

# HARNESSING **TECHNOLOGY** TO CHANGE THE WORLD

ANNUAL REPORT  
**2022**

# PAKISTAN

Pakistan is a country of over 223 million people from diverse religious, linguistic, cultural, and socio-economic backgrounds. Our culture is rooted in simplicity, strong family bonds, and noble deeds. In terms of cuisines, physical features, historical bloodlines, customs, and music; each cultural group has its own unique characteristics. Furthermore, our country is predominantly a rural society, and the agricultural sector is the primary employer of our labor force. Our nation strongly encourages compassionate and altruistic behavior and cherishes the cultural diversity which sets us apart from a lot of other countries. Pakistan is a land of opportunity - its strategic location allows it to become an important trade and transport hub. Moreover, in terms of natural resources, our nation has abundant reserves of coal, gas, gemstones, copper, salt, minerals, and gold.

The increasing proportion of Pakistan's youth contributing to society has been supplemental in our quest to achieve sustainable economic growth. The government is pushing to provide such students and fresh talent with the required training and employment opportunities to harness their potential in a way that benefits them and the growth of our country. Pakistan's diverse workforce and employment opportunities also play a role in our endeavors to achieve sustainable economic growth. Our nation is home to resilient and hardworking citizens who are always willing to give back to their community. Our attempts to bring about a set of structural and economic reforms is intended to help our nation achieve its true potential and become the land of infinite opportunities.



A NATION WITH STAUNCH  
**ROOTS IN ALTRUISM**



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# ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

## DIGITIZATION AT YOUR FINGERTIPS

As a leading Islamic insurance provider, Salaam Takaful Limited has always been at the forefront of innovation and technology adoption. With the rapidly changing external environment and increasing digitalization trends, the company has taken a proactive approach to offer digitized solutions to its policyholders. By leveraging its organizational strengths and keeping pace with the external environment, Salaam Takaful Limited aims to empower its policyholders with digitization at their fingertips and provide them with a seamless and hassle-free Islamic insurance experience





9:45



Salaam Takaful  
Online



A step forward into the  
**DIGITAL WORLD**



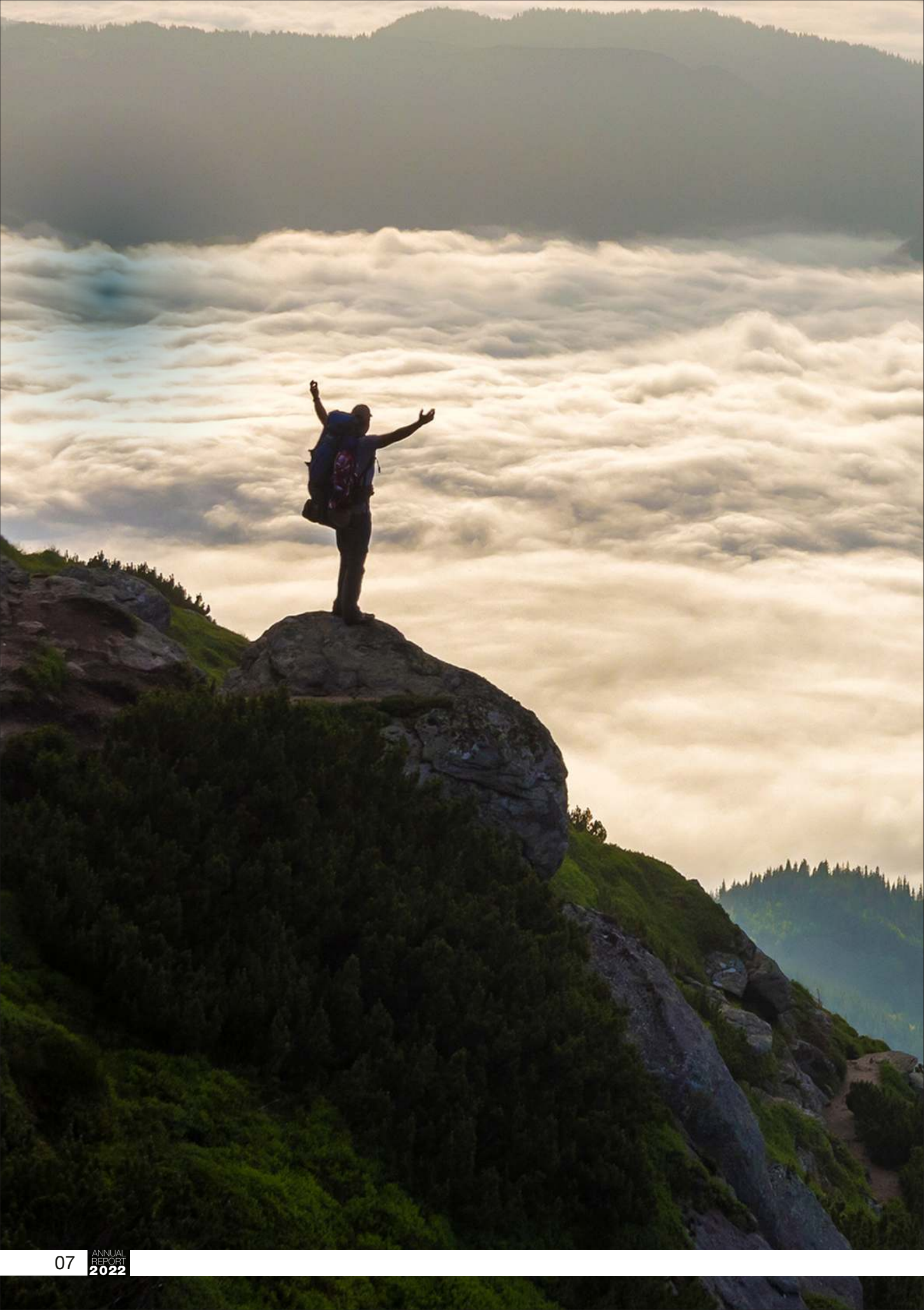
Hi Jahangir,  
Welcome to Salaam Takaful Limited  
WhatsApp service. Please type an  
option number or the highlighted  
keyword of your desired service.

- 1 Salaam Takaful Account  
Overview
- 2 Bill Payment
- 3 Health Card Management
- 4 Health Card Expiry Status  
& Update
- 5 Motor Policy Details



Message







## **VISION:**

To spread Takaful benefits beyond Borders, beyond Time!

## **MISSION:**

- To deliver Takaful as a viable alternative to conventional insurance
- To become the 'top-of-the-mind' Takaful brand for our Participants in terms of competitiveness, service standards and business ethics
- To give value to our stakeholders and make Salaam Takaful Limited their prized asset
- To become an ideal organization for our employees and encourage them to achieve self-actualization and growth
- To contribute positively and proactively for the welfare of our society at large, as well as for the preservation of our environment



# COMPANY INFORMATION

## ▲ Directors

Mr. Salim Habib Godil (Chairman)  
Rizwan Hussain (Managing Director & CEO)  
Mr. Shahzad Salim Godil  
Syed Salman Hussain  
Dr. Irum Saba  
Mr. Faisal Murad  
Mr. Tamim Shabbir\*

## ▲ Managing Director & CEO

Rizwan Hussain  
Contact No.: 021-111-875-111  
Email: rizwan@salaamtakaful.com

## ▲ CFO & Company Secretary\*

Muhammad Irfan  
Contact No.: 021-34373191  
Email: m.irfan@salaamtakaful.com

## ▲ Shariah Advisor

Mufti Sajjad Ashraf Usmani  
Contact No.: 021-111-875-111 (Ext. 175)  
Email: sajjad.usmani@salaamtakaful.com

## ▲ Auditor

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Address: Sheikh Sultan Trust Building No. 2  
Beaumont Road, Sharah-e-Faisal, Karachi.  
Contact No.: 021-35685847  
Web: www.home.kpmg.com

## ▲ Internal Auditor

**Yousuf Adil**  
Chartered Accountants  
Address: Cavish Court, A-35, Shahrah-e-Faisal,  
Block A, Bangalore Town, Karachi  
Contact No.: (021) 34546494  
Website: www.yousufadil.com

## ▲ Legal Advisors

### **AHM & Co.**

Address: 501, Eden Heights,  
Jail Road, Lahore.  
Contact No.: +92 42 4593 4000  
Website: www.ahmco.pk

### **Mohsin Tayebaly & Co.**

Address: Dime Centre,  
Khayban-e-Iqbal, Block-9,  
Clifton, Karachi.  
Contact No.: 021-111-682-529  
Website: www.mtclaw.com.pk

## ▲ Corporate Advisor

### **RS Corporate Advisory**

Address: 1st Floor, Plot No. 62, Central  
Commercial Area, Block T, Phase 2  
DHA, Lahore  
Contact No.: 042-35747904  
Website: www.rscorporateadvisory.com

### **HEAD OFFICE**

6th Floor, Business Centre, Plot # 19-1-A,  
Block 6, P.E.C.H.S., Shahrah-e-Faisal,  
Karachi-75400.  
UAN : (+92-21) 111-875-111  
Tel : (+92-21) 34373171-80  
Fax : (+92-21) 34373195-6  
E-mail : info@salaamtakaful.com  
Website : www.salaamtakaful.com

\* Represent change during the year 2023.

