



Going Beyond The Ordinary!

Half Yearly Report
30th June 2021 (Un-audited)



A composite image of Earth from space. The Earth's curve is visible in the lower half, showing blue oceans and dark landmasses. A bright sun is rising over the horizon on the left, creating a lens flare and illuminating the sky. The background is a deep black space filled with numerous stars of varying brightness.

**GOING BEYOND
THE ORDINARY!**



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COMPANY INFORMATION

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(Chairman)
Syed Rizwan Hussain
(Managing Director & C.E.O)
Mr. Ahmed Shuja Kidwai
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Mr. Faisal Murad

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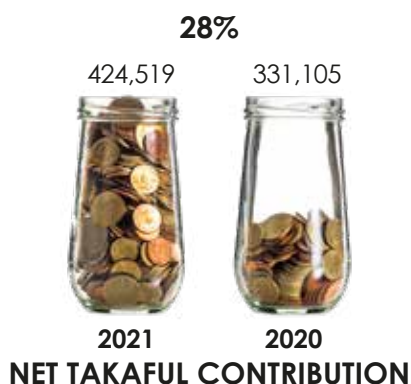
Website : www.salaamtakaful.com

BANKING PARTNERS:

- Al Baraka Bank Pakistan Limited
- Meezan Bank Limited
- Bank Islami Pakistan Limited
- Dubai Islamic Bank Limited
- UBL Ameen
- Habib Bank Limited
(Islamic Banking Division)
- Faysal Bank Limited
(Islamic Banking Division)
- Askari Bank Limited
(Islamic Banking Division)
- Bank Alfalah Limited
(Islamic Banking Division)
- Habib Metropolitan Bank
(Islamic Banking Division)
- National Bank of Pakistan
(Islamic Banking Division)
- Bank of Khyber
(Islamic Banking Division)
- NRSP Micro Finance Bank Limited
(Islamic Banking Division)

KEY FINANCIAL FIGURES (HALF YEARLY JAN-JUNE)

(Rupees in '000)





THE DIRECTORS' REPORT TO THE MEMBERS ON CONDENSED INTERIM FINANCIAL INFORMATION

The Directors of your Company are pleased to present before you the unaudited financial

statements of the Company for the six months period ended June 30, 2021.

Financial Highlights

The summarized results of the Company's takaful business for the six months period ended June 30, 2021 are as under:

PARTICIPANTS' TAKAFUL FUND (PTF):

Gross Written Contribution
Net takaful contribution
Underwriting Results
Gross Investment Income (before impairment)
Surplus/(Deficit) for the period

YTD 30th June 2021	YTD 30th June 2020	% Increase/ (decrease)
----- (Rupees) -----		

1,002,210,562	701,187,459	43%
673,614,226	567,079,665	19%
39,950,393	11,814,632	238%
21,490,154	24,158,141	(11%)
56,079,656	30,067,869	87%

SHAREHOLDERS' FUND (SHF)

Wakala Fee
Gross Investment Income (before impairment)
Profit & (Loss) before taxation for the period
Profit & (Loss) after taxation for the period

249,095,326	235,974,304	6%
21,875,705	17,148,834	28%
(20,724,167)	6,434,552	(422%)
(23,257,523)	2,021,965	(1250%)

Performance Review

During the half year ended June 30, 2021, Salaam Takaful Limited has aggressively focused on building its business volume. By the end of 2nd Quarter June 2021, the Company showed significant growth of 43% in the gross written contribution and 19% in the net takaful contribution vis-à-vis same period last year. Total investment income recorded at Rs. 43.3 million (June 2020: Rs. 41.3 million) depicts an increase of 8% over the same period last year. This increase is mainly

attributable to gradually shifting of portfolio towards equity shares as well as increase in liquidity due to capital injection of Rs. 300 million at the start of the year. During the period company has realized gain of Rs. 4.6 Million that increased and reflects the income from Equity and Sukuk Certificates. The Shareholders' Fund topline income is derived from the Wakala fees earned. During the half year ended in June 2021, the Company managed to earn Wakala fees of Rs. 249 million (2020: 235.9 million), an increase of 6% over same period last year.

Outlook:

Pakistan's Economy

Pakistan's economy has been growing slowly over the past two decades. Annual per capita growth has averaged only 2 percent, less than half of the South Asia average, partly due to inconsistent macroeconomic policies and an under-reliance on investment and exports to drive economic growth. Short periods of rapid consumption-fueled growth frequently led to sizable current account and fiscal deficits, that ultimately required policy tightening, resulting in recurrent boom-bust cycles.

Pakistan's economy has witnessed a broad economic recovery in the current fiscal year with major macroeconomic indicators showing re-emergence of the positive trend amid the COVID-19 Pandemic. All sectors experienced sustainable growth with fast-paced hike in large scale manufacturing, agriculture, construction, and export sector. The current account deficit as a percentage of GDP turned out to be at the lowest level of around 0.6% during the last 10 years mainly due to higher exports of goods and services and remittances from abroad, however the deficit to a greater extent continued to increase due to rise in the import bill as the economic activity has started to pick up the momentum. Meanwhile, COVID-19 active cases started to increase due to the outbreak of another wave, the uncertainty around the expected better economic activity globally and in the country continued to remain a challenge at all fronts. However, with the commencement of an aggressive vaccination drive, the death to active case ratio remained lower than expected. As a result, due to the prevailing uncertainties on various account, the State Bank of Pakistan remained accommodative and maintained the policy rate at 7% to further play its role in stimulating the economic growth.

With the IMF program halted, the government found the fiscal space to make support payments to mitigate the economic impact of the virus. Pakistan also received US\$1.4 billion from the IMF under its Rapid Financing Instrument scheme, as well as US\$2 billion in debt relief and assistance from the G20 and other multilateral institutions.

In the current year 2021 the 1.5pc growth projection by the IMF is in stark contrast with revised 3pc GDP growth forecast made by the State Bank of Pakistan. The IMF estimates are in line with those of World Bank, which has projected growth at 1.3pc for current year. Inflation rate would come down from 10.2pc last year

to 8pc year on year and 10pc on average by FY2022. The Fund estimates current account deficit rising from 1.1pc of GDP in FY2020 to 1.5pc in FY2021 and then going up to 1.8pc of GDP in FY2022

Business Challenges and Opportunities

The coronavirus pandemic is tremendously dampening economy, consumer demand & behavior, exporters, businesses, and industries. Deteriorating economic condition would likely subdue the business activity that will impact Marine, Fire & Engineering and Miscellaneous line of businesses. Furthermore, with falling policy rates due to monetary easing by the central bank to cushion the impact of pandemic shock on growth and employment, there could be a rise in Ijarah and consumer lending businesses being favorable for Motor segment but that too could be outweighed by pandemic battered businesses causing disruption in consumer spending and income levels. In-addition to it, owing to declining fixed income yields and globally volatile equity market, investment returns would also be affected negatively.

There's severe uncertainty about the duration and intensity of the economic shock, and stimulating economic activity is more challenging given the required social distancing and isolation policies. In such recessions, there is always unfortunately tremendous loss of income for people at the lower end of the income scale, causing poverty and inequality to rise. Financial security becomes crucial as deteriorating businesses and potential rise in unemployment will cause a higher probability of decline in premium payments going forward.

The government has introduced timely and large financial stimulus package to bolster economy and support the vulnerable. The topmost priority is to contain the virus spread, protect people, and limit economic damage.

The pandemic would cause people to reconsider their individual health insurance needs. Furthermore, it would propel organizations to embark on rapid technological development and become more agile, connected, and responsive.

The organizations are rapidly assessing their operations, business disruption plans are being assessed and updated. The pandemic has led to a dire need and significant importance of digital transformation, integrating systems, servers and workforce amid social distancing enabling workforce to access servers and communicate remotely.

These are extremely challenging times for individuals, families, businesses and indeed whole societies and economies. With dedicated workforce under prudent leadership working tirelessly to best serve the participants and society at large, we strive to be the top of the mind playing a vital role in supporting participants and societies through the crisis and the recovery.

It is a privilege that, during the period the company has secured 2nd position in the Insurance Category for Best Corporate & Sustainability Report Award 2020 by CA & ICMA Pakistan. This great achievement is testament of our commitment to cooperate governance, transparency, and compliance. We are appreciative to our well-wishers; members support and vital accomplices who have given us the certainty to ascend ahead and join this pined for alliance of organizations.

The Company intends to enter in the large un-tapped retail market through digitalization and customized customer portals. Moreover, through efficient underwriting, robust Retakaful arrangements and competent workforce, our Company also aims to take advantage from available opportunities and progress rapidly.

On behalf of the Board of Directors



Syed Rizwan Hussain
Managing Director & CEO

Acknowledgment

The Directors would like to express their deep appreciation to our shareholders who have shown continued confidence in the Company.

The Directors would also like to pay gratitude to the Securities and Exchange Commission of Pakistan, Retakaful operators and all our participants for their continued guidance and support.

Lastly, it is to place on record our sincere appreciation for the commitment, dedication and innovative thinking put in by each member of our Takaful family and are confident that they will continue to do so in the future.



Ahmed Shuja Kidwai
Director

تنظیمیں تیزی سے اپنے کاموں کا جائزہ لے رہی ہیں، کاروباری رکاوٹ کے منصوبوں کا اندازہ اور اپ ڈیٹ کیا جا رہا ہے۔ وبائی امراض کی وجہ سے ڈیجیٹل ٹرانسفارمیشن کی اشد ضرورت اور اہمیت ہے،

سماجی فاصلے کے درمیان سسٹمز، سرورز اور افرادی قوت کو مربوط کرنا اور کورس کو سرورز تک رسائی اور دور سے بات چیت کرنے کے قابل بنانا ہے۔

یہ افراد، خاندانوں، کاروباری اداروں اور درحقیقت پورے معاشروں اور معیشتوں کے لیے انتہائی مشکل وقت ہیں۔ دانشمندانہ قیادت کے تحت سرشار افرادی قوت کے ساتھ انتھک محنت سے شرکاء اور معاشرے کی بہترین خدمت کرنے کے لیے، ہم کوشش کرتے ہیں کہ شرکاء اور معاشروں کو بحران اور بحالی کے لیے اہم کردار ادا کرنے کے لیے ذہن میں سرفہرست رہیں۔

یہ ایک اعزاز ہے کہ اس عرصے کے دوران کمپنی نے CA اور ICMA پاکستان کی طرف سے بہترین کارپوریٹ اور پائیداری رپورٹ ایوارڈ 2020 کے لیے انشورنس کیٹیگری میں دوسری پوزیشن حاصل کی ہے۔ یہ بڑی کامیابی گورننس، شفافیت اور تعمیل میں تعاون کے ہمارے عزم کا ثبوت ہے۔ ہم اپنے خیر خواہوں کے شکر گزار ہیں اراکین کی مہمت اور اہم ساتھی جنہوں نے ہمیں آگے بڑھنے اور تنظیموں کے اتحاد کے لیے اس پائن میں شامل ہونے کا یقین دلایا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے



سید رضوان حسین
نیشنل ڈائریکٹری وی ای او

کمپنی ڈیجیٹلائزیشن اور کسٹمر پورٹل کے ذریعے بڑی غیر عیب شدہ ریشٹل مارکیٹ میں داخل ہونے کا ارادہ رکھتی ہے۔ مزید یہ کہ موثر انڈر رائٹنگ، مضبوط ریناکافل انتظامات اور قابل افرادی قوت کے ذریعے، ہماری کمپنی کا مقصد بھی دستیاب مواقع سے فائدہ اٹھانا اور تیزی سے ترقی کرنا ہے۔

اعتراف

ڈائریکٹرز ہمارے شیئرز ہولڈرز کے لیے گہری تعریف کا اظہار کرنا چاہیں گے جنہوں نے کمپنی پر مسلسل اعتماد کا اظہار کیا ہے۔

ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، ریناکافل آپریٹرز اور ہمارے تمام شرکاء کی مسلسل رہنمائی اور مدد کے لیے شکریہ ادا کرنا چاہیں گے۔

آخر میں، یہ ہمارے مکافل خاندان کے ہر فرد کی طرف سے لگائے گئے عزم، لگن اور جدید سوچ کے لیے ہماری مخلصانہ تعریف کو ریکارڈ پر رکھنا ہے اور انہیں یقین ہے کہ وہ آئندہ بھی ایسا کرتے رہیں گے۔



احمد شجید کدوائی
ڈائریکٹر

آؤٹ لک

پاکستان کی معیشت

گوئی کے بالکل برعکس ہے۔ آئی ایم ایف کے تخمینے ورلڈ بینک کے اندازوں کے مطابق ہیں، جس نے رواں سال 1.3 فیصد ترقی کی پیش گوئی کی ہے۔ افراط زر کی شرح گزشتہ سال 10.2 فیصد سے کم ہو کر سالانہ 8 فیصد اور مالی سال 2022 تک اوسطاً 10 p فیصد رہ جائے گی۔ فنڈ کا تخمینہ ہے کہ کرنٹ اکاؤنٹ خسارہ مالی سال 2020 میں جی ڈی پی کے 1.1 فیصد سے بڑھ کر مالی سال 2021 میں 1.5 فیصد اور پھر مالی سال 2022 میں جی ڈی پی کے 1.8 فیصد تک جا رہا ہے

