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

3.14 Offsetting of financial assets and liabilities

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

3.15 Provisions

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

3.16 Taxation

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

a) **Current tax**

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

b) **Deferred tax**

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

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

3.17 Staff retirement benefits

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

a) **Defined contribution plan**

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

b) **Defined benefit plan**

The Company operates funded gratuity scheme (defined benefit plan) in respect of the all permanent employees to which the Company makes contribution on the basis of recommendations made by the actuary. The latest actuarial valuation was carried out as at 31 December 2023, using the 'Projected Unit Credit Method'.

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

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

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

3.18 Leases

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

a) Lease liabilities

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

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

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

These include an assessment of:

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

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

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

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

b) Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses (if any), which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

3.19 Impairment of assets

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

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

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

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

3.20 Dividend distribution

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

3.21 Management expenses

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

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

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

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

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date, whether reported or not. The Company engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC Guidelines for Estimation of Incurred but not Reported (IBNR) Claims Reserve, 2016".

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

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance arrangements.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

3.23 Reinsurance recoveries against outstanding claims

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

3.24 Provision for doubtful receivables

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

3.25 Unearned reinsurance commission

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

3.26 Creditors and accruals

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

3.27 Loan to employees

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

3.28 Foreign currency translation

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

3.29 Financial assets

a) Classification

The Company classifies its financial assets in the following categories:

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

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise insurance / reinsurance receivables, loans, advances, deposits and other receivables, reinsurance recoveries against outstanding claims and cash and bank balances in the statement of financial position.

ii) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term.

iii) Available-for-sale financial assets

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

At each subsequent reporting date, available for sale investments are remeasured at fair market value.

iv) Held-to-maturity

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

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

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity.

b) **Recognition and measurement**

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

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

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

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

c) **Financial liabilities**

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

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

3.30 Borrowings

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

3.31 Share capital

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

3.32 Contingencies and commitments

Contingent liability is disclosed when:

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

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

4 Critical accounting estimates and judgments

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

a) Premium deficiency reserve (liability adequacy test)
b) Provision for outstanding claims including incurred but not reported claims (IBNR)
c) Provision for taxation and deferred tax
d) Provision for doubtful receivables
e) Useful lives of property and equipment and investment property
f) Defined benefit plan
g) Allocation of management expenses
h) Classification of investments and its impairment

	Note	2023	2022
		Rupees in thousand	
5 PROPERTY AND EQUIPMENT			
Operating assets	5.1	214,146	203,329
Capital work-in-progress - advances to suppliers against purchase of vehicles		16,869	4,334
		231,015	207,663

5.1 Operating assets

	2023							
	Cost			Depreciation			Written down value as at December 31	Depreciation rate %
	As at January 1	Addition/ (disposals)	As at December 31	As at January 1	For the year/ (disposals)	As at December 31		
	Rupees in thousand							
Freehold land	22,672	-	22,672	-	-	-	22,672	0%
Building on freehold land	64,724	4,556	69,280	50,233	1,488	51,721	17,559	10%
Leasehold improvements	3,789	921	4,710	1,863	223	2,086	2,624	10%
Furniture and fixtures	15,355	856	16,211	7,719	789	8,508	7,703	10%
Office equipment	22,505	3,205	25,650	13,613	2,204	15,794	9,856	15-50%
		(60)			(23)			
Computer equipment	12,627	2,285	14,382	4,929	2,751	7,389	6,993	30%
		(530)			(291)			
Vehicles*	239,412	52,671	264,401	99,398	33,589	117,662	146,739	20%
		(27,682)			(15,325)			
	381,084	36,222	417,306	177,755	25,405	203,160	214,146	

	2022							
	Cost			Depreciation			Written down value as at December 31	Depreciation rate %
	As at January 1	Addition/ (disposals)	As at December 31	As at January 1	For the year/ (disposals)	As at December 31		
	Rupees in thousand							
Freehold land	22,672	-	22,672	-	-	-	22,672	0%
Building on freehold land	64,724	-	64,724	48,574	1,659	50,233	14,491	10%
Leasehold improvements	3,679	110	3,789	1,659	204	1,863	1,926	10%
Furniture and fixtures	14,116	1,445	15,355	7,072	745	7,719	7,636	10%
		(206)			(98)			
Office equipment	20,057	3,508	22,505	12,864	1,398	13,613	8,892	15%
		(1,060)			(649)			
Computer equipment	11,869	3,272	12,627	5,151	1,329	4,929	7,698	15%
		(2,514)			(1,551)			
vehicles	197,939	65,067	239,412	82,728	30,170	99,398	140,014	20%
		(23,594)			(13,500)			
	335,056	46,028	381,084	158,048	19,707	177,755	203,329	

*During the year, vehicle having net book value of Rupees 1.246 million transferred from Operator's fund.

5.1.1 Disposal of operating fixed assets

Detail of operating assets, exceeding the book value of Rupees 50,000, disposed of during the year is as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
Vehicles			Rupees in thousand				
Honda Civic - LEA-20-3298	4,054	2,001	2,053	2,053	-	Company Policy	Mr. Tariq Butt, Company's employee, Lahore
Honda Civic - ADF-181	3,509	1,126	2,383	2,434	51	Company Policy	Mr. Umer Haroon, Company's ex-employee, Lahore
Toyota Corolla Altis - APC-304	3,267	1,706	1,561	1,561	-	Company Policy	Mr. Mufti Muhammad Umar, Company's employee, Lahore
Honda BRV - LEF-19-4362	2,672	1,524	1,148	1,789	641	Company Policy	Mr. Muhammad Mohsinullah, Company's employee, Karachi
Toyota Corolla - Altis ANC-566	2,672	1,605	1,067	1,486	419	Company Policy	Mr. Muhammad Shoaib Baig, Company's employee , Islamabad
Toyota Corolla GLI - LEC-18A-6610	2,308	1,425	883	883	-	Company Policy	Mr. Sajjad Rasool, Company's ex-employee, Lahore
Honda Civic - LE-16-1039	2,526	2,031	495	989	494	Company Policy	Mr. Sajid Iqbal, Company's employee, Lahore
Honda City - LEB-19-3619	2,046	1,190	856	856	-	Company Policy	Mr. Muhammad Ali Rashid, Company's employee, Lahore
Suzuki Wagon R - LEC-17-5773	1,214	883	331	331	-	Company Policy	Mr. Muhammad Azam, Company's employee, Sialkot
Suzuki Cultus LEA-20-4572	1,904	907	997	997	-	Company Policy	Mr. Tauseef Ahmad, Company's employee, Faisalabad
Suzuki Wagon R - LEB-19-9096	1,346	801	545	545	-	Company Policy	Mr. Ghulam Shabir Tahir, Company's employee, Lahore
Computer equipment							
Lenovo Laptop	123	67	56	35	(21)	Company Policy	Mr. Asif Shakoor, Company's employee, Lahore
Laptop Hp Pavilion	160	90	70	67	(3)	Company Policy	Adamjee Insurance Company Limited, Lahore
Laptop Hp Notebook	110	47	63	55	(8)	Company Policy	Mr. Hafiz Khurram Shahzad, Company's employee, Lahore
	27,911	15,403	12,508	14,081	1,573		
Disposal of other assets having individual book values not exceeding Rupees 50,000	361	236	125	226	101		
For the year ended 31 December 2023	28,272	15,639	12,633	14,307	1,674		
For the year ended 31 December 2022	27,374	15,798	11,576	11,781	205		

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

5.1.3 During the year, the management has changed its accounting estimate regarding useful life of office equipment and computer equipment. This change has been accounted for as change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS-8) 'Accounting Policies, Changes in Accounting Estimates and Errors' whereby the effects of this change in estimate is recognised prospectively by including the same in determination of profit and loss in the current year. Had their been no change in estimate, written down value of office equipment and computer equipment as at 31 December 2023 would have been higher by Rupees 0.615 million and Rupees 1.352 million respectively and profit before tax for the year would have been increased by Rupees 1.967 million.

5.1.4 Particulars of immovable properties (i.e. land and building) are as follows:

Office	Address	Area of land	Covered area of building
Head office	SGI house, 18-C Street E-1, Gulberg III, Lahore	2 Kanals, 7 Marlas, 4 Square feet	11,846 Square feet
Branch Office	Bhutta Centre, Muaza Gujranwala Zarai, Nigar Phattak, G.T. Road, Gujranwala	Commercial Apartment	1,022 Square feet

		Note	2023	2022
			Rupees in thousand	
6	**INTANGIBLE ASSETS**			
	Computer softwares	6.1	8,167	-
	Intangible assets under development	6.2	-	6,644
			8,167	6,644
6.1	**Computer softwares**			
	Cost			
	Opening balance		-	-
	Transfer from intangible assets under development	6.2	8,308	-
	Closing balance		8,308	-
	Accumulated amortization			
	Opening balance		-	-
	Amortization charged during the year	27	141	-
	Closing balance		141	-
	Net book value as at December 31		8,167	-
	Rate of amortization		20%	-
6.2	**Intangible assets under development**			
	Opening balance		6,644	6,644
	Additions		1,664	-
	Capitalized during the year		(8,308)	-
	Closing balance		-	6,644

7 Investment property

2023

	Cost			Depreciation			Written down value as at 31 December	Depreciation rate %	Useful life
	As at 01 January	Addition/ (disposals)	As at 31 December	As at 01 January	For the year	As at 31 December			
	-----	-----	-----	Rupees in thousand	-----	-----	-----		
Freehold land	437,419	-	437,419	-	-	-	437,419	0%	
Building	30,759	492	31,251	11,251	1,959	13,210	18,041	10%	10 years
	468,178	492	468,670	11,251	1,959	13,210	455,460		

2022

	Cost			Depreciation			Written down value as at 31 December	Depreciation rate %	Useful life
	As at 01 January	Addition/ (disposals)	As at 31 December	As at 01 January	For the year	As at 31 December			
	-----	-----	-----	Rupees in thousand	-----	-----	-----		
Freehold land	437,419	-	437,419	-	-	-	437,419	0%	
Building	30,759	-	30,759	9,084	2,167	11,251	19,508	10%	10 years
	468,178	-	468,178	9,084	2,167	11,251	456,927		

7.1 The depreciation charged for the year has been allocated to management expenses as disclosed in Note 27.

7.2 The market value of the investment property as per valuation carried out by professional valuer as at 31 December 2023 is Rupees 568.097 million (2022: Rupees 558.381 million).

7.3 Particulars of investment property (i.e. land and building) are as follows:

Description	Address	Covered area
Freehold land	235-E, Civil lines quarters, Karachi	30,033 Square feet
Building	235-E, Civil lines quarters, Karachi	'13,557 Square feet

		Note	2023			2022		
			Cost	Impairment /provision	Carrying value	Cost	Impairment /provision	Carrying value
			Rupees in thousand					
8	**INVESTMENTS IN EQUITY SECURITIES**							
	Available-for-sale							
	Related parties							
	Listed shares	8.2	330,774	7,717	323,057	305,937	7,717	298,220
	Unlisted shares	8.3	5,107,795	-	5,107,795	4,015,401	-	4,015,401
			5,438,569	7,717	5,430,852	4,321,338	7,717	4,313,621
	Others							
	Listed shares	8.4	9,056,366	503,878	8,552,488	8,994,029	503,878	8,490,151
	Mutual funds	8.5	971	-	971	456,448	-	456,448
			9,057,337	503,878	8,553,459	9,450,477	503,878	8,946,599
	Unrealized gain		-	-	7,440,134	-	-	2,855,936
	Total investments available-for-sale		14,495,906	511,595	21,424,445	13,771,815	511,595	16,116,156

		Note	2023	2022
			Rupees in thousand	
8.1	**Particulars of impairment / provision**			
	Opening balance		511,595	47,793
	Charge during the year	28	-	463,802
	Closing balance		511,595	511,595

8.2 Listed shares - related parties

Number of ordinary shares		Face value	Company's name	Cost		Carrying value	
2023	2022			2023	2022	2023	2022
				Rupees in thousand			
			Power generation and distribution				
11,832,097	11,551,097	10	Lalpir Power Limited Equity held 3.12% (2022: 3.04%) (Note 8.2.1)	166,367	162,584	267,169	174,768
7,513,796	7,513,796	10	Pakgen Power Limited Equity held 2.02% (2022: 2.02%) (Note 8.2.1)	123,837	123,837	382,828	225,414
			Cement				
428,500	228,500	10	D.G. Khan Cement Company Limited Equity held 0.10% (2022: 0.05%)	28,818	19,516	33,166	11,800
			Textile Composite				
186,030	-	10	Nishat Mills Limited Equity held 0.05% (2022: Nil)	11,752	-	14,272	-
				330,774	305,937	697,435	411,982

8.2.1 500 shares of Pakgen Power Limited and 550 shares of Lalpir Power Limited are held in the name of nominee director of the Company.

8.3 Unlisted shares - related parties

Number of ordinary shares		Face value	Company's name	Cost		Carrying value	
2023	2022			2023	2022	2023	2022
				Rupees in thousand			
			Hotel and Lodging				
218,519,966	218,519,966	10	Nishat Hotels and Properties Limited Equity held 17.94% (2022: 17.94%) (Note 8.3.1, Note 8.3.2 and Note 8.3.3)	2,733,380	2,733,380	4,831,476	3,883,100
			Automobile Assembler				
237,441,459	128,202,099	10	Hyundai Nishat Motor (Private) Limited Equity held 12.14% (2022: 12.14%) (Note 8.3.4, Note 8.3.5 and Note 8.3.6)	2,374,415	1,282,021	4,136,232	3,374,279
				5,107,795	4,015,401	8,967,708	7,257,379

8.3.1 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ('NHPL') a related party (based on common directorship) which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore, by the name of Nishat Emporium. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rupees 22.11 (2022: Rupees 17.77) per ordinary share as at 31 December 2023 through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 38 to these financial statements. The fair value gain of Rupees 2,098.096 million is included in the fair value gain recognised through other comprehensive income.

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

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

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

- Discount rate of 15.95%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 6.50% to 23.60% per annum.

Sensitivity analyses

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:
If the discount rate increases by 1% with all other variables held constant, the fair value as at 31 December 2023 would decrease by Rupees 496.040 million.
If the long term growth rate decreases by 1% with all other variables held constant, the fair value as at 31 December 2023 would decrease by Rupees 187.927 million.
If inflation decreases by 1% with all other variables held constant, the fair value as at 31 December 2023 would increase by Rupees 52.445 million.

8.3.2 Value of investment in NHPL calculated by reference to net assets of NHPL as on 30 June 2023 is amounting to Rupees 4,927.151 million.

8.3.3 The Chief Executive Officer of Nishat Hotels and Properties Limited is Mr. Mian Hassan Mansha.

8.3.4 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited ('HNMPL') a related party (based on common directorship). The principal activity of the Company is to carry out the assembly and distribution of the Hyundai brand vehicles in Pakistan including passenger cars, light commercial vehicles, vans and others. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rupees 17.42 (2022: Rupees 26.32) per ordinary share as at 31 December 2023 through a valuation technique based on discounted cash flow analysis of HNMPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 38 to these financial statements. The fair value gain of Rupees 1,761.816 million is included in the fair value gain recognised through other comprehensive income.

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

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to HNMPL.

- Long term growth rate is estimated based on historical performance of HNMPL and current market information for similar type of companies.

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

- Discount rate of 24.14%.

- Long term growth rate of 2% for computation of terminal value.

- Annual growth in costs and revenues is linked to inflation at 6.17% to 11.74% per annum.

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the fair value as at 31 December 2023 would decrease by Rupees 192.328 million.

If the long term growth rate decreases by 1% with all other variables held constant, the fair value as at 31 December 2023 would decrease by Rupees 83.105 million.

If inflation decreases by 1% with all other variables held constant, the fair value as at 31 December 2023 would increase by Rupees 94.977 million.

8.3.5 Value of investment in HNMPL calculated by reference to net assets of HNMPL as on 31 December 2023 is amounting to Rupees 2,340.427 million.

8.3.6 The Chief Executive Officer of Hyundai Nishat Motor (Private) Limited is Mr. Mian Hassan Mansha.

8.3.7 The Company has not accounted for investment in related parties as associates under IAS 28 “Investment in Associates and Joint Ventures”, as management has concluded that the Company does not have significant influence in these companies.

8.4 Listed shares - others

Number of ordinary shares		Face value	Company's name	Cost		Carrying value	
2023	2022			2023	2022	2023	2022
				Rupees in thousand			
			Banks				
59,136,076	59,136,076	10	MCB Bank Limited Equity held 4.99% (2022: 4.99%) (Note 8.4.1 and 8.4.2)	7,356,906	7,356,906	10,203,930	6,869,247
600,519	600,519	10	United Bank Limited Equity held 0.05% (2022: 0.05%)	83,186	83,186	106,796	60,502
			Insurance Companies				
28,515,087	28,515,087	10	Adamjee Insurance Company Limited Equity held 8.15% (2022: 8.15%)	1,183,454	1,183,454	974,360	803,270
3,613,975	3,613,975	10	Adamjee Life Assurance Company Limited Equity held 1.45% (2022: 1.45%)	101,363	101,363	90,205	70,436
			Power generation and distribution				
30,000	30,000	10	Kohinoor Energy Limited Equity held 0.02% (2022: 0.02%)	578	578	1,178	989
2,172,267	1,123,395	10	Nishat Chunian Power Limited Equity held 0.59% (2022: 0.31%)	43,198	20,244	60,758	15,986
			Oil and Gas Exploration				
599,998	599,998	10	Pakistan Petroleum Limited Equity held 0.02 % (2022: 0.02%)	95,217	95,217	69,018	40,884
			Automobile Assembler				
269,854	102,250	10	Millat Tractors Limited Equity held 0.14% (2022: 0.09%)	76,279	36,896	156,858	49,602
			Fertilizer				
168,572	168,572	10	ENGRO Corporation Limited Equity held 0.03% (2022: 0.03%)	47,782	47,782	49,714	44,168
			Textile Composite				
1,438,000	1,438,000	10	Nishat (Chunian) Limited Equity held 0.60% (2022: 0.60%)	68,403	68,403	37,316	29,968
				9,056,366	8,994,029	11,750,133	7,985,052

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

8.4.2 14,982,596 shares of MCB Bank Limited are pledged with Askari Bank Limited, Samba Bank Limited and Habib Metropolitan Bank Limited comprising of 3,731,000 shares, 4,416,698 shares and 6,834,898 shares respectively for SBLC (Standby Letter of Credit) on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Company. 28,784,102 shares of MCB Bank Limited are pledged with The Bank of Punjab, First Women Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, Bank Alfalah Limited and Allied Bank Limited comprising of 2,000,000 shares, 2,495,000 shares, 1,963,000 shares, 3,668,102 shares, 8,450,000 shares and 10,208,000 shares respectively for Company's own financing facilities.