Muhammad Irfan appointed as Company Secretary on February 02, 2023.

# OUR BUSINESS PARTNERS

## Accounting, Advisory and Auditing



EY Ford Rhodes & Co.  
(a member firm of EY in Pakistan)



KPMG Taseer Hadi & Co.  
(a member firm of KPMG in Pakistan)



YOUSUF ADIL

Yousuf Adil Chartered Accountants  
(a member firm of Deloitte in Pakistan)

## Legal



AHM & Co.



RS LAW  
RS CORPORATE ADVISORY

RS Corporate Advisory



Mohsin Tayebaly & Co.

## Ratings



Pakistan Credit Rating Agency  
(PACRA)



BUREAU  
VERITAS  
Bureau Veritas



International Standards Organization (ISO)

## Standards

## Professional Accountancy Bodies



CA Pakistan



ICMA INTERNATIONAL  
lead strategically

ICMA Pakistan



South Asia Federation of  
Accountants (SAFA)



Think Ahead

Association of Chartered Certified  
Accountants (ACCA), UK

## Others



Insurance Association of Pakistan (IAP)

# BANKING PARTNERS

- **Al Baraka Bank Pakistan Limited**
- **BankIslami Pakistan Limited**
- **Bank Al Habib Limited** (Islamic Banking Division)
- **Bank Alfalah Limited** (Islamic Banking Division)
- **Bank of Khyber** (Islamic Banking Division)
- **Dubai Islamic Bank Limited**
- **Faysal Bank Limited** (Islamic Banking Division)
- **Habib Bank Limited** (Islamic Banking Division)
- **Habib Metropolitan Bank** (Islamic Banking Division)
- **Meezan Bank Limited**
- **National Bank of Pakistan** (Islamic Banking Division)
- **Samba Bank** (Islamic Banking Division)
- **Soneri Bank Limited** (Islamic Banking Division)
- **Summit Bank** (Islamic Banking Division)
- **UBL Ameen**





# COMPANY PROFILE

Salaam Takaful Limited has consistently redefined the boundaries of innovation and discovery by continuously investing time and resources into the research-driven expansion of their products and services, but also aiming to manage the upkeep of the organization's foundational operations as well as the intricate mechanisms that exist at each level of the Company and in all the constructive relationships it maintains.

The company thrives on its ability to celebrate the flourishing work environment it has established and the smooth procedural mechanisms running through all departments and positions from managerial to machine, where each individual and team associated with us is completely aligned with our goals and principles, motivating us to overcome any obstacle or calamity. This creates the potential for Salaam Takaful to continue functioning as a well-oiled machinery.

Salaam Takaful Limited, is an Unlisted Public Limited Company incorporated in Pakistan on 2nd June 2006, under the Companies Ordinance, 1984 with a regulatory compliant capital of Rs. 800 million, all fully paid-up.

With the dream of becoming Pakistan's first Islamic insurtech, the company underwent a strategic transformation, to better leverage society at large with a mission that reflects a deep dedication to client success and relationships and with an innovative and global vision to serve larger markets, all via synergizing these needs through the vision of digital era! Hence, came forth the transformation of Takaful Pakistan Limited to Salaam Takaful Limited.

In 2017, the company, Takaful Pakistan Limited, was bought by new shareholders, all of whom had the vision of creating a digitalized Islamic insurance provider. Spearheaded by Mr. Rizwan Hussain, and with the inclusion of the best talent the industry, the company transformed itself and entered into the era of digitization with a rebirth in 2021.

Salaam Takaful Limited has the expertise and engagements with overseas Re-Takaful operators & assistance companies, enabling it to offer comprehensive coverage for large infrastructure projects, specialized risks, and umbrella/blanket covers especially tailored for Islamic banking operators as well as for large corporate groups. Our brand ethos has always been built on trust, credibility, and industry knowledge. We pride ourselves on our relationships and our ability to help, support, and protect the community. We have the passion to do things differently and create value for all of our business partners and stakeholders under the highest standards of Shariah. At Salaam Takaful Limited, we provide our clients with more than just Takaful coverages and risk management services. We are the trusted partners our participants turn to from time to time, to obtain exceptional value and attain 'Peace of mind.....Forever.





# LINES OF BUSINESS & PRODUCTS

## FIRE & PROPERTY

- Fire & Allied Peril
- Burglary
- House Holder's Comprehensive Coverage
- Business Interruption following Fire & Allied Perils
- Comprehensive Machinery

## SPECIALIZED

- Bankers' Blanket Bond
- Plastic Card Takaful Coverage
- Safe Deposit Box Takaful Coverage
- Terrorism Takaful Coverage
- Professional Indemnity
- Cyber Risk Takaful



## MARINE

- Marine Cargo Import
- Marine Cargo Export
- Marine Cargo Inland Transit (Rail/Road)
- Containers

## MOTOR

- Private Car Comprehensive
- Commercial Vehicle Comprehensive
- Motorcycle Theft, Third Party & Total Loss
- Private Car Third Party Liability
- Motorcycle Third Party Liability
- Pay As You Drive

## ENGINEERING

- Boiler & Pressure Vessels
- Erection All Risks (EAR)
- Contractors' All Risk (CAR)
- Computer & Electronic Equipment
- Contractors' Plant & Machinery Breakdown (MBD)
- Business Interruption Following MBD

## HEALTH

- Comprehensive Dread Disease Expense Benefit
- Comprehensive Hospitalization Expense Benefit
- Maternity Expenses Benefit
- Out-patient Expenses Benefit
- Micro Health
- Madadgar Salaamti

## MISCELLANEOUS

- All Risk Contents
- Fidelity Takaful Coverage
- Mobile Phone Takaful Coverage
- Personal Accident Takaful Coverage
- Plate Glass Takaful Coverage
- Product Liability Takaful Coverage
- Public Liability Takaful Coverage
- Third Party Liability Takaful Coverage
- Workmen's Compensation Takaful Coverage
- Loss of Employment
- ATM Cash Withdrawal Coverage
- Money Takaful Coverage
  - Cash-in-Safe
  - Cash-in-Transit
  - Cash-on-Counter
- Parametric Crop
- Medical Malpractice for Doctors
- Livestock Takaful Coverage
- Travel Takaful Coverage



# **SALAAM PROPERTY TAKAFUL**



# WE SERVE TO SAVE

## **Salaam Home Takaful**

This policy is specifically designed to cover home and contents (including jewellery and cash) against the risk of fire, earthquake, explosion, lightening, thunderbolt, flood, typhoon, burglary, bursting of pipes, aircraft damage, damage to mirrors, etc. The policy may extend to cover personal accident, loss of rent, liabilities under workmen's compensation Act, legal liability to third party, property damage and / or bodily damage, personal documents, etc.

## **Salaam Comprehensive Property Takaful**

The Property Takaful policy is designed to cover participant's properties (i.e. buildings, machinery, stock, raw material and other contents) whilst at participant specified locations and provide coverage to the participant / firm / organization in the event of loss or damage caused by perils such as fire and lightening, riot and strike damage, atmospheric disturbance, earthquake, fire and shock, aircraft damage, malicious damage, and impact damage.