کاروباری چیلنجز اور مواقع

کورونا وائرس وبائی امراض، صارفین کی مانگ اور رویے، برآمد کنندگان، کاروباری اداروں اور صنعتوں کو زبردست نقصان پہنچا رہا ہے۔ خراب معاشی حالت ممکنہ طور پر کاروباری سرگرمیوں کو متاثر کرے گی جو میرین، فائر اینڈ انجینئرنگ اور متنوع پر اثر انداز ہوگی کاروبار کی متنوع لائن۔ مزید برآں، مرکزی بینک کی طرف سے زر مبادلہ میں نرمی کی وجہ سے پالیسی کی شرح میں کمی کے ساتھ ترقی اور روزگار پر وبائی جھکے کے اثرات کو کم کرنے کے لیے، اجارہ اور صارفین کے قرضوں کے کاروبار میں اضافہ ہو سکتا ہے جو موثر طبقہ کے لیے سازگار ہے لیکن یہ بھی وبائی امراض سے زیادہ ہو سکتا ہے خراب کاروبار جس سے صارفین کے اخراجات اور آمدنی کی سطح میں خلل پڑتا ہے۔ اس کے علاوہ، مقررہ آمدنی میں کمی اور عالمی سطح پر غیر مستحکم ایکویٹی مارکیٹ کی وجہ سے، سرمایہ کاری کے منافع بھی منفی طور پر متاثر ہوں گے۔

معاشی صدمے کی مدت اور شدت کے بارے میں شدید غیر یقینی صورتحال ہے، اور ضروری سماجی دوری اور تنہائی کی پالیسیوں کے پیش نظر معاشی سرگرمیوں کو متحرک کرنا زیادہ مشکل ہے۔ اس طرح کی کساد بازاری میں، ہمیشہ بد قسمتی سے لوگوں کے لیے آمدنی کے نچلے سرے پر آمدنی کا زبردست نقصان ہوتا ہے، جس کی وجہ سے غربت اور عدم مساوات میں اضافہ ہوتا ہے۔ مالیاتی تحفظ اہم ہو جاتا ہے کیونکہ بگڑتے ہوئے کاروبار اور بے روزگاری میں ممکنہ اضافے سے آگے پریمیم ادائیگیوں میں کمی کے امکانات بڑھ جائیں گے۔

حکومت نے معیشت کو مستحکم کرنے اور کمزوروں کی مدد کے لیے بروقت اور بڑا مالی محرک پیش کیا ہے۔ اولین ترجیح وائرس کے پھیلاؤ پر قابو پانا، لوگوں کی حفاظت اور معاشی نقصان کو محدود کرنا ہے۔

وبائی بیماری لوگوں کو ان کی انفرادی ہیلتھ انشورنس کی ضروریات پر نظر ثانی کرنے کا سبب بنے گی۔ مزید برآں، یہ تنظیموں کو تیز رفتار تکنیکی ترقی کی طرف گامزن کرنے اور زیادہ جست، مربوط اور جواہر بننے پر مجبور کرے گا۔

پاکستان کی معیشت گزشتہ دو دہائیوں میں آہستہ آہستہ ترقی کر رہی ہے۔ سالانہ فی کس عموماً صرف 2 فیصد ہے جو کہ جنوبی ایشیا کی اوسط کے نصف سے بھی کم ہے، جس کی ایک بڑی وجہ متضاد میکرو اکنامک پالیسیوں اور معاشی ترقی کو آگے بڑھانے کے لیے سرمایہ کاری اور برآمدات پر کم انحصار ہے۔ تیزی سے کھیت میں اضافے کے مختصر عرصے کے باعث بڑے پیمانے پر کرنٹ اکاؤنٹ اور مالیاتی خسارے پیدا ہوتے ہیں، جو بالآخر پالیسی سخت کرنے کی ضرورت ہوتی ہے، جس کے نتیجے میں بار بار بوم بٹ سائیکل ہوتے ہیں۔

پاکستان کی معیشت نے رواں مالی سال میں وسیع معاشی بحالی دیکھی ہے جس میں بڑے بڑے اقتصادی اشارے کو وید 19 وبائی امراض کے درمیان مثبت رجحان کے دوبارہ ظہور کو ظاہر کرتے ہیں۔ بڑے پیمانے پر مینوفیکچرنگ، زراعت، تعمیرات اور برآمد کے شعبے میں تیزی سے اضافے کے ساتھ تمام شعبوں نے پائیدار ترقی کا تجربہ کیا۔ جی ڈی پی کے فیصد کے طور پر کرنٹ اکاؤنٹ کا خسارہ گزشتہ 10 سالوں کے دوران 0.6 فیصد کی کم ترین سطح پر نکلا جس کی بنیادی وجہ بیرون ملک سے سامان اور خدمات کی زیادہ برآمدات اور ترسیلات زر ہیں، تاہم خسارہ زیادہ حد تک بڑھتا رہا درآمدی بل میں اضافے کی وجہ سے معاشی سرگرمیوں میں تیزی آنے لگی ہے۔ دریں اثنا، ایک اور لہر کے پھیلنے کی وجہ سے کووید 19 کے فعال معاملات میں اضافہ ہونا شروع ہوا، عالمی سطح پر اور ملک میں متوقع بہتر معاشی سرگرمیوں کے بارے میں غیر یقینی صورتحال ہر محاذ پر ایک چیلنج بنی ہوئی ہے۔ تاہم، ایک جارحانہ ویکسینیشن مہم کے آغاز کے ساتھ، موت سے فعال کیس کا تناسب توقع سے کم رہا۔ اس کے نتیجے میں، مختلف کھاتوں پر مروجہ غیر یقینی صورتحال کی وجہ سے، اسٹیٹ بینک آف پاکستان ایڈجسٹ رہا اور پالیسی شرح کو 7 فیصد پر برقرار رکھنا کہ معاشی نمو کو تیز کرنے میں اپنا کردار ادا کرے۔

آئی ایم ایف پروگرام کے روکنے کے ساتھ، حکومت کو وائرس کے معاشی اثرات کو کم کرنے کے لیے مالی امداد کی ادائیگی کرنے کے لیے مالی جگہ مل گئی۔ پاکستان نے آئی ایم ایف سے اپنی ریپیڈ فنڈنگ انسٹرکٹیم کے تحت 1.4 بلین امریکی ڈالر بھی حاصل کیے، نیز جی 20 دیگر کثیرالجہتی اداروں سے 2 ارب امریکی ڈالر کے قرض سے نجات اور امداد بھی حاصل کی۔

موجودہ سال 2021 میں آئی ایم ایف کی جانب سے 1.5 فیصد ترقی کا تخمینہ اسٹیٹ بینک آف پاکستان کی جانب سے 3 فیصد جی ڈی پی نمو کی نظر ثانی شدہ پیش

کنڈسٹ عبوری مالی معلومات سے متعلق ممبروں کو ڈائریکٹرز کی رپورٹ

مالی جھلکیاں

30 جون 2021 کو ختم ہونے والی چھ ماہ کی مدت کے لیے کمپنی کے متکافل کاروبار کے خلاصہ نتائج مندرجہ ذیل ہیں

Unaudited

% Change	YTD 30th June 2020	YTD 30th June 2021
43%	701,187,459	1,002,210,652
19%	567,079,665	673,614,226
238%	11,814,632	39,950,393
(11%)	24,158,141	21,490,154
87%	30,067,869	56,079,656
6%	235,974,304	249,095,326
28%	17,148,834	21,875,705
(422%)	6,434,552	(20,724,167)
(1250%)	2,021,965	(23,257,523)

شرکت دار کا فنڈ (PTF)

مجموعی تحریری تعاون
خالص شرکت
تحریری نتائج
مدار بے فیس سے پہلے مجموعی سرمایہ کاری کی آمدنی
مدت کے لئے زائد/(خسارہ)

شرکت دار کا فنڈ (SHF)

واقفہ فیس
سرمایہ کاری کی آمدنی
ٹیکس لگانے سے پہلے منافع
یکس لگانے کے بعد منافع

کارکردگی کا جائزہ

سال کا اس مدت کے دوران کمپنی کو روپے کا فائدہ ہوا۔ 4.6 ملین جویو کیو بی اور سکوک سرٹیفکیٹس سے آمدنی میں اضافہ اور عکاسی کرتا ہے۔

شیئر ہولڈرز فنڈ ٹاپ لائن آمدنی واکالا فیس سے حاصل کی گئی ہے۔ جون 2021 میں ختم ہونے والے ششماہی کے دوران، کمپنی روپے کی وکالا فیس حاصل کرنے میں کامیاب رہی۔ 249 ملین (2020: 235.9 ملین)، پچھلے سال کی اسی مدت کے مقابلے میں 6 فیصد اضافہ۔

30 جون 2021 کو ختم ہونے والے نصف سال کے دوران، سلام متکافل لمیٹڈ نے جارحانہ انداز میں اپنے کاروباری حجم کی تعمیر پر توجہ دی ہے۔ دوسری سہ ماہی جون 2021 کے اختتام تک، کمپنی نے مجموعی تحریری شرکت میں 43 فیصد اور گزشتہ سال کی اسی مدت کے مقابلے میں خالص متکافل شرکت میں 19 فیصد کی نمایاں نمو ظاہر کی سرمایہ کاری کی کل آمدنی روپے پر ریکارڈ کی گئی 43.3 ملین (جون 2020: 41.3 ملین روپے) پچھلے سال کی اسی مدت کے مقابلے میں 8 فیصد اضافہ دکھاتا ہے۔ یہ اضافہ بنیادی طور پر پورٹ فولیو کو آہستہ آہستہ ایکویٹی شیئرز کی طرف منتقل کرنے کے ساتھ ساتھ روپے کے کیپیٹل انجکشن کی وجہ سے لیویڈیٹی میں اضافے کی وجہ سے ہے۔ شروع میں 300 ملین۔



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Salaam Takaful Limited

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Salaam Takaful Limited ("the Company") and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity/fund and condensed interim cash flow statement, and notes to the condensed interim financial statements for the half year ended 30 June 2021 (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

KPMG Taseer Hadi & Co.

Emphasis of matters

We draw attention to the following notes to the condensed interim financial statements:

- Note 22.1.1 and 22.1.2 to the condensed interim financial statements wherein status of legal matters relating to dispute with Travel Association of Pakistan and Company's appeal against penalty imposed by the Securities and Exchange Commission of Pakistan has been explained. The aforementioned notes also described that based on legal advice and the management's expectation of favorable outcome, no provision has been recognized.
- Note 22.1.3 to the condensed interim financial statements, which describes that the certain insurance companies have challenged the scope and applicability of the provincial sales tax on the contribution from health takaful business in a provincial High Court. The hearing of the petition is currently in progress. The Company has not charged Punjab Sales Tax (PST) to its clients, nor recognized the contingent amount of PST liability in the financial statements as the management is confident that the final outcome will be in the favor of Company based on legal opinion.

Our conclusion is not modified in respect of the above matters.


Other Matter

The figures for the three months period ended 30 June 2021 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditors' review report is Muhammad Taufiq.