8.5 Mutual funds - others

Number of units		Face value	Company's name	Cost		Carrying value	
2023	2022			2023	2022	2023	2022
				Rupees in thousand			
53,537	53,537	100	JS Large Capital Fund	460	460	8,658	5,755
10,128	9,035,226	100	MCB - Arif Habib Saving and Investment Limited: Pakistan Cash Management Fund	511	455,988	511	455,988
				971	456,448	9,169	461,743

		Note	2023 Cost	2023 Carrying value	2022 Cost	2022 Carrying value
			Rupees in thousand			
9	**INVESTMENTS IN DEBT SECURITIES**					
	Others:					
	Held to maturity - Government securities					
	Pakistan Investment Bonds	9.1	73,805	73,805	73,772	73,772

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

		Maturity	Effective yield	Cost	2023	2022
					Rupees in thousand	
9.2	**Particulars of debt securities are as follows :**					
	Pakistan Investment Bonds	9-Aug-28	20.30%	63,680	63,805	63,772
	Pakistan Investment Bonds	9-Aug-28	20.30%	10,016	10,000	10,000
					73,805	73,772

9.3 **Pakistan Investment Bonds**

Face value (Rupees in thousand)	Type of security	Profit payment	Profit rate	Maturity date	Carrying value 2023	Carrying value 2022
					Rupees in thousand	
64000	10 year Pakistan Investment Bonds	Bi-annually	6-month T-Bill+0.7%	9-Aug-28	63,805	63,772
10,000	10 year Pakistan Investment Bonds	Bi-annually	6-month T-Bill+0.7%	9-Aug-28	10,000	10,000
					73,805	73,772

		2023	2022
		Rupees in thousand	
10	**INVESTMENTS IN TERM DEPOSITS**		
	Held to maturity		
	Deposits maturing within 12 months	148,000	98,500

10.1 Rate of profit on term deposit receipts ranges from 14.50 to 20.60% (2022: 8.50% to 15%) per annum.

		Note	2023	2022
			Rupees in thousand	
11	LOANS AND OTHER RECEIVABLES- CONSIDERED GOOD			
	Receivable from related party	11.1	9,941	5,072
	Accrued investment income		8,216	7,789
	Security deposits	11.2	12,795	14,119
	Agents commission receivable		50	250
	Loans to employees		825	991
	Other receivables	11.3	15,103	30,101
			46,930	58,322

11.1 This represents receivable from Hyundai Nishat Motor (Private) Limited (HNMPL), a related party (due to common directorship) in lieu of commission fee charged against standby letter of credits issued by banks of Security General Insurance Company Limited in favour of Meezan Bank Limited, lender of HNMPL. It is received from HNMPL on semi-annual basis.

11.2 Security deposits of Rupees 0.049 million has been written off during the year (2022: Rupees Nil).

11.3 These include a receivable from Window Takaful Operations amounting to Rupees 5.625 million (2022: Rupees 11.416 million).

		Note	2023	2022
12	INSURANCE/REINSURANCE RECEIVABLES			
	Due from insurance contract holders - unsecured	12.1		
	Considered good		2,452,463	1,881,766
	Considered doubtful		80,298	79,039
			2,532,761	1,960,805
	Provision for impairment of receivables from insurance contract holders	12.2	(80,298)	(79,039)
			2,452,463	1,881,766
	Due from other insurer / reinsurer- unsecured			
	Considered good		1,930,073	1,625,190
	Considered doubtful		30,046	30,046
			1,960,119	1,655,236
	Provision for impairment of receivables from other insurer / reinsurer	12.3	(30,046)	(30,046)
			1,930,073	1,625,190
			4,382,536	3,506,956
12.1	This includes amounts due from the following related parties:			
	Due to common directorship			
	Nishat Mills Limited		895	2,538
	Nishat Power Limited		226,137	178,632
	Nishat Hospitality (Private) Limited		122	-
	Nishat Dairy (Private) Limited		327	12
	Nishat Hotels and Properties Limited		93,935	30,708
	Nishat Paper Product Company Limited		362	94
	Nishat Agriculture Farming (Private) Limited		1,182	800
	Nishat Developers (Private) Limited		-	81
	Hyundai Nishat Motor (Private) Limited		687	673
	Pakistan Aviators and Aviation (Private) Limited		59,879	28,154
	Pakgen Power Limited		797,097	601,392
	Lalpir Power Limited		767,274	579,562
	Other related party			
	D.G. Khan Cement Company Limited		94,566	78,758
			2,042,463	1,501,404

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

Name	Not past due	1 Year	More than 1 Year	2023	2022
	Rupees in thousand				
Nishat Mills Limited	891	1	3	895	2,538
Nishat Power Limited	226,137	-	-	226,137	178,632
Nishat Hospitality (Private) Limited	122	-	-	122	-
Nishat Dairy (Private) Limited	319	-	8	327	12
Nishat Hotels and Properties Limited	93,935	-	-	93,935	30,708
Nishat Paper Product Company Limited	362	-	-	362	94
Nishat Agriculture Farming (Private) Limited	1,182	-	-	1,182	800
Nishat Developers (Private) Limited	-	-	-	-	81
D.G. Khan Cement Company Limited	91,086	49	3,431	94,566	78,758
Hyundai Nishat Motor (Private) Limited	687	-	-	687	673
Pakistan Aviators and Aviation (Private) Limited	45,879	14,000	-	59,879	28,154
Pakgen Power Limited	797,024	73	-	797,097	601,392
Lalpir Power Limited	767,261	13	-	767,274	579,562
	2,024,885	14,136	3,442	2,042,463	1,501,404

		Note	2023	2022
			Rupees in thousand	
12.2	**Provision for doubtful receivables from insurance contract holders**			
	Opening balance		79,039	76,820
	Provision made during the year	27	1,259	2,219
	Closing balance		80,298	79,039
12.3	**Provision for doubtful receivables from other insurer / reinsurer**			
	Closing balance		30,046	30,046
13	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded	13.1	2,090,735	1,679,663
	Prepaid rent		941	442
	Others		7,722	7,037
			2,099,398	1,687,142
13.1	**Movement in prepaid reinsurance premium ceded**			
	Opening balance		1,679,663	1,411,746
	Reinsurance premium ceded during the year	24	4,147,048	3,273,251
	Reinsurance expense for the year	24	(3,735,976)	(3,005,334)
	Closing balance		2,090,735	1,679,663

		Note	2023	2022
			Rupees in thousand	
14	CASH AND BANK			
	Cash and cash equivalent			
	Cash in hand		17	9
	Policy and revenue stamps		600	845
			617	854
	Cash at banks			
	Current accounts		325,979	30,836
	Saving accounts	14.1	612,703	357,530
	Deposit with SBP	14.2	5,350	5,350
			944,032	393,716
			944,649	394,570

14.1 Mark-up rate on saving accounts ranges from 3.50% to 20.50% (2022: 3.25% to 14.50%) per annum.

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

14.3 Cash and short term borrowings include the following for the purpose of the cash flow statement:

	Note	2023	2022
Cash and cash equivalents		944,649	394,570
Short term borrowings of upto three months	20	(892,665)	(52,774)
		51,984	341,796

14.3.1 Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2023		
	Unclaimed dividend	Long term finance	Total
		Rupees in thousand	
Balance as at 31 December 2022	-	1,026,893	1,026,893
Dividend declared	646,595	-	646,595
Dividend paid	(646,595)	-	(646,595)
Loan received	-	600,000	600,000
Repayment of loan	-	(430,136)	(430,136)
Balance as at 31 December 2023	-	1,196,757	1,196,757

	2022		
	Unclaimed dividend	Long term finance	Total
		Rupees in thousand	
Balance as at 31 December 2021	-	1,357,393	1,357,393
Dividend declared	306,281	-	306,281
Dividend paid	(306,281)	-	(306,281)
Repayment of loan	-	(330,500)	(330,500)
Balance as at 31 December 2022	-	1,026,893	1,026,893

		Note	2023	2022
			Rupees in thousand	
15	**WINDOW TAKAFUL OPERATIONS - OPERATOR'S FUND**			
15.1	**Assets**			
	Property and equipment		7,848	5,696
	Qard-e-Hasna to Participants' Takaful Fund		85,000	85,000
	Loans and other receivables		1,424	329
	Takaful / retakaful receivables		2,629	1,029
	Receivable from PTF / OPF		32,184	29,064
	Deferred commission expense		24,560	16,941
	Prepayments		89	-
	Cash and banks		119,987	60,893
	Total assets		273,721	198,952
15.2	**Total liabilities**			
	Retirement benefit obligation		901	613
	Unearned wakala fee		70,917	44,209
	Takaful / retakaful payables		1,305	1,065
	Other creditors and accruals		50,993	49,713
	Taxation - provision less payments		20,565	7,652
	Total liabilities		144,681	103,252
15.3	**Profit and loss account**			
	Wakala fee		116,947	83,537
	Commission expense		(46,403)	(37,821)
	General administrative and management expenses		(22,234)	(19,112)
	Modarib's share of participants' takaful fund - investment income		505	577
	Direct expenses		(1,221)	(1,012)
	Other income		7,062	3,256
	Profit for the year		54,656	29,425

16 ORDINARY SHARE CAPITAL

16.1 Authorized share capital

2023	2022		2023	2022
Number of Shares			Rupees in thousand	
100,000,000	100,000,000	Ordinary shares of Rs 10 each	1,000,000	1,000,000

16.2 Issued, subscribed and paid up share capital

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

16.3 Ordinary shares of the Company held by the associated company:

	2023	2022
	Number of Shares	
Nishat Mills Limited	10,226,244	10,226,244

	Note	2023	2022
		Rupees in thousand	
17 Reserves			
Capital reserve			
Fair value reserve	17.1	4,538,482	1,915,666
Revenue reserve			
General reserve		2,000	2,000
		4,540,482	1,917,666

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

18 Retirement benefit obligations

18.1 Defined benefit plan - gratuity fund

18.1.1 Salient features

The Company operates an approved gratuity fund (the Fund) for all employees. Annual contributions are made to the Fund on the basis of actuarial recommendations. The gratuity is governed under the Trusts Act, 1882, the Trust Deed and the Rules of the Fund, the Income Tax Ordinance, 2001, the Income Tax Rules, 2002 and the applicable local regulations. An actuarial valuation is carried out every year to determine the liability of the Company in respect of the benefit. The most recent valuation in this regard has been carried out as at 31 December 2023 using the Projected Unit Credit (PUC) Actuarial Cost Method as allowed under the International Accounting Standard (IAS) 19 - 'Employee Benefits' for valuation of the Fund.

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

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

Asset volatility
Assets are invested in risk free investments and equity securities. However, investments in shares / equity securities, are subject to adverse fluctuation as a result of change in market price.

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

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

Mortality risks
The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risks
The risk of actual withdrawals experience is different than the assumed withdrawal probability. The significance of withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

		2023	2022
18.1.2	**Principal actuarial assumptions**		
	Valuation discount rate	15.50%	12.25%
	Valuation discount rate for statement of comprehensive income	15.50%	12.25%
	Salary increase rate - short term	14.50%	13.50%
	Salary increase rate - long term	14.50%	13.50%
	Normal retirement age	60	60
	Withdrawal rate	Moderate	Moderate
	Mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005
	Net salary increase date	1-Jan-2023	1-Jan-2022
	Duration of plan	9 years	9 years

		Note	2023	2022
			Rupees in thousand	
18.1.3	**The amounts recognized in statement of financial position are as follows:**			
	Reconciliation			
	Present value of defined benefit obligations	18.1.4	91,641	78,140
	Fair value of plan assets	18.1.5	(88,136)	(72,802)
	Net payable to defined benefit plan		3,505	5,338
	Opening balance of payable		5,338	10,089
	Expense recognized		7,927	7,544
	Contributions to the fund during the year		(5,338)	(10,089)
	Recognition in other comprehensive income - net		(4,422)	(2,206)
	Closing balance of payable		3,505	5,338

	2023	2022
	Rupees in thousand	
18.1.4 Movement in the present value of defined benefit obligations is as follows:		
Present value of obligations as at 01 January	78,140	65,800
Current service cost	7,749	6,988
Interest cost	10,900	7,900
Benefits paid	(3,838)	(1,606)
Actuarial (gains) / losses from changes in financial assumptions	175	355
Experience adjustments	(1,485)	(1,297)
Present value of defined benefit obligations as at December 31	91,641	78,140
18.1.5 Movement in the fair value of plan assets is as follows:		
Fair value of plan assets as at 01 January	72,802	55,711
Contribution made to the fund during the year	5,338	10,089
Interest income on plan assets	10,722	7,344
Benefits paid	(3,838)	(1,606)
Return on plan assets, excluding interest income	3,112	1,264
Fair value of plan assets as at 31 December	88,136	72,802

	2023 Rupees in thousand		2022 Rupees in thousand	
18.1.6 Composition of plan assets				
Debt securities	11%	9,915	13%	9,493
Equity securities	81%	71,271	81%	59,123
Cash at bank	8%	6,950	6%	4,186
Fair value of plan assets as at 31 December	100%	88,136	100%	72,802

	2023	2022
	Rupees in thousand	
18.1.7 Charge for the year		
The following amounts have been charged to the profit and loss account in respect of defined benefit plan:		
Current service cost	7,749	6,988
Interest cost on defined benefit obligation	10,900	7,900
Interest income on plan asset	(10,722)	(7,344)
	7,927	7,544

	2023	2022
	Rupees in thousand	
18.1.8 Recognition in other comprehensive income		
The following amounts have been recognized in other comprehensive income:		
Experience adjustments	(1,485)	(1,297)
Actuarial (gains)/losses from changes in financial assumptions	175	355
Return on plan assets, excluding interest income	(3,112)	(1,264)
	(4,422)	(2,206)

	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
	Rupees in thousand			
18.1.9 Sensitivity analysis				
Year end sensitivity analysis (±100 bps) on present value of defined benefit obligation is as follows:				
	83,009	98,905	99,015	82,787

18.1.10 The Company expects to charge Rupees 8.219 million to defined benefit plan during the year ending on 31 December 2024.

	2023	2022	2021	2020	2019
	-------------------Rupees in thousand-------------------				
18.1.11 5 year historical data on the deficit of defined benefit plan is as follows:					
Present value of defined benefit obligations	91,641	78,140	65,800	51,917	42,929
Fair value of plan assets	(88,136)	(72,802)	(55,711)	(47,093)	(37,098)
Deficit	3,505	5,338	10,089	4,824	5,831
Experience adjustments					
(Loss) / gain on plan assets (as percentage of plan assets)	5.02%	3.03%	1.80%	6.02%	-1.00%
(Gain) / loss on obligations (as percentage of obligations)	-4.83%	-2.82%	-1.64%	2.00%	1.00%

	Less than a year	Between 1- 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
	-------------------Rupees in thousand-------------------					
18.1.12 Expected maturity profile of undiscounted defined benefit obligation:						
	3,674	7,778	18,941	118,588	1,921,923	2,070,904

18.2 Defined contribution plan - provident fund

The Company operates a provident fund for its permanent employees and contributions are made by the Company to the Trust in accordance with the requirements of Section 218 of the Companies Act, 2017. The total charge against provident fund for the year ended 31 December 2023 was Rupees 9.556 million. The net assets based on unaudited financial statements of Provident Fund as at 31 December 2023 are Rupees 63.760 million out of which 89.38% are invested in different financial instruments categories as provided in Section 218 of the Companies Act, 2017 and the rules formulated therein.

	Un-audited			
	2023		2022	
	Rupees in thousand	% of investment	Rupees in thousand	% of investment
Investment in Government securities	4,004	7%	4,012	8%
Bank balances	14,852	25%	12,335	24%
Mutual funds	41,208	68%	34,190	68%
	60,064	100%	50,537	100%

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

	Note	2023	2022
		Rupees in thousand	
18.3 Staff strength			
Number of employees as at 31 December		170	178
Average number of employees during the year		186	182
19 DEFERRED TAXATION			
Deferred debits arising in respect of:			
Provision for doubtful receivables - insurance / reinsurance receivables	19.1	43,034	35,998
Impairment loss recognized against available for sale investments	19.1	199,522	168,826
Provision for doubtful sales tax receivable	19.1	725	-
		243,281	204,824
Deferred credits arising due to:			
Accelerated tax depreciation	19.1	12,174	8,703
Unrealized gain on remeasurement of available for sale investments	19.1	2,901,652	942,459
		2,913,826	951,162
		2,670,545	746,338

19.1 Movement in net deferred tax liability is as follows:

	2023			
	Opening balance	Recognized in profit and loss account	Recognized in other comprehensive income	Closing balance
	-----------(Rupees in thousand)---------			
Deferred debits arising in respect of:				
Provision for doubtful receivables - insurance / reinsurance receivables	35,998	7,036	-	43,034
Impairment loss recognized against available for sale investments	168,826	30,696	-	199,522
Provision for doubtful sales tax receivable	-	725	-	725
	204,824	38,457	-	243,281
Deferred credits arising due to:				
Accelerated tax depreciation	8,703	3,471	-	12,174
Unrealized gain on remeasurement of available for sale investments	942,459	-	1,959,193	2,901,652
	951,162	3,471	1,959,193	2,913,826
	746,338	(34,986)	1,959,193	2,670,545

	2022			
	Opening balance	Recognized in profit and loss account	Recognized in other comprehensive income	Closing balance
	-----------(Rupees in thousand)---------			
Deferred debits arising in respect of:				
Provision for doubtful receivables - insurance / reinsurance receivables	30,992	5,006	-	35,998
Impairment loss recognized against available for sale investments	13,860	154,966	-	168,826
	44,852	159,972	-	204,824
Deferred credits arising due to:				
Accelerated tax depreciation	5,795	2,908	-	8,703
Unrealized gain on remeasurement of available for sale investments	1,660,368	-	(717,909)	942,459
	1,666,163	2,908	(717,909)	951,162
	1,621,311	(157,064)	(717,909)	746,338

	Note	2023	2022
		Rupees in thousand	
20 BORROWINGS			
Bank loans:			
Short term running finance - secured	20.1	892,665	52,774
Long term finance - secured	20.2	1,196,757	1,026,893
Total borrowings		2,089,422	1,079,667
Current Portion		1,465,045	457,774
Non-Current Portion		624,377	621,893
		2,089,422	1,079,667

20.1 Short term running finance - secured

Short term running finances available from commercial banks under mark-up arrangements amount to Rupees 1,447 million (2022: Rupees 1,050.000 million), out of which the amount of Rupees 892.665 million (2022: Rupees 52.774 million) has been availed as at 31 December 2023 from different banking companies. The rate of mark-up ranges from 3 months KIBOR plus 1.00% to 3 months KIBOR plus 1.25% for Habib Bank Limited, 3 months KIBOR plus 1.50% margin for The Bank of Punjab, 3 months KIBOR plus 0.75% margin to 3 months KIBOR plus 1.50% for First Women Bank Limited, 3 months KIBOR plus 1.00% margin for Habib Metropolitan Bank Limited and 3 months KIBOR plus 0.75% margin for Allied Bank Limited. Markups are payable quarterly. The average mark-up rate charged during the year ranges from 17.84% to 24.41% (2022: 11.79% to 17.08%) per annum. These facilities are secured against pledge of shares of MCB Bank Limited (Note 8.4.2) in favour of Habib Metro Bank Limited, The Bank of Punjab Limited, First Women Bank Limited, Habib Bank Limited and Allied Bank Limited.

20.2

LENDER	2023	2022	RATE OF INTEREST	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Long term finances / term finances							
Bank Alfalah Limited (Note 20.3)	646,757	1,026,893	3 months KIBOR plus 0.50% per annum	Twenty un-equal semi-annual instalments commenced from 12 December 2020 and ending on 24 October 2025.	Quarterly	Quarterly	Pledge against shares of MCB Bank Limited (Note 8.4.2) with minimum 35% margin on market value against outstanding term finance facility and first charge over the Company's current assets with 25% margin.
Allied Bank Limited (Note 20.4 and Note 20.5)	550,000	-	3 months KIBOR plus 0.50% per annum	Eight semi-annual instalments commenced from 30 June 2023 and ending on 30 December 2026.	Quarterly	Quarterly	Pledge against shares of MCB Bank Limited (Note 8.4.2) with minimum 35% margin
	1,196,757	1,026,893					

20.3 This loan has been obtained by the Company to purchase shares of Nishat Hotels and Properties Limited and right shares of Hyundai Nishat Motor (Private) Limited.

20.4 This loan has been obtained by the Company to purchase right shares of Hyundai Nishat Motor (Private) Limited.

20.5 This includes instalment of Rupees 50.000 million which was payable on 30 December 2023, however, subsequent to the reporting date this instalment has been paid.