# **SALAAM MARINE TAKAFUL**



# ENRICHING THE LIVES OF PEOPLE WE SERVE

## Salaam Marine Takaful

Cargo interest are exposed to numerous financial risks in the course of their business of imports, exports as well as movement of goods within the country. The transportation of cargo is invariably carried in conjunction with Marine Takaful coverage as no one can afford to take the risk of leaving their cargo uncovered for unforeseen time.

Our Salaam Marine Takaful protects your goods against the various risks involved during transit for all types of cargo transported by various modes of conveyance such as sea, air, land and parcel post from warehouse to warehouse.

### Voyage Basis

This policy is valid for a single voyage or transit. The policy is issued before the voyage starts. The coverage will cease immediately on completion of the voyage.

### Annual Basis

In case of frequent shipments, it will be cumbersome to issue a Marine Takaful policy each and every time. To solve this problem, a single policy is issued to cover all the shipments during the year. Each shipment affected during the policy period is endorsed therein by means of a declaration of shipment. The policy is normally issued for a 12 month period.

The coverage of the policy is based on the type of cargo. We provide Takaful coverage for all kinds of commodities including, but not limited to, steel products, bulk oil cargos, containerized products, etc. This policy covers various types of cargo transported by sea, air, as well as, by land conveyance. Extent of cover varies from a limited TLO to an all risk comprehensive cover in accordance with the internationally recognized 'Institute Cargo Clause 'A', 'B' or 'C'.



# **SALAAM MOTOR TAKAFUL**





# PROVIDING MORE CARE WITH LESS COST

## Private Car Comprehensive

This is a comprehensive Motor Takaful policy that gives maximum coverage against theft, accidental damages and third-party liability. The major scope of cover includes accidents through external means, fire, explosion, snatch and theft, malicious act, riot and strike damage, natural calamities, and third-party liability (which includes property damage, bodily injury and death).

## PAYD (Pay As You Drive)

Another first by Salaam Takaful Limited, Pay-As-You-Drive is a tech-based takaful coverage that tracks and records the vehicle's mileage and the contribution payment is done every month based on the number of recorded driven kilometers. With Pay As You Drive enjoy all the benefits of comprehensive Motor Takaful without paying the whole contribution up front, only pay based on your driven kilometers, and that too with a daily use capping. As in, you will never be charged extra even if you drive more than the stipulated kilometers.

## Private Car Third Party

This is the basic plan that meets legal motor insurance / takaful requirements under Motor Vehicle Act 1939. The policy covers legal liability of the participant to third parties arising out of the use of the motor vehicle. Third party liability refers to the coverage of third party only, who may be injured or killed in an accident or whose vehicle or property may be damaged. It does not cover damage to the participant's own vehicle or property or any injuries to, or death of the participant.

## Salaamti Bike

This is a theft, third party and total loss coverage (as more specifically defined in our standard motorcycle policy) against accidental total loss and / or theft of the motorcycle, including legal liability of the participant to third parties arising out of the use of the motorcycle. The policy is also extended to cover the risk of terrorism to the extent of the full sum covered of the motorcycle.

## Salaamti Bike Third Party

This is the basic plan that meets legal motor insurance / takaful requirements under Motor Vehicle Act 1939. The policy covers legal liability of the participant to third parties arising out of the use of the motorcycle. Third party liability refers to the coverage of third party only, who may be injured or killed in an accident and whose vehicle or property may be damaged. It does not cover damage to the participant's own vehicle or property or any injuries or death to the participant.



SALAAM  
**EMERGING LINES TAKAFUL**

# WE TAKE CARE OF WHAT'S IMPORTANT

## **Salaam Zarai Takaful**

Farmers are the backbone of Pakistani economy and Salaam Takaful Limited, hopes to be their backbone at the time of need. Our product protects the monetary investment the farmer has put into growing the crop in case a natural disaster wipes it all away. So that, the farmers' hope and dreams are not fractured beyond repair. With our parametric claim solution, the participant can get instant payment.

## **Salaam Parametric Crop Takaful**

In correspondence of our mission to bring innovation and technological transformation within the takaful industry, Salaam Takaful Limited brings Salaam Parametric Crop Takaful. This model offers hassle-free policy, fast claim settlement and affordable coverage on pre-agreed terms which means that it pays out of predefined amount when the loss-based triggering event occurs. With this takaful coverage, the beneficiary gets a fixed sum covered amount in case of an occurrence of a predefined loss-based event.

## **Salaam Livestock Takaful**

Livestock are the farmers' investment into the future and means of earning, which can be wiped away by any unforeseen incident. Our coverage provides protection against mortal death due to natural perils, accidents, risk of calving, diseases along with permanent total disability and theft of Livestock.

## **Salaam Medical Malpractice Takaful**

This coverage protects healthcare providers and medical students against patients who file suit against them under the complaint that they were harmed by the medical practitioner's negligence or intentionally harmful treatment decisions. The coverage comes with standard extensions which includes; defense cost, libel and slander, loss of documents, coroner's enquiries, emergency first aid, newly created or acquired entity or subsidiary, run-off cover entity or subsidiary, estates and legal representatives.

## **Salaam Loss of Employment Takaful**

Salaam Loss of Employment Coverage plan will provide the financial security to policyholder and their family in case of an unfortunate event resulting in loss of their income. With this plan, you'll have peace of mind knowing that their monthly commitments, such as payments, rent and bills are all covered.





SALAAM  
**TRAVEL TAKAFUL**

# WE GO WHERE YOU GO

## **Salaam Travel**

Salaam Travel Takaful coverage is your companion for a safe and secure travel. The economical and Shariah-compliant travel coverage offers amazing takaful benefits. Salaam Travel Takaful offers comprehensive solutions tailored as per the participant's need; it has multiple variants ranging from domestic travel to worldwide international travel including leisure, business, and pilgrimage.

Salaam Travel Takaful comes with a complimentary Salaam App through which our participants can obtain free online OPD consultations, book doctors' appointments, consume buy 1 get 1 free offers and much more.

## **Salaamti Trip**

Domestic Travel Takaful coverage is our one-of-the-kind product that comes with built-in Salaam App. The plan covers all sort of unforeseen emergencies, it also provides coverage in case of loss of CNIC and checked-in baggage.

## **Salaamti Tour**

International Travel Takaful provides coverage for medical, non-medical and travel needs. Our international plans are backed by Swan Assistance company to provide 24/7 medical assistance all around the world.

The products offer Schengen compliant and multipurpose variant which covers against personal liability, repatriation, return of dependent children, loss of checked-in baggage and passport, trip cancellation, delayed departure, home protection and much more.

Our value-additions include parametric solutions such as weather updates and cash reimbursement incase of flight cancelation.





SALAAM  
**HEALTH TAKAFUL**

# PROVIDING CARE THAT YOU CAN BELIEVE IN

## Salaam Health Takaful

Providing medical benefits to employees is usually very costly and cumbersome. Salaam Takaful Limited's individual and corporate healthcare solutions ensure that the covered members get the best quality medical treatment at economical cost. Implementation of Islamic integrated healthcare techniques has the advantage of cost efficiencies, increased morale and overall improved productivity. Salaam Takaful Limited has viable solutions for all individuals & organizations. We offer:

- Shariah-compliant healthcare solutions that are affordable and flexible
- Customization to meet the specific needs of quality-conscious customers
- Flexible individual coverage limits ranging from as low as Rs. 8,000 per annum and as high as Rs. 500,000 per annum or even higher
- Access to a team of medical doctors through our online app-based OPD consultation and via our toll-free number 0800-72526. Our team of medical doctors are allways ready to provide you with the requisite guidance and assistance
- A network of quality hospitals wherein you are facilitated by credit facility by which we settle the claims on your behalf directly with the hospitals
- Our medical team monitors the treatment provided to you at our network hospitals and also coordinates closely with the attending doctors regarding the modality of the treatment
- Coverage of accidental emergencies and specialized investigations without being hospitalized on a nationwide basis
- A network of more than 450 hospitals across the country, you can rest assured that the best possible healthcare is available wherever you are and whenever you need it
- Medical coverage to your domestic helper with Salaam Madadgar Takaful coverage