Date: 24 September 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

As at 30th June 2021

		Shareholders' Fund		Participants' Takaful Fund	
		30 June 2021 (Un-audited)	31 Decemeber 2020 (Audited)	30 June 2021 (Un-audited)	31 Decemeber 2020 (Audited)
ASSETS	Note	(Rupees)			
Property and equipment	7	105,536,540	95,248,396	-	-
Investments					
Debt securities	9	88,000,000	88,000,000	-	-
Term deposits	10	246,700,000	257,600,000	210,600,000	326,000,000
Investment in Equity	11	7,909,105	-	40,619,400	-
Long term deposits	13	19,178,626	10,691,613	-	-
Loans, advances and other receivables	14	26,000,684	13,268,441	22,161,710	11,540,607
Takaful / co-takaful receivables	15	-	-	773,726,373	480,278,414
Re-takaful recoveries against outstanding claims		-	-	97,944,557	94,690,909
Salvage recoveries accrued		-	-	12,860,000	10,692,786
Deferred wakala fees	30	-	-	388,997,491	226,315,276
Deferred commission expense	27	64,526,679	58,295,367	-	-
Taxation-payment less provisions		31,467,504	12,790,053	-	-
Accrued investment income		10,266,077	10,674,417	5,635,017	15,836,817
Receivable from Participants' Takaful Fund (PTF)	16	191,818,764	103,256,707	-	-
Prepayments	17	2,664,554	1,993,309	55,021,374	81,813,060
Cash and bank	18	313,407,617	219,024,947	7,149,592	67,419,876
TOTAL ASSETS		1,107,476,150	870,843,250	1,614,715,514	1,314,587,745

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements



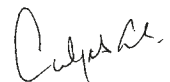
Ahmed Shuja Kidwai
Chairman



Syed Rizwan Hussain
Managing Director & CEO



Dr. Irum Saba
Director




Shahzad Salim Godil
Director

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

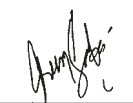
As at 30th June 2021

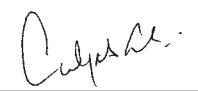
		Shareholders' Fund		Participants' Takaful Fund	
		30 June 2021 (Un-audited)	31 December 2020 (Audited)	30 June 2021 (Un-audited)	31 December 2020 (Audited)
SHARE CAPITAL AND RESERVES		(Rupees)			
Note					
Authorised share capital 150,000,000 (31 December 2020: 150,000,000 ordinary shares of Rs. 10 each		1,500,000,000	1,500,000,000	-	-
Issued, subscribed and paid-up share capital	19	612,989,050	612,989,050	-	-
Discount on issuance of shares		(112,989,050)	(112,989,050)	-	-
Accumulated losses		(165,527,628)	(142,270,104)	-	-
		334,472,372	357,729,896	-	-
Advance against further issue of share capital	41	299,956,497	-	-	-
		634,428,869	357,729,896		
WAQF / PARTICIPANTS' TAKAFUL FUND (PTF)					
Ceded money		-	-	500,000	500,000
Accumulated surplus		-	-	139,115,416	83,035,761
		-	-	139,615,416	83,535,761
Underwriting provisions					
Outstanding claims including IBNR	25	-	-	191,953,061	234,657,638
Unearned contribution reserves	23	-	-	1,027,193,638	774,926,588
Unearned re-takaful rebate		-	-	7,719,615	12,812,863
Contribution received in advance		-	-	3,499,960	4,888,381
Takaful / re-takaful payables	20	-	-	34,816,003	68,745,109
Unearned wakala fees		388,997,491	226,315,276	-	-
Accrued expenses		6,295,837	6,984,088	-	-
Payable to staff gratuity fund - defined benefit plan		14,672,708	15,202,763	-	-
Payable to Shareholder's Fund	16	-	-	191,818,697	103,256,707
Deferred tax liability - net		1,467,576	2,670,457	-	-
Other creditors and accruals	21	61,613,669	261,940,770	18,099,124	31,764,698
		473,047,281	513,113,354	1,475,100,098	1,231,051,984
TOTAL LIABILITIES		473,047,281	513,113,354	1,475,100,098	1,231,051,984
TOTAL EQUITY AND LIABILITIES		1,107,476,150	870,843,250	1,614,715,514	1,314,587,745
Contingencies and Commitments					

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements


Ahmed Shuja Kidwai
Chairman


Syed Rizwan Hussain
Managing Director & CEO


Dr. Irum Saba
Director



Shahzad Salim Godil
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

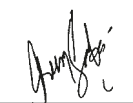
For the half year ended 30 June 2021

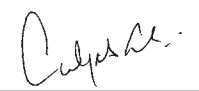
		Half year ended 30 June		Quarter ended 30 June	
		2021	2020	2021	2020
PARTICIPANTS' TAKAFUL FUND (PTF)		(Rupees)			
Contribution earned	Note	500,848,186	391,490,735	260,133,885	167,926,363
Less: Contribution ceded to retakaful operators		(76,329,286)	(60,385,374)	(44,739,347)	(31,694,446)
Net takaful contribution	23	424,518,900	331,105,361	215,394,538	136,231,917
Retakaful rebate earned	24	14,085,703	7,398,589	8,516,914	3,720,017
		438,604,603	338,503,950	223,911,452	139,951,934
Net takaful claims expense		(342,941,296)	(274,644,088)	(156,731,146)	(49,189,953)
Incurred But Not Reported (IBNR) claims expense		(33,534,428)	(15,720,627)	(17,813,801)	(15,720,627)
Contribution deficiency expense		-	(1,211,778)	-	(1,211,778)
	25	(376,475,724)	(291,576,493)	(174,544,947)	(66,122,358)
Other direct expenses	26	(19,614,050)	(35,112,826)	(10,910,567)	(35,112,826)
Surplus before investment Income		42,514,829	11,814,631	38,455,938	38,716,750
Investment income	31	19,057,250	21,478,881	13,226,551	9,372,204
Other income	32	117,479	277,290	114,678	1,122,275
Profit on Bank balances		2,432,904	2,679,260	934,081	965,782
Mudarib's share		(5,372,539)	(6,039,535)	(3,540,159)	(2,836,029)
Net investment income		16,235,094	18,395,896	10,735,151	8,624,232
Provisions against doubtful contribution (receivables)		(2,564,437)	-	-	-
Bank charges		(105,831)	(142,658)	(56,703)	(89,679)
Surplus before taxation		56,079,655	30,067,869	49,134,386	47,251,303
Provision for taxation - current		-	-	-	-
Surplus after taxation		56,079,655	30,067,869	49,134,386	47,251,303
SHAREHOLDERS' FUND (SHF)					
Wakala fee		249,095,326	235,974,304	126,742,378	144,179,984
Commission expense	27	(71,894,951)	(52,630,579)	(46,083,772)	(36,266,289)
General, administrative and management expenses	28	(218,847,980)	(184,355,656)	(119,464,974)	(108,697,094)
		(290,742,931)	(236,986,235)	(165,548,746)	(144,963,383)
		(41,647,605)	(1,011,930)	(38,806,368)	(783,399)
Mudarib's share of PTF investment income		5,372,539	6,039,535	3,540,159	2,836,029
Investment income	31	13,182,083	16,807,872	8,903,444	7,833,313
Other direct expenses	29	(3,705,890)	(6,927,686)	(1,845,943)	-
Profit on bank balances		8,693,622	340,962	4,076,647	265,771
Other income	32	-	114,179	(9,360)	72,796
Finance cost		(2,618,917)	(2,000,692)	(1,433,797)	(1,657,138)
Profit before taxation		(20,724,168)	13,362,239	(25,575,218)	8,567,372
Taxation	33	(2,533,356)	(4,412,588)	(698,062)	(1,789,352)
Profit after taxation		(23,257,524)	8,949,651	(26,273,280)	6,778,020
Earnings (after tax) per share	35	(0.38)	0.15	(0.52)	0.11

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements


Ahmed Shuja Kidwai
Chairman


Syed Rizwan Hussain
Managing Director & CEO


Dr. Irum Saba
Director


Shahzad Salim Godil
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the half year ended 30 June 2021

	Half year ended 30 June		Quarter ended 30 June	
	2021	2020	2021	2020
	(Rupees)			
Shareholders' Fund (SHF)				
(Loss)/Profit after taxation	(23,257,524)	8,949,651	(26,273,280)	6,778,020
Other comprehensive income for half year ended				
<i>Item reclassified to profit and loss account in subsequent period</i>				
- Gain on sale of available-for-sale investments included in profit and loss account	-	-	-	-
	-	-	-	-
Item that will not be reclassified to profit and loss account				
- Actuarial loss on defined benefit plan for the half year	-	-	-	-
Total comprehensive income for the period	(23,257,524)	8,949,651	(26,273,280)	6,778,020
Participant Takaful Fund (PTF)				
Surplus for the half year	56,079,655	30,067,869	49,134,386	47,251,303
Other comprehensive income for the half year				
<i>Item reclassified to profit and loss account in subsequent period</i>				
- Gain on sale of available-for-sale investments included in profit and loss account	-	-	-	-
	-	-	-	-
Total comprehensive income for the period	56,079,655	30,067,869	49,134,386	47,251,303

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements



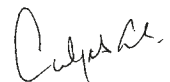
Ahmed Shuja Kidwai
Chairman



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Dr. Irum Saba
Director



Shahzad Salim Godil
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY / FUND (UN-AUDITED)

For the half year ended 30 June 2021

SHAREHOLDERS' FUND (SHF)				
Issued, subscribed and paid up share capital	Discount on issue of shares	Accumulated loss	Advance against further issue of share capital	Total
(Rupees)				
Balance as at 1 January 2020	612,989,050	(112,989,050)	(145,541,363)	354,458,637
Total comprehensive income for the half year ended 30 June 2020	-	-	-	-
Profit for half year ended 30 June 2020	-	-	8,949,651	8,949,651
Other comprehensive income	-	-	-	-
Fair value loss realised on the sale of available for sale investment during the period	-	-	-	-
Actuarial loss on defined benefit plan for the half year	-	-	-	-
Total comprehensive income for the half year	-	-	8,949,651	8,949,651
Balance as at 30 June 2020	612,989,050	(112,989,050)	(136,591,712)	363,408,288
Balance as at 1 January 2021	612,989,050	(112,989,050)	(142,270,104)	357,729,896
Total comprehensive income for the half year ended 30 June 2021	-	-	-	-
Shares issued during the period	-	-	-	-
Profit after tax for the half year ended 30 June 2021	-	-	(23,257,524)	(23,257,524)
Advance received during the period	-	-	299,956,497	299,956,497
Fair value loss realised on the sale of available for sale investment during the half year	-	-	-	-
Transaction with owners - Qard-e-Hasna returned to SHF*	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	299,956,497	276,698,973
Balance as at 30 June 2021	612,989,050	(112,989,050)	299,956,497	634,428,869

WAQF / PARTICIPANTS' TAKAFUL FUND (PTF)				
Ceded money	Discount on issue of shares	Accumulated Surplus / (deficit)		Total
(Rupees)				
Balance as at 1 January 2020	500,000	-	27,066,105	27,566,105
Total comprehensive income for the half year ended 30 June 2020	-	-	-	-
Surplus for half year ended 30 June 2020	-	-	30,067,869	30,067,869
Other comprehensive income	-	-	-	-
Net unrealized loss on available for sale investments during half year ended 30 June 2020	-	-	-	-
Total comprehensive income for the period	-	-	30,067,869	30,067,869
Balance as at 30 June 2020	500,000	-	57,133,974	57,633,974
Balance as at 1 January 2021	500,000	-	83,035,761	83,535,761
Total comprehensive income for the six months ended 30 June 2021	-	-	-	-
Surplus for the half year ended 30 June 2021	-	-	56,079,655	56,079,655
Other comprehensive income	-	-	-	-
Net unrealized loss on available for sale investments during the half year ended 30 June 2021	-	-	-	-
Total comprehensive income for the period	-	-	56,079,655	56,079,655
Balance as at 30 June 2021	500,000	-	139,115,416	139,615,416

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements



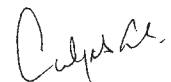
Ahmed Shuja Kidwai
Chairman



Syed Rizwan Hussain
Managing Director & CEO



Dr. Irum Saba
Director



Shahzad Salim Godil
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the half year ended 30 June 2021

	Shareholders' Fund 30 June		Participants' Takaful Fund 30 June	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
	(Rupees)			
Takaful activities				
Contributions received	-	-	695,715,467	663,123,734
Re-takaful payments	-	-	(92,113,309)	(68,470,297)
Claims paid	-	-	(505,921,642)	(320,074,838)
Retakaful and other recoveries received	-	-	47,400,407	45,241,355
Commissions paid	(70,030,069)	(103,298,582)	-	-
Retakaful rebate received	-	-	14,085,703	7,583,426
Wakala fee paid	-	-	(343,449,998)	(223,818,470)
Wakala fee received	343,449,999	223,818,470	-	-
Other takaful receipts / (payments)	-	-	15,852,453	1,941,462
Net cash flows from takaful activities	273,419,931	120,519,887	(168,430,920)	105,526,373
Other operating activities				
Income tax paid	(22,344,616)	(4,845,470)	-	-
Security deposits return / (paid)	(8,487,013)	(572,623)	-	-
General administrative and management expenses paid	(213,216,586)	818,702	-	-
Other operating receipt / (payments)	(14,764,528)	(152,314,015)	4,120,986	7,505,791
Ijarah rentals paid	(13,004,423)	(16,883,671)	-	-
Advances from/to employees and agents received / (paid)	(546,247)	13,523,053	-	-
Net cash used in other operating activities	(272,363,413)	(160,274,024)	4,120,986	7,505,791
Total cash flows from all operating activities	1,056,518	(39,754,138)	(164,309,934)	113,032,163
INVESTING ACTIVITIES				
Profit / return received	22,284,045	17,186,608	29,259,050	-
Investment made	-	-	-	14,228,561
Proceeds from disposal of investments	-	-	-	-
Investment in term deposits	2,990,895	-	74,780,600	(71,500,000)
Proceeds from encashment of term deposits	-	34,600,000	-	-
Fixed capital expenditure	(31,905,285)	(16,194,376)	-	-
Proceeds from disposal of property and equipment	-	11,500,000	-	-
Total cash (used in) / generated from investing activities	(6,630,345)	47,092,233	104,039,650	(57,271,439)
FINANCING ACTIVITIES				
Qard-e-Hasna received back	-	35,000,000	-	-
Qard-e-Hasna returned back	-	-	-	(35,000,000)
Advance against shares subscription received	99,956,497	-	-	-
Total cash used in all financing activities	99,956,497	35,000,000	-	(35,000,000)
Net cash (used in) / flows from all activities	94,382,670	42,338,095	(60,270,284)	20,760,724
Cash and cash equivalents at the beginning of the year	219,024,947	3,085,775	67,419,876	21,750,917
Cash and cash equivalents at end of the year	313,407,617	45,423,870	7,149,592	42,511,641
Reconciliation to profit and loss account				
Operating cash flows	1,056,518	(39,745,138)	(164,309,934)	113,032,163
Depreciation and amortization	20,028,603	(13,964,838)	-	-
Gain / (loss) on disposal of fixed assets	-	-	-	-
Provision for taxation	(2,533,356)	(4,412,588)	-	-
Provision for staff retirement benefits	(4,469,662)	(3,152,039)	-	-
Increase / (decrease) in assets other than cash	(77,405,700)	89,968,985	464,437,703	209,047,905
(Increase) / decrease in liabilities	40,066,073	(19,735,732)	(244,048,114)	(292,012,199)
Profit / surplus after taxation for the year	(23,257,524)	8,958,651	56,079,655	30,067,869
Definition of cash				
Cash comprises of cash in hand, policy stamps and bank balances which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.				
Cash for the purpose of the cash flow statement	31,525	148,900	540,910	240,586
Cash and other equivalents	313,376,092	45,274,970	6,608,682	42,271,055
Current and other accounts	313,407,617	45,423,870	7,149,592	42,511,641