20.6 Effective rate of interest charged during the year on long term finances ranged from 17.50% to 23.41% (2022: 11.04% to 16.27%) per annum.

		Note	2023	2022
			Rupees in thousand	
21	**INSURANCE / REINSURANCE PAYABLE**			
	Due to other co-insurers		1,410,842	1,293,907
	Due to other re-insurers		1,583,053	1,337,142
			2,993,895	2,631,049

21.1 The Company has co-insurance and re-insurance arrangements with various insurance and re-insurance companies. Under the above arrangements, the receivable and payable balances originate mainly due to premiums collected or claims settled by the lead insurer on behalf of other co-insurers' and in case of re-insurance, the premium ceded to and claims recoverable from the re-insurer under the respective contracts. As per the prevailing industry practices, settlements of balances under co-insurance arrangements are done between the respective insurance companies in normal course of business.

The Company believes that the current balances of co-insurers and reinsurers reflected in records of the Company are based on the underlying contracts and transactions supported by appropriate evidence.

In this regard, the Company exchanged balance information with various co-insurers based on significance of balances and the re-insurers. This information corroborates the balance position of the Company in all material respects.

		Note	2023	2022
22	**OTHER CREDITORS AND ACCRUALS**			
	Agents commission payable		302,311	303,043
	Federal excise duty / sales tax	22.2	5,914	2,766
	Federal insurance fee		813	644
	Accrued expenses		58,852	52,051
	Other tax payables		5,988	4,389
	Cash margin	22.1	107,091	103,808
	Leave encashment payable		12,411	11,468
	Provident fund payable		1,816	1,676
	Mark-up accrued on borrowings		135,549	68,853
	Others		31,769	20,539
			662,514	569,237

22.1 This represents margin deposits on account of performance and other bond policies issued by the Company.

		Note	2023	2022
			Rupees in thousand	
22.2	**Federal excise duty / sales tax**			
	Federal excise duty / sales tax payable		9,076	2,766
	Federal excise duty / sales tax receivable - considered doubtful		5,022	-
	Less : Provision for doubtful Federal excise duty / sales tax receivable	30	(1,860)	-
			3,162	-
			5,914	2,766

23 CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 The Company is contingently liable for Rupees 5.658 million (2022: Rupees 6.481 million) on account of claims lodged against the Company but not acknowledged as debts. The management, based on advice of the legal counsels, is confident that the outcome of the cases is likely to be in favour of the Company.

23.2 Guarantee issued by Habib Metropolitan Bank Limited on behalf of the Company, fixed at GBP 5,000 amounting to Rupees 1.795 million (2022: Rupees 1.365 million).

23.3 'The Company received a demand notice under section 137(2) of the Income Tax Ordinance, 2001, on 28 May 2015. For tax years 2009 and 2011 to 2014, the tax authorities raised an aggregate demand of Rupees 664.953 million that primarily pertains to rate of tax on dividend income. The Company had filed appeals before Appellate Tribunal Inland Revenue ('ATIR') against the above demands and ATIR decided the case in the favour of the Company. However, the Commissioner Inland Revenue has filed a petition against the order of ATIR in Honourable Lahore High Court, Lahore and the case is now pending adjudication. The management is confident that the ultimate outcome of the appeals would be in favour of the Company, inter alia on the basis of the advice of the legal counsel and the relevant law and the facts, due to which no provision has been made in these financial statements.

23.4 The Company received notice under section 177(6) of the Income Tax Ordinance, 2001 on 26 May 2021 relating to tax year 2017 requiring the Company to submit the documentary evidences for number of things. Deputy Commissioner Inland Revenue created a demand of Rupees 40.347 million vide order dated 31 August 2021 on account of non-apportionment of expenses, claim on account of unabsorbed depreciation, non-deduction of withholding taxes and made addition for liabilities outstanding for more than 3 years. Being aggrieved, the Company filed an appeal before Commissioner Inland Revenue Appeals [CIR(A)]. The appeal has been partially decided in favour of the Company and certain matters have been remanded back for fresh proceedings. Being aggrieved with the order of CIR(A), the Department has filed an appeal before Appellant Tribunal Inland Revenue (ATIR). Based on legal advisor's opinion, the Company's management expects a favourable outcome due to which no provision has been made in these financial statements.

23.5 The Company received a notice under section 23(1) of the Sindh Sales Tax on Services Act, 2011, on 30 January 2020, relating to the financial years 2012 and 2013, requiring the Company to submit sales tax on gross premium. The Assistant Commissioner created a demand of Rupees 788.101 million, along with a penalty of Rupees 78.10 million and default surcharge to be payable at the time of payment of the above, vide order dated 10 January 2022, on account of short-declared and paid sales tax. Being aggrieved, the Company filed an appeal before the Honourable Sindh High Court, Karachi. Based on the legal advisor's opinion, the Company's management expects a favorable outcome, due to which no provision has been recorded in these financial statements.

23.6 The Company received a notice under section 23(2) of the Sindh Sales on Services Act, 2011, on 18 January 2022, relating to financial year 2014 and 2015, requiring the Company to charge sales tax on re-insurance services. Assistant Commissioner Inland Revenue (ACIR), vide his order dated 10 February 2022, created a demand of Rupees 472.239 million and a penalty of Rupees 23.611 million under sections 23, 43(12), and 44 of the Sindh Sales Tax on Services Act, 2011, relating to tax periods from January 2014 to December 2015. The Company, being aggrieved with the order, has filed an appeal before the Commissioner Appeals (CA), which is pending for hearing. Based on the reply of the tax advisor, management expects a favourable outcome in this regard; thus, no provision has been recorded in these financial statements.

23.7 'The Company received a notice under section 23(1) of the Sindh Sales on Services Act, 2011, on 22 June 2019, relating to financial year 2011, requiring the Company to charge sales tax on re-insurance services. Assistant Commissioner Inland Revenue (ACIR) vide his order dated 29 December 2021 created a demand of Rupees 23.126 million and a penalty of Rupees 2.312 million under sections 23(1), 43(3), 43(12), and 44(1)(a) of the Sindh Sales Tax on Services Act, 2011, relating to tax periods from July 2011 to December 2011. The Company, being aggrieved by the order, has filed an appeal before the CIR(A), which is pending for hearing. Based on the reply of the tax advisor, management expects a favourable outcome in this regard; thus, no provision has been recorded in these financial statements.

Commitments

23.8 Guarantees of Rupees 1.238 billion (2022: Rupees 1.250 billion) are given by the banks of the Company to the bank of Hyundai Nishat Motor (Private) Limited (associated company) to secure financial assistance to the associated company.

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

		Note	2023	2022
			Rupees in thousand	
	Not later than one year		5,606	5,408
			5,606	5,408
24	**NET INSURANCE PREMIUM**			
	Written gross premium		5,582,296	4,358,836
	Unearned premium reserve - opening		2,213,321	1,785,663
	Unearned premium reserve - closing		(2,856,177)	(2,213,321)
	Premium earned		4,939,440	3,931,178
	Reinsurance premium ceded	13.1	(4,147,048)	(3,273,251)
	Prepaid reinsurance premium opening		(1,679,663)	(1,411,746)
	Prepaid reinsurance premium closing		2,090,735	1,679,663
	Reinsurance expense	13.1	(3,735,976)	(3,005,334)
			1,203,464	925,844

		Note	2023	2022
			Rupees in thousand	
25	NET INSURANCE CLAIMS			
	Claims paid		1,546,353	859,971
	Outstanding claims including IBNR-closing	25.1, 25.2 &25.3	1,264,095	1,769,101
	Outstanding claims including IBNR-opening		(1,769,101)	(1,032,425)
	Claims expense		1,041,347	1,596,647
	Reinsurance and other recoveries received		(1,288,801)	(691,108)
	Reinsurance and other recoveries in respect of outstanding claims - closing		(1,009,936)	(1,554,424)
	Reinsurance and other recoveries in respect of outstanding claims - opening		1,554,424	869,258
	Reinsurance & recoveries revenue		(744,313)	(1,376,274)
			297,034	220,373

25.1 This includes provision for IBNR amounting to Rupees 45.293 million (2022: Rupees 14.790 million) on the basis of actuarial valuation carried out as at 31 December 2023 .

25.2 Claim development note

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

Accident year	2019	2020	2021	2022	2023
	-------------------Rupees in thousand-------------------				
Estimate of ultimate claims costs:					
At the end of accident year	749,598	596,097	813,558	1,736,882	1,094,998
One year later	692,045	571,112	762,877	1,725,801	-
Two years later	656,475	547,646	752,105	-	-
Three years later	655,114	543,459	-	-	-
Four years later	654,639	-	-	-	-
Current estimate of cumulative claims	654,639	543,459	752,105	1,725,801	1,094,998
Cumulative payments to date	(582,562)	(517,598)	(675,271)	(1,507,481)	(533,071)
Liability recognized in the statement of financial position	72,077	25,861	76,834	218,320	561,927

		2023	2022
		Rupees in thousand	
25.3	**This includes the following related party balances:**		
	Name		
	Due to common directorship		
	Nishat Mills Limited	1,930	2,919
	Nishat Power Limited	12,019	30,371
	Nishat Hospitality (Private) Limited	4,052	25
	Nishat Dairy (Private) Limited	100	35
	Nishat Hotels and Properties Limited	1,157	560
	Hyundai Nishat Motor (Private) Limited	26,895	14,248
	Pakgen Power Limited	292	-
	Lalpir Power Limited	85	-
	Pakistan Aviators and Aviation (Private) Limited	-	170
	Other related party		
	D.G. Khan Cement Company Limited	132,609	40,569
		179,139	88,897
26	**NET COMMISSION EXPENSE / ACQUISITION COST**		
	Commission paid or payable	365,321	241,347
	Deferred commission expense - opening	104,447	160,164
	Deferred commission expense - closing	(171,740)	(104,447)
	Net commission	298,028	297,064
	Commission received or recoverable	(279,141)	(264,295)
	Unearned reinsurance commission - opening	(113,283)	(146,340)
	Unearned reinsurance commission - closing	127,307	113,283
	Commission from reinsurers	(265,117)	(297,352)
		32,911	(288)

		Note	2023	2022
			Rupees in thousand	
27	**MANAGEMENT EXPENSES**			
	Employee benefit cost	27.1	270,028	240,027
	Travelling expenses		6,067	5,196
	Advertisements and sales promotion		15	365
	Printing and stationery		6,310	5,574
	Depreciation on operating assets	5.1	41,044	35,505
	Amortization on intagible assets	6.1	141	-
	Depreciation on investment property	7	1,959	2,167
	Rent, rates and taxes		11,723	12,285
	Legal and professional charges - business related		2,180	2,574
	Electricity, gas and water		13,611	13,209
	Entertainment		9,622	7,734
	Vehicle running expenses		71,690	50,419
	Office repairs and maintenance		15,573	13,897
	Freight charges		41	110
	Bank charges		2,657	1,254
	Postages, telegrams and telephone		7,472	6,341
	Annual supervision fee SECP		4,909	3,159
	Provision for doubtful receivables	12.2 & 12.3	1,259	2,219
	Service charges		5,318	4,859
	Miscellaneous		1,686	4,082
			473,305	410,976
27.1	**Employee benefit cost**			
	Salaries, allowances and other benefits		252,545	223,704
	Charges for post employment benefits:			
	- Gratuity		7,927	7,545
	- Provident fund		9,556	8,778
			270,028	240,027
28	**INVESTMENT INCOME**			
	Income from equity securities			
	Available-for-sale			
	Dividend income	28.1	2,059,857	1,307,769
	Income from debt securities			
	Held to maturity			
	Return on debt securities		13,423	9,778
	Income from term deposits			
	Return on term deposits		12,614	6,983
	Net realized gains on investments		2,085,894	1,324,530

		Note	2023	2022
			Rupees in thousand	
	Available-for-sale financial assets			
	Realized gains on:			
	- Equity securities		-	2,158
	Total investment income		2,085,894	1,326,688
	Impairment in value of available-for-sale securities			
	- Equity securities	8.1	-	(463,802)
	Investment related expenses		(615)	(637)
			2,085,279	862,249

		2023	2022
28.1	**This includes dividend income from the following related parties:**		
	Due to common directorship		
	Nishat Mills Limited	930	-
	Pakgen Power Limited	127,735	9,612
	Lalpir Power Limited	200,584	10,256
	Other related party		
	D.G. Khan Cement Company Limited	-	229
		329,249	20,097

29 OTHER INCOME

	Note	2023	2022
Return on bank balances		82,370	87,243
Gain on sale of operating assets		1,674	205
Commission income from Hyundai Nishat Motor (Private) Limited - associated Company		3,079	3,354
Miscellaneous		849	1,352
		87,972	92,154

30 OTHER EXPENSES

	Note	2023	2022
Legal and professional fee other than business related		14,461	12,821
Auditor's remuneration	30.1	3,003	2,611
Subscription		2,872	3,548
Insurance expense		6,288	4,920
Professional charges		213	200
Provision for doubtful sales tax receivable	22.2	1,860	-
Security deposits written off	11.2	49	-
Others		4,069	1,386
		32,815	25,486

		2023	2022
		Rupees in thousand	
30.1	**Auditor's remuneration**		
	Fee for statutory audit	1,638	1,581
	Fee for interim review	568	593
	Special certifications and sundry advisory services	503	437
	Out of pocket expenses	294	-
		3,003	2,611
31	**FINANCE COSTS**		
	Mark-up on long term finance	319,254	173,342
	Mark-up on running finance	175,341	36,479
		494,595	209,821
32	**TAXATION**		
	For the year		
	Current	825,030	502,464
	Deferred	(34,986)	(157,064)
		790,044	345,400
	For the prior year		
	Current	-	86,874
		790,044	432,274
32.1	**Relationship between tax expense and accounting profit**		
	Accounting profit before taxation	2,100,711	1,043,304
	Applicable tax rate	29%	29%
	Tax on accounting profit	609,206	302,558
	Tax effect of super tax	211,207	60,744
	Tax effect of section 7E of Income Tax Ordinance, 2001	1,323	1,323
	Tax impact of deferred tax	(34,986)	(157,064)
	Tax effect of impairment on available-for-sale investments	-	134,503
	Tax effect of prior year	-	86,874
	Others	3,294	3,336
		790,044	432,274

		2023	2022
33	**EARNINGS PER SHARE**		
	Profit (after tax) for the year - Rupees in thousand	1,310,667	611,030
	Weighted average number of ordinary shares - Number	68,062,500	68,062,500
	Earnings (after tax) per share - (basic / diluted) - Rupees	19.26	8.98

There is no dilutive effect on basic earnings per share.

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2023	2022	**2023**	2022	**2023**	2022
	-------------------Rupees in thousand-------------------					
Managerial remuneration	8,760	7,684	-	-	50,254	44,126
Leave encashment	1,095	961	-	-	6,282	5,458
Bonus	4,245	3,731	-	-	24,454	21,555
Charge for defined benefit plan	730	640	-	-	4,188	4,343
Contribution to defined contribution plan	876	768	-	-	5,025	4,412
Rent and house maintenance	3,504	3,074	-	-	20,101	17,650
Utilities	876	768	-	-	5,025	4,413
Medical	286	461	-	-	5,183	4,259
Others	5,689	2,580	-	-	35,757	22,064
Total	26,061	20,667	-	-	156,269	128,280
Number of persons	1	1	5	5	47	43

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

34.3 Non-Executive Directors were paid directors meeting fee of Rupees 0.525 million (2022: Rupees 0.850 million). No other remuneration was paid to Non-Executive Directors.

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

34.5 During the year, the Company paid dividend amounting to Rupees 85.988 million (2022: Rupees 40.731 million) to its Directors.

35 RELATED PARTY TRANSACTIONS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2023

	2023	2022
	Rupees in thousand	
(i) Post employment benefit plans		
Transactions during the year		
Charge in respect of gratuity fund	7,927	7,545
Charge in respect of provident fund	9,556	8,778
Contribution to gratuity fund	5,338	10,089
Contribution to provident fund	18,972	17,386
Year end balances		
Payable to gratuity fund	3,505	5,388
Payable to provident fund	1,816	1,676
(ii) Key management personnel		
Transactions during the year		
Employee benefits	93,914	66,665
Asset sold	4,533	5,868
Year end balances		
Advances against salaries	50	200
(iii) Related parties based on common directorship		
Transactions during the year		
Premium received	2,127,297	1,635,174
Claims paid	80,301	16,143
Dividends received	329,249	19,868
Dividend paid	97,149	46,018
Payment in respect of services	5,046	696
Receipt in respect of services	1,238	-
Commission income	3,079	3,354
(iv) Other related party		
Transactions during the year		
Premium received	187,085	161,732
Claims paid	53,385	24,867
Dividends received	-	229

35.1 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place:

Name of related parties	Transactions entered or agreements and / or arrangements in place during the financial year ended		Basis of Relationship	Percentage of shareholding
	2023	2022		
Nishat Mills Limited	Yes	Yes	Common directorship	0.05%
Nishat Power Limited	Yes	Yes	Common directorship	None
Nishat Hospitality (Private) Limited	Yes	Yes	Common directorship	None
Nishat Dairy (Private) Limited	Yes	Yes	Common directorship	None
Nishat Hotels and Properties Limited	Yes	Yes	Common directorship	17.94%
Nishat Paper Product Company Limited	Yes	Yes	Common directorship	None
Nishat Agriculture Farming (Private) Limited	Yes	Yes	Common directorship	None
Nishat (Aziz Avenue) Hotels and Properties Limited	No	Yes	Common directorship	None
Nishat Developers (Private) Limited	Yes	Yes	Common directorship	None
D.G. Khan Cement Company Limited	Yes	Yes	Other related party	0.10%
Hyundai Nishat Motor (Private) Limited	Yes	Yes	Common directorship	12.14%
Pakistan Aviators and Aviation (Private) Limited	Yes	Yes	Common directorship	None
Pakgen Power Limited	Yes	Yes	Common directorship	2.02%
Lalpir Power Limited	Yes	Yes	Common directorship	3.12%
Security General Insurance Company Limited Employees' Provident Fund Trust	Yes	Yes	Post employment benefits plan	None
Security General Insurance Company Limited Employees' Gratuity Fund Trust	Yes	Yes	Post employment benefits plan	None
Nishat (Raiwind) Hotels and Properties Limited	No	No	Common directorship	None
Nishat Real Estate Development Company (Private) Limited	Yes	No	Common directorship	None
Nishat Energy Limited	No	No	Common directorship	None
Nishat Commodities (Private) Limited	No	No	Common directorship	None
Mr. Hassan Mansha	Yes	Yes	Chairman	None
Mr. Mahmood Akhtar	Yes	Yes	Director	None
Mr. Muhammad Azam	Yes	Yes	Director	None
Mrs. Nabeela waheed	Yes	Yes	Director	None
Mr. Inayat Ullah Niazi	Yes	Yes	Director	None

36 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing services that are subject to risk and returns that are different from those of other business segments. The Company has identified four (2022: four) primary business segments for reporting purposes in accordance with the requirements of the Insurance Ordinance, 2000 and the Insurance Rules, 2017. These include fire, marine, aviation and transport, motor and miscellaneous class of business / operating segment. As per Insurance Rules, 2017, information for other segments under which business is less than 10%, is classified under miscellaneous class of operating / business segment.