SALAAM  
**MISCELLANEOUS TAKAFUL**

# YOUR ASSETS ARE IN GOOD HANDS

## Financial, Engineering and Miscellaneous Coverages

### Salaam Financial Takaful

- Plastic Card Takaful
- Safe Deposit Box Takaful
- Terrorism Takaful
- Professional Indemnity Takaful
- Trade Credit Takaful

### Salaam Engineering Takaful

- Contractors All Risk Takaful
- Electronic Equipment Takaful
- Computer All Risk Takaful
- Boiler & Pressure Vessel Takaful
- Machinery Breakdown Takaful
- Contractor Plant & Machinery Breakdown Takaful
- Loss of Profit Takaful following Machinery Breakdown
- Erection All Risk Takaful

### Salaam Miscellaneous Takaful

- Burglary Takaful
- Fidelity Guarantee Takaful
- Plate Glass Takaful
- Money Takaful
- Third Party Liability Takaful
- Workmen Compensation Takaful
- Bankers' Blanket Takaful
- Personal Accident Takaful
- Mobile Phone Takaful



# BOARD COMMITTEES

## AUDIT COMMITTEE

<b>Chairperson</b>	<b>Dr. Irum Saba</b> (Independent Director)
<b>Member</b>	<b>Salim Habib Godil</b> (Non-Executive Director)
<b>Member</b>	<b>Shahzad Salim Godil</b> (Non-Executive Director)
<b>Member</b>	<b>Syed Salman Hussain</b> (Non-Executive Director)
<b>Member</b>	<b>Tamim Shabbir*</b> (Non-Executive Director)

## INVESTMENT COMMITTEE

<b>Syed Salman Hussain</b> (Non-Executive Director)	<b>Chairman</b>
<b>Syed Rizwan Hussain</b> (Managing Director & CEO)	<b>Member</b>
<b>Shahzad Salim Godil</b> (Non-Executive Director)	<b>Member</b>
<b>Muhammad Irfan</b> (Chief Financial Officer & Chief Investment Officer)	<b>Member &amp; Secretary</b>

## ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

<b>Chairman</b>	<b>Salim Habib Godil</b> (Non-Executive Director)
<b>Member</b>	<b>Rizwan Hussain</b> (Managing Director & CEO)
<b>Member</b>	<b>Shahzad Salim Godil</b> (Non-Executive Director)
<b>Member</b>	<b>Syed Salman Hussain</b> (Non-Executive Director)
<b>Secretary</b>	<b>Noman Zaidi</b> (Head of HR & Business Excellence)

\*included in the Audit Committee during the year 2023

# MANAGEMENT COMMITTEES

## UNDERWRITING, RE-TAKAFUL & CO-TAKAFUL COMMITTEE

<b>Chairman</b>	<b>Rizwan Hussain</b> (Managing Director & CEO)
<b>Member &amp; Secretary</b>	<b>Umair Ismail</b> (Head of Operations)
<b>Member</b>	<b>Kamran M. Hanif</b> (Head of Sales)
<b>Member</b>	<b>Muhammad Irfan</b> (CFO & Company Secretary )
<b>Member</b>	<b>Syed Nayyar Hussain</b> (ED- Strategy & New Initiative)

## BENEFITS (CLAIMS) SETTLEMENT COMMITTEE

<b>Rizwan Hussain</b> (Managing Director & CEO)	<b>Chairman</b>
<b>Faheem Darss</b> (Head of Claims-South Region)	<b>Member &amp; Secretary</b>
<b>Kamran M. Hanif</b> (Head of Operations)	<b>Member</b>
<b>Syed Nayyar Hussain</b> (Head of Strategy & New Initiatives)	<b>Member</b>

## RISK MANAGEMENT & COMPLIANCE COMMITTEE

<b>Chairman</b>	<b>Rizwan Hussain</b> (Managing Director & CEO)
<b>Member &amp; Secretary</b>	<b>Syed Nayyar Hussain</b> (Head of Strategy & New Initiatives)
<b>Member</b>	<b>Muhammad Irfan</b> (Chief Financial Officer)
<b>Member</b>	<b>Kamran M. Hanif</b> (Head of Operations)
<b>Member</b>	<b>Umair Ismail</b> (Head of Operations)

# SALIENT FEATURES & TORS OF MANAGEMENT COMMITTEES

## Underwriting, Re-Takaful & Co-Takaful Committee

- Advise the Board and management concerning the establishment and review of the Company's underwriting policies and guidelines
- Set out the criteria for assessing various types of Takaful risks and determine the contribution of different Takaful covers
- Regularly review the underwriting and contribution of the Company with regard to relevant factors such as its business portfolio and the market development
- Develop the policy for effecting Re-Takaful, not inconsistent with the relevant provisions of the Insurance Ordinance, 2000 and shall ensure that adequate Re-Takaful arrangements are made for the business of the Company
- Review the Re-Takaful arrangements from time to time, and subject to the consent of the participating reinsurers, make appropriate adjustments to the arrangements in the light of the market development

## Benefits (Claims) Settlement Committee

- Oversee the claims adjustment process from the advisor's perspective
- Ensure that the intent of the policy wording is reflected in each claim adjustment decision
- Act as a professional resource as needed
- Based upon claims adjustment experiences, recommend to the Underwriting Committee to be aware of potential gaps and/or excesses in the policy wording;
- Ensure that the scope of the policy wording includes the types of risks that the average advisor faces in his/her practice
- Advise the Underwriting Committee of any unforeseen trends in claims settlement emanating from a class of risks and/or an individual risk
- Advocate on behalf of a certificate holder when necessary

## Risk Management & Compliance Committee

- Framing of risk management policies and procedures for the clearinghouse functions performed by the exchange in line with international standards and best practices
- Ensuring that the risk management function has tools to identify and manage all relevant risks including legal, credit, liquidity, general business and operational risks including control measures and safeguards with respect to large exposures by clearing members and matters connected thereto



- Monitoring and reviewing of material controls (financial, operational and compliance)
- Ensuring that the margin requirements are commensurate with the risks, address procyclicality, avoid concentration, and provide adequate coverage in conformity with international benchmarks
- Ensuring that the risk management function has the capacity to obtain timely information necessary to apply risk management policies and procedures which allow for accurate and timely measurement and aggregation of risk exposures
- Conducting or arranging to conduct studies, research or analyses with respect of any or all components of risk management systems of clearing function
- Formulating policies and procedures to ensure continuous adequacy of risk management models and its adherence to international standard including policies for regular back testing, stress testing, reverse stress testing and sensitivity analysis
- Formulating policies for ensuring that all validation of risk management model is performed at least annually
- Review adequacy of risk management systems, policies, procedures and matters connected thereto at least once every quarter
- Ensure that integrity of financial information and risk mitigation measures are robust