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements

			
Ahmed Shuja Kidwai Chairman	Syed Rizwan Hussain Managing Director & CEO	Dr. Irum Saba Director	Shahzad Salim Godil Director

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Salaam Takaful Limited (Formerly Takaful Pakistan Limited) ("the Company") is an unlisted public limited company incorporated in Pakistan on 02 June 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Subsequent to the year end on 22 February 2021, Company changed its name from Takaful Pakistan Limited to Salaam Takaful Limited. The Company has been established with the objective to carry out General Takaful Business as specified under the Insurance Ordinance, 2000, Takaful Rules, 2012, and Insurance Rules, 2017. The Company commenced commercial operations from 12 March 2007. The registered office of the Company is at 6th Floor, Business Centre, 19-1-A, Block-6, P.E.C.H.S., Shahr-e-Faisal, Karachi, in the province of Sindh. The Company operates with 4 (31 December 2020: 4) branches in Pakistan.
- 1.2** For the purpose of carrying on the takaful business, the Company has formed a Waqf for Participants' equity. The Waqf, namely Takaful Pakistan Waqf (hereinafter referred to as the Participants' Takaful Fund or PTF) was formed on 22 January 2007 under the Trust deed executed by the Company with a ceded money of Rs. 500,000. The cede money is required to be invested in Shariah compliant investments and profit thereon is utilized to pay benefits to participants or defray PTF expenses. As required by Takaful Rules 2012 the accounts of the Waqf are maintained by the Company in a manner that the assets and liabilities of the Waqf remain separately identifiable. These financial statements have been prepared such that the financial position and results of operations of the Waqf and the Company are shown separately. Waqf deed also governs the relationship of shareholders and participants for the management of takaful operations, investment of participants' funds (PTF) and investment of shareholders' funds (SHF) approved by the Shariah Advisor of the Company.
- 1.3** The novel coronavirus (COVID 19) emerged in 2020 and since then, the condition has continued to deteriorate. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2021. The scale and duration of this outbreak remains uncertain and as it evolves globally, the Company based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the Company.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan for interim financial statements. The accounting and reporting standards as applicable in Pakistan for interim financial statements comprise of:
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under Companies Act, 2017; and
 - Provisions of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, General Takaful Regulations, 2019 and Takaful Rules, 2012.
 - Islamic Financial Accounting Standards (IFAS) 2019 issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017.

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

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

2.2 These condensed interim financial statements reflect the financial position and results of operations of both the Shareholders' Fund and Participants' Takaful Fund in a manner that the assets, liabilities, income and expenses of the Shareholders' Fund and Participants Takaful Fund remain separately identifiable.

2.3 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost model except for lease liability and investment in equity classified as held for trading measured at fair value.

2.4 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements are in conformity with accounting and reporting standards as applicable in Pakistan which requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Operator's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2020.

4 FINANCIAL RISK MANagements

In preparing these condensed interim financial statements, the financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2020.

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2020.

6 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO ACCOUNTING AND REPORTING STANDARDS AS APPLICABLE IN PAKISTAN

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2021 but are considered not to be relevant or do not have any significant effect on the Company and therefore not detailed in these condensed interim financial statements.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- **Annual Improvements to IFRS standards 2018-2020:**

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.

The Company has determined that it is eligible for the temporary exemption option since the company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the company can defer the application of IFRS 9 until the application IFRS 17 (applicable for the accounting periods beginning on or after 01 January 2022).

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

- The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:
 - a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trade.
 - b) all other financial assets.

	30 June 2021 (Un-audited)				31 December 2020 (Audited)			
	Fail the SPPI test		Pass the SPPI test		Fail the SPPI test		Pass the SPPI test	
	Fair value	Change in unrealized gain or loss during the period	Fair value	Change in unrealized gain or loss during the period	Fair value	Change in unrealized gain or loss during the period	Fair value	Change in unrealized gain or loss during the period
	(Rupees)				(Rupees)			
Financial assets - Shareholders' Fund								
Investments - Term deposits *	-	-	246,700,000	-	-	-	246,700,000	-
Investments in debt securities - held to maturity*	-	-	88,000,000	-	-	-	63,923,600	-
Loans, advances and other receivables *	-	-	10,759,725	-	-	-	9,283,171	-
Accrued investment income *	-	-	10,266,077	-	-	-	10,614,906	-
Cash and bank *	-	-	313,365,171	-	-	-	218,933,705	-
	-	-	669,090,973	-	-	-	549,455,382	-
Financial assets - Participants' Takaful Fund								
Investments - Term deposits *	-	-	210,600,000	-	-	-	210,600,000	-
Loans, advances and other receivables *	-	-	215,409	-	-	-	153,797	-
Accrued investment income *	-	-	5,635,017	-	-	-	5,593,871	-
Cash and bank *	-	-	6,450,942	-	-	-	67,256,332	-
	-	-	222,901,368	-	-	-	283,604,000	-

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

Financial assets - Shareholders' Fund

Investments - Term deposits *
Investments in debt securities - held to maturity*
Loans, advances and other receivables *
Accrued investment income *
Cash and bank *

2021						
Gross carrying amounts of financial assets that pass the SPPI test						
AAA	AA+	A+	AA	A	A-	Not rated
(Rupees)						
100,000,000	-	51,400,000	95,300,000	-	-	-
-	30,000,000	-	-	-	28,000,000	30,000,000
-	-	-	-	-	-	10,759,725
-	-	-	-	-	-	10,266,077
-	358,015	309,020,751	3,997,250	-	76	-
100,000,000	30,358,015	360,420,751	99,297,250	-	28,000,076	51,025,802

Financial assets - Shareholders' Fund

Investments - Term deposits *
Investments in debt securities - held to maturity*
Long term deposits
Loans, advances and other receivables *
Accrued investment income *
Receivable from Participants' Takaful Fund (PTF) *
Qard-e-hasna *
Cash and bank *

2020						
Gross carrying amounts of financial assets that pass the SPPI test						
AAA	AA+	A+	AA	A	A-	Not rated
(Rupees)						
100,000,000	-	51,400,000	95,300,000	-	-	-
-	30,000,000	3,923,600	-	-	-	30,000,000
-	-	-	-	-	-	18,414,763
-	-	-	-	-	-	16,694,229
-	-	-	-	-	-	10,614,906
-	-	-	-	-	-	97,593,249
-	-	-	-	-	-	-
-	358,015	309,020,751	3,997,250	-	76	-
100,000,000	30,358,015	364,344,351	99,297,250	-	76	173,317,147

Financial assets - Participants' Takaful Fund

Investments - Term deposits *
Loans, advances and other receivables *
Accrued investment income *
Cash and bank *

2021						
Gross carrying amounts of financial assets that pass the SPPI test						
AAA	AA+	A+	AA	A	A-	Not rated
(Rupees)						
-	-	90,500,000	120,100,000	-	-	-
-	-	-	-	-	-	215,409
-	-	-	-	-	-	5,635,017
227,856	2,509,022	1,320,917	1,848,657	702,231	-	-
227,856	2,509,022	91,820,917	121,948,657	702,231	-	5,850,426

Financial assets - Participants' Takaful Fund

Investments - Term deposits *
Loans, advances and other receivables *
Accrued investment income *
Cash and bank *

2020						
Gross carrying amounts of financial assets that pass the SPPI test						
AAA	AA+	A+	AA	A	A-	Not rated
(Rupees)						
-	-	90,500,000	120,100,000	-	-	-
-	-	-	-	-	-	21,940,424
-	-	-	-	-	-	5,593,871
227,856	2,509,022	3,665,500	1,848,657	702,231	-	-
227,856	2,509,022	94,165,500	121,948,657	702,231	-	27,534,295

* The carrying amounts of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

7 PROPERTY AND EQUIPMENT - Shareholder's Fund

		30 June 2021 (Unaudited)	31 December 2020 (Audited)
	Note	(Rupees)	(Rupees)
Tangible assets	7.1	41,765,532	20,772,877
Capital work in progress	7.2	21,259,699	25,991,678
Right of use assets	7.3	42,511,309	48,483,841
		105,536,540	95,248,396

7.1 Tangible assets

	30 June 2021 (Unaudited)							
	Cost		Accumulated depreciation			Book value		Depreciation Rate %
	As at 1 January 2021	Additions / (disposal) during the period	As at 30 June 2021	As at 1 January 2021	Charge for the period / (disposal)	As at 30 June 2021	As at 30 June 2021	
	(Rupees)							
Leasehold improvements	11,960,161	12,224,308	24,184,469	6,609,287	2,578,463	9,187,750	14,996,719	33.33
Furniture and fixtures	14,944,553	2,190,750	17,135,303	13,526,359	578,289	14,104,648	3,030,655	33.33
Office equipment	10,228,758	9,514,393	19,743,151	6,841,944	272,006	7,113,950	12,629,201	20.00
Computers	34,523,594	2,983,215	37,506,809	26,023,554	3,086,380	29,109,934	8,396,875	33.33
Vehicles	3,722,896	770,600	4,493,496	1,605,941	175,473	1,781,414	2,712,082	20.00
	75,379,962	27,683,266	103,063,228	54,607,085	6,690,611	61,297,696	41,765,532	

	31 December 2020 (Audited)							
	Cost		Accumulated depreciation			Book value		Depreciation Rate %
	As at 1 January 2020	Additions / (disposal) during the year	As at 31 December 2020	As at 1 January 2020	Charge for the year / (disposal)	As at 31 December 2020	As at 31 December 2020	
	(Rupees)							
Leasehold improvements	11,691,801	268,360	11,960,161	5,397,729	1,211,558	6,609,287	5,350,874	33.33
Furniture and fixtures	15,235,573	47,000 (338,020)	14,944,553	12,723,769	1,140,610 (338,020)	13,526,359	1,418,194	33.33
Office equipment	9,996,168	232,590	10,228,758	5,988,046	853,898	6,841,944	3,386,814	20.00
Computers	32,113,726	2,575,503 (165,635)	34,523,594	21,230,499	4,865,185 (72,130)	26,023,554	8,500,040	33.33
Vehicles	704,606	10,160,158 (7,141,868)	3,722,896	290,068	1,543,410 (227,537)	1,605,941	2,116,955	20.00
	69,741,874	13,283,611 (7,645,523)	75,379,962	45,630,111	9,614,661 (637,687)	54,607,085	20,772,877	

7.2 Capital Work in Progress - Shareholders Fund

		30 June 2021 (Unaudited)	31 December 2020 (Audited)
	Note	(Rupees)	(Rupees)
Civil Works on branches		4,931,749	17,286,678
Advance for software development		16,327,950	8,705,000
		21,259,699	25,991,678

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

7.3 Right of use assets

30 June 2021 (Unaudited)								Depreciation Rate %
Cost			Accumulated Depreciation			Carrying Value		
As at 1 January 2021	Additions during the period	As at 30 June 2021	As at 1 January 2021	Charge for the period	As at 30 June 2021	As at 30 June 2021		
(Rupees)								
78,446,480	6,791,471	85,237,951	29,962,639	12,764,003	42,726,642	42,511,309	33.33	
Right of use assets								

31 December 2020 (Audited)								Depreciation Rate %
Cost			Accumulated Depreciation			Carrying Value		
As at 1 January 2020	Additions during the year	As at 31 December 2020	As at 1 January 2020	Charge for the year	As at 31 December 2020	As at 31 December 2020		
(Rupees)								
30,122,885	48,323,595	78,446,480	10,040,962	19,921,677	29,962,639	48,483,841	33.33	
Right of use assets								