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

	2023				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------------------------------- Rupees in thousand -------------------------------				
Premium receivable (inclusive of federal insurance fee, federal excise duty and administrative surcharge)	4,778,716	307,762	726,712	407,316	6,220,506
Federal excise duty	(459,855)	(29,631)	(69,918)	(39,209)	(598,613)
Federal insurance fee	(30,418)	(1,960)	(4,625)	(2,594)	(39,597)
Gross written premium (inclusive of administrative surcharge)	4,288,443	276,171	652,169	365,513	5,582,296
Gross direct premium	2,660,548	271,558	642,615	364,074	3,938,795
Facultative inward premium	1,623,990	-	-	-	1,623,990
Administrative surcharge	3,905	4,613	9,554	1,439	19,511
	4,288,443	276,171	652,169	365,513	5,582,296
Insurance premium earned	3,756,997	242,949	618,198	321,296	4,939,440
Insurance premium ceded to reinsurers	(3,021,102)	(187,593)	(295,154)	(232,127)	(3,735,976)
Net insurance premium	735,895	55,356	323,044	89,169	1,203,464
Commission income	132,285	44,493	62,976	25,363	265,117
Net underwriting income	868,180	99,849	386,020	114,532	1,468,581
Insurance claims	(453,772)	(74,541)	(330,227)	(182,807)	(1,041,347)
Insurance claims recovered from reinsurers	377,744	60,604	185,680	120,285	744,313
Net claims	(76,028)	(13,937)	(144,547)	(62,522)	(297,034)
Commission expense	(134,173)	(41,528)	(84,840)	(37,487)	(298,028)
Management expenses	(363,593)	(23,429)	(55,282)	(31,001)	(473,305)
Net insurance claims and expenses	(573,794)	(78,894)	(284,669)	(131,010)	(1,068,367)
Underwriting results	294,386	20,955	101,351	(16,478)	400,214
Net investment income					2,085,279
Other income					87,972
Other expenses					(32,815)
Finance costs					(494,595)
Profit before taxation from window takaful operations - Operator's Fund					54,656
Profit before tax					2,100,711
Segment assets - Conventional	5,762,364	328,285	806,560	763,789	7,660,998
Segment assets - Takaful Operator's Fund	10,935	6,372	29,813	9,624	56,744
Unallocated assets - Conventional					23,341,133
Unallocated assets - Takaful Operator's Fund					216,977
Total assets	5,773,299	334,657	836,373	773,413	31,275,852
Segment liabilities - Conventional	5,737,758	311,367	939,947	914,917	7,903,989
Segment liabilities - Takaful Operator's Fund	27,880	16,248	76,015	24,538	144,681
Unallocated liabilities - Conventional					5,012,091
Total liabilities	5,765,638	327,615	1,015,962	939,455	13,060,761

	2022				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------------------------------ Rupees in thousand ------------------------------				
Premium receivable (inclusive of federal insurance fee, federal excise duty and administrative surcharge)	3,649,804	256,217	629,777	327,928	4,863,726
Federal excise duty	(355,308)	(23,687)	(61,587)	(33,162)	(473,744)
Federal insurance fee	(23,360)	(1,557)	(4,049)	(2,180)	(31,146)
Gross written premium (inclusive of administrative surcharge)	3,271,136	230,973	564,141	292,586	4,358,836
Gross direct premium	2,022,390	226,469	555,142	291,637	3,095,638
Facultative inward premium	1,244,850	-	-	-	1,244,850
Administrative surcharge	3,896	4,504	8,999	949	18,348
	3,271,136	230,973	564,141	292,586	4,358,836
Insurance premium earned	2,874,235	273,905	573,024	210,014	3,931,178
Insurance premium ceded to reinsurers	(2,355,680)	(260,009)	(255,576)	(134,069)	(3,005,334)
Net insurance premium	518,555	13,896	317,448	75,945	925,844
Commission income	148,351	63,415	56,860	28,726	297,352
Net underwriting income	666,906	77,311	374,308	104,671	1,223,196
Insurance claims	(1,046,137)	(68,103)	(371,046)	(111,361)	(1,596,647)
Insurance claims recovered from reinsurers	1,027,306	58,011	208,275	82,682	1,376,274
Net claims	(18,831)	(10,092)	(162,771)	(28,679)	(220,373)
Commission expense	(134,216)	(47,537)	(79,855)	(35,456)	(297,064)
Management expenses	(308,232)	(20,549)	(53,427)	(28,768)	(410,976)
Net insurance claims and expenses	(461,279)	(78,178)	(296,053)	(92,903)	(928,413)
Underwriting results	205,627	(867)	78,255	11,768	294,783
Net investment income					862,249
Other income					92,154
Other expenses					(25,486)
Finance costs					(209,821)
Loss before taxation from window takaful operations - Operator's Fund					29,425
Profit before tax					1,043,304
Segment assets - Conventional	5,104,153	267,827	738,109	740,603	6,850,692
Segment assets - Takaful Operator's Fund	8,229	6,223	29,157	2,396	46,005
Unallocated assets - Conventional					17,420,031
Unallocated assets - Takaful Operator's Fund					152,947
Total assets	5,112,382	274,050	767,266	742,999	24,469,675
Segment liabilities - Conventional	5,207,715	266,775	910,974	910,528	7,295,992
Segment liabilities - Takaful Operator's Fund	18,470	13,968	65,438	5,376	103,252
Unallocated liabilities - Conventional					2,148,838
Total liabilities	5,226,185	280,743	976,412	915,904	9,548,082

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

36.1 Information about major customers

Included in the net insurance premium is premium from three (2022: eleven) customers of the Company from the fire and property damage, marine, aviation and transport, motor and miscellaneous segment which represents approximately Rupees 3,158.838 million (2022: Rupees 2,271.840 million) of the Company's total gross premium written.

		Held to maturity debt securities	Available-for-sale equity securities	Total
		Rupees in thousand		
37	MOVEMENT IN INVESTMENTS			
	At beginning of previous year - 01 January 2022	109,739	19,319,968	19,429,707
	Additions	555,500	1,096,256	1,651,756
	Disposals (sale & redemptions)	(493,000)	(966,797)	(1,459,797)
	Fair value net gain & loss	-	(2,869,469)	(2,869,469)
	Amortization of discount	33	-	33
	Impairment losses	-	(463,802)	(463,802)
	At end of previous year - 31 December 2022	172,272	16,116,156	16,288,428
	At beginning of current year - 01 January 2023	172,272	16,116,156	16,288,428
	Additions	672,000	1,683,576	2,355,576
	Disposals (sale & redemptions)	(622,500)	(959,484)	(1,581,984)
	Fair value net gain & loss	-	4,584,197	4,584,197
	Amortization of discount	33	-	33
	Impairment losses	-	-	-
	At end of current year - 31 December 2023	221,805	21,424,445	21,646,250

38 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

	Note	Carrying value					Fair value			
		Available-for-sale	Held to maturity	Loans & Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		-----	-----	-----	-----	Rupees in thousand	-----	-----	-----	-----
As at 31 December 2023										
Financial assets										
Investments										
Equity securities		21,424,445	-	-	-	21,424,445	12,456,737	-	8,967,708	21,424,445
Debt securities		-	73,805	-	-	73,805	-	-	-	-
Term Deposits		-	148,000	-	-	148,000	-	-	-	-
Loans and other receivables		-	-	46,930	-	46,930	-	-	-	-
Insurance / reinsurance receivables		-	-	4,382,536	-	4,382,536	-	-	-	-
Reinsurance recoveries against outstanding claims		-	-	1,009,936	-	1,009,936	-	-	-	-
Salvage recoveries accrued		-	-	6,050	-	6,050	-	-	-	-
Cash and bank		-	-	944,649	-	944,649	-	-	-	-
Assets from Window Takaful Operations - Operator's fund		-	-	240,924	-	240,924	-	-	-	-
		21,424,445	221,805	6,631,025	-	28,277,275	12,456,737	-	8,967,708	21,424,445
Financial liabilities										
Outstanding claims including IBNR		-	-	-	1,264,095	1,264,095	-	-	-	-
Insurance / reinsurance payables		-	-	-	2,993,895	2,993,895	-	-	-	-
Borrowings		-	-	-	2,089,422	2,089,422	-	-	-	-
Other creditors and accruals		-	-	-	333,261	333,261	-	-	-	-
Liabilities of window takaful operations - Operator's Fund		-	-	-	51,596	51,596	-	-	-	-
		-	-	-	6,732,269	6,732,269	-	-	-	-

	Note	Carrying value					Fair value			
		Available-for-sale	Held to maturity	Loans & Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		----------------------------Rupees in thousand----------------------------								
As at 31 December 2022										
Financial assets										
Investments										
Equity securities		16,116,156	-	-	-	16,116,156	8,858,777	-	7,257,379	16,116,156
Debt securities		-	73,772	-	-	73,772	-	-	-	-
Term deposits		-	98,500	-	-	98,500	-	-	-	-
Loans and other receivables		-	-	58,322	-	58,322	-	-	-	-
Insurance / reinsurance receivables		-	-	3,506,956	-	3,506,956	-	-	-	-
Reinsurance recoveries against outstanding claims		-	-	1,554,424	-	1,554,424	-	-	-	-
Salvage recoveries accrued		-	-	5,200	-	5,200	-	-	-	-
Cash and bank		-	-	394,570	-	394,570	-	-	-	-
Assets from window takaful operations - Operator's Fund		-	-	176,015	-	176,015	-	-	-	-
		16,116,156	172,272	5,695,487	-	21,983,915	8,858,777	-	7,257,379	16,116,156
Financial liabilities										
Outstanding claims including IBNR		-	-	-	1,769,101	1,769,101	-	-	-	-
Insurance / reinsurance payables		-	-	-	2,631,049	2,631,049	-	-	-	-
Borrowings		-	-	-	1,079,667	1,079,667	-	-	-	-
Other creditors and accruals		-	-	-	245,251	245,251	-	-	-	-
Liabilities of window takaful operations - Operator's Fund		-	-	-	50,542	50,542	-	-	-	-
		-	-	-	5,775,610	5,775,610	-	-	-	-

38.1 Movement in the above available for sale investments has been disclosed in note 8 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 and Levels 2 and 3 during the year and there were no changes in valuation techniques during the years. Since the ordinary shares of Nishat Hotels and Properties Limited are not listed, an investment advisor engaged by the Company has estimated a fair value of Rupees 22.11 per ordinary share as at 31 December 2023 through a valuation technique based on its discounted cash flow analysis. Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed. An investment advisor engaged by the Company has estimated a fair value of Rupees 17.42 per ordinary share as at 31 December 2023 through a valuation technique based on its discounted cash flow analysis. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

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

The following table presents the changes in level 3 items for the year ended 31 December 2023 and 31 December 2022 for recurring fair value measurements:

	Note	2023	2022
		(Rupees in thousand)	
Opening fair value		7,257,379	7,865,129
Purchase of Investments during the year	8.3	1,092,394	130,480
		8,349,773	7,995,609
Fair value (loss) / gain recognised during year		617,935	(738,230)
Closing value after valuation		8,967,708	7,257,379

39 FAIR VALUE MEASUREMENTS - NON - FINANCIAL ASSETS

(i) Fair value hierarchy

Judgements and estimates are made for non-financial assets not measured at fair value in these financial statements but for which the fair value is described in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

	Level 1	Level 2	Level 3	Total
	-----------------(Rupees in thousand)-----------------			
At 31 December 2023				
Investment property	-	568,097	-	568,097
Total non-financial assets	-	568,097	-	568,097
At 31 December 2022				
Investment property	-	558,381	-	558,381
Total non-financial assets	-	558,381	-	558,381

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and level 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for its investment property at least annually. At the end of each reporting period, the management updates the assessment of the fair value of property, taking into account the most recent independent valuations. The management determines a property's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's investment property at the end of every financial year. As at 31 December 2023, the fair value of the investment property have been determined by Hamid Mukhtar and Company (Private) Limited (an approved valuer).

Changes in fair value are analysed at the end of each year during the valuation discussion between the Chief Financial Officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

40 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

40.1 Insurance risk

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

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

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Company may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

The Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health.

40.1.1 Frequency and severity of claims

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

Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The details of estimation of outstanding claims including IBNR are given under respective accounting policy.

Statement of age wise breakup of unclaimed Insurance Benefits

	Age Wise Breakup					
	Total Amount	1 to 6 Months	7 to 12 Months	13 to 24 Months	25 to 36 Months	Beyond 36 Months
	-------------------Rupees in thousand-------------------					
Claims not encashed - 2023	45,971	29,755	14,466	155	291	1,304
Claims not encashed - 2022	30,147	24,270	887	233	3,208	1,549

40.1.2 Concentration of insurance risk

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

	Gross aggregate exposure		Maximum reinsurance cover		Net	
	2023	2022	**2023**	2022	**2023**	2022
	-------------------Rupees in thousand-------------------					
Fire and property damage	1,140,947,077	959,927,874	1,124,688,196	896,687,753	16,258,881	63,240,121
Marine, aviation and transport	279,426,612	436,279,114	203,323,774	314,400,299	76,102,838	121,878,815
Motor	48,722,019	43,445,382	28,318,722	20,765,633	20,403,297	22,679,749
Others including miscellaneous	72,037,531	40,929,828	19,085,985	22,796,377	52,951,546	18,133,451
	1,541,133,239	1,480,582,198	1,375,416,677	1,254,650,062	165,716,562	225,932,136

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

	Gross claims paid		Reinsurance recoveries		Net	
	2023	2022	**2023**	2022	**2023**	2022
	-------------------Rupees in thousand-------------------					
Fire and property damage	869,533	507,262	847,334	487,793	22,199	19,469
Marine, aviation and transport	77,343	28,408	64,874	24,248	12,469	4,160
Motor	354,280	293,552	195,180	158,875	159,100	134,677
Others including miscellaneous	245,197	30,749	181,413	20,192	63,784	10,557
	1,546,353	859,971	1,288,801	691,108	257,552	168,863

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

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

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

40.1.3 Reinsurance risk

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

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

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

40.1.4 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date. The details of estimation of outstanding claims (including IBNR) are given under respective accounting policies.

40.1.5 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. Each notified claim is assessed on a separate, case to case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available. Reinsurance recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

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

40.1.6 Changes in assumptions

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

40.1.7 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The Company enters into short term insurance contracts, therefore, it does not assume any significant impact of changes in market conditions on unexpired risks. The risks associated with the insurance contracts are complex and subject to a number of variables which complicate the quantitative sensitivity analysis. However, some results of sensitivity testing are set out below, showing the impact on profit before tax (net of reinsurance) and shareholders' equity:

Particulars	Profit before taxation		Shareholders' equity	
	2023	2022	2023	2022
	Rupees in thousand			
Effect of 10% increase/(decrease) in amount of claims:				
Fire and property damage	7,603	1,883	4,638	1,262
Marine, aviation and transport	1,394	1,009	850	676
Motor	14,455	16,277	8,818	10,906
Miscellaneous	6,252	2,868	3,814	1,922
	29,704	22,037	18,120	14,766

40.2 Financial risk

Financial risk factors

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

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

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

(a) Credit risk and concentration of credit risk

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

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

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

	2023	2022
	Rupees in thousand	
Financial assets		
Investments	21,646,250	16,288,428
Loans and other receivables	46,930	58,322
Insurance / Reinsurance receivables	4,382,536	3,506,956
Reinsurance recoveries against outstanding claims / benefits	1,009,936	1,554,424
Salvage recoveries accrued	6,050	5,200
Cash and bank	944,649	394,570
Assets of window takaful operations - Operator's fund	240,924	176,015
	28,277,275	21,983,915

As of 31 December 2023, premium due but unpaid and amount due from other insurers / reinsurers is amounting to Rupees 4,382.536 million (2022: Rupees 3,506.956 million). These relate to a number of independent customers for whom there is no recent history of default. An analysis of the age of premium due but unpaid and amount due from other insurers / reinsurers is as follows:

- Not past due	2,042,463	1,537,388
- Up to one year	778,783	548,546
- Past one but less than three years	710,134	693,802
- Over three but less than five years	380,193	418,595
- More than five years	470,963	308,625
	4,382,536	3,506,956

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

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

Rating	Amounts due from reinsurers	Reinsurance recoveries against out-standing claims / benefits	Prepaid reinsurance premium ceded	2023	2022
	------------------------------ Rupees in thousand ------------------------------				
A and above (including Pakistan Reinsurance Company Limited)	1,545,323	712,508	463,279	2,721,110	2,613,735
A-	7,776	26,248	15,253	49,277	161,746
BBB	14,526	8,981	5,151	28,658	43,003
Others	392,494	262,199	1,607,052	2,261,745	2,070,839
	1,960,119	1,009,936	2,090,735	5,060,790	4,889,323

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

	Rating		Rating	2023	2022
	Short term	Long term	Agency	Rupees in thousand	
Current and other accounts					
Albaraka Islamic Bank Limited	A-1	A+	VIS	122	121
Allied Bank Limited	A1+	AAA	PACRA	-	527
Apna Micro Finance Bank Limited	A4	BBB-	PACRA	60	243
Askari Bank Limited	A1+	AA+	PACRA	105,165	611
Bank Alfalah Limited	A1+	AA+	PACRA	207,933	4,224
Dubai Islamic Bank Limited	A-1+	AA	VIS	11,811	131,039
Faysal Bank Limited	A1+	AA	PACRA	2,843	3,938
Habib Bank Limited	A-1+	AAA	VIS	447	468
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	12,581
JS Bank Limited	A1+	AA-	PACRA	2,052	3,184
MCB Bank Limited	A1+	AAA	PACRA	209,269	54,342
MCB Islamic Bank Limited	A1	A	PACRA	380,014	161,046
Mobilink Microfinance Bank Limited	A1	A	PACRA	419	-
Soneri Bank Limited	A1+	AA-	PACRA	139	249
National Bank of Pakistan	A1+	AAA	PACRA	959	327
Khushhali Microfinance Bank Limited	A-2	A-	VIS	1,105	1,505
The Bank of Azad Jamu and Kashmir	N/A	N/A	N/A	106	105
The Punjab Provincial Co-operative Bank Limited	N/A	N/A	N/A	260	260
Samba Bank Limited	A1	AA	PACRA	5,823	3,224
United Bank Limited	A-1+	AAA	VIS	8,136	7,497
The Bank of Punjab	A1+	AA+	PACRA	2,019	2,875
Deposits with State Bank of Pakistan			N/A	5,350	5,350
				944,032	393,716
Mutual Funds					
JS Large Capital Fund	-	AM2+	PACRA	8,658	5,755
MCB-Pakistan Cash Management Fund	-	AA+(f)	PACRA	511	455,988
				9,169	461,743
Debt securities and term deposits					
Pakistan Investment Bonds	-	Unrated		73,805	73,772
Term deposits - Bank Alfalah Limited	-	A1+	PACRA	48,000	48,500
Term deposits - First Woman Bank Limited	-	A-	PACRA	100,000	50,000
				221,805	172,272

	Rating		Rating	2023	2022
	Short term	Long term	Agency	Rupees in thousand	
Equity Securities					
Lalpir Power Limited	A1	AA	PACRA	267,169	174,768
Pakgen Power Limited	A1	AA	PACRA	382,828	225,414
D.G. Khan Cement Company Limited	A1+	AA-	PACRA	33,166	11,800
Nishat Mills Limited	A1+	AA	PACRA	14,272	-
Nishat (Chunian) Limited	A-2	A-	VIS	37,316	29,968
Nishat Chunian Power Limited	A-2	A+	VIS	60,758	15,986
Nishat Hotels and Properties Limited	A1	A-	PACRA	4,831,476	3,883,100
Hyundai Nishat Motors (Private) Limited	A1	A+	PACRA	4,136,232	3,374,279
MCB Bank Limited	A1+	AAA	PACRA	10,203,930	6,869,247
Kohinoor Energy Limited	A1+	AA	PACRA	1,178	989
United Bank Limited	A-1+	AAA	VIS	106,796	60,502
Engro Corporation Limited	A1+	AA+	PACRA	49,714	44,168
Pakistan Petroleum Limited	N/A		N/A	69,018	40,884
Millat Tractors Limited	N/A		N/A	156,858	49,602
Adamjee Insurance Limited	-	AA++(IFS)	PACRA	974,360	803,270
Adamjee Life Assurance Company Limited	-	A++(IFS)	PACRA	90,205	70,436
				21,415,276	15,654,413

(b) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 31 December 2023, the Company had Rupees 554.335 million (2022:Rupees 1,050.000 million) of available borrowing limits from financial institutions and Rupees 944.649 million (2022: Rupees 394.570 million) of cash and bank balances.