# MANAGEMENT TEAM

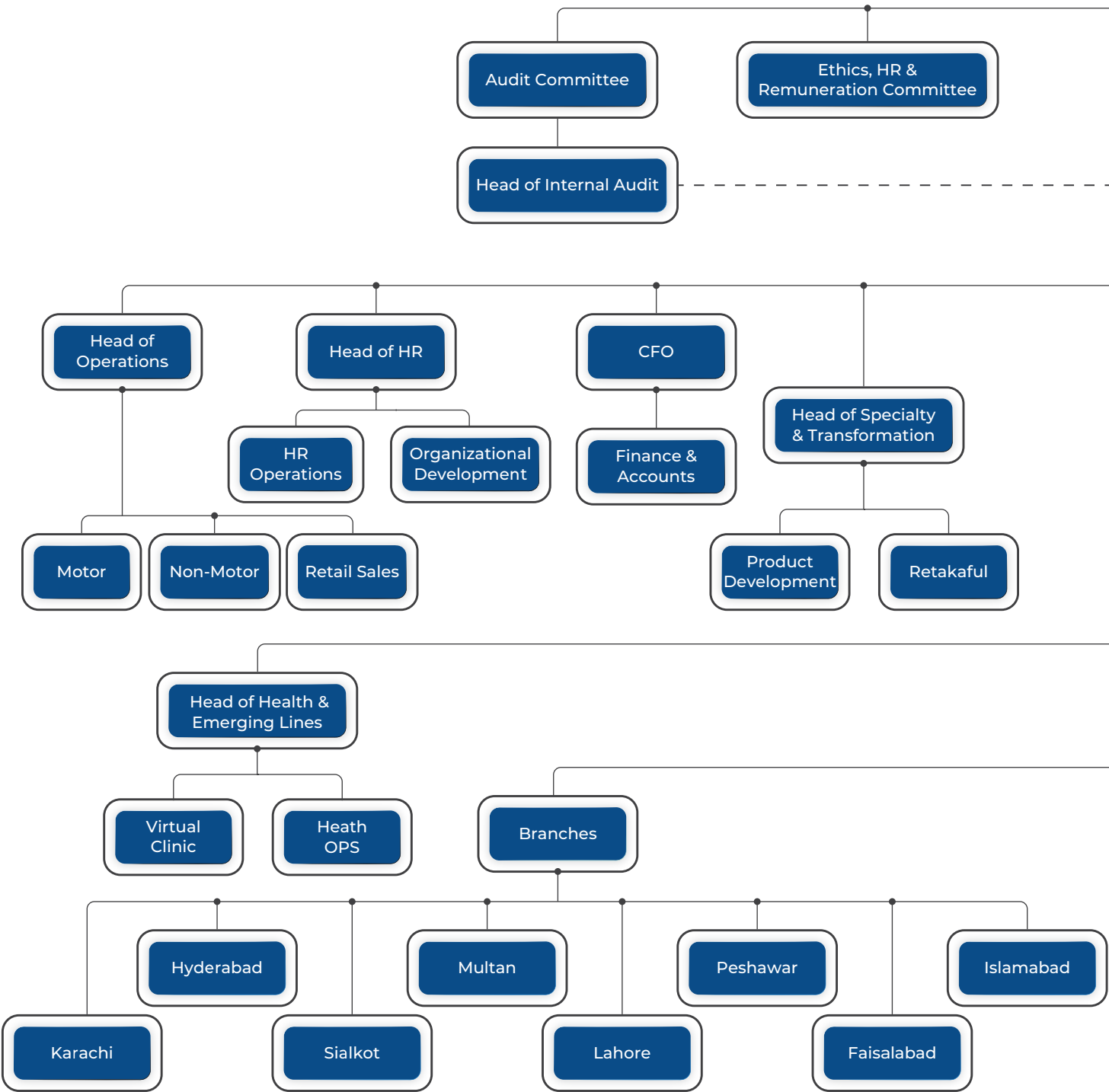
<b>RIZWAN HUSSAIN</b>	Managing Director & CEO
<b>SYED NAYYAR HUSSAIN</b>	Head of Strategy & New Initiatives
<b>MUHAMMAD IRFAN</b>	Chief Financial Officer & Company Secretary
<b>WAQAS AHMED</b>	Head of Life Project
<b>KAMRAN HANIF</b>	Head of Sales
<b>UMAIR ISMAIL</b>	Head of Operations
<b>SHAHZAD SHER ALI</b>	Head of Information Technology
<b>MUHAMMAD SALEEM</b>	Head of Service Quality & Excellence
<b>ANJUM SARFRAZ</b>	Head of Administration
<b>NOMAN ZAIDI</b>	Head of HR & Business Excellence

# NETWORK DEVELOPMENT TEAM

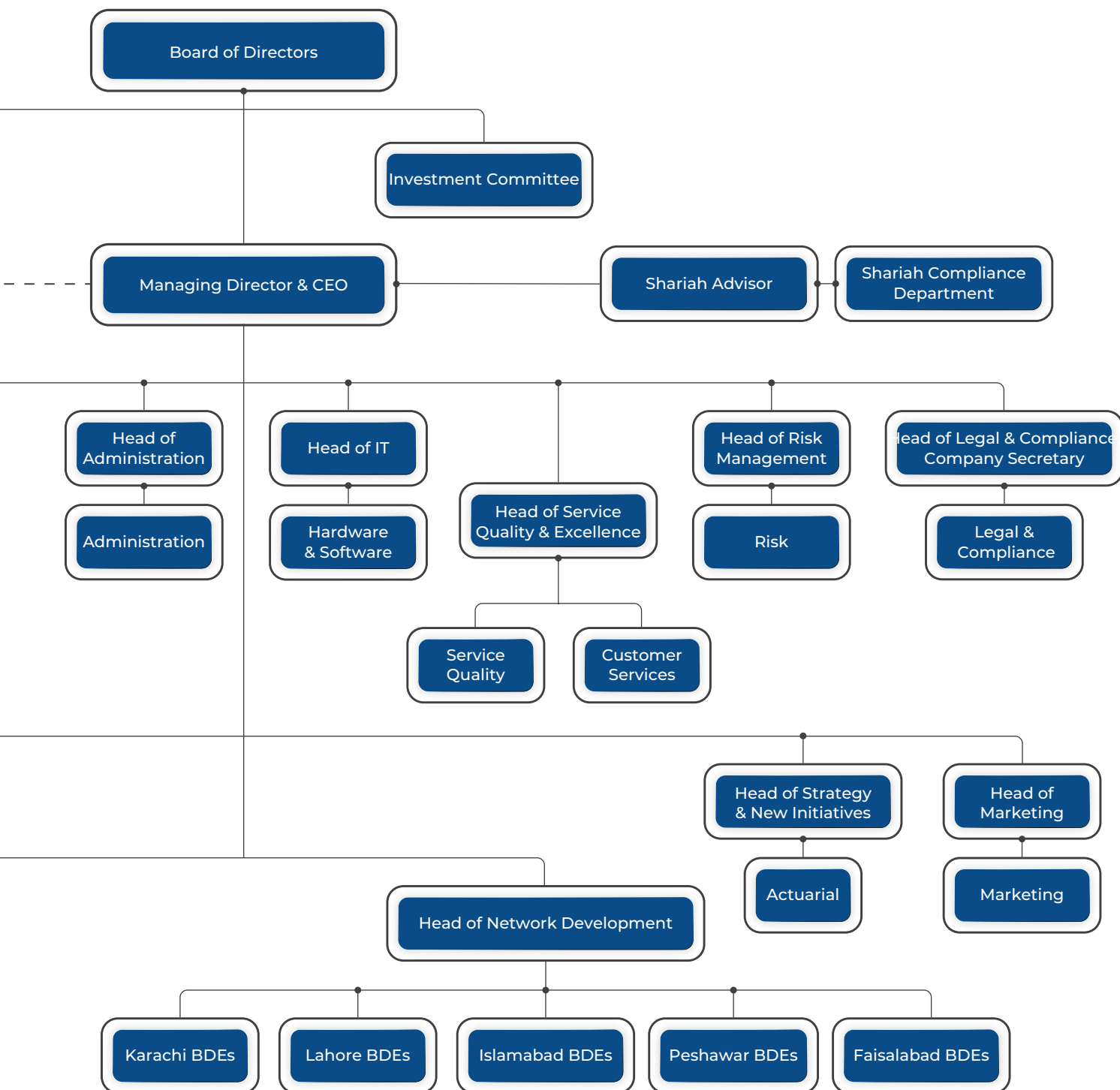
<b>AMIR HASSAN</b>	ED - Network Development
<b>SYED KHAWAJA MAAZ</b>	SEVP - Corporate Solutions
<b>SYED KHURRAM ANIS</b>	EVP - Corporate Solutions
<b>MOHSIN MURTAZA</b>	EVP - Corporate Solutions
<b>HAIDER ALI BAIG</b>	SEVP - Head of Retail Sales



# ORGANIZATION CHART



BDEs	Business Development Executives
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
CS	Company Secretary
HR	Human Resource
IT	Information Technology



## Key Quantitative Information

2022	Total	Females	%
Head office	196	28	14.28%
BDEs	62	7	11.29%
Branches	46	0	0%
	304	35	11.5%
2021	Total	Females	%
Head office	170	25	14.71%
BDEs	64	8	12.5%
Branches	45	1	2%
	279	34	12.5%

# HUMAN RESOURCE ACCOUNTING

Human resource is critical to achieve an organizational success. The relevance of human resource is due to its unique characteristics. Humans are very difficult from physical assets, as physical assets do not have preferences, intentions, relations, feelings etc.

Human Resource Accounting (HRA) means to measure the cost and value of the people (i.e. employees and managers) in the organization. It measures the cost incurred to recruit, hire, train and develop employees and managers.