8 INTANGIBLE ASSETS

30 June 2021 (Unaudited)								Amortization Rate %
Cost			Accumulated amortization			Book Value		
As at 1 January 2021	Additions during the period	As at 30 June 2021	As at 1 January 2020	Charge for the period	As at 30 June 2021	As at 30 June 2021		
(Rupees)								
Computer software	14,263,181	-	14,263,181	14,263,181	-	14,263,181	-	33.33

31 December 2020 (Audited)								Amortization Rate %
Cost			Accumulated amortization			Book Value		
As at 1 January 2020	Additions during the year	As at 31 December 2020	As at 1 January 2020	As at 1 January 2020	As at 31 December 2020	As at 31 December 2020		
(Rupees)								
Computer software	14,263,181	-	14,263,181	14,258,514	4,667	14,263,181	-	33.33

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

9 INVESTMENT IN DEBT SECURITIES - held to maturity

9.1 Sukuk Certificates - Shareholders' Fund

Performing Assets	Note	Number of certificates	Maturity date	Effective yield	Profit Payment	Principal payment	Market value	Face value	30 June 2021 (Un-audited)	31 December 2020 (Audited)	Security
Dubai Islamic Bank Pakistan Limited		6,000	Perpetual	3 months KIBOR + 1.75%	Quarterly	Perpetual	30,839,010	30,000,000	30,000,000	30,000,000	Unsecured
Hub Power Company Limited (HUBCO) - listed		300	22-Aug-23	3 months KIBOR + 1.90%	Quarterly	25% on February 2022 25% on August 2022 25% on February 2023 25% on August 2023	30,674,580	30,000,000	30,000,000	30,000,000	Revolving Cross Corporate Guarantee ("RCCG") from Nawad Energy Limited ("NEL") for the Issue Amount (with 25% margin) and profit & principal payments. Subordinate hypothecation charge over NEL's receivables including but not limited to any amounts receivable under the Gap Guarantee. Subordinate charge over all present and future movable assets of NEL for PKR 335 million (Issue amount of PKR 250 million + 25% margin). Subordinate charge over all present and future movable assets of HUBCO for PKR 4,000 million. Pledge of 100% shares of NEL with a book value of PKR 3,900 million.
Bank Islami Pakistan Ltd	9.1.1	5,600	Perpetual	3 months KIBOR + 2.75%	Monthly	Perpetual	-	28,000,000	28,000,000	28,000,000	Unsecured
Non - Performing Assets (fully provided)											
AgriTech Limited	9.1.2	3,000	06 August 2019	3 months KIBOR + 2%	Semi-annually	Non performing	-	15,000,000	15,673,883	15,673,883	Secured against part pass charge over property, plant and equipment of the Company.
Quetta Textile Mills Limited	9.1.3	2,000	26 March 2020	3 months KIBOR + 1.75%	Quarterly	Non performing	-	10,000,000	3,965,520	3,965,520	Secured against first past pass Rs. 1,846 billion on all fixed assets of the Company.
									17,839,403	17,839,403	
									107,839,403	107,839,403	
									(19,839,403)	(19,839,403)	
									88,000,000	88,000,000	

Less: Provision held (against the non-performing sukuk certificates)

9.1.1

Market value of the security is not yet quoted on MUFAP, however the profit is being received. Market value of other instruments, except for those which have been provided, are based on the rates quoted by MUFAP (i.e. of HUBCO which is of level 1 fair value).

9.1.2

This represents investments aggregating to Rs. 15 million (31 December 2020: Rs. 15 million) in sukuk issued by AgriTech Limited (the investee company) against which the investee company had not made payments on the contractual dates. In 2011, a restructuring agreement was signed between the investee company and the Investment Agent of the sukuk certificates, whereby, certain terms included in the original trust deed dated 22 July 2008 were amended, including the repayment period which was extended from 06 August 2015 to 06 August 2019. Further, in lieu of accrued overdue profit, zero coupon term finance certificates (TFCs) were issued by AgriTech Limited on 17 October 2011 which were to be repaid by the investee company within three and a half years from the date of issuance of such TFCs. However, the investee company defaulted on the instalment due based on the restructuring agreement as well as in making payments in respect of zero coupon term finance certificates. Therefore, the management has neither recorded TFCs issued in lieu of profit in the books of accounts nor accrued any profit on the outstanding balance of the principal amount and has fully provided the outstanding principal.

9.1.3

An agreement for the restructuring of these sukuk was executed between the Investment Agent of these sukuk and Quetta Textile Mills Limited on 24 June 2013. According to the restructuring terms, repayment of principal of Rs. 8 million will be made to the Company over a period of 7 years till 26 March 2020 in twenty nine quarterly instalments whereas the profit shall be received by the Company at the rate of 6 monthly KIBOR and a spread of 1.75% with effect from 26 March 2013.

However, the investee company defaulted on the instalment on due dates under restructuring agreement. Therefore, the management has not accrued any profit on outstanding principal amount and has fully provided for the outstanding principal.

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

10 INVESTMENT IN TERM DEPOSITS

	30 June 2021 (Un-audited)			31 December 2020 (Audited)		
	Shareholders' Fund (10.1) & (10.2)	Participants' Takaful Fund (10.3)	Aggregate	Shareholders' Fund	Participants' Takaful Fund	Aggregate
Held to Maturity						
	(Rupees)					
Deposits maturing within 12 months	246,700,000	210,600,000	457,300,000	257,600,000	326,000,000	583,600,000

10.1 This represents term deposits of Rs. 95.3 million, Rs. 51.4 million, Rs. 100 million maturing on 30 June 2021 and carries profit rate at 6.5%, 7.5% and 6.7% respectively. The deposit is held with Dubai Islamic Pakistan Limited, Bank Islamic Pakistan Limited and UBL Ameen.

10.2 These include term deposits of Rs. 61.5 million (31 December 2020: Rs 61.5 million) deposited with State Bank of Pakistan as statutory reserve in accordance with the requirement laid down in section 29 of the Insurance Ordinance, 2000.

10.3 This represents term deposits of Rs.120.1 million, Rs.90.5 million maturing on 30 June 2021 and carries profit rate at 6.5% and 7.5% respectively. The deposit is held with Dubai Islamic Pakistan Limited and Bank Islamic Pakistan Limited.

11 INVESTMENT IN EQUITY SECURITIES

	30 June 2021 (Un-audited)				31 December 2020 (Audited)			
	Cost	Impairment / provision	Revaluation surplus / (deficit)	Carrying Amount	Cost	Impairment / provision	Revaluation surplus / (deficit)	Carrying Amount
	(Rupees)							
Equity securities								
Shareholder fund	7,927,900	-	(18,795)	7,909,105	-	-	-	-
Participant fund	36,178,876	-	4,440,524	40,619,400	-	-	-	-
	44,106,776	-	4,421,729	48,528,505	-	-	-	-

12 QARD-E-HASNA RECEIVABLE

This represented the amount receivable by the Shareholders Fund from Participants' Takaful Fund / amount payable by the Participants' Takaful Fund to the Shareholders Fund.

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	(Rupees)	
Opening balance	-	91,479,565
Qard-e-hasna contributed to the Waqf (PTF) during the period/year	-	-
Qard-e-hasna returned by PTF during the period/year	-	(91,479,565)
Closing balance	-	-

13 LONG TERM DEPOSITS - Shareholders Fund

Ijarah	15,745,870	8,467,720
Rental	3,432,756	2,223,893
	19,178,626	10,691,613

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

14 LOANS, ADVANCES AND OTHER RECEIVABLES - considered good

	Shareholders' Fund (SHF)		Participants' Takaful Fund (PTF)	
	30 June 2021 (Un-audited)	31 December 2020 (Audited)	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Note	(Rupees)			
Loans to employees (unsecured and interest free) 14.1	9,295,411	8,951,176	-	-
Advance against expenses	10,853,679	-	-	-
Earnest money receivable	-	-	5,607,887	3,666,548
Service charges receivable from co-takaful entities	-	-	2,776,293	1,383,283
Security deposit with others	4,087,280	3,885,270	-	-
Refundable input tax	-	-	13,395,739	6,336,979
Bank profit receivable	1,464,314	331,995	215,409	153,797
Others	300,000	100,000	166,382	-
	26,000,684	13,268,441	22,161,710	11,540,607

14.1 The eligible employees are entitled to loans against salaries repayable within one to two years.

15 TAKAFUL / CO-TAKAFUL RECEIVABLES - unsecured - Participants' Takaful Fund

		30 June 2021 (Un-audited)	31 December 2020 (Audited)
Note		(Rupees)	
Due from takaful participant holders	15.1	677,606,087	450,256,160
Less: Provision for impairment against balances due from participants	15.2	(11,226,519)	(8,662,082)
		666,379,568	441,594,078
Due from other takaful companies		107,346,805	38,684,336
Less: Provision for impairment against balances due from other takaful companies	15.3	-	-
		107,346,805	38,684,336
		773,726,373	480,278,414

15.1 This includes Rs. 36.00 million (2020: Rs. 52.35 million) receivable from related parties. The amount is not considered to be impaired as at 30 June 2021.

15.2 Movement in provision for impairment - balances due from takaful participant holders

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Balance as at 1 January	8,662,082	3,876,948
Add: Provision made during the period/year	2,564,437	4,785,134
Balance as at 30 June 2021 / 31 December 2020	11,226,519	8,662,082

15.3 Movement in provision for impairment - balances due from other takaful companies

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Balance as at 1 January	-	2,016,550
Reversal made during the period/year	-	(2,016,550)
Balance as at 30 June 2021 / 31 December 2020	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

16 RECEIVABLE / PAYABLE (Current account between SHF and PTF)

		Shareholders' Fund (SHF - receivable)		Participants' Takaful Fund (PTF payable)	
		30 June 2021 (Un-audited)	31 December 2020 (Audited)	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Note		(Rupees)			
Wakala fee		157,981,570	89,654,027	157,981,570	89,654,027
Mudarib fee		16,391,223	11,018,684	16,391,156	11,018,684
Other receivable / payable	16.1	17,445,971	2,583,996	17,445,971	2,583,996
		191,818,764	103,256,707	191,818,697	103,256,707

16.1 This represents payments by SHF on behalf of PTF.

17 PREPAYMENTS

		Shareholders' Fund		Participants' Takaful Fund	
		30 June 2021 (Un-audited)	31 December 2020 (Audited)	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Note		(Rupees)			
CDC, SECP's annual fee		2,664,554	1,993,309	-	-
Prepaid re-takaful ceded		-	-	38,529,472	67,651,940
Prepaid tracker installation expense	17.1	-	-	16,491,902	14,161,120
		2,664,554	1,993,309	55,021,374	81,813,060

17.1 This includes Rs. 7.63 million (2020: Rs. 5.49 million) paid to a related party. Total amount paid during the period was Rs. 20.35 million (2020: Rs. 17.22 million).

18 CASH AND BANK

		Shareholders' Fund		Participants' Takaful Fund	
		30 June 2021 (Un-audited)	31 December 2020 (Audited)	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Note		(Rupees)			
Cash and cash equivalents		31,525	80,321	-	-
- Cash in hand		-	-	540,910	104,940
- Policy and revenue stamps, bond papers		31,525	80,321	540,910	104,940
Cash and bank		10,921	10,921	157,740	58,604
- Current account		313,365,171	218,933,705	6,450,942	67,256,332
- Savings accounts	18.1	313,407,617	219,024,947	7,149,592	67,419,876

18.1 These represent balances maintained with Islamic banks under profit and loss sharing basis carrying expected profit rates ranging between 2.0% to 9.038% (2020: 2.0% to 7.5%) per annum.

19 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

30 June 2021 (Un-audited)	31 December 2020 (Audited)	30 June 2021 (Un-audited)	31 December 2020 (Audited)
(Number of shares)		(Rupees)	
61,298,905	61,298,905	612,989,050	612,989,050

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

Shareholding pattern

House Building Finance Company Limited
Al Baraka Bank (Pakistan) Limited
Sitara Chemical Industries Limited
Mal Al Khaleej Investment LLC
Salim Habib Godil
Syed Rizwan Hussain
Shahzad Salim Godil
Syed Salman Hussain
Others

Number of shares	Percentage
8,699,500	14.19%
5,099,000	8.32%
2,999,500	4.89%
2,550,000	4.16%
10,485,602	17.11%
10,485,601	17.11%
10,485,601	17.11%
10,485,601	17.11%
8,500	0.01%
61,298,905	100.00%

20 TAKAFUL / RE-TAKAFUL PAYABLES

Due to other takaful companies
Due to re-takaful operators

30 June 2021 (Un-audited)	31 December 2020 (Audited)
-	595,689
34,816,003	68,149,420
34,816,003	68,745,109

21 OTHER CREDITORS AND ACCRUALS

	Shareholders' Fund (SHF)		Participants' Takaful Fund (PTF)	
	30 June 2021 (Un-audited)	31 December 2020 (Audited)	30 June 2021 (Un-audited)	31 December 2020 (Audited)
	(Rupees)			
Commission payable to agents	8,152,459	56,265	-	-
Sales Tax Payable	-	-	76,188	11,590,647
Federal Takaful fee	-	-	3,226,538	3,370,730
Sales tax deducted at source	286,799	217,534	558,193	874,414
Advance Against Share Subscription Money	-	200,000,000	-	-
Security deposit (held in separate bank account)	-	-	-	-
Liabilities against the right of use asset	50,300,664	49,844,467	-	-
Tracker installation fee payable	-	-	4,638,751	8,235,559
Other payables	2,873,747	11,822,504	9,599,454	7,693,348
	61,613,669	261,940,770	18,099,124	31,764,698

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Travel Agents Association of Pakistan (TAAP) had filed a case against the Company on 10 October 2012 in the Takaful Tribunal of Sindh for the recovery of Rs. 546.534 million (31 December 2019 Rs. 546.534 million) inclusive of compensation / damages for premature termination and mark up accrued thereon in respect of Amaan Travel and Health Takaful Package. A commissioner has been appointed for recording evidences of the parties which is yet to issue its report to Tribunal along-with evidence based on which the case shall be disposed off by the Tribunal. The matter is at the stage of evidence of the parties before the Commissioner appointed by the Court. The management, based on the advice of its legal counsel, is confident that the Company has reasonable defence in the case and as such no loss is likely to arise from this litigation and accordingly, no provision has been made in these financial information. The legal advisor has opined that the company has a reasonable defence in this matter and there is less likelihood of any potential loss being suffered by the Company, however, final outcome would depend on the conclusion of the evidence led by the respective parties in support of their case.