The table below provides the maturity analysis of the Company's liabilities as at statement of financial position date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

	2023			
	Carrying amount	Less than one year	One to five years	More than five years
	----------------Rupees in thousand----------------			
Financial liabilities				
Outstanding claims including IBNR	1,264,095	1,264,095	-	-
Insurance / reinsurance payables	2,993,895	2,993,895	-	-
Accrued expenses	58,852	58,852	-	-
Other creditors and accruals	333,261	333,261	-	-
Borrowings	2,089,422	1,465,045	624,377	-
	6,739,525	6,115,148	624,377	-

	2022			
	Carrying amount	Less than one year	One to five years	More than five years
	----------------Rupees in thousand----------------			
Financial Liabilities				
Outstanding claims including IBNR	1,769,101	1,769,101	-	-
Insurance / reinsurance payables	2,631,049	2,631,049	-	-
Accrued expenses	52,051	52,051	-	-
Other creditors and accruals	245,251	388,777	-	-
Borrowings	1,079,667	457,774	621,893	-
	5,777,119	5,298,752	621,893	-

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices such as interest rates, foreign exchange rates and equity prices.

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and mutual funds. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

(i) Cash flow and fair value interest rate risk

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

The Company's interest rate risk arises from borrowings, term deposits, PIBs and saving bank accounts. The financial instruments issued at variable rates expose the Company to cash flow interest rate risk. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for major interest-bearing positions.

	2023	2022	2023	2022
	Effective interest rate		Rupees in thousand	
Fixed rate instruments				
Variable rate instruments				
Financial assets				
Bank balances - saving accounts	12.0%	8.9%	612,703	357,530
Investments in PIBs - Government securities	20.3%	12.0%	73,805	73,772
Term deposits	18.2%	12.3%	148,000	98,500
			834,508	529,802
Financial liabilities				
Borrowings	21.7%	14.0%	2,089,422	1,079,667
Net exposure			(1,254,914)	(549,865)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the statement of financial position date, fluctuate by 1% higher / lower with all the other variables held constant, profit before taxation for the year would have been lower / higher by Rupees 12.549 million (2022: Rupees 5.498 million) and shareholders equity would have been lower / higher by Rupees 7.655 million (2022: Rupees 3.684 million), mainly as a result of higher / lower interest expense on floating rate financial instruments.

(ii) Other price risk

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

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

The following table summarises the Company's other price risk as at 31 December 2023 and 31 December 2022. It shows the effects of an estimated increase of 10% in the market prices as on those dates. A decrease of 10% in the fair values on avaiilable for sale securities (other than unquoted securities) would affect it in a similar and opposite manner.

	Fair value	Price change	Effect on fair value
	Rupees in thousand		Rupees in thousand
31 December 2023	12,456,737	+10%	1,245,674
	12,456,737	-10%	(1,245,674)
31 December 2022	8,858,777	+10%	885,878
	8,858,777	-10%	(885,878)

As at 31 December 2023, the Company had no investments classified as at fair value through profit and loss.

(iii) Currency risk

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

(d) Capital management

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

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

In accordance with the requirements of the Insurance Rules, 2017 issued by the SECP, minimum paid-up capital requirement to be complied with by insurance / takaful companies as at 31 December 2017 and for subsequent years is Rupees 500 million. As at 31 December 2023, the Company's paid-up capital is in excess of the prescribed limit.

40.2.1 Maturity analysis of financial assets and liabilities

	2023						
	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	---Rupees in thousand---						
Financial assets							
On statement of financial position							
Investments							
Equity securities	-	-	-	-	21,424,445	21,424,445	21,424,445
Debt securities	-	73,805	73,805	-	-	-	73,805
Term deposits	148,000	-	148,000	-	-	-	148,000
Loans and other receivables	-	-	-	46,930	-	46,930	46,930
Insurance / reinsurance receivables	-	-	-	4,382,536	-	4,382,536	4,382,536
Salvage recoveries accrued	-	-	-	6,050	-	6,050	6,050
Reinsurance recoveries against outstanding claims	-	-	-	1,009,936	-	1,009,936	1,009,936
Cash and banks	612,703	-	612,703	331,946	-	331,946	944,649
	760,703	73,805	834,508	5,777,398	21,424,445	27,201,843	28,036,351
Off statement of financial position	-	-	-	-	-	-	-
Total	760,703	73,805	834,508	5,777,398	21,424,445	27,201,843	28,036,351
Financial liabilities							
On statement of financial position							
Outstanding claims including IBNR	-	-	-	1,264,095	-	1,264,095	1,264,095
Insurance/reinsurance payables	-	-	-	2,993,895	-	2,993,895	2,993,895
Accrued expenses	-	-	-	58,852	-	58,852	58,852
Other creditors and accruals	-	-	-	333,261	-	333,261	333,261
Borrowings	1,465,045	624,377	2,089,422	-	-	-	2,089,422
	1,465,045	624,377	2,089,422	4,650,103	-	4,650,103	6,739,525
Off statement of financial position							
Guarantees	-	-	-	1,795	-	1,795	1,795
Contingencies	-	-	-	2,099,159	-	2,099,159	2,099,159
	-	-	-	2,100,954	-	2,100,954	2,100,954
Total	1,465,045	624,377	2,089,422	6,751,057	-	6,751,057	8,840,479
On statement of financial position gap	(704,342)	(550,572)	(1,254,914)	1,127,295	21,424,445	22,551,740	21,296,826
Off statement of financial position gap	-	-	-	(2,100,954)	-	(2,100,954)	(2,100,954)

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

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

	2022						
	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	----------Rupees in thousand----------						
Financial assets							
On statement of financial position							
Investments							
Equity securities	-	-	-	-	16,116,156	16,116,156	16,116,156
Debt securities	-	73,772	73,772	-	-	-	73,772
Term deposits	98,500	-	98,500	-	-	-	98,500
Cash and banks	-	-	-	58,322	-	58,322	58,322
Salvage recoveries accrued	-	-	-	3,506,956	-	3,506,956	3,506,956
Insurance / reinsurance receivables	-	-	-	5,200	-	5,200	5,200
Reinsurance recoveries against outstanding claims	-	-	-	1,554,424	-	1,554,424	1,554,424
Loans and other receivables	357,530	-	357,530	37,040	-	37,040	394,570
	456,030	73,772	529,802	5,161,942	16,116,156	21,278,098	21,807,900
Off statement of financial position	-	-	-	-	-	-	-
Total	456,030	73,772	529,802	5,161,942	16,116,156	21,278,098	21,807,900
Financial liabilities							
On statement of financial position							
Outstanding claims including IBNR	-	-	-	1,769,101	-	1,769,101	1,769,101
Insurance/reinsurance payables	-	-	-	2,631,049	-	2,631,049	2,631,049
Accrued expenses	-	-	-	52,051	-	52,051	52,051
Other creditors and accruals	-	-	-	245,251	-	245,251	245,251
Borrowings	457,774	621,893	1,079,667	-	-	-	1,079,667
	457,774	621,893	1,079,667	4,697,452	-	4,697,452	5,777,119
Off statement of financial position							
Guarantees	-	-	-	1,365	-	1,365	1,365
Contingencies	-	-	-	2,187,021	-	2,187,021	2,187,021
	-	-	-	2,188,386	-	2,188,386	2,188,386
Total	457,774	621,893	1,079,667	6,885,838	-	6,885,838	7,965,505
On statement of financial position gap	(1,744)	(548,121)	(549,865)	464,490	16,116,156	16,580,646	16,030,781
Off statement of financial position gap	-	-	-	(2,188,386)	-	(2,188,386)	(2,188,386)

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

41 SUBSEQUENT EVENT- NON ADJUSTING EVENT

The Board of Directors has proposed a final dividend for the year ended 31 December 2023 of Rupees 1.5 per share (2022: Rupees 3 per share), amounting to Rupees 102.09 million (2022: Rupees 204.188 million) at their meeting held on March 05, 2024 for approval of the members at the Annual General Meeting to be held on April 16, 2024. Furthermore, there are no other subsequent events other than those disclosed elsewhere in these financial statements.`

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 05, 2024 by the Board of Directors of the Company.

43 GENERAL

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

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

Chief Executive Officer	Director	Director	Chairman

Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2023

SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2023

الحمد للّٰہ ربِ العالمین والصلاۃ والسلام علی سیدالانبیاء والمرسلین وعلی الہٖ واصحابہٖ اجمعین، وبعد

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

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

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

i. Underwriting, investments and financial transactions undertaken by the "SGICL WTO" for the year ended 31 December 2023, were in accordance with Takaful Rules 2012 and Shariah Guidelines issued by Shariah Advisor.
ii. Appropriate accounting policies and basis of measurement have been consistently applied in preparation of the financial statements of "Participant Takaful Fund (Waqf Fund)" and "Operator Fund".
iii. The Operator found performing its duties to its level best by following Shariah guidelines and through consolation with me where needed.
iv. Shariah Compliance review has been conducted and related matters have been discussed and duly resolved.
v. Any cases which were required to be consulted in accordance with the Shariah and Takaful Rules have been discussed and duly resolved.

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

"And Allah Knows Best"

Mufti Muhammad Umar.
Shariah Advisor
Window Takaful Operations
Security General Insurance Company Limited.
Date: 05 March 2024

Riaz Ahmad & Company
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Security General Insurance Company Limited – Window Takaful Operations (the Operator), which comprise the statement of financial position of OPF and PTF as at 31 December 2023, and the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participant's takaful fund and the cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position of OPF and PTF, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participant's takaful fund and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Operator's affairs as at 31 December 2023, and of the profit / surplus, total comprehensive income, changes in operator's fund and participant's takaful fund and its cash flows for the year then ended.

Basis for Opinion

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

A member of
Nexia
International

Riaz Ahmad & Company
Chartered Accountants

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional 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 Operator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Operator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

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

Riaz Ahmad & Company
Chartered Accountants

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: 15 March 2024

UDIN: AR202310158jGc25gkvS

STATEMENT OF FINANCIAL POSITION OF OPF AND PTF

As at December 31, 2023

	Note	2023 Operator's fund	2022 Operator's fund	2023 Participants' Takaful Fund	2022 Participants' Takaful Fund
		-----------------Rupees in thousand-----------------			
ASSETS					
Property and equipment	5	7,848	5,696	-	-
Investment					
Equity securities	6	-	-	9,349	52,074
Qard-e-Hasna to Participants' Takaful Fund	7	85,000	85,000	-	-
Loans and other receivables	8	1,424	329	7,401	3,035
Takaful / retakaful receivables	9	2,629	1,029	112,983	81,982
Salvage recoveries accrued		-	-	3,601	905
Deferred wakala fee	23	-	-	70,917	44,209
Receivable from PTF / OPF	10	32,184	29,064	-	-
Retakaful recoveries against outstanding claims / benefits	20	-	-	135,676	65,759
Deferred commission expense	22	24,560	16,941	-	-
Prepayments	11	89	-	125,141	59,926
Cash and banks	12	119,987	60,893	233,443	125,175
		273,721	198,952	698,511	433,065
TOTAL ASSETS		273,721	198,952	698,511	433,065
FUNDS AND LIABILITIES					
Statutory reserve	13	50,000	50,000	-	-
Accumulated profit		79,040	45,700	-	-
TOTAL OPERATOR'S FUND		129,040	95,700	-	-
PARTICIPANTS' TAKAFUL FUND (PTF)					
Seed money		-	-	550	550
Fair value reserve		-	-	833	110
Accumulated deficit		-	-	(20,863)	(25,805)
BALANCE OF PARTICIPANTS' TAKAFUL FUND		-	-	(19,480)	(25,145)
Qard-e-Hasna from Operator's Fund		-	-	85,000	85,000
LIABILITIES					
PTF UNDERWRITING PROVISIONS					
Outstanding claims including IBNR	20	-	-	183,499	117,775
Unearned contribution reserves	18	-	-	209,099	126,546
Contribution deficiency reserves		-	-	4,807	-
Reserve for unearned retakaful rebate	19	-	-	22,424	15,741
		-	-	419,829	260,062
Retirement benefit obligation	14	901	613	-	-
Unearned wakala fee	23	70,917	44,209	-	-
Contribution received in advance		-	-	2,288	1,124
Takaful / retakaful payables	15	1,305	1,065	169,697	73,312
Other creditors and accruals	16	50,993	49,713	8,993	9,648
Taxation - provision less payments		20,565	7,652	-	-
Payable by PTF / OPF	10	-	-	32,184	29,064
TOTAL LIABILITIES		144,681	103,252	632,991	373,210
TOTAL FUNDS AND LIABILITIES		273,721	198,952	698,511	433,065
Contingencies and commitments	17				

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

Hasan Mansha

Chief Executive Officer	Director	Director	Chairman

PROFIT AND LOSS ACCOUNT

For The Year Ended 31 December 2023

	Note	2023	2022
		Rupees in thousand	
PARTICIPANT'S TAKAFUL FUND			
Contribution earned	18	218,805	154,750
Less: Contribution ceded to retakaful	18	(181,842)	(133,563)
Net contributions revenue		36,963	21,187
Retakaful rebate earned	19	44,361	35,569
Net underwriting income		81,324	56,756
Net claims - Reported / settled	20	(88,990)	(85,749)
- IBNR		(6,720)	(1,540)
Charge of contribution deficiency reserve		(4,807)	-
		(100,517)	(87,289)
Other direct expenses	21	(650)	(447)
Deficit before investment income		(19,843)	(30,980)
Investment income	25	2,526	2,886
Other income	28	24,782	9,385
Less: modarib's share of investment income	26	(505)	(577)
Surplus / (deficit) before taxation		6,960	(19,286)
Taxation	29	(2,018)	-
SURPLUS / (DEFICIT) AFTER TAXATION TRANSFERRED TO ACCUMULATED DEFICIT		4,942	(19,286)
OPERATOR'S FUND			
Wakala fee	23	116,947	83,537
Commission expense	22	(46,403)	(37,821)
General administrative and management expenses	24	(22,234)	(19,112)
		48,310	26,604
Modarib's share of participants' takaful fund - investment income	26	505	577
Direct expenses	27	(1,221)	(1,012)
Other income	28	7,062	3,256
PROFIT BEFORE TAXATION		54,656	29,425
Taxation	29	(21,316)	(8,533)
PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		33,340	20,892

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

Chief Executive Officer	Director	Director	Chairman

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2023

	2023	2022
	Rupees in thousand	
PARTICIPANT'S TAKAFUL FUND		
Surplus / (Deficit) for the year	4,942	(19,286)
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss account:		
Unrealized gain on available for sale investment	1,428	110
Reclassification adjustment for net gain on sale of available-for-sale investments included in profit and loss account - net of tax	(705)	-
Items that will not be subsequently reclassified to profit and loss account	-	-
Other comprehensive income for the year	723	110
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	5,665	(19,176)
Operator's Fund		
Profit after tax	33,340	20,892
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss account	-	-
Items that will not be subsequently reclassified to profit and loss account	-	-
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	33,340	20,892

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

Chief Executive Officer   Director   Director   Chairman

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

For The Year Ended 31 December 2023

	Attributable to Operator's Fund		
	Statutory Reserve	Accumulated Profit	Total
	Rupees in thousand		
Balance as at 31 December 2021	50,000	24,808	74,808
Profit for the year	-	20,892	20,892
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	20,892	20,892
Balance as at 31 December 2022	50,000	45,700	95,700
Profit for the year	-	33,340	33,340
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	33,340	33,340
Balance as at 31 December 2023	**50,000**	**79,040**	**129,040**

	Attributable to Participant's Takaful Fund			
	Seed Money	Available For Sale Investment Revaluation Reserve	Accumulated Deficit	Total
	Rupees in thousand			
Balance as at 31 December 2021	550	-	(6,519)	(5,969)
Deficit for the year	-	-	(19,286)	(19,286)
Other comprehensive income	-	110	-	110
Total comprehensive loss for the year	-	110	(19,286)	(19,176)
Balance as at 31 December 2022	550	110	(25,805)	(25,145)
Surplus for the year	-	-	4,942	4,942
Other comprehensive income for the year	-	723	-	723
Total comprehensive income for the year	-	723	4,942	5,665
Balance as at 31 December 2023	**550**	**833**	**(20,863)**	**(19,480)**

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

Chief Executive Officer

Director

Director

Hasan Mansha
Chairman

CASH FLOWS STATEMENT

For The Year Ended 31 December 2023

		Note	2023	2022	2023	2022
			Operator's Fund		Participants' Takaful Fund	
			--------------Rupees in thousand--------------			
	OPERATING CASH FLOWS					
(a)	Takaful activities					
	Contributions received		-	-	396,201	270,494
	Retakaful contributions paid		-	-	(162,266)	(115,551)
	Claims / benefits paid		-	-	(173,369)	(107,703)
	Retakaful and other recoveries received		-	-	70,770	64,453
	Retakaful rebate received		-	-	51,044	37,269
	Commission paid		(47,754)	(30,581)	-	-
	Wakala fees received		141,278	86,681	-	-
	Wakala fees paid			-	(141,278)	(86,681)
	Other takaful payments		-	-	(650)	(494)
	Other takaful receipts		-	-	4,211	3,209
	Net cash generated from takaful activities		93,524	56,100	44,663	64,996
(b)	OTHER OPERATING ACTIVITIES					
	Income tax paid		(8,403)	(6,240)	(3,512)	(1,785)
	General and other expenses paid		(29,212)	(7,540)	-	-
	Other operating (payments) / receipts		-	-	(3,639)	4,688
	Net cash (used in) / generated from other operating activities		(37,615)	(13,780)	(7,151)	2,903
	Total cash generated from all operating activities		55,909	42,320	37,512	67,899
(c)	INVESTMENT ACTIVITIES					
	Profit / return received		7,061	3,256	24,782	10,028
	Dividend received		-	-	1,821	2,434
	Payment for investments		-	-	(1,549)	(207,585)
	Proceed from investments		-	-	45,702	155,430
	Fixed capital expenditure		(5,712)	(4,030)	-	-
	Proceeds from disposal of property and equipment		1,836	895	-	-
	Total cash from / (used in) investing activities		3,185	121	70,756	(39,693)
(d)	FINANCING ACTIVITIES					
	Qard-e-Hasna to PTF		-	(20,000)	-	-
	Qard-e-Hasna from OPF		-	-	-	20,000
	Total cash (used in) / from financing activities		-	(20,000)	-	20,000
	NET CASH FROM ALL ACTIVITIES		59,094	22,441	108,268	48,206
	Cash and cash equivalents at beginning of the year		60,893	38,452	125,175	76,969
	CASH AND CASH EQUIVALENTS AT END OF THE YEAR		119,987	60,893	233,443	125,175
	Reconciliation to profit and loss account					
	Operating cash flows		55,909	42,320	37,512	67,899
	Depreciation expense		(1,726)	(798)	-	-
	Gain / (loss) on disposal of investment		-	-	705	(191)
	Gain / (loss) on disposal of property and equipment		1	(12)	-	-
	Bank profit		7,061	3,256	24,782	10,028
	Other investment income		-	-	1,821	2,434
	Increase in unearned contribution		-	-	82,553	37,139
	Increase in assets other than cash		13,524	11,147	199,903	59,647
	Increase in liabilities other than borrowings		(41,429)	(35,021)	(342,334)	(196,242)
	Profit after tax / surplus / (deficit) for the year		33,340	20,892	4,942	(19,286)
	Attributable to					
	Surplus / (Deficit) in Participants' Takaful Fund		-	-	4,942	(19,286)
	Profit after tax attributable to Operator's Fund		33,340	20,892	-	-
			33,340	20,892	4,942	(19,286)

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

Chief Executive Officer | Director | Director | Chairman

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

The Operator transferred statutory fund of Rupees 50 million in a separate bank account for the WTO as per the requirement of Circular 8 of 2014 "Application for Authorization as Window Takaful Operator under the Takaful Rules 2012". The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated 27 February 2018 and deposited a seed money of Rupees 0.55 million. The seed money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of general takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator. The Operator commenced activities of WTO on 7 May 2018.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019.