Company realizes the importance of human resource and conducted various trainings to improve its output and productivity. The summary of trainings is as follows:

## FOR THE YEAR ENDED 2022

### Trainings Held

Lifestyle & Fitness Training
HR Meet Up 2022 (Professional Networking)
Takaful Awareness
AML, CFT & KYC/CDD Training
ISO Awareness Training
Presenting with Flair
Decision Making in Crisis
Art of Communication
Power BI
Emotional intelligence and positive mind set

**Succession Planning:** To support the continuous growth of the business, the company has a succession plan to ensure that sufficient human resource is available when needed. The trainings given to employees are also a part of the succession planning.

### Salaam Takaful Limited's Commitment to Continuous Employee Training and Development

Salaam Takaful Limited places significant emphasis on continuous training and development programs for its employees, recognizing that a skilled and knowledgeable workforce is crucial for providing exceptional customer service and staying competitive in the insurance industry. The company is committed to fostering a learning culture and invests in various training initiatives to enhance the capabilities of its employees.

Regular training sessions are conducted to keep employees updated on industry trends, regulatory changes, and emerging technologies. These sessions not only equip employees with the necessary knowledge but also help them develop critical skills such as effective communication, problem-solving, and customer relationship management. Salaam Takaful also encourages employees to pursue professional certifications and qualifications relevant to their roles, promoting personal and professional growth.

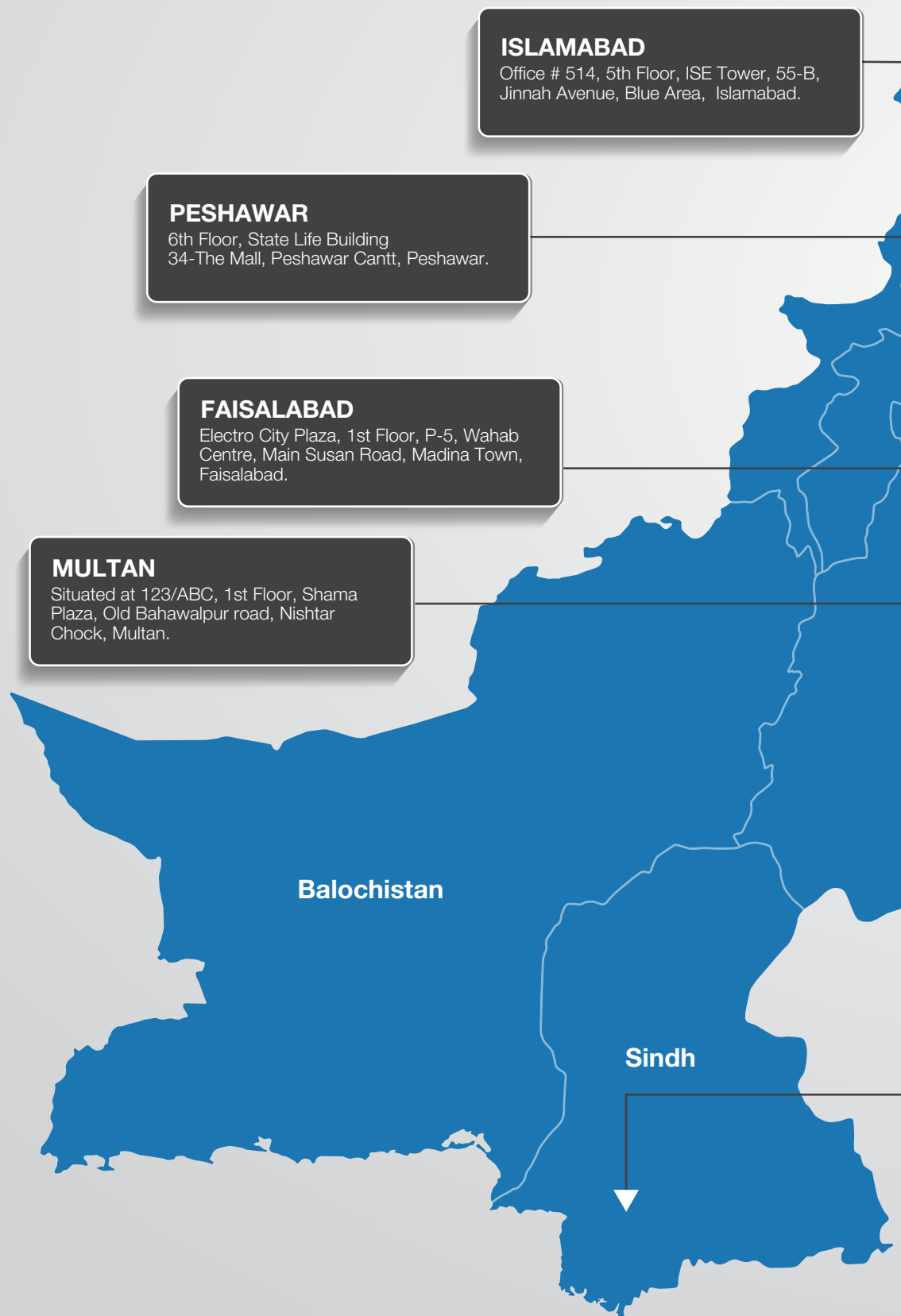


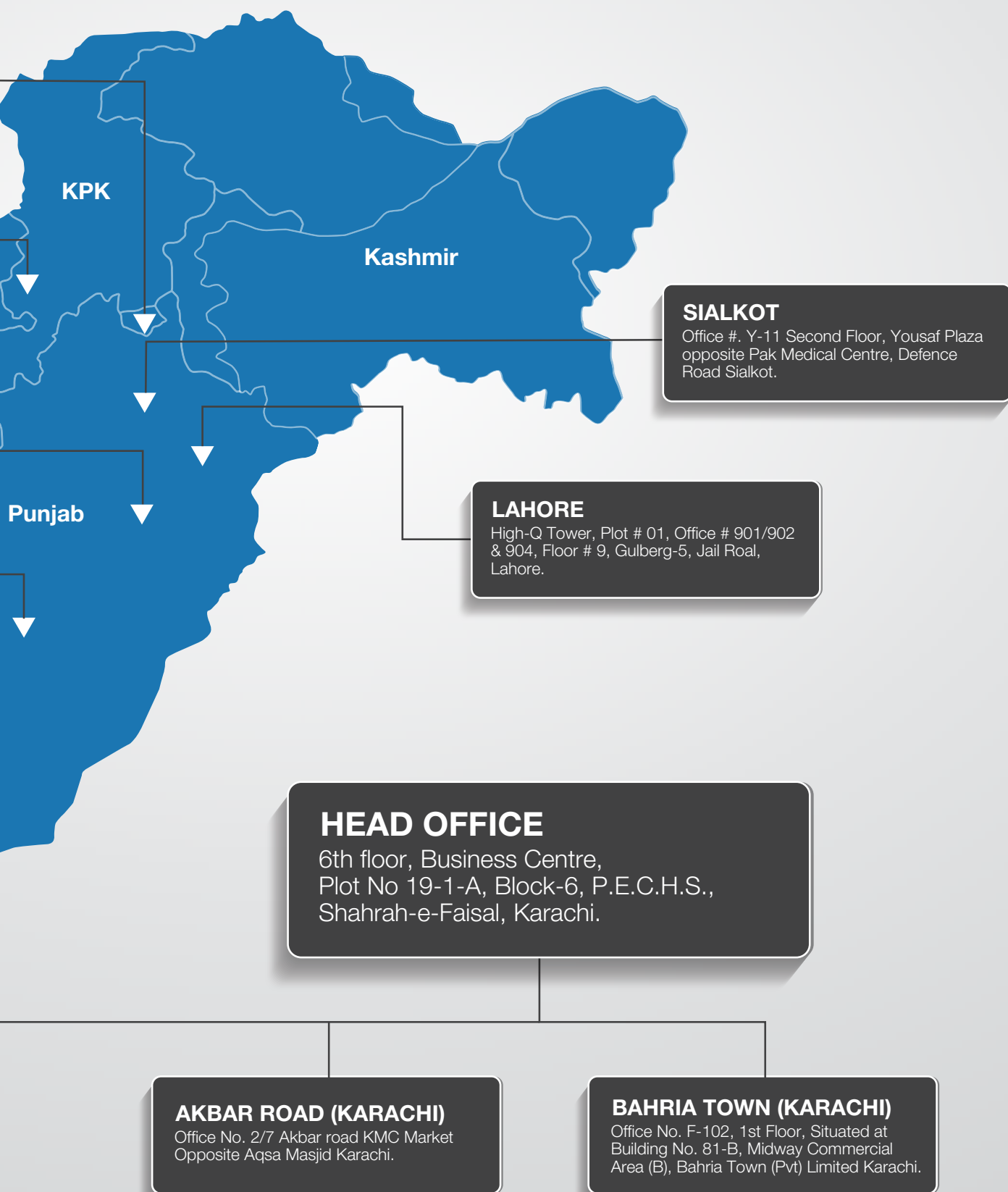
To ensure continuous improvement, Salaam Takaful Limited regularly evaluates the effectiveness of its training programs and solicits feedback from employees. This feedback helps identify areas for improvement and tailor training initiatives to address specific needs. The company also encourages a collaborative learning environment, where employees are encouraged to share their expertise and insights with their colleagues, fostering a culture of continuous learning and knowledge-sharing throughout the organization.