22.1.2 Securities and Exchange Commission of Pakistan (SECP) on 13 October 2017 passed an order for alleged contravention of Section 11(1) and Section 28 of the Insurance Ordinance 2000, in respect of minimum paid up capital requirement and imposed a fine of Rs. 1,200,000, earning Rs. 500,000 imposed on the Company

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

and Rs. 100,000 on each of the directors of Company. The Company had filed an appeal before the Appellate Bench of SECP for setting aside the order and the matter is at the stage of hearing. Company's legal advisor has opined that the Company has a good arguable case and there is no likelihood of an unfavorable outcome, however, if the appeal fails the Company would have an opportunity to file before the High Court. Nonetheless the Company's management is hoping that since now the Company has met the minimum paid up capital requirement, the Commission may take a lenient view.

22.1.3 With effect from 1 November 2018, the Punjab Revenue Authority (PRA), withdrew the exemption on health takaful. policies written in the province of Punjab.

This being a collective issue of the industry, the Insurance Association of Pakistan (IAP) had taken up the matter with the Punjab Revenue Authority (PRA) for restoration of the exemptions that were withdrawn. The management of the Company sought a legal opinion from their legal advisor, who confirmed the Company's contention that health insurance is not a service, but in fact, an underwriter's promise to pay to its policyholders in the future, as is also clearly defined in the definition of the term "insurance" under the Insurance Ordinance, 2000. Such contention of the Company and the insurance industry has also been upheld in the superior courts of foreign jurisdiction, where, in a majority of jurisdictions it has been widely held that insurance is not a service.

Based on the above contentions, certain insurance companies have challenged the levy of Punjab Sales Tax (PST) on health insurance in the Honourable Lahore High Court (LHC) in the month of September 2019. The Honourable LHC, in their order dated 3 October 2019, has granted a stay to the petitioners against any coercive measures for recovery by the PRA. The Company is not a party to the petition. However, management believes that the decision of the court shall be binding on all the litigants including the Company and the Government. The hearing of the petition is currently in progress. In view of the pending adjudication, the Company, has not charged PST to its clients, nor recognized the contingent amount of PST liability in the financial statements as the management is confident that the final outcome will be in favour of the Company. Furthermore, PRA vide its notification SO(Tax) 1-110/2020 (Covid-19) dated 2 April 2020 exempted PST on health insurance for the period from 2 April 2020 till 30 June 2020.

In view of the above, the Company is not charging sales tax on contribution written in the province of Punjab, nor has recognised the liability for PST in the financial statements. The amount involved as of 30 June 2021 is Rs. 29.11 million.

22.1.4 The Company was issued a show-cause notice (SCN) on 25 April 2016 by the Sindh Revenue Board (SRB) alleging that the Company had received re-insurance services liable to Sindh Sales Tax at 16% during the period from July 2011 to June 2014 and required the Company to show cause as to why tax of Rs. 31.561 million should not be levied and recovered from the Company (apart from the default surcharge and penalty). Based on the SCN, the Company had filed a stay application and obtained a stay order at the Honourable Sindh High Court to keep the proceedings in abeyance against the said SCN.

Thereafter, based on the judgement of Supreme Court where C.P. petition shall be valid based on the payment of 50% of the disputed amount, management of the Company has withdrawn the suit (earlier filed). The Company through the Insurance Association of Pakistan (IAP), as representatives decided to take the matter to the Chairman SRB and requested to keep the proceedings in abeyance till the matter is decided for the industry.

Furthermore SRB, vide its order dated 18 April 2019, passed an order to recover the sales tax on reinsurance services amounting to Rs. 31.561 million along with penalty of Rs. 9.86 million. Thereafter, SRB issued recovery notice under section 66(1)C of Sales tax on Services Act 2011 for the attachment and recovery of Sindh sales tax from the Company's bank account for Rs. 65.705 million which comprises of principal, penalty and default surcharge of Rs. 31.5 million, 9.8 million and 24.28 million respectively.

The company filed a constitutional petition D-2726 of 2019 under article 199 of the Constitution of Pakistan to keep the recovery proceedings in abeyance till next date of hearing. Furthermore, on 22 April 2019 the

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

Company had filed an appeal before commissioner (appeals) under section 57 of Sindh Sales Tax on Services Act 2011 for the suspension of order in respect of sales tax on Re Takaful Services.

The Company's management is view that an insurance company on issuing policy and receiving contribution, charges sales tax on the ultimate user. The same risk is transferred / shared by an insurance company with a reinsurance entity and SRB is charging sales tax on service which was already taxed and paid by the end consumer. Furthermore, sales tax is always levied as value added tax. However, in reinsurance services there is no element of value addition.

The same matter has been raised for certain other insurance companies also. Therefore, there is a likely chance for the settlement of issue on a prospective basis. Nonetheless, the management is also of the view that the said input tax shall be admissible (against the output tax being collected by the Company on insurance policies), although the department may dispute such input tax mainly on the restriction placed by Rule 22 of the Sindh Sales Tax Rules, 2011 which bars claim of input tax over six month's time. However, the management also consider that normally the courts have considered such matters as procedural issues as right to claim cannot be denied. With respect to the default surcharge and penalty under the Sindh Sales Tax Act, 2011, management is of the view that since no willful intension to contravene the statutory provisions of the law has been made, chances of the recovery of the same appears to be remote.

Accordingly, for the reasons explained above, provision for the above balance has not been made in these financial statements.

22.1.5 Sindh Revenue Board (SRB) issued notice dated 16 October 2020 contending that the Company has claimed inadmissible input sales tax against services taxable at reduced rate amounting to Rs. 0.87 million and input tax claimed against services not exclusively received in rendering of insurance services amounting to Rs. 9.93 million. The notice required the Company to deposit Rs. 10.81 million along with the default surcharge, revise the sales tax returns for the periods July 2018 to June 2020 and submit the information requested. With respect to inadmissible input tax against services taxable at reduced rate amounting to Rs. 0.87 million, the Company contended that is has not claimed such inadmissible input tax mentioned in the notice and that the revision in the sales tax returns for the periods July 2018 to June 2020 is not required. With respect to input tax against services not exclusively received in rendering of insurance services amounting to Rs. 9.93 million, the Company claimed that the services highlighted in the notice are directly attributable to the taxable services provided by the Company and that the input tax claimed in respect of these services is in accordance with the provisions of Sindh Sales Tax on Services Act 2011.

No further correspondence has been made in this regard.

22.1.6 Sindh Revenue Board (SRB) issued notice dated 27 November 2020 requiring complete copies of sales invoices issued to service recipients and computerized payment receipts (CPRs) during the periods January 2012 to December 2013. Full compliance with the notice is still pending as the Company is still in the process of submitting required information on a piecemeal basis.

22.2 Commitments

22.2.1 Commitments under Ijarah arrangements and the year in which these payments will become due are:

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
	----- (Rupees) -----	
Not later than one year	23,649,889	27,051,913
Later than one year but not later than five years	27,391,368	45,970,577
	51,041,257	73,022,490

The company has vehicle ijarah financing facility of Rs. 100 million from two Islamic banks (facilities amount being the cost of vehicles). The facilities are valid up to December 2023.

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For the half year ended 30 June 2021

23 NET CONTRIBUTION - Participants' Takaful Fund

		Half year ended 30 June		Quarter ended 30 June	
		2021	2020	2021	2020
	Note	(Rupees)			
Written Gross Contribution	23.1	1,002,210,562	701,187,459	492,793,053	198,392,253
Less: Wakala Fee		(249,095,325)	(235,974,304)	(126,742,377)	(144,179,983)
Contribution Net of Wakala Fee		753,115,237	465,213,155	366,050,676	54,212,270
Add: Unearned Contribution reserve opening		774,926,588	504,543,197	-	691,979,710
Less: Unearned Contribution reserve closing		(1,027,193,638)	(578,265,617)	(105,916,790)	(578,265,617)
Contribution earned		500,848,187	391,490,735	260,133,886	167,926,363
Retakaful Contribution ceded		47,206,818	40,979,163	15,599,947	12,892,651
Add: Prepaid retakaful contribution opening		67,651,940	46,956,918	-	46,352,502
Less: Prepaid retakaful contribution closing		(38,529,472)	(27,550,707)	29,139,400	(27,550,707)
Retakaful Expense		76,329,286	60,385,374	44,739,347	31,694,446
Net Contribution		424,518,901	331,105,361	215,394,539	136,231,917

23.1 This include contribution written to related parties amounting to Rs. 47.29 million (2020 Rs. 164.76 million).

24 RETAKAFUL REBATE

RETAKAFUL REBATE	Half year ended 30 June		Quarter ended 30 June	
	2021	2020	2021	2020
	(Rupees)			
Retakaful rebate/commission received	8,992,455	7,583,426	1,725,205	2,977,648
Add: Unearned retakaful rebate / commission opening	12,812,863	3,851,294	-	4,778,500
Less: Unearned retakaful rebate / commission closing	(7,719,615)	(4,036,131)	6,791,709	(4,036,131)
Retakaful rebate/commission Income	14,085,703	7,398,589	8,516,914	3,720,017

25 TAKAFUL BENEFITS / CLAIMS EXPENSE

		Half year ended 30 June		Quarter ended 30 June	
		2021	2020	2021	2020
	Note	(Rupees)			
Benefits Claim Paid	25.1	505,921,642	320,074,838	279,540,278	159,251,408
Add: Outstanding benefits / claims including IBNR closing		191,953,061	201,103,722	(78,956,281)	201,103,722
Less: Outstanding benefits / claims including IBNR opening		(234,657,638)	(152,283,379)	-	(227,468,933)
Claim Expense		463,217,065	368,895,181	200,583,997	132,886,197
Retakaful and other recoveries received		81,320,479	45,241,355	32,027,248	24,426,255
Add: Retakaful and other recoveries in respect of outstanding claims closing		110,804,557	83,535,209	(5,988,198)	83,535,209
Less: Retakaful and other recoveries in respect of outstanding claims opening		(105,383,695)	(50,246,098)	-	(24,265,220)
Retakaful and other recoveries revenue		86,741,341	78,530,466	26,039,050	83,696,244
Net Claim Expense		376,475,724	290,364,715	174,544,947	49,189,953

25.1 This include claims of Rs. 54.93 million (2020: Rs. 85.80 million) paid to the related parties.

26 OTHER DIRECT EXPENSES - Participants' Takaful Fund

	Half year ended 30 June		Quarter ended 30 June	
	2021	2020	2021	2020
	(Rupees)			
Tracker installation charges	16,600,114	16,481,781	8,078,290	8,240,891
Provision against FED refundable	-	-	-	10,597,765
Provision against doubtful debts - net	-	7,267,536	-	7,297,536
Disallowed input sales tax	2,563,401	10,567,765	2,563,401	-
Service charges on co-takaful acceptance	362,775	319,477	181,116	159,739
Others	87,760	476,267	87,760	-
	19,614,050	35,112,826	10,910,567	26,295,931

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For the half year ended 30 June 2021

27 COMMISSION EXPENSE

	Half year ended 30 June		Quarter ended 30 June	
	2021	2020	2021	2020
	(Rupees)			
Commission Paid or payable	78,126,263	94,818,065	39,754,407	52,445,336
Add: Deferred commission expense opening	58,295,367	33,609,160	-	59,617,599
Less: Deferred commission expense closing	(64,526,679)	(75,796,646)	6,329,365	(75,796,646)
Commission Expense	71,894,951	52,630,580	46,083,772	36,266,289

28 GENERAL, ADMINISTRATIVE AND MANAGEMENT EXPENSES

- Shareholders' fund

		Half year ended 30 June		Quarter ended 30 June	
		2021	2020	2021	2020
		(Rupees)			
	Note				
Employee benefit cost	28.1	155,687,862	131,186,722	84,443,709	65,593,361
Rent, rates and taxes		279,710	1,920,057	132,100	960,029
Electricity, Gas and Water		3,323,883	1,374,223	1,579,601	687,112
Communications		3,724,097	2,463,629	1,176,752	1,231,815
Printing and stationery		4,930,677	4,315,435	3,122,100	2,157,718
Travelling and entertainment		1,652,543	3,513,393	1,053,738	1,756,697
Office repairs and maintenance		1,495,450	2,132,172	26,929	1,066,086
Vehicles running expense		3,952,938	826,409	3,679,150	413,205
Advertisement and sales promotions		5,051,333	4,566,187	533,368	2,283,094
Ijarah rentals		13,004,423	11,792,630	11,241,054	5,896,315
Depreciation	7.1 & 7.3	20,028,603	15,088,912	10,565,774	7,544,456
Amortization of cost of intangible assets	8	3	4,667	3	2,334
Legal and professional charges - business related		4,536,880	5,787,005	1,270,381	2,893,503
Takaful contribution		346,149	437,588	215,151	218,794
Bank charges		194,894	1,720	194,161	860
Miscellaneous expenses		638,535	5,872,593	231,003	2,936,297
		218,847,980	191,283,342	119,464,974	95,641,676

28.1 These include Rs 4.9 million (2020: Rs 4.1 million) in respect of employee provident fund and Rs 4.4 million (2020: 3.1 million) in respect of staff retirement gratuity.