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

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

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

2.1 Basis of measurement

These financial statements have been prepared under historical cost convention, except for certain investments that are carried at fair market value and retirement benefit obligations under employees' benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statement.

2.2 Functional and presentation currency

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

2.3 Amendments to accounting and reporting standards that are effective in the current year and are relevant

There are certain amended standards that are mandatory for the Operator's accounting periods beginning on or after 1 January 2023 but are considered not to have any significant effect on the Operator's operations and are therefore not detailed in these financial statements.

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

2.4.1 IFRS 9 'Financial Instruments'

As an insurance Operator, the management has opted for temporary exemption from the application of IFRS-9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Company does not engage in significant activities unconnected with insurance based on historical available information.

Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2023

i) **Fair value of financial assets as at 31 December 2023 and change in the fair values during the year ended 31 December 2023**

	As at 31 December 2023
	Rupees in thousand
Operator's Fund	
Financial assets that meet the SPPI criteria	
Cash at banks (Note 12)	
Opening fair value	60,883
Deposits / (withdrawals) – net	59,094
Closing fair value	119,947
Participants' Takaful Fund	
Financial assets that meet the SPPI criteria	
Cash at banks (Note 12)	
Opening fair value	125,141
Deposits / (withdrawals) – net	108,077
Closing fair value	233,218
Participants' Takaful Fund	
Financial assets that do not meet the SPPI criteria	
Investment in equity securities (Note 6)	
Opening fair value	52,074
Additions	1,549
Disposals	(44,997)
Increase in fair value	723
Closing fair value	9,349

2.4.2 IFRS 17 'Insurance Contracts'

This standard has been notified by the IASB to be effective for annual periods beginning on or after 1 January 2023. SECP through its notification notified the deferment of the adoption of standard for annual periods beginning on or after 01 January 2026. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the contribution allocation approach) mainly for short-duration contracts.

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

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

2.4.3 - Other Standards, amendments and interpretations	Effective date (period beginning on or after)
Non-current Liabilities with Covenants (Amendments to IAS 1)	01 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	01 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	01 January 2024
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'	Deferred indefinitely
Lack of Exchangeability (Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates')	01 January 2025

In addition to the above, there are certain new standards, amendments and interpretations to accounting and reporting standards that are mandatory for the Operator's accounting periods beginning on or after 1 January 2024 but are considered not to be relevant or to have any significant effect on the Operator's operations and are, therefore, not detailed in these financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied in the preparation of these financial statements are set out below. Further, accounting policies related to material class of accounts does not necessarily means it is material. These policies have been consistently applied to all years presented, unless otherwise stated:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2023

3.1 Property and equipment

Operating assets

Operating assets except freehold land are stated at cost less accumulated depreciation and impairment, if any. Cost of tangible operating assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation is charged to income, through the profit and loss account, by applying the reducing balance method at the rates given in note 5 to write off the cost of operating assets over their expected useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, whereas no depreciation is charged in the month of disposal. Management judgement and estimates are involved in determining the residual values and useful lives of assets that best reflects the expected pattern of consumption of the future economic benefits embodied in the asset by the Operator.

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

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

3.2 Intangible assets

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

3.3 Takaful contracts

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

The Operator underwrites non-life takaful contracts categorized into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. The contracts may have a fixed term of one year or less and in some cases for more than one year. Takaful contracts entered into by the Operator under which the contract holder is another Takaful Operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator based on its assessment of the takaful risk involved.

The classification of a takaful contract into the aforementioned categories is based on management's judgment regarding the incident / cause of loss effecting the majority of asset(s) covered under the takaful contract. The Operator performs its segment reporting activities based on the classifications of takaful contracts made, as disclosed in note 31 to these financial statements.

a) Fire and property and damage

i) Takaful risks and events insured

Cover is provided to the takaful contract holders against damages caused by fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact and burglary etc. and loss of profit followed by the incident of fire. These takaful contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals. Takaful contract holders who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful properties in their business activities.

ii) Revenue recognition policy

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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iii) **Claims recognition**

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

Detailed accounting policies for recording and measurement of retakaful contracts held, receivables / payables related to takaful contracts and provision for outstanding claims including IBNR are mentioned in the respective accounting policies.

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

i) **Takaful risks and events insured**

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

ii) **Revenue recognition policy**

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

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

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

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

iii) Claims recognition

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

Detailed accounting policies for recording and measurement of retakaful contracts held, receivables / payables related to takaful contracts and provision for outstanding claims including IBNR are mentioned in the respective accounting policies.

c) Motor takaful:

i) Takaful risks and events insured

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

ii) Revenue recognition policy

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

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

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

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

iii) **Claims recognition**

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

Detailed accounting policies for recording and measurement of retakaful contracts held, receivables / payables related to takaful contracts and provision for outstanding claims including IBNR are mentioned in the respective accounting policies.

d) **Miscellaneous takaful:**

i) **Takaful risks and events insured**

Cover is provided to assets of the takaful contract holders against damage / loss occurring due to burglary, loss of cash in safe, cash in transit and cash on counter, health, travel and crop etc. As per guidance of General Takaful Accounting Regulations, 2019 amounts constituting less than 10% of the gross contribution revenue are clubbed together under this class of takaful contract. Normally personal takaful contracts e.g. cash in hand, cash in transit, personal accident, infidelity, public liabilities, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are provided to individual customers.

ii) **Revenue recognition policy**

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

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

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

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

iii) Claims recognition

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

Detailed accounting policies for recording and measurement of retakaful contracts held, receivables / payables related to takaful contracts and provision for outstanding claims including IBNR are mentioned in the respective accounting policies.

3.4 Deferred commission expense

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

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

The Operator maintains its provision for deferred commission expense by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in the General Takaful Accounting Regulations, 2019 for general takaful operators. In case of marine, aviation and transport, it is calculated by applying 1/6th method on commission expense relating to last three months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3.5 Reserve for unearned contribution

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

The Operator maintains its provision for unearned contribution by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in Regulation 9(4)(b) of the General Takaful Accounting Regulations, 2019. However, in case of marine, aviation and transport, it is calculated by applying 1/6th method on contribution written during three last month.

3.6 Contribution deficiency reserve

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

For this purpose, the management engages an independent actuary to determine CDR. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned contributions and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned contribution reserve (UCR) shows whether UCR is adequate to cover the unexpired risks.

Based on actuary's advice, management creates a reserve for the same in the financial statements. The movement in the contribution deficiency reserve on net basis is recorded as an expense / income in profit and loss account for the year.

3.7 Retakaful contracts held

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

The risks undertaken by the Operator under these contracts for each operating segment are stated in the accounting policy of takaful contracts.

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

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

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

An impairment review of retakaful assets is performed at each reporting date. If there is an objective evidence that the asset is impaired, the Operator reduces the carrying amount of that retakaful asset to its receivable amount and recognize the impairment loss in profit and loss account.

The deferred portion of retakaful contribution is recognized as a prepayment in PTF. The deferred portion of retakaful contribution ceded for fire and property damage, motor and miscellaneous takaful is calculated by using 1/24th method while for Marine, aviation and transport takaful, it is calculated by using 1/6 the method on policies written during last three months.

3.8 Amount due to / from retakaful operators

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3.9 Segment reporting

The Operator accounts for segment reporting based on the guidelines of the Insurance Accounting Regulations, 2017 and the operating segments as specified under the Insurance Ordinance, 2000 and the General Takaful Accounting Regulation, 2019, as the primary reporting format based on the Operator's practice of internal reporting to the management on the same basis. The Operator has determined its primary segments based on takaful risks covered under four types of takaful contracts as stated in the accounting policy of takaful contracts.

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

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

3.10 Cash and cash equivalents

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

3.11 Revenue recognition

a) Contribution income earned

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

b) Rebate from retakaful operators

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

c) Investment income

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

Gain / loss on sale of investments is taken to the profit and loss account in the year of sale.

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

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

Class	2023	2022
Fire and property damage	**35.0%**	35.0%
Marine, aviation and transport	**40.0%**	40.0%
Motor	**35.0%**	35.0%
Miscellaneous	**30.0%**	30.0%

Wakala fee is recognized on the same basis on which the related revenue is recognized. Unexpired portion of wakala fee is recognized as a liability of OPF and an asset of PTF.

The Operator also manages the participants' investment as modarib and charges modarib fee at the rate of 20% of the investment income earned by the PTF. Modarib fee is recognized on same basis on which related investment income is recognized. The same is recognized as an expense in the PTF and income in the OPF.

e) **Dividend income**

Dividend income is recognized in the profit and loss account when right to receive such dividends is established.

f) **Administration surcharge**

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

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

3.12 **Investments**

a) **Equity securities**

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

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b) **Debt securities**

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

3.13 Offsetting of financial assets and liabilities

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

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

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

Outstanding claims

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

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

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

Incurred But Not Reported (IBNR) claims

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

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

The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The actuarial valuation as at 31 December 2023 has been carried out by an independent firm of actuaries for determination of IBNR for each class of business.

3.15 Taxation

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

3.16 Takaful surplus

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

3.17 Impairment of assets

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

3.18 Management expenses

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

3.19 Qard-e-Hasna

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

3.20 Retakaful recoveries against claims

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3.21 Creditors, accruals and provisions

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

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

3.22 Financial assets

a) Classification

The Operator classifies its financial assets in the following categories:

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

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise takaful / retakaful receivables, loans, advances, deposits and other receivables, reinsurance recoveries against outstanding claims and cash and bank balances in the statement of financial position.

ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term.

iii) Available-for-sale financial assets

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

At each subsequent reporting date, available for sale investments are remeasured at fair market value.

iv) **Held-to-maturity**

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

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

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity.

b) **Recognition and measurement**

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

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

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

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The Operator assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments (classified as available for sale) are not reversed through the profit and loss account. Impairment testing of takaful / retakaful receivables and other receivables is described in note 3.8.

c) Financial liabilities

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

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

3.23 Provision for doubtful receivables

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

3.24 Foreign currency transactions and translations

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

3.25 Contingencies and commitments

Contingent liability is disclosed when:

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

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

4 Critical accounting estimates and judgments

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

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

i. Provision for outstanding claims including IBNR and retakaful recoveries against outstanding claims
ii. Contribution deficiency reserve
iii. Allocation of management expenses
iv. Useful lives of operating assets

		Note	2023	2022
			Rupees in thousand	
5	PROPERTY AND EQUIPMENT			
	Operating assets	5.1	7,848	5,696
			7,848	5,696

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2023

5.1 Operating assets

Operator's Fund

	2023									
	Cost				Depreciation				Written down value as at 31 December	Depreciation rate %
	As at 01 January	Addition/ (disposals)	Adjustments	As at 31 December	As at 01 January	For the year / (disposals)	Adjustments	As at 31 December		
	Rupees in thousand									
Vehicles	6,883	5,326	-	9,098	1,506	1,611	-	1,797	7,301	20
		(3,111)				(1,320)				
Office equipment	65	30	-	95	13	18	-	31	64	15-50
Computer equipment	323	134	-	380	56	95	-	118	262	30
		(77)				(33)				
Furniture and fixtures	-	223		223	-	2		2	221	10
	7,271	2,525	-	9,796	1,575	373	-	1,948	7,848	

	2022									
	Cost				Depreciation				Written down value as at December 31	Depreciation rate %
	As at January 1	Addition/ (disposals)	Adjustments	As at December 31	As at January 1	Charge for the year/ (disposals)	Adjustments	As at December 31		
	Rupees in thousand									
Vehicles	5,194	3,772	-	6,883	1,954	755	-	1,506	5,377	20
		(2,083)				(1,203)				
Office equipment	65	40	-	65	17	9	-	13	52	15
		(40)				(13)				
Computer equipment	105	218	-	323	22	34	-	56	267	15
	5,364	1,907	-	7,271	1,993	(418)	-	1,575	5,696	

5.1.1 Disposal of fixed asset

Detail of operating assets, exceeding the book value of Rupees 50,000, disposed of during the year is as follows:

Description	Cost	Accwumulated depreciation	Net book value	Sale proceeds	Loss	Mode of disposal	Particulars of purchaser
	Rupees in thousand						
Vehicles							
Suzuki Wagon R - LEB-19-3960	1,346	801	545	545	-	Company Policy	Mr. Rizwan Yousaf, Company's employee, Lahore
Honda City - AAD-20-165 *	1,765	519	1,246	1,246	-		
	3,111	1,320	1,791	1,791	-		
Sale of other assets having individual book values not exceeding Rupees 50,000	77	33	44	45	1		
31 Decemebr 2023	3,188	1,353	1,835	1,836	1		
31 Decemebr 2022	2,123	1,216	907	895	(12)		

* Transferred to Security General Insurance Company Limited.

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

		Note	2023 Cost	2023 Impairment / provision	2023 Carrying value	2022 Cost	2022 Impairment / provision	2022 Carrying value
			-------- (Rupees in thousand)	--------		-------- (Rupees in thousand)	--------	
6	**INVESTMENT IN EQUITY SECURITIES**							
	Available for sale							
	Participants' Takaful Fund							
	Others							
	Mutual funds	6.1	8,516	-	8,516	51,964	-	51,964
	Unrealised gain on revaluation		-	-	833	-	-	110
			8,516	-	9,349	51,964	-	52,074

6.1 Mutual funds - others

Number of units 2023	Number of units 2022	Face value	Mutual fund's name	Cost 2023	Cost 2022	Carrying Value 2023	Carrying Value 2022
				------------- (Rupees in thousand)			-------------
47,705	206,900	100	Al Habib Islamic Savings Fund	3,942	20,738	4,775	20,848
45,962	313,800	100	MCB Alhamra Islamic Money Market Fund	4,574	31,226	4,574	31,226
				8,516	51,964	9,349	52,074

		2023	2022
		(Rupees in thousand)	
7	**QARD-E-HASNA TO PARTICIPANTS' TAKAFUL FUND**		
	Opening balance of Qard-e-Hasna	85,000	65,000
	Qard-e-Hasna transferred to Participants' Takaful Fund during the year	-	20,000
	Closing balance of Qard-e-Hasna	85,000	85,000

		Note	Operator's fund 2023	Operator's fund 2022	Participants' Takaful Fund 2023	Participants' Takaful Fund 2022
			----------------- Rupees in thousand			-----------------
8	**LOANS AND OTHER RECEIVABLES**					
	Agent commission receivable		300	300	-	-
	Loans to employees		177	29	-	-
	Advance income tax		-	-	3,972	2,478
	Sales tax recoverable		-	-	-	557
	Other receivables		947	-	3,429	-
			1,424	329	7,401	3,035

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		Note	2023	2022	2023	2022
			Operator's fund		Participants' Takaful Fund	
			----------------- Rupees in thousand -----------------			
9	**TAKAFUL/RETAKAFUL RECEIVABLES**					
	-Unsecured and considered good					
	Due from takaful participants' holders		-	-	43,391	26,957
	Due from other takaful / retakaful operators		2,629	1,029	69,592	55,025
			2,629	1,029	112,983	81,982
10	**RECEIVABLE / (PAYABLE) FROM OPF / PTF**					
	Wakala fee		30,910	28,533	(30,910)	(28,533)
	Modaraba fee		1,082	577	(1,082)	(577)
	Receivable from / (Payable to) Operator's Takaful Fund		250	120	(250)	(120)
	(Payable to) / Receivable from Participants' Takaful Fund		(58)	(166)	58	166
			32,184	29,064	(32,184)	(29,064)
11	**PREPAYMENTS**					
	Prepaid fee and subscription		89	-	-	-
	Prepaid retakaful contribution ceded	18	-	-	125,141	59,926
			89	-	125,141	59,926
12	**CASH AND BANK**					
	Cash and cash equivalents					
	Cash in hand		40	10	-	-
	Policy and revenue stamps		-	-	225	34
			40	10	225	34
	Cash at bank					
	Profit and loss sharing accounts	12.1	119,947	60,883	233,218	125,141
			119,987	60,893	233,443	125,175

12.1 Rate of profit and loss sharing accounts ranges from 7.51% to 16.20% (2022: 3.00% to 7.00%) per annum, depending on the size of average deposits.

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

	2023	2022	2023	2022
Cash and bank	119,987	60,893	233,443	125,175

		Note	2023	2022
			Rupees in thousand	
13	STATUTORY RESERVE			
	Statutory reserves	13.1	50,000	50,000

13.1 Amount of Rupees 50 million (2022: Rupees 50 million) is deposited as statutory reserve to comply with provisions of para 4 of Circular No. 8 of 2014 read with section 11(c) of Takaful Rules, 2012 issued by Securities and Exchange Commission of Pakistan which states that "Every insurer who is interested to commence window takaful business shall transfer an amount of not less than 50 million Rupees to be deposited in a separate bank account for window takaful business duly maintained in a scheduled bank".

14 RETIREMENT BENEFIT OBLIGATIONS

This represents defined benefit plan (gratuity) Rupees 0.901 million (2022: Rupees 0.613 million)

Detailed disclosure as required under Insurance Rules, 2017, have been presented on a collective basis in the separate financial statements of Security General Insurance Company Limited.

		2023	2022
		Number of employees	
14.1	Staff Strength		
	Number of employees as at 31 December 2023	5	6
	Average number of employees during the year	5	4

			2023	2022	2023	2022
			Operator's Fund		Participants' Takaful Fund	
			------------ Rupees in thousand ------------			
15	TAKAFUL/RETAKAFUL PAYABLE					
	Due to co - takaful / retakaful operators		1,305	1,065	169,697	73,312
16	OTHER CREDITORS AND ACCRUALS					
	Accrued expenses		2,497	2,169	-	-
	Agent commission payable		41,704	35,436	-	-
	Federal excise duty and sales tax		-	-	3,558	3,276
	Federal takaful fee		-	-	284	216
	Withholding tax payable		702	236	553	195
	Payable to Security General Insurance Company Limited	16.1	5,625	11,416	-	-
	Others		465	456	4,598	5,961
			50,993	49,713	8,993	9,648

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16.1 This represents payable in respect of common expenses incurred by the Security General Insurance Company Limited on behalf of the Window Takaful Operations.

17 CONTINGENCIES AND COMMITMENTS

The Operator is contingently liable for Rupees 1.430 million (2022: 1.430 million) on account of claim lodged against the Operator but not acknowledged as debt. The management, based on advice of the legal counsels, is confident that the outcome of the cases is likely to be in favour of the Operator.