By prioritizing employee training and development, Salaam Takaful Limited not only enhances the skills and expertise of its workforce but also fosters a culture of growth, innovation, and excellence. This commitment to continuous improvement enables the company to adapt to evolving customer needs, deliver exceptional services, and maintain a competitive edge in the insurance market.



# GEOGRAPHICAL LOCATIONS





# OUR ACHIEVEMENTS



Listed in the coveted list of Insurtech100, the only company from Pakistan



Consecutive winner of ICAP ICMA Best Corporate and Sustainability Report Award for the last four years



Awarded A++ rating by PACRA



Consumer Choice Award





ISO 9001: 2015 Certification in  
the shortest span of time



Received “Certificate of Merit”  
from South Asian Federation of  
Accountants (SAFA) for the  
Best Corporate Report



Brand of the Year  
Award

# CODE OF CONDUCT, ETHICS AND VALUES

The Board of Directors has prepared this statement of ethics and business practices to establish a standard of conduct for employees and Directors of Salaam Takaful Limited 'The Company', to be employed for conduct of its business and the business of the Participants' Takaful Fund under its management. Each director and employee signs the statement in acknowledgement of his/her understanding and acceptance of the standard of conduct.

## Statement of Ethics

The directors and employees of the Company shall:

- Act with integrity, competence and dignity when dealing with the public, participants, prospects, employers, directors and peers.
- Practice their skills and services in a professional and ethical manner, while encouraging other employees and colleagues to do the same in any professional setting.
- Strive to maintain and improve their competence and the competence of others in the same line of work.
- Use justifiable logic when posed with a critical thinking or problem-solving scenario and exercise independent professional judgement.
- Refrain from divulging the Company's sensitive information to outsiders.

## Statement of Business Practices

Fundamental responsibilities:

- The directors and employees shall maintain knowledge of and comply with all the applicable laws, rules and regulations governing the Company.
- They will not knowingly participate or assist in any violation of such laws, rules, or regulations.

## Relationship with and responsibilities to the Company

The Directors and employees of the Company shall:

- Not undertake any independent practice that could result in compensation or other benefit in competition with their Company unless they obtain written consent from both Company and the person or entities from which they undertake independent practice.
- Disclose to the Company all matters, including beneficial ownership of securities or other investments that could reasonably be expected to interfere with their duty to the Company or ability to make unbiased and objective recommendations.
- Comply with prohibitions or activities imposed by the Company if a conflict of interest exists.
- Exercise reasonable supervision over those subject to their supervision or authority to prevent any violation of applicable statutes or regulations.
- Ensure proper flow of adequate information.

## Relationship with, and Responsibilities to, Clients and Prospects

The Directors and employees of the Company shall:

- Exercise diligence and meticulousness in the implementation of their duties, recommendations as well as when taking any actions such as adequate measures or new initiatives.
- Hold a plausible and well-grounded foundation, supported by pertinent research and investigation, for making such recommendations or executing any actions.
- Remain conscious about making a diligent effort to avoid misrepresentation involving any materials.
- Maintain satisfactory records to reinforce the logicity of aforementioned recommendations or actions.
- Use reasonable care and judgment to achieve and sustain ability and objectivity in the performance of their assigned responsibilities.
- Must place each participants' interests and benefits before their own.
- Preserve confidentiality of the information imparted by their clients, prospects or employers concerning matters within the scope of client-employee or employer-employee relationships with the exception of the employee becoming knowledgeable of any information concerning illegal activities committed by the client, prospect, or employer.
- Not make any statement, orally or in writing, that misrepresent:
  - The products and services that they or the Company is capable of performing.
  - Their academic or professional credentials any unwarranted assurance, guarantee or commitment regarding any Takaful coverage except to communicate accurate information regarding the terms of the policy instrument and the issuer's obligations under said Takaful policy.
  - Not impart individual or Company performance information directly or indirectly to the participants or prospective participants or communicate sensitive information in a manner intended to be received by participants or prospects. They shall duly ensure that any information that is required to be communicated is fair, accurate and paints a holistic picture of the company's performance.

## Ownership and operating structure

Both, Salaam Family Takaful Ltd. (Public unlisted) and Salaam Properties pvt. Ltd. , as of the 31st December 2022, are wholly owned subsidiaries of Salaam Takaful limited, as per the directives of the Securities Exchange commission of Pakistan. Salaam Takaful Limited and its subsidiaries are, currently, only operational in Pakistan.

## key elements of the business model

### Inputs

Main inputs for the Company are financial, intellectual, human, manufactured, natural, social and relationship capital. They are a strength for the Company and are the reason for the output of our Company. They play pivotal role in the success of our business model.



**Process**

Process is the business activity done to produce the output. Our business model adapts to the changing external environment resulting in improving the outputs and outcomes. Our core goal is long term success through innovation, process improvement, relationship management and Shariah compliance.

**Output**

The Company's services (claims, surplus and ancillary services) are the outputs to its policyholders. Additional output includes profits and cash flows.

**Outcome**

The main outcome is the customer satisfaction, brand loyalty and environmental effects. Further outcomes include employee morale, corporate reputation, customer loyalty etc. Our business model produces positive outcomes while we keep on focusing for the improved products and services.

\*For further details please refer to the section of Business model.

**Legislative and regulatory environment**

Takaful companies in Pakistan are required to comply with the Insurance ordinance 2000 and takaful rules 2012. The Securities Exchange Commission of Pakistan (SECP) - Insurance Division is the sole regulator that provides the guidelines under which the insurance sector in Pakistan is operating. The SECP has implemented/introduced various regulations/guidelines to maintain the solvency of the insurers in Pakistan and protection of the insured. Besides SECP, following authorities issue law/regulations/guidelines which are also required to be adhered by the Company.

**1. Federal Board of The Revenue**

As the Company is working in Pakistan, the Company is also required to comply with the requirement of Federal Board of Revenue with respect to Income Tax Ordinance, 2001 and the relevant rules.

**2. Sales Tax Authorities In Provinces**

As insurance service in Pakistan is chargeable to indirect taxes and the Company operates in all the provinces and Islamabad Capital territory, therefore the respective laws and relevant rules regarding Sales Tax and Federal Excise Duty services as applicable in these provinces and Islamabad Capital territory respectively are also required to be complied by the Company. The Company is fully compliant with these laws.

**The Political environment**

The political environment in Pakistan has remained considerably uncertain during the past few months, primarily because of the economic turmoil that the country is currently under. This political uncertainty brings unforeseen impacts on the internal environment as well as the external environment, causing instability throughout the region. This can also have an impact on the exchange rate of currency against the Pakistani rupee.

An uncertain environment also has an impact on the strategy of the company itself, as the turmoil may lead to unforeseen impacts on the market and the performance of the company itself. This may affect the company in terms of normal service, returns over investment (due to the impact of uncertainty on the buyer and hence the constant stress on the market) and the overall morale in the market.