29 OTHER DIRECT EXPENSES - Shareholders' Fund

	30 June 2021 (Un-audited)	30 June 2020 (Un-audited)
	(Rupees)	
Auditors' Remuneration	500,000	500,000
Shariah Advisory fee	660,000	600,000
Donation	-	-
Subscription	2,545,890	6,327,686
	3,705,890	6,927,686

30 WAKALA FEES

The wakala fees was charged at the gross contribution from the Participants ' Takaful Fund. The rate of wakala fees as approved by Shariah Advisor were as follows:

	1 January 2021 to 31 March 2021	1 April 2021 to 30 June 2021
Fire and property damage	10.0%	60.0%
Marine, aviation and transport	10.0%	40.0%
Motor	75.0%	85.0%
Health	5.0%	25.0%
Miscellaneous	45.0%	40.0%

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For the half year ended 30 June 2021

31 INVESTMENT INCOME

	Shareholders' Fund (SHF)		Participants' Takaful Fund (PTF)	
	Half year ended 30 June		Half year ended 30 June	
	2021	2020	2021	2020
	(Rupees)			
Dividend Income	106,950	-	583,947	-
Income from Debt Securities				
Return on Sukuk	3,710,691	6,362,317	-	-
Amortization of contribution on sukuk	-	-	-	-
Gain on Disposal of Sukuk	-	-	-	-
	3,710,691	6,362,317	-	-
Income from Deposits				
Return on term deposit-held to maturity	9,407,186	10,460,555	9,533,843	21,478,881
Less: Investment related expenses	(23,949)	(15,000)	(131,561)	-
Net realized gains on investments - Held for trading				
Realized Gain on equity securities	-	-	4,630,498	-
Realized Loss on equity securities	-	-	-	-
	-	-	4,630,498	-
Net Un-realized (losses) / gains on investments - Held trading				
Un-realized (loss) / gain on equity securities	(18,795)	-	4,440,523	-
Net investment income	13,182,083	16,807,872	19,057,250	21,478,881

32 OTHER INCOME

	Shareholders' Fund (SHF)		Participants' Takaful Fund (PTF)	
	Half year ended 30 June		Half year ended 30 June	
	2021	2020	2021	2020
	(Rupees)			
Gain / (loss) on sale of fixed asset	-	(78,514)	-	-
Liabilities written back	-	-	-	-
Service income	-	43,621	45,736	277,290
Others	-	149,072	71,743	-
	-	114,179	117,479	277,290

33 TAXATION

	2021	2020
	(Rupees)	
For Current Period		
Current	3,736,430	3,975,362
Prior year tax	-	437,226
Deferred	(1,203,074)	-
	2,533,356	4,412,588

34 MUDARIB'S FEE

Mudarib fee is charged at the rate of 25% on investment income and return on bank balance during the period ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

35 EARNINGS (AFTER TAX) PER SHARE - BASIC

There is no dilutive effect on the basic earnings per share which is based on:

	Shareholders' Fund (SHF)			
	Half year ended 30 June		Half year ended 30 June	
	2021	2020	2021	2020
Net profit / (loss) after tax for the half year				
- attributable to the ordinary shareholders	(23,257,524)	8,949,651	(26,273,280)	6,778,020
Weighted average number of ordinary shares	61,298,905	61,298,905	50,837,353	61,298,905
Basic earnings per share	(0.38)	0.15	(0.52)	0.11

35.1 The Company has not issued any instrument which would dilute its basic earnings per share when exercised.

36 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties comprises the associated companies, companies under common control, companies with common directors, major shareholders, employees' retirement benefit plans, directors and key management personnel of the Company. Details of the transactions and balances with related parties other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

Participants' Takaful Fund

Transactions with related parties during the half year are as follows:	Relationship	2021	2020
		(Rupees)	
Contribution written	Associate	47,103,163	73,535,867
Contribution received	Associate	76,580,664	73,896,194
Claims paid	Associate	54,917,407	30,946,718
Profit on bank deposit	Associate	153,747	518,857
Investment income	Associate	-	-
Annual monitoring fee for vehicle tracking devices	Associate	9,110,331	3,923,438
Contribution written	Director	185,187	1,000
Contribution received	Director	188,480	-
Claims paid	Director	13,753	-
Contribution written	Director's spouse	-	-
Contribution received	Director's spouse	-	-
Balances with related parties as at 30 June are as follows:			
Contribution receivable	Associate	35,832,359	52,029,206
Claims outstanding	Associate	3,560,702	22,643,926
Annual monitoring fee for vehicle tracking devices	Associate	-	2,362,856
Bank balances and deposits	Associate	1,053,975	3,968,777
Accrued investment income	Associate	416,467	416,467
Contribution receivable	Director	172,987	171,255
Claims outstanding	Director	-	13,753

Shareholders' Fund

Transactions with related parties during the half year are as follows:

Contribution to provident fund	Associate	4,939,238	4,107,789
Contribution to gratuity fund	Associate	-	-
Software development fee	Director	16,327,950	4,400,000
Director's meeting attendance fees	Director	260,000	107,000
Balances with related parties as at 30 June are as follows:			
Payable to provident fund	Associate	-	-
Payable to gratuity fund	Associate	14,672,406	15,202,763
Accrued investment income	Associate	579,590	579,590

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

Contribution to the defined contribution plan (provident fund) is made as per the terms of employment / service rules, while charge for the defined benefit plan (gratuity) is as per the actuarial advice. Remuneration of the key management personnel are in accordance with the terms of employment. Directors meeting fee is in accordance with the Board Approval. Claim payments are as advised by the surveyors / as agreed / determined. Other transactions are at agreed rates.

37 SEGMENT INFORMATION - PARTICIPANTS' TAKAFUL FUND (PTF)

Segment information prepared in accordance with the requirement of Insurance Ordinance, 2000 and General Takaful Accounting Regulations, 2019 for class of business wise revenues, results, assets and liabilities.

		Half year ended 30 June 2021					
		Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
		(Rupees)					
Contribution (inclusive of Sales tax, federal takaful fee, stamp duty)	Note	28,504,583	27,989,510	441,721,228	555,448,517	17,942,464	1,071,606,302
Less: Sales Tax Payable		(3,057,670)	(2,897,174)	(50,372,062)		(2,018,544)	(58,345,450)
Federal Takaful Fee		(214,875)	(229,101)	(3,830,641)	(5,147,443)	(155,220)	(9,577,280)
Stamp duty		(36,880)	(1,357,210)	(57,850)	(17,280)	(3,790)	(1,473,010)
Gross written contribution		25,195,158	23,506,025	387,460,675	550,283,794	15,764,910	1,002,210,562
Wakala fee		(4,231,406)	(4,226,160)	(208,572,050)	(16,113,524)	(15,952,186)	(249,095,326)
Participants' Takaful Fund - revenue account							
Takaful contribution earned		30,824,482	20,130,605	364,016,740	297,307,350	37,664,335	749,943,512
Takaful contribution ceded expense		(26,022,242)	(15,560,493)	(11,224,725)	-	(23,521,826)	(76,329,286)
Net Takaful contribution	23	570,834	343,952	144,219,965	281,193,826	(1,809,677)	424,518,900
Retakaful rebate earned	24	7,159,389	4,439,112	-	-	2,487,202	14,085,703
Net Underwriting Income		7,730,223	4,783,064	144,219,965	281,193,826	677,525	438,604,603
Takaful claims		30,681	(8,256,882)	(149,640,470)	(262,285,258)	(9,530,708)	(429,682,637)
Takaful claims recovered from retakaful operators & salvage recoveries		(2,549,539)	3,870,623	76,734,229	-	8,686,028	86,741,341
Net Takaful claims expense		(2,518,858)	(4,386,259)	(72,906,241)	(262,285,258)	(844,680)	(342,941,296)
Incurred But Not Reported (IBNR) claims expense		(1,693,650)	(250,059)	(1,775,285)	(28,274,312)	(1,541,122)	(33,534,428)
Provisions against doubtful contributions (receivables)		1,180,442	(2,464,245)	(901,573)	(64,718)	(314,343)	(2,564,437)
Other direct expenses		(375,272)	(178,705)	(18,897,671)	-	(162,402)	(19,614,050)
Underwriting results		4,322,885	(2,496,204)	49,739,195	(9,430,462)	(2,185,022)	39,950,392
Investment income	31						19,057,250
Profit on bank balances							2,432,904
Less: Mudarib's share							(5,372,539)
Net investment income							16,117,615
Other income							117,479
Bank charges							(105,831)
Total surplus - after tax							56,079,655
Segment Assets		68,158,920	23,368,339	502,805,840	573,444,765	82,929,789	1,250,707,653
Unallocated Assets							364,007,861
							1,614,715,514
Segment Liabilities		74,054,838	27,091,135	515,288,687	713,532,775	41,922,760	1,371,890,195
Unallocated Liabilities							103,209,903
							1,475,100,098

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Note	Half year ended 30 June 2020					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
	(Rupees)					
Contribution (inclusive of Sales tax, federal takaful fee, stamp duty)	20,486,984	13,305,935	353,518,309	323,025,857	47,990,159	758,327,244
Less: Sales Tax Payable	(2,119,631)	(1,139,913)	(40,326,418)		(5,574,977)	(49,160,939)
Federal Takaful Fee	(181,805)	(111,636)	(3,100,419)	(3,198,227)	(419,787)	(7,011,875)
Stamp duty	(5,052)	(890,757)	(49,585)	(4,884)	(16,694)	(966,972)
Gross written contribution	<u>18,180,496</u>	<u>11,163,629</u>	<u>310,041,887</u>	<u>319,822,746</u>	<u>41,978,701</u>	<u>701,187,458</u>
Wakala fee	(7,084,670)	(5,252,430)	(154,968,972)	(30,720,921)	(37,947,311)	(235,974,304)
Participants' Takaful Fund - revenue account						
Takaful contribution earned	16,758,334	12,025,823	290,721,033	232,185,770	75,774,079	627,465,039
Takaful contribution ceded expense	(15,739,265)	(8,707,282)	(9,494,100)	-	(26,444,727)	(60,385,374)
Net Takaful contribution	<u>23 (6,065,601)</u>	<u>(1,933,889)</u>	<u>126,257,961</u>	<u>201,464,849</u>	<u>11,382,041</u>	<u>331,105,361</u>
Retakaful rebate earned	<u>24 4,059,223</u>	<u>2,700,549</u>	<u>-</u>	<u>-</u>	<u>638,817</u>	<u>7,398,589</u>
Net Underwriting Income	<u>(2,006,378)</u>	<u>766,660</u>	<u>126,257,961</u>	<u>201,464,849</u>	<u>12,020,858</u>	<u>338,503,950</u>
Takaful claims	1,587,818	(4,350,204)	(145,467,936)	(194,923,790)	(8,598,386)	(351,752,498)
Takaful claims recovered from retakaful operators & salvage recoveries	(5,680,772)	2,568,496	79,048,642	-	1,172,044	77,108,410
Net Takaful claims expense	<u>(4,092,954)</u>	<u>(1,781,708)</u>	<u>(66,419,294)</u>	<u>(194,923,790)</u>	<u>(7,426,342)</u>	<u>(274,644,088)</u>
Incurred But Not Reported (IBNR) claims expense	(770,270)	(249,975)	(1,028,587)	(12,575,987)	(1,095,808)	(15,720,627)
Contribution Deficiency Expense				(1,211,778)		(1,211,778)
Provisions against doubtful contributions (receivables)				-		-
Other direct expenses	<u>1,436,219</u>	<u>1,568,518</u>	<u>(19,588,969)</u>	<u>(17,753,350)</u>	<u>(775,244)</u>	<u>(35,112,825)</u>
Underwriting results	<u>(5,433,383)</u>	<u>303,495</u>	<u>39,221,111</u>	<u>(25,000,056)</u>	<u>2,723,464</u>	<u>11,814,632</u>
Investment income	31					21,478,881
Profit on bank balances						2,679,260
Less: Mudarib's share						(6,039,535)
Net investment income						18,118,606
Other income						277,290
Bank charges						(142,658)
Total surplus - after tax						<u>30,067,869</u>
Segment Assets	28,310,509	18,742,284	345,519,489	206,132,649	49,844,634	648,549,566
Unallocated Assets						463,407,610
						<u>1,111,957,176</u>
Segment Liabilities	32,727,337	15,782,269	492,692,095	334,287,179	80,156,680	955,645,560
Unallocated Liabilities						98,677,643
						<u>1,054,323,202</u>

NOTES TO THE FINANCIAL STATEMENTS

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38 SEGMENT INFORMATION - SHAREHOLDERS' FUND (SHF)

Segment information prepared in accordance with the requirement of Insurance Ordinance, 2000 and General Takaful Accounting Regulations, 2019 for class of business wise revenues, results, assets and liabilities.