			Participants' Takaful Fund	
			2023	2022
		Note	Rupees in thousand	
18	NET CONTRIBUTION REVENUE / (LOSS)			
	Written gross contribution		418,305	275,426
	Less: wakala fee	23	(116,947)	(83,537)
	Contribution net of wakala fee		301,358	191,889
	Unearned contribution reserve - opening		126,546	89,407
	Unearned contribution reserve - closing		(209,099)	(126,546)
	Contribution earned		218,805	154,750
	Retakaful contribution ceded		(247,057)	(142,672)
	Prepaid retakaful contribution ceded - opening		(59,926)	(50,817)
	Prepaid retakaful contribution ceded - closing		125,141	59,926
	Retakaful expense		(181,842)	(133,563)
	Net contribution		36,963	21,187
19	RETAKAFUL REBATE EARNED			
	Retakaful rebate / commission received		51,044	37,269
	Unearned retakaful rebate - opening		15,741	14,041
	Unearned retakaful rebate - closing		(22,424)	(15,741)
			44,361	35,569
20	TAKAFUL BENEFITS / CLAIMS EXPENSE			
	Benefits / claims paid		170,673	112,674
	Outstanding benefits / claims (including IBNR) - opening		(117,775)	(47,991)
	Outstanding benefits / claims (including IBNR) - closing	20.1	183,499	117,775
	Claims expense		236,397	182,458
	Retakaful and other recoveries received		(70,770)	(64,453)
	Retakaful and other recoveries in respect of outstanding claims - opening		65,759	35,043
	Retakaful and other recoveries in respect of outstanding claims - closing		(135,676)	(65,759)
	Retakaful and other recoveries revenue		(140,687)	(95,169)
	Net claims expense		95,710	87,289

20.1 It includes provision for IBNR on the basis of actuarial valuation carried out as at 31 December 2023 amounting to Rupees 33.575 million (2022: Rupees 8.551 million).

20.2 Benefit / Claim Development

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

Accident year	2019	2020	2021	2022	2023
			(Rupees in thousand)		
Estimate of ultimate claims costs:					
At the end of accident year	34,408	77,463	151,299	189,702	239,325
One year later	84,781	58,997	140,744	179,820	-
Two years later	84,779	58,680	139,815	-	-
Three years later	84,779	58,594	-	-	-
Four years later	84,778	-	-	-	-
Current estimate of cumulative claims	84,778	58,594	139,815	179,820	239,325
Cumulative payments to date	(84,681)	(54,328)	(136,608)	(173,160)	(103,631)
Liability recognized in the statement of financial position	97	4,266	3,207	6,660	135,694

	Participants' Takaful Fund	
	2023	2022
	Rupees in thousand	
21 OTHER DIRECT EXPENSES		
Service charges	600	435
Bank charges	50	12
	650	447

	Operator's Fund	
	2023	2022
	Rupees in thousand	
22 COMMISSION EXPENSE		
Commission paid or payable	54,022	38,965
Deferred commission - opening	16,941	15,797
Deferred commission - closing	(24,560)	(16,941)
Commission expense	46,403	37,821

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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			Operator's Fund	
			2023	2022
			Rupees in thousand	
23	WAKALA FEE			
	Gross wakala fee		143,655	96,368
	Deferred wakala fee - opening		44,209	31,378
	Deferred wakala fee - closing		(70,917)	(44,209)
	Wakala fee		116,947	83,537
24	GENERAL ADMINISTRATIVE AND MANAGEMENT EXPENSES			
	Employee benefit cost	24.1	13,784	13,690
	Printing and stationery		1,127	1,129
	Depreciation	5.1	1,726	798
	Legal and professional		-	154
	Vehicle running expenses		3,627	1,883
	Shari'ah advisor fees		1,266	1,122
	Computer running expenses		160	140
	Insurance expense		294	103
	Others		250	93
			22,234	19,112
24.1	Employee benefit cost			
	Salaries, allowance and other benefits		13,150	13,121
	Charges for post employment benefits :			
	- Gratuity		288	259
	- Provident fund		346	310
			13,784	13,690

24.2 Compensation of executive

Aggregate amounts charged in these financial statements for remuneration, including all benefits to executives of the Operator's Fund is as follows:

	Operator's Fund	
	2023	2022
	Rupees in thousand	
Executive		
Managerial remuneration	2,637	2,348
Leave encashment	330	293
Bonus paid	1,282	1,145
Contribution to defined benefit plan	220	196
Contribution to defined contribution plan	264	235
Rent and house maintenance	1,055	939
Utilities	264	235
Medical	330	271
Others (Communication, Entertainment, Travelling & Fuel)	1,527	1,079
Total	7,909	6,741
Number of Persons	2	2

24.3 Executive means an employee other than Chief Executive and Directors, whose basic salary exceeds five hundred thousand Rupees in a financial year.

24.4 There has been no payments made to the directors / chief executive officer during the year 2023 (2022: Nil) from Operator's fund.

		Participants' Takaful Fund	
		2023	2022
		Rupees in thousand	
25	**INVESTMENT INCOME**		
	Income from equity securities		
	Available-for-sale		
	Dividend income	1,821	2,434
	Income from debt securities		
	Return on term deposits	-	643
	Net realized gain / (loss) on investment		
	Available-for-sale		
	Realized loss on:		
	-Equity securities	705	(191)
		2,526	2,886

26 MODARIB'S FEE

The Operator manages the participants' investments as a Modarib and charge 20% Modarib's share of the investment income earned by Participants' Takaful Fund.

		Note	Operator's Fund	
			2023	2022
			Rupees in thousand	
27	**DIRECT EXPENSES**			
	Auditor's remuneration	27.1	910	792
	Fee and subscription		311	208
	Loss on disposal of fixed asset		-	12
			1,221	1,012
27.1	**Auditor's remuneration**			
	Fee for statutory audit		513	528
	Fee for interim review		260	264
	Out of pocket expenses		137	-
			910	792

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		Operator's Fund		Participants' Takaful Fund	
		2023	2022	2023	2022
		Rupees in thousand		Rupees in thousand	
28	OTHER INCOME				
	Profit on profit and loss sharing accounts	7,061	3,256	24,782	9,385
	Gain on disposal of fixed asset	1	-	-	-
		7,062	3,256	24,782	9,385
29	TAXATION				
	For the year				
	Current tax	21,316	8,533	2,018	-
29.1	Relationship between tax expense and accounting profit / surplus				
	Accounting profit / surplus / (deficit) before taxation	54,656	29,425	6,960	(19,286)
	Applicable tax rate	29%	29%	29%	-
	Tax on accounting profit / surplus	15,850	8,533	2,018	-
	Tax effect of super tax	5,466	-	-	-
		21,316	8,533	2,018	-

30 RELATED PARTY TRANSACTIONS

Related parties comprises of associated entities, entities under common control, entities with common directors, major shareholders, post employment benefit plans and key management personnel, inclusive of directors, and their close family members. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties are summarized as follows:

	2023	2022
	Rupees in thousand	
Participants' Takaful Fund		
(i) Related parties companies based on common directorship		
Transactions during the year		
Gross contribution written	6,515	8,924
Claims paid	326	1,707
	6,841	10,631
Year end balances		
Contribution due but unpaid	1,158	465
Outstanding claims	952	1,082
	2,110	1,547
(ii) Related party - others		
Transactions during the year		
Gross contribution written	2,088	1,877
	2,088	1,877

		2023	2022
		Rupees in thousand	
	Year end balances		
	Contribution due but unpaid	-	39
	Outstanding claims	441	-
		441	39
(iii)	**Post employment benefit plans**		
	Transactions during the year		
	Charge in respect of gratuity fund	288	259
	Charge in respect of provident fund	346	841
	Contribution to provident fund	678	837
		1,312	1,937
	Year end balances		
	Payable to gratuity fund	901	613
	Payable to provident fund	81	67
		982	680
(iv)	**Key management personnel**		
	Transactions during the year		
	Employee benefits	5,359	4,623
	Assets sold	45	907
		5,404	5,530

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

Name of related parties	Direct shareholding	Relationship
Nishat Mills Limited	None	Common directorship
Nishat Dairy (Private) Limited	None	Common directorship
D.G. Khan Cement Company Limited	None	Other related party
Hyundai Nishat Motor (Private) Limited	None	Common directorship
Pakistan Aviators and Aviation (Private) Limited	None	Common directorship
Security General Insurance Company Limited - Employees' Provident Fund Trust	None	Post employment benefits plan
Security General Insurance Company Limited - Employees' Gratuity Fund Trust	None	Post employment benefits plan

31 SEGMENT REPORTING

The Operator has identified four (2022: four) primary operating / business segments for reporting purposes in accordance with the requirements of the Insurance Ordinance, 2000, General Takaful Accounting Regulations, 2019 and the Takaful Rules, 2012. These include fire and property damage, marine, aviation and transport, motor and miscellaneous class of operating / business segments. As per Insurance Rules, 2017, information for other segments under which business is less than 10%, is classified under miscellaneous class of operating / business segment.

Revenues, results, assets and liabilities, wherever possible, have been assigned to the following segments based on specific identification or allocated on the basis of the gross contribution written by the segments.

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31.1 Current year - Participants' Takaful Fund (PTF) and Operator's Fund

31.1.1 Participants' Takaful fund (PTF)

Particulars	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	Rupees in thousand				
Contribution receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	92,970	54,175	253,504	81,823	482,472
Federal Excise Duty	(11,563)	(6,739)	(31,527)	(10,177)	(60,006)
Federal Insurance Fee	(802)	(467)	(2,186)	(706)	(4,161)
Gross written contribution (inclusive of administrative surcharge)	80,605	46,969	219,791	70,940	418,305
Gross direct contribution	79,804	45,326	218,088	70,876	414,094
Administrative surcharge	801	1,643	1,703	64	4,211
	80,605	46,969	219,791	70,940	418,305
Wakala fee	(22,306)	(16,886)	(70,540)	(7,215)	(116,947)
Takaful contribution earned	64,532	43,858	203,246	24,116	335,752
Takaful contributions ceded to retakaful	(60,332)	(39,280)	(62,499)	(19,731)	(181,842)
Net takaful contribution	(18,106)	(12,308)	70,207	(2,830)	36,963
Retakaful rebate	16,723	11,146	13,528	2,964	44,361
Net underwriting income / (loss)	(1,383)	(1,162)	83,735	134	81,324
Takaful claims	(13,517)	(6,890)	(141,165)	(74,825)	(236,397)
Takaful claims recovered from retakaful	12,562	5,660	59,923	62,542	140,687
Net claims	(955)	(1,230)	(81,242)	(12,283)	(95,710)
Contribution deficiency expense	(2,663)	(1,872)	-	(272)	(4,807)
Other direct expenses	(125)	(73)	(342)	(110)	(650)
Net claims and expenses	(3,743)	(3,175)	(81,584)	(12,665)	(101,167)
Underwriting surplus / (deficit) before investment income	(5,126)	(4,337)	2,151	(12,531)	(19,843)
Net investment income					2,526
Mudarib's share of investment income					(505)
Other income					24,782
Surplus before taxation					6,960
Taxation					(2,018)
Surplus after tax transferred to balance of Participants' Takaful Fund					4,942
Corporate segment assets	85,697	49,942	233,654	75,424	444,717
Corporate unallocated assets					253,794
Total Assets	85,697	49,942	233,654	75,424	698,511
Corporate segment liabilities	120,244	70,075	327,849	105,830	623,998
Corporate unallocated liabilities					8,993
Total liabilities	120,244	70,075	327,849	105,830	632,991

31.1.2 Operator's fund (OPF)

Particulars	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
Wakala fee	22,306	16,886	70,540	7,215	116,947
Commission expense	(16,986)	(9,246)	(17,643)	(2,528)	(46,403)
Management expenses	(4,284)	(2,497)	(11,682)	(3,771)	(22,234)
	1,036	5,143	41,215	916	48,310
Mudarib's share of Participants' Takaful Fund's investment income					505
Direct expenses					(1,221)
Other income					7,062
Profit before tax					54,656
Taxation					(21,316)
Profit after tax					33,340
Corporate segment assets	10,935	6,372	29,813	9,624	56,744
Corporate unallocated assets					216,977
Total Assets	10,935	6,372	29,813	9,624	273,721
Corporate segment liabilities	27,880	16,248	76,015	24,538	144,681
Corporate unallocated liabilities					-
Total liabilities	27,880	16,248	76,015	24,538	144,681

31.2 Prior year - Participants' Takaful Fund and Operator's Fund

31.2.1 Prior year - Participants' Takaful Fund (PTF)

Particulars	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	Rupees in thousand				
Contribution receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	57,155	43,229	202,465	16,601	319,450
Federal Excise Duty	(7,382)	(5,583)	(26,153)	(2,146)	(41,264)
Federal Insurance Fee	(494)	(373)	(1,749)	(144)	(2,760)
Gross written contribution (inclusive of administrative surcharge)	49,279	37,273	174,563	14,311	275,426
Gross direct contribution	48,636	36,088	173,251	14,241	272,216
Administrative surcharge	643	1,185	1,312	70	3,210
	49,279	37,273	174,563	14,311	275,426
Wakala fee	(17,080)	(14,020)	(49,480)	(2,957)	(83,537)
Takaful contribution earned	49,441	36,235	142,683	9,928	238,287
Takaful contribution ceded to retakaful	(45,907)	(32,948)	(46,642)	(8,066)	(133,563)
Net takaful contribution	(13,546)	(10,733)	46,561	(1,095)	21,187
Retakaful rebate	13,562	9,541	10,163	2,303	35,569
Net underwriting income / (loss)	16	(1,192)	56,724	1,208	56,756
Takaful claims	(15,109)	(3,909)	(128,298)	(35,142)	(182,458)
Takaful claims recovered from retakaful	14,141	3,074	60,214	17,740	95,169
Net claims	(968)	(835)	(68,084)	(17,402)	(87,289)
Other direct expenses	(80)	(60)	(283)	(23)	(447)
Net claims and expenses	(1,048)	(895)	(68,367)	(17,425)	(87,736)
Underwriting surplus / (deficit) before investment income	(1,032)	(2,087)	(11,643)	(16,217)	(30,980)
Net investment income					2,886
Mudarib's share of investment income					(577)
Other income					9,385
Deficit for the year					(19,286)
Corporate segment assets	45,060	34,079	159,639	13,098	251,876
Corporate unallocated assets					181,189
Total Assets	45,060	34,079	159,639	13,098	433,065
Corporate segment liabilities	65,041	49,190	230,426	18,905	363,562
Corporate unallocated liabilities					9,648
Total liabilities	65,041	49,190	230,426	18,905	373,210

31.2.2 Prior year - Operator's Fund (OPF)

Particulars	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
Wakala fee	17,080	14,020	49,480	2,957	83,537
Commission expenses	(13,346)	(7,640)	(15,307)	(1,528)	(37,821)
General, administrative and management expenses	(3,419)	(2,586)	(12,113)	(994)	(19,112)
	315	3,794	22,060	435	26,604
Mudarib's share of Participants' Takaful Fund's investment income					577
Direct expenses					(1,012)
Other income					3,256
Profit before taxation					29,425
Taxation					(8,533)
Profit after tax					20,892
Corporate segment assets	8,229	6,223	29,157	2,396	46,005
Corporate unallocated assets					152,947
Total Assets	8,229	6,223	29,157	2,396	**198,952**
Corporate segment liabilities	18,470	13,968	65,438	5,376	103,252
Corporate unallocated liabilities					-
Total liabilities	18,470	13,968	65,438	5,376	**103,252**

The operating assets' residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Operator's estimate of the residual values of its operating assets as at 31 December 2023 has not required any adjustment as its impact is considered insignificant.

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32 MOVEMENT IN INVESTMENT

	Participants' Takaful Fund	
	Held to maturity investment	Available-for-saleInvestment
	(Rupees in thousand)	
At beginning of current year - 01 January 2022	-	-
Additions	93,700	51,964
Disposals (sale and redemptions)	(93,700)	-
Fair value net gains (excluding net realized gains)	-	110
At end of previous year - 31 December 2022	-	52,074
At beginning of current year - 01 January 2023	-	52,074
Additions	-	1,549
Disposals (sale and redemptions)	-	(44,997)
Fair value net gains (excluding net realized gains)	-	723
At end of current year - 31 December 2023	-	9,349

33 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	Participants' Takaful Fund							
	Carrying value				Fair value			
	Available-for- sale	Loans & receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	-----------------------------(Rupees in thousand)-----------------------------							
As at 31 December 2023								
Financial assets - measured at fair value								
Investment								
Equity securities	9,349	-	-	9,349	9,349	-	-	9,349
Financial assets - not measured at fair value								
Loans and other receivables*		3,429	-	3,429	-	-	-	-
Takaful / retakaful receivables*		112,983	-	112,983	-	-	-	-
Salvage recoveries accrued*		3,601	-	3,601	-	-	-	-
Retakaful recoveries against outstanding claims / benefits*	-	135,676	-	135,676	-	-	-	-
Cash and banks*	-	233,443	-	233,443	-	-	-	-
	9,349	489,132	-	498,481	9,349	-	-	9,349
Financial liabilities - measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value								
Outstanding claims including IBNR*	-	-	183,499	183,499	-	-	-	-
Takaful / retakaful payables*	-	-	169,697	169,697	-	-	-	-
Other creditors and accruals*	-	-	4,598	4,598	-	-	-	-
Qard-e-Hasna from Operator's Fund*	-	-	85,000	85,000	-	-	-	-
Payable by PTF*	-	-	32,184	32,184	-	-	-	-
	-	-	474,978	474,978	-	-	-	-

	Operator's Fund							
	Carrying value				Fair value			
	Available-for- sale	Loans & receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	-----------------------------(Rupees in thousand)-----------------------------							
Financial assets - measured at fair value								
Financial assets - not measured at fair value								
Takaful / retakaful receivables*	-	2,629	-	2,629	-	-	-	-
Receivable from PTF / OPF*	-	32,184	-	32,184	-	-	-	-
Qard-e-Hasna to Participants' Takaful Fund*	-	85,000	-	85,000	-	-	-	-
Cash and banks*	-	119,987	-	119,987	-	-	-	-
Loans and other receivables*	-	1,124	-	1,124	-	-	-	-
	-	240,924	-	240,924	-	-	-	-
Financial liabilities - measured at fair value								
Financial liabilities - not measured at fair value								
Takaful / retakaful payables*	-	-	1,305	1,305	-	-	-	-
Other creditors and accruals*	-	-	50,291	50,291	-	-	-	-
	-	-	51,596	51,596	-	-	-	-

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	Participants' Takaful Fund							
	Carrying value				Fair value			
	Available-for- sale	Loans & receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	-----------------------------(Rupees in thousand)-----------------------------							
As at 31 December 2022								
Financial assets - measured at fair value								
Investment								
Equity securities	52,074	-	-	52,074	52,074	-	-	52,074
Financial assets - not measured at fair value								
Takaful / retakaful receivables*	-	81,982	-	81,982	-	-	-	-
Salvage recoveries accrued*	-	905	-	905	-	-	-	-
Retakaful recoveries against outstanding claims / benefits*	-	65,759	-	65,759	-	-	-	-
Cash and banks*	-	125,175	-	125,175				
	52,074	273,821	-	325,895	52,074	-	-	52,074
Financial liabilities - measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value								
Outstanding claims including IBNR*	-	-	117,775	117,775	-	-	-	-
Takaful / retakaful payables*	-	-	73,312	73,312	-	-	-	-
Other creditors and accruals*	-	-	5,961	5,961	-	-	-	-
Qard-e-Hasna from Operator's Fund*	-	-	85,000	85,000	-	-	-	-
Payable by PTF*	-	-	29,064	29,064	-	-	-	-
	-	-	311,112	311,112	-	-	-	-

	Operator's Fund							
	Carrying value				Fair value			
	Available-for- sale	Loans & receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	-----------------------------(Rupees in thousand)-----------------------------							
Financial assets - measured at fair value								
Financial assets - not measured at fair value								
Takaful / retakaful receivables*	-	1,029	-	1,029	-	-	-	-
Receivable from PTF / OPF*	-	29,064	-	29,064	-	-	-	-
Qard-e-Hasna to Participants' Takaful Fund*	-	85,000	-	85,000	-	-	-	-
Cash and banks*	-	60,893	-	60,893	-	-	-	-
Loans and other receivables*	-	29	-	29	-	-	-	-
	-	176,015	-	176,015	-	-	-	-
Financial liabilities - measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value								
Takaful / retakaful payables*	-	-	1,065	1,065	-	-	-	-
Other creditors and accruals*	-	-	49,477	49,477	-	-	-	-
	-	-	50,542	50,542	-	-	-	-

* The Participants' and the Operator has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

33.1 Movement in the above mentioned available for sale investments has been disclosed in note 6 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in participants' takaful fund. There were no transfers between level 1 and 2 and level 2 and level 3 during the year and there were no changes in valuation techniques during the year. The Operator's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and level 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements (if any).