Liabilities.

	For the Half Year Ended June 30, 2021 (Un-Audited)					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
	(Rupees)					
Wakala fee	4,231,406	4,226,160	208,572,050	16,113,524	15,952,186	249,095,326
Less: Commission expense	(3,839,231)	(3,295,097)	(51,130,212)	(11,827,124)	(1,803,287)	(71,894,951)
Management expense	-	-	-	-	-	(218,847,980)
	392,175	931,063	157,441,838	4,286,400	14,148,899	(41,647,605)
Mudarib share of PTF investment income						5,372,539
Investment Income						13,182,083
Other charges / income						4,987,732
Profit before taxation						(18,105,251)
Finance Cost						(2,618,917)
Profit before taxation						(20,724,168)
Deferred Tax						-
Taxation						(2,533,356)
Profit after taxation						(23,257,524)
Corporate segment assets						553,938,081
Corporate unallocated assets						553,538,069
Total assets						1,107,476,150
Corporate segment liabilities						113,437,044
Corporate unallocated liabilities						359,610,237
Total liabilities						473,047,281

For the Half Year Ended June 30, 2020 (Un-Audited)						
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
	(Rupees)					
Wakala fees	7,084,670	5,252,430	154,968,972	30,720,921	37,947,310	235,974,303
Less: Commission expense	(2,295,249)	(1,790,474)	(30,505,131)	(15,514,820)	(2,524,904)	(52,630,578)
Management expenses	(4,959,623)	(3,045,428)	(84,579,163)	(87,247,373)	(11,451,755)	(191,283,342)
	(170,202)	416,527	39,884,679	(72,041,272)	23,970,651	(7,939,617)
Investment Income						-
Mudarib share of PTF investment income						6,039,535
Profit on Bank Balance						-
Other charges / income						15,262,320
						13,362,238
Finance Cost						-
Profit before taxation						13,362,238
Taxation						(4,412,588)
Profit after taxation						8,949,650
Corporate segment assets						200,236,390
Corporate unallocated assets						480,799,910
Total assets						681,036,300
Corporate segment liabilities						251,982,245
Corporate unallocated liabilities						65,645,767
Total liabilities						317,628,012

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

39.1 Shareholders' Fund (SHF)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

For the Half Year Ended June 30, 2021 (Un-Audited)									
Carrying amount					Fair value measurement using				
Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)									
Financial assets not measured at fair value									
Investments									
Equity Securities	-	-	-	-	7,909,105	7,909,105	-	-	7,909,105
Debt security	88,000,000	-	-	-	88,000,000	-	61,513,590	-	61,513,590
Term deposits*	246,700,000	-	-	-	246,700,000	-	-	-	-
Long term deposits *	-	-	19,178,626	-	19,178,626	-	-	-	-
Accrued investment income *	-	10,266,077	-	-	10,266,077	-	-	-	-
Loans, advances and other receivables *	-	26,000,684	-	-	26,000,684	-	-	-	-
Cash and bank *	-	-	313,407,617	-	313,407,617	-	-	-	-
7,909,105	334,700,000	36,266,761	332,586,243	-	711,462,109	7,909,105	61,513,590	-	69,422,695
Financial liabilities not measured at fair value									
Lease liability *									
	-	-	-	(50,300,644)	(50,300,644)	-	-	-	-
Other creditors and accruals *									
	-	-	-	(11,026,206)	(11,026,206)	-	-	-	-
	334,700,000	36,266,761	332,586,243	(61,326,870)	650,135,239	7,909,105	61,513,590	-	69,422,695

For the Year Ended December 31, 2020 (Audited)									
Carrying amount					Fair value measurement using				
Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)									
Financial assets not measured at fair value									
Investments									
Equity Securities	-	-	-	-	-	-	-	-	-
Debt security	-	88,000,000	-	-	88,000,000	-	61,513,590	-	61,513,590
Term deposits*	-	257,600,000	-	-	257,600,000	-	-	-	-
Long term deposits *	-	-	10,691,613	-	10,691,613	-	-	-	-
Accrued investment income *	-	10,674,417	-	-	10,674,417	-	-	-	-
Qard-e-hasna - receivable *	-	13,268,441	-	-	13,268,441	-	-	-	-
Loans, advances and other receivables *	-	-	219,024,947	-	219,024,947	-	-	-	-
Cash and bank *	-	-	-	-	-	-	-	-	-
-	345,600,000	23,942,858	229,716,560	-	599,259,418	-	61,513,590	-	61,513,590
Financial liabilities not measured at fair value									
Lease liability *									
	-	-	-	(49,844,467)	(49,844,467)	-	-	-	-
Other creditors and accruals *									
	-	-	-	(211,878,769)	(211,878,769)	-	-	-	-
-	345,600,000	23,942,858	229,716,560	(261,723,236)	337,536,182	-	61,513,590	-	61,513,590

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

39.2 Participants' Takaful Fund

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

For the Half Year Ended June 30, 2021 (Un-Audited)									
Carrying amount					Fair value measurement using				
Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)									
Financial assets									
Investments in equity securities	-	-	-	-	40,619,400	40,619,400	-	-	40,619,400
Investments in term deposits *	210,600,000	-	-	-	210,600,000	-	210,600,000	-	210,600,000
Takaful / co-takaful receivables *	-	773,726,373	-	-	773,726,373	-	-	-	-
Re-takaful recoveries against outstanding claims *	-	97,944,557	-	-	97,944,557	-	-	-	-
Salvage recoveries accrued *	-	-	12,860,000	-	12,860,000	-	-	-	-
Accrued investment income *	-	5,635,017	-	-	5,635,017	-	-	-	-
Loan and other receivables *	-	22,161,710	-	-	22,161,710	-	-	-	-
Cash and bank *	-	-	7,149,592	-	7,149,592	-	-	-	-
	40,619,400	210,600,000	899,467,657	20,009,592	1,170,696,649	40,619,400	210,600,000	-	251,219,400
Financial liabilities not measured at fair value									
Outstanding claims including IBNR *	-	-	-	191,953,061	191,953,061	-	-	-	-
Takaful / re-takaful payables *	-	-	-	34,816,003	34,816,003	-	-	-	-
Other creditors and accruals *	-	-	-	14,238,205	14,238,205	-	-	-	-
	-	-	-	241,007,269	241,007,269	-	-	-	-
	40,619,400	210,600,000	899,467,657	20,009,592	1,411,703,918	40,619,400	210,600,000	-	251,219,400

For the Half Year Ended December 31, 2020 (Audited)									
Carrying amount					Fair value measurement using				
Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)									
Financial assets									
Investments in equity securities	-	-	-	-	-	-	-	-	-
Investments in term deposits *	326,000,000	-	-	-	326,000,000	-	326,000,000	-	326,000,000
Takaful / co-takaful receivables *	-	480,278,414	-	-	480,278,414	-	-	-	-
Re-takaful recoveries against outstanding claims *	-	94,690,909	-	-	94,690,909	-	-	-	-
Salvage recoveries accrued *	-	-	10,692,786	-	10,692,786	-	-	-	-
Accrued investment income *	-	15,836,817	-	-	15,836,817	-	-	-	-
Loan and other receivables *	-	5,203,628	-	-	5,203,628	-	-	-	-
Cash and bank *	-	-	67,314,936	-	67,314,936	-	-	-	-
	326,000,000	596,009,768	78,007,722	-	1,000,017,490	-	326,000,000	-	326,000,000
Financial liabilities not measured at fair value									
Outstanding claims including IBNR *	-	-	-	(234,657,638)	(234,657,638)	-	-	-	-
Takaful / re-takaful payables *	-	-	-	(68,745,109)	(68,745,109)	-	-	-	-
Other creditors and accruals *	-	-	-	(15,928,907)	(15,928,907)	-	-	-	-
	-	-	-	(319,331,654)	(319,331,654)	-	-	-	-
	326,000,000	596,009,768	78,007,722	(319,331,654)	680,685,836	-	326,000,000	-	326,000,000

* The company has not disclosed the fair value of the above items as these are either short term in nature or are repriced frequently and their carrying amounts are a reasonable approximation of their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2021

40 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparison.

41 SUBSCRIPTION AGAINST ISSUE OF FURTHER SHARE

The Board of Directors in their meeting held on 21 December 2020 has announced to increase paid up share capital of the company from Rs. 612,989,050 to Rs. 912,989,048, by issuance of additional share 51,903,114 ordinary share at a discounted price of Rs 5.78/- .Securities and Exchange Commission of Pakistan, vide its letter dated June 17, 2021 approved the aforesaid issuance of shares by way of other than right offer ,at discounted price of Rs. 5.78 (i.e. at a discount of Rs. 4.22 per share) under section 82 and 83 of the Companies Acts, 2017 read with regulation 5 of the Companies (further Issue of Shares) Regulations, 2020 (the "Regulations").

Till the date of condensed interim financial statement as at 30 June 2021, the company received Rs.299,956,497 Million against the subscription of aforementioned further issue.

42 GENERAL

42.1 Figures in these condensed interim financial statements for the three months ended 30 June 2021 have not been subjected to limited scope review of auditors.

42.2 These condensed interim financial statements were approved by the Board of Directors in their meeting held on 14th September 2021.

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Certification



TAKAFUL PAKISTAN LIMITED
6TH FLOOR, BUSINESS CENTRE, 19-A/1 BLOCK 6 P.E.C.H.S.
SHAHRAH-E-FAISAL, KARACHI - PAKISTAN

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ISO 9001:2015

GENERAL TAKAFUL BUSINESS (CLASSES: MOTOR, HEALTH, MARINE, FIRE, ENGINEERING AND MISCELLANEOUS)

Original cycle start date: **13th December 2019**
Expiry date of previous cycle: **N/A**
Certification /Recertification Audit date: **16th November 2019**
Certification/ Recertification cycle start date: **13th December 2019**
Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on: **12th December 2022**

Certificate No. MER19.643/UQ

Version : 01

Revision date: 13-12-2019

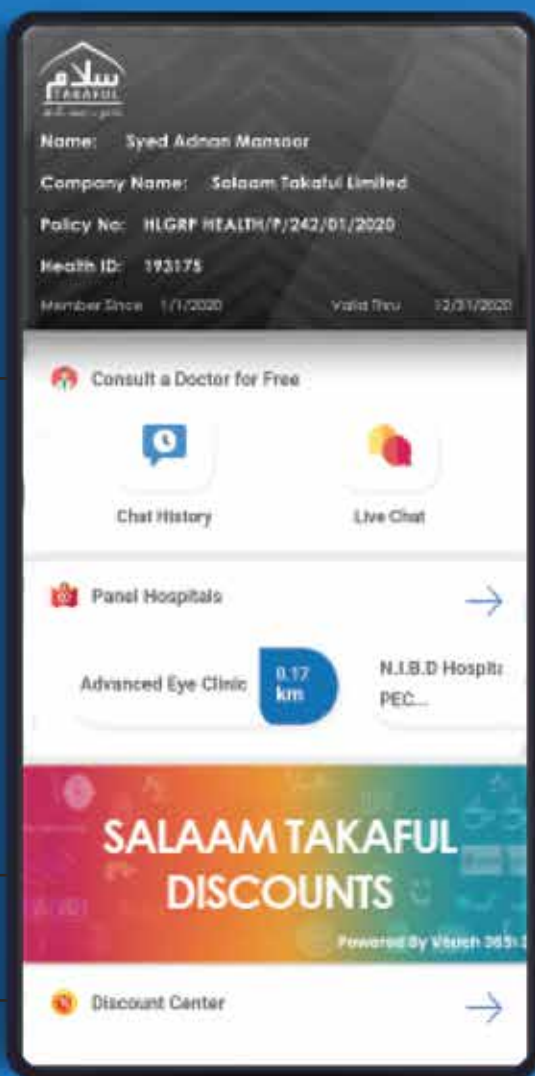


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