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

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

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

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

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34 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

The Operator issue contracts that transfer takaful risk or financial risk or both. This section summarizes the takaful risks and the way the Operator manages them.

34.1 Takaful risk management

34.1.1 Takaful risk

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

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

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

(a) Frequency and severity of claims / benefits

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example subsidence claims). For certain contracts, the Operator has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Takaful contracts which are divided into direct and facultative arrangements are further subdivided into four segments; fire and property damage, marine ,aviation and transport, motor and miscellaneous. The takaful risk arising from these contracts is concentrated in the territories in which the Operator operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of covered properties / assets. The Operator underwrites takaful contracts in Pakistan only.

The Operator manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Operator has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Takaful contracts also entitle the Operator to pursue third parties for payment of some or all costs (for example subrogation). The claims payments are limited to the extent of sum covered on occurrence of the covered event.

The Operator has entered into retakaful cover / arrangements, with local and foreign retakaful operators having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative retakaful arrangements are in place to protect the net account in case of a major catastrophe. The effect of such retakaful arrangements is that the Operator recovers the share of claims from retakaful companies thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional retakaful arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Operator.

In compliance of the regulatory requirement, the retakaful agreements are duly submitted with the SECP on an annual basis.

The Operator has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Operator actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Statement of age wise breakup of unclaimed takaful benefits

	Total Amount	Age Wise Breakup				
		"1 to 6 Months"	7 to 12 Months	13 to 24 Months	25 to 36 Months	Beyond 36 Months
	(Rupees in thousand)					
Claims not encashed 2023	12,391	11,707	197	300	105	82
Claims not encashed 2022	165	-	72	68	25	-

(b) Sources of uncertainty in the estimation of future claim payments

Claims reported and the development of large losses / catastrophes is analyzed separately. The shorter settlement period for claims allows the Operator to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

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The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, retakaful and other recoveries. The Operator's claim are for shorter settlement period generally and Operator takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Operator estimation techniques are a combination of loss-ratio based estimates (where the loss ratio is defined as the ratio between the ultimate cost of takaful claims and takaful contribution earned in prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Operator considers any information available from surveyor's assessment and information on the cost of settling claims with cases having similar characteristics in previous periods. Claims are assessed on a case-by-case basis separately.

(c) Process used to decided on assumptions

The risks associated with takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only.

The Operator uses internal data to measure its related estimated claim liabilities. Internal data is derived mostly from the Operator's monthly claims reports, surveyor's report for particular claim and screening of the actual takaful contracts carried out to derive data for the contracts held. The Operator has reviewed the individual contracts and in particular the industries in which the participant companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The principal assumption underlying the liability estimation of IBNR and contribution deficiency reserve is that the Operator's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors and economic conditions etc.

(d) Changes in assumptions

The Operator has not changed its assumptions for the takaful contracts as disclosed in above (b) and (c).

(e) **Sensitivity analysis**

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Operator's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Operator is exposed.

The Operator makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Operator considers that the liability for takaful claims recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and balance of waqf is set out below.

	Underwriting	
	2023	2022
	(Rupees in thousand)	
10% increase in average claim cost		
Fire and property damage	(96)	(97)
Marine, aviation and transport	(123)	(84)
Motor	(8,124)	(6,808)
Miscellaneous	(1,228)	(1,740)
	(9,571)	(8,729)
10% decrease in average claim cost		
Fire and property damage	96	97
Marine, aviation and transport	123	84
Motor	8,124	6,808
Miscellaneous	1,228	1,740
	9,571	8,729

Concentration of takaful risk

A concentration of risk may also arise from a single takaful contract issued to a particular type of participant, within a geographical location or to types of commercial business. In order to minimize the financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreement with other retakaful operators, who are dispersed over several geographical regions.

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The Operator has certain takaful contracts, which it considers as risk of high severity but very low frequency. The Operator cedes substantial part of these risks to the retakaful companies on its panel and its maximum exposure on any single policy is limited to the amount of Rupees 963 million (2022: 730 million).

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

	2023			2022		
	Gross sum covered	Retakaful cover	Highest net liability	Gross sum covered	Retakaful cover	Highest net liability
	Rupees in thousand					
Fire and property damage	3,700,588	3,515,559	185,029	2,194,400	2,169,713	24,687
Marine, aviation and transport	6,000,000	5,700,000	300,000	6,000,000	5,700,000	300,000
Motor	705,102	237,248	467,854	575,412	189,720	385,692
Others including miscellaneous	490,000	480,200	9,800	39,000	19,500	19,500
	10,895,690	9,933,007	962,683	8,808,812	8,078,933	729,879

35 FINANCIAL RISK MANAGEMENT

The Operator has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Operator's risk management framework. The Board is also responsible for developing and monitoring the Operator's risk management policies.

Risk management framework

Every takaful operator is exposed to a wide range of risks, some discrete and some interdependent; integrated risk management entails strong governance processes; ensuring greater accountability, transparency and risk awareness in underwriting, investment and strategic decisions. The Board of Directors take ultimate responsibility for supervising the Operator's risk management framework. Risk management framework covers the need to review the strategy of an Operator and to assess the risk associated with it.

The Audit Committee oversees compliance by management with the Operator's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Operator. The Audit Committee is assisted in its oversight role by an Internal Audit Function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

35.1 Credit risk

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

35.1.1 Exposure to credit risk

Credit risk of the Operator arises principally from the deposit and account placement with banks, contribution due but unpaid, amount due from other takaful / retakaful operators, retakaful and other recoveries against outstanding claims and other receivables. To reduce the credit risk, Operator's management monitors exposure to credit risk through its regular review, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts.

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

		Operator's Fund		Participants' Takaful Fund	
	Note	2023	2022	2023	2022
		Rupees in thousand			
Equity securities		-	-	9,349	52,074
Salvage recoveries accrued		-	-	3,601	905
Cash at banks		119,947	60,883	233,218	125,141
Takaful / retakaful receivables		2,629	1,029	112,983	81,982
Receivable from OPF / PTF		32,184	29,064	-	-
Retakaful recoveries against outstanding claims		-	-	135,676	65,759
Loans and other receivables		1,124	29	3,429	-
Qard-e-Hasna to Participants' Takaful Fund		85,000	85,000	-	-
		240,884	176,005	498,256	325,861

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

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	Short term	Long term	Agency	2023	2022
				(Rupees in thousand)	
Operator's Fund					
MCB Islamic Bank Limited	A1	A	PACRA	119,947	60,883
Participants' Takaful Fund					
Meezan Bank Limited	A-1+	AAA	VIS	103,703	59,753
Bank Islami Pakistan Limited	A1	AA-	PACRA	14,435	971
Bank AL Habib Limited	A1+	AAA	PACRA	67	-
MCB Islamic Bank Limited	A1	A	PACRA	115,013	64,417
				233,218	125,141
Mutual funds					
Al Habib Islamic Savings Fund	-	AA(f)	PACRA	4,775	20,848
MCB Alhamra Islamic Money Market Fund	-	AA+(f)	PACRA	4,574	31,226
				9,349	52,074

Contribution due but unpaid

Contribution due but unpaid is mostly recoverable from corporate customers.

Concentration of credit risk

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

	Participants' Takaful Fund 2023		Participants' Takaful Fund 2022	
	Gross contribution due	Provision	Gross contribution due	Provision
	Rupees in thousand			
Upto 1 year	31,158	-	17,625	-
Over one year	12,233	-	9,332	-
	43,391	-	26,957	-

Retakaful ceded does not relieve the Operator from its obligation to participants and as a result the Operator remains liable for the portion of outstanding claims covered by retakaful to the extent that retakaful fails to meet the obligation under the retakaful agreements.

In common with other takaful companies, in order to minimize the financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreement with other retakaful companies.

The Operator enters into retakaful arrangements with other takaful / retakaful companies having sound credit ratings accorded by reputed credit rating agencies. An analysis of all retakaful assets recognized by the rating of the entity from which it is due is as follows:

	2023			2022		
	Amount due from retakaful operators	Retakaful recoveries against outstanding claims	Prepaid retakaful contribution ceded	Amount due from retakaful operators	Retakaful recoveries against outstanding claims	Prepaid retakaful contribution ceded
	Rupees in thousand					
A or above	53,024	40,736	68,584	46,025	40,366	371
A-	6,089	4,651	11,314	3,394	1,742	-
BBB	7	1,106	1,698	856	1,186	4
Others	10,472	89,183	43,545	4,750	22,465	59,551
	69,592	135,676	125,141	55,025	65,759	59,926

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

	2023		2022	
	Gross	Impairment	Gross	Impairment
	Rupees in thousand			
Upto 1 year	25,803	-	7,875	-
Over one year	43,789	-	47,150	-
	69,592	-	55,025	-

In respect of the aforementioned takaful and retakaful assets, the Operator takes into account its track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, retakaful recoveries are made when corresponding liabilities are settled.

35.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. The diversified funding sources and assets of the Operator are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

The table below analysis the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date on an undiscounted cash flow basis.

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	2023			
	Carrying amount	Contractual cash flows	Upton one year	Over one year
	Rupees in thousand			
Financial liabilities - Operator's Fund				
Takaful / retakaful payables	1,305	1,305	1,305	-
Other creditors and accruals	50,291	50,291	50,291	-
	51,596	51,596	51,596	-
Financial liabilities - Participants' Takaful Fund				
Provision for outstanding claims (including IBNR)	183,499	183,499	178,087	5,412
Takaful / retakaful payable	169,697	169,697	31,080	7,807
Payable to OPF / PTF	32,184	32,184	32,184	-
Qard-e-Hasna from Operator's Fund	85,000	85,000	85,000	-
Other creditors and accruals	4,598	4,598	4,598	-
	474,978	474,978	330,949	13,219
	526,574	526,574	382,545	13,219

	2022			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
	Rupees in thousand			
Financial liabilities-Operator's Fund				
Takaful / retakaful payables	1,065	1,065	1,065	-
Other creditors and accruals	49,477	49,477	49,477	-
	50,542	50,542	50,542	-
Financial liabilities-Participants' Takaful Fund				
Provision for outstanding claims (including IBNR)	117,775	117,775	112,363	5,412
Takaful / retakaful payable	73,312	73,312	31,080	7,807
Payable to OPF / PTF	29,064	29,064	29,064	-
Qard-e-Hasna from Operator's Fund	85,000	85,000	85,000	-
Other creditors and accruals	5,961	5,961	5,961	-
	311,112	311,112	263,468	13,219
	361,654	361,654	314,010	13,219

35.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at reporting date there are no financial instruments denominated in foreign currencies. Therefore, the Operator is not exposed to risk from foreign currency exchange rate fluctuations.

35.3.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from balances held with reputable banks.

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

	2023							
	Profit Rate	Mark-up bearing			Non-markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	--------	--------	--------	--------Rupees in thousand--------	--------	--------	--------	--------
Financial assets								
Operator's Fund								
Cash and banks	11.60% - 16.20%	119,947	-	119,947	40	-	40	119,987
Receivable from OPF / PTF		-	-	-	32,184	-	32,184	32,184
Amount due from other takaful /		-	-	-	-	-	-	-
Amount due from other takaful / retakaful operators		-	-	-	2,629	-	2,629	2,629
Qard-e-Hasna to Participants' Takaful Fund		-	-	-	85,000	-	85,000	85,000
Loans and other receivables		-	-	-	1,124	-	1,124	1,124
		119,947	-	119,947	120,977	-	120,977	240,924
Participants' Takaful Fund								
Investments								
Equity Securities		-	-	-	9,349	-	9,349	9,349
Bank balances	7.51% - 16.20%	233,218	-	233,218	225	-	225	233,443
Takaful / retakaful receivables		-	-	-	112,983	-	112,983	112,983
Retakaful recoveries against outstanding claims		-	-	-	135,676	-	135,676	135,676
Salvage recoveries accrued		-	-	-	3,601	-	3,601	3,601
Loans and other receivables		-	-	-	3,429	-	3,429	3,429
		233,218	-	233,218	265,263	-	265,263	498,481
Financial liabilities								
Operator's Fund								
Other creditors and accruals		-	-	-	50,291	-	50,291	50,291
Takaful / retakaful payables		-	-	-	1,305	-	1,305	1,305
		-	-	-	51,596	-	51,596	51,596
Participants' Takaful Fund								
Outstanding claims including IBNR		-	-	-	183,499	-	183,499	183,499
Takaful / retakaful payable		-	-	-	169,697	-	169,697	169,697
Payable to OPF / PTF		-	-	-	32,184	-	32,184	32,184
Qard-e-Hasna from Operator's Fund		-	-	-	85,000	-	85,000	85,000
Other creditors and accruals		-	-	-	4,598	-	4,598	4,598
		-	-	-	474,978	-	474,978	474,978

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2023

	Profit Rate	2022						
		Mark-up bearing			Non-markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		-----Rupees in thousand-----						
Financial assets								
Operator's Fund								
Cash and banks	5.30% - 6.75%	60,883	-	60,883	10	-	10	60,893
Receivable from OPF/ PTF		-	-	-	29,064	-	29,064	29,064
Amount due from other takaful/retakaful operators		-	-	-	1,029	-	1,029	1,029
Qard-e-Hasna to Participants' Takaful Fund		-	-	-	85,000	-	85,000	85,000
Loans and other receivables		-	-	-	29	-	29	29
		60,883	-	60,883	115,132	-	115,132	176,015
Participants' Takaful Fund								
Investments								
Equity Securities		-	-	-	52,074	-	52,074	52,074
Bank balances	3.00% - 7.00%	125,141	-	125,141	34	-	34	125,175
Takaful / retakaful receivables		-	-	-	81,982	-	81,982	81,982
Retakaful recoveries against outstanding claims		-	-	-	65,759	-	65,759	65,759
Salvage recoveries accrued		-	-	-	905	-	905	905
		125,141	-	125,141	200,754	-	200,754	325,895
Financial liabilities								
Operator's Fund								
Other creditors and accruals		-	-	-	49,477	-	49,477	49,477
Takaful / retakaful payables		-	-	-	1,065	-	1,065	1,065
Payable to OPF / PTF		-	-	-	-	-	-	-
		-	-	-	50,542	-	50,542	50,542
Participants' Takaful Fund								
Outstanding claims including IBNR		-	-	-	117,775	-	117,775	117,775
Takaful / retakaful payable		-	-	-	73,312	-	73,312	73,312
Payable to OPF / PTF		-	-	-	29,064	-	29,064	29,064
Qard-e-Hasna from Operator's Fund		-	-	-	85,000	-	85,000	85,000
Other creditors and accruals		-	-	-	5,961	-	5,961	5,961
		-	-	-	311,112	-	311,112	311,112

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow profit rate risk in respect of its balances with banks. In case of 100 basis points (bps) increase / decrease in profit rates at period end, assuming that all other variables remain constant, the net income and equity would have been higher / lower approximately by Rupees 0.732 million (2022: Rupees 0.432 million) in Operator's fund. Similarly, in case of Participants' Takaful Fund the net income and balance of Waqf / PTF would have been higher / lower approximately by Rupees 1.656 million (2022: Rupees 1.251 million).

35.3.2 Price risk

Price risk is the risk of changes in the fair value of investments. The Operator is not exposed to price risk since it has no investments. However. the Participants' Takaful Fund is exposed to equity securities price risk on investments classified as available-for-sale. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of the Operator. The primary goal of the Operator's investment strategy is to maximize investment returns of the Participants' Takaful Fund.

The following table summarises the Participants' Takaful Fund other price risk as at 31 December 2023 and 31 December 2022. It shows the effects of an estimated increase of 10% in the market prices as on those dates. A decrease of 10% in the fair values would affect it in a similar and opposite manner.

	Fair value (Rupees in thousand)	Price change	Effect on fair value (Rupees in thousand)
31 December 2023	9,349	+10%	935
	9,349	-10%	(935)
31 December 2022	52,074	+10%	5,207
	52,074	-10%	(5,207)

35.4 Fund management

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

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

36 SUBSEQUENT EVENTS

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

37 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Operator on April 05, 2024.

38 GENERAL

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

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

Chief Executive Officer | Director | Director | Chairman

NOTES

NOTES

FORM OF PROXY

Security General Insurance Company Limited

I/We, ____

________of______________________________FOLIO NO. ________________________________

being a shareholder of the Security General Insurance Company Limited (The Company) do hereby appoint.

Mr./Miss/Ms. ____

_________of______________________________FOLIO NO.______________________

__and or failing him/her ______________________________ of ______________________

____

who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to vote for me/us at the Annual General Meeting of the Company to be held on April 16, 2024 (Tuesday) at 11:00 A.M. at SGI House, 18-C/E1 Gulberg III, Lahore and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

As witness my/our hands in this day of________________ 2024.

Revenue Stamp

Signature ________________________________

Address _________________________________

____

CNIC No. ________________________________

No. of shares held _________________________

Witness:-

Name ___________________________________

Address _________________________________

____

CNIC No. ________________________________

IMPORTANT:

a. This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at SGI House, 18-C/E1 Gulberg III, Lahore not later than 48 hours before the time of holding the Annual General Meeting. For Appointing Proxies.
b. Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
c. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
d. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished along with proxy form to the Company.

پراکسی فارم
سیکورٹی جنرل انشورنس کمپنی لمیٹڈ

میں/ہم --

کا/کے--

بحیثیت رکن سیکورٹی جنرل انشورنس کمپنی لمیٹڈ فولیو نمبر ------------------------------ بذریعہ ہذا

محترم/محترمہ-------------------------- کا/کی------------------------------فولیو نمبر---------------------------

یا اسکی غیر موجودگی میں--------------------------------------کا/کے--

جو مذکورہ کمپنی کا حصص دار بھی ہے

کو اپنے /ہمارے ایماء پر 16اپریل 2024بروز بدھ 00 :11 بجے بمقام ایس جی آئی ہاوس، 18۔سی/ ای ون گلبرگ111, لاہور پر

منعقد ہونے والے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے ، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار (پراکسی)مقرر کرتا ہوں

آج بروز------ بتاریخ------2024 کو میرے/ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

رسیدی ٹکٹ

گواہ

نام :-----------------------------

پتہ :-----------------------------

شناختی کارڈ نمبر :---------------------

دستخط :---------------------------

اہم نوٹ

ا۔ پراکسی کی تقرری کے آلات، باقاعدہ مکمل شدہ، کمپنی کے ایس جی آئی ہاوس، 18۔سی/ ای ون گلبرگ111, لاہور ۴۸ گھنٹے قبل پراکسیز مقرر کرنے کے لیے لازماً وصول ہوجانے چاہئیں۔

ب۔ بینیفشل اونرز کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول، پراکسی فارم مختارنامہ کے ہمراہ کمپنی میں جمع کرانا ہو گی۔

ج۔ پراکسی اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ مہیا کرے گا۔

د۔ بصورت کارپوریٹ اینٹٹی، بورڈ کی قرارداد/مختارنامہ معہ پراکسی ہولڈر کے دستخط پراکسی فارم مختارنامہ کے ہمراہ کمپنی میں جمع کرانا ہوگا۔

Address:
SGI House, 18-C Street
E-1,Gulberg III, Lahore.
Phone: 042-35775024
Email: sgi@sgicl.com
Website: www.sgicl.com