# SERVICE QUALITY: OUR CORNERSTONE

## CSAT Score

**2022 – 90%+**

We are delighted to report that our Bank, Individual, and Corporate Client customer satisfaction score, as measured by the CSAT metric, has reached an impressive 90%+ in the year 2022. This score reflects the high level of satisfaction across all of our business lines and highlights our commitment to delivering quality services and products to our customers.

We are proud of this achievement and will continue to work tirelessly to maintain and build on this success in the years to come.

## Customer Engagement:

At Salaam Takaful, customer engagement and personalized services are integral to our brand. From the initial onboarding process to efficient claims handling, we prioritize constant communication with our participants throughout their journey.

We have a state-of-the-art Omni Channel call center supported by a highly trained team of Customer Service Representatives. Their main objectives are to promptly address customer concerns and to ensure a seamless and hassle-free experience. Moreover, we proactively keep our customers informed about updates, new offerings, and any changes that may impact them. This commitment to transparency helps us build trust with our customers.

We value customer feedback as a valuable source of insights. Through calls we continuously gather input from our customers to understand their preferences and identify areas for improvement. Our dedicated Service Quality and Experience department regularly reviews our processes, systems, and customer touchpoints to optimize the overall customer experience.

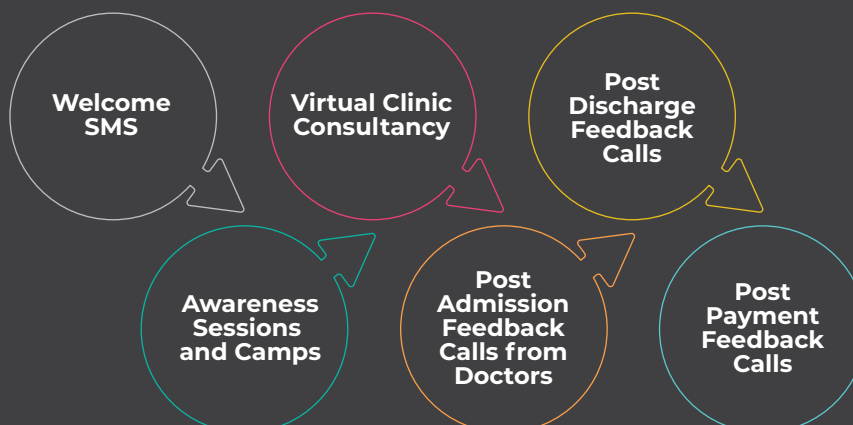
At Salaam Takaful, we remain committed to delivering exceptional customer service and continuously enhancing our offerings based on customer feedback.

# SERVICE QUALITY AND EXCELLENCE

## CUSTOMER TOUCH POINTS – MOTOR



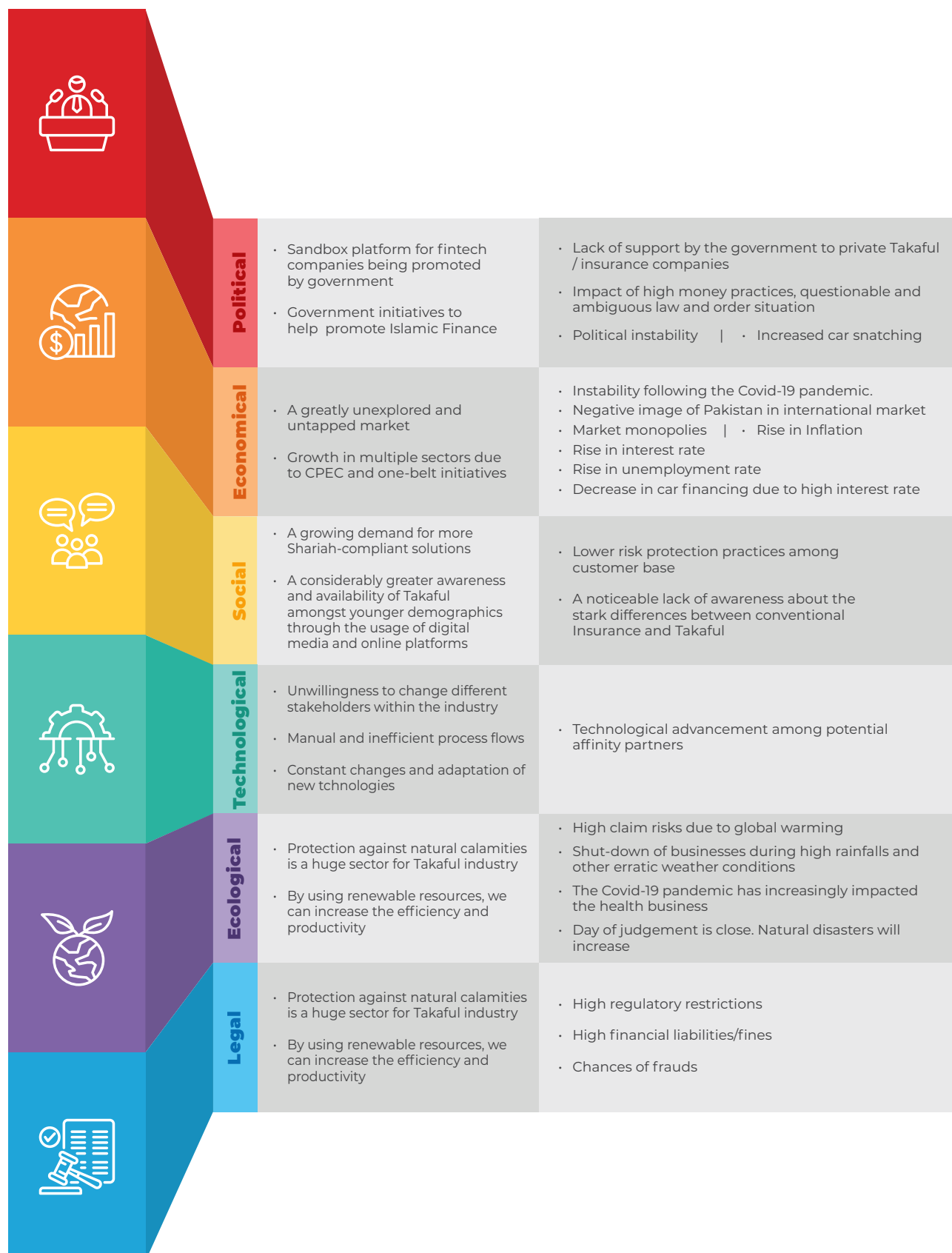
## CUSTOMER TOUCH POINTS – HEALTH







# EXTERNAL OVERVIEW THROUGH PESTEL ANALYSIS



## **POLITICAL:**

The often erratic political dynamics in Pakistan as compared to the systems that exist in several countries globally, are a significant factor currently impacting the industry. In most first world nations, purchasing health and motor insurance policies is not only considered a societal norm but is also deemed mandatory by governmental laws. In stark comparison, Pakistan does not hold any such regulations where citizens are obligated to purchase insurance policies, to aid and secure their day to day lives. Additionally, a persisting lack of awareness among the local populace, has hindered the growth of the insurance and Takaful industry causing it to contribute less than 1% to the total GDP. Irrespective of the solemn situation, certain experts are optimistic and predict that the recent relaxation for startup businesses has and will continue to attract several international investors, consequently proving to be beneficial for the insurance industry especially when the industry's massively untapped potential is taken into consideration. Moreover, the rapid increase in the local demand for Islamic financial products provides Salaam Takaful with the opportunity to improve their current market shares, paving a smoother road for the Company's exponential growth.

## **ECONOMICAL:**

As predicted by renowned economists globally, the post-COVID-19 pandemic recession has held an adverse effect on most economic sectors in the country. The increased demand for foreign products resulted in a subsequent current account deficit for the fiscal year 2021. This has influenced the government to take an initiative in order to increase interest rates and control the fiscal account deficit. This decision, along with stricter regulations that have been set for car financing has held a detrimental impact on the insurance sector in Pakistan. The exceedingly worsening inflation in the country has also influenced the spending patterns of Pakistani citizens resulting in an overall negative trend in their expenditure. The average citizen was found to be noticeably reluctant to spend on luxury goods that are customarily insured. Conclusively, the economic changes in Pakistan have been undeniably turbulent, therefore holding a varying impact on other sectors throughout the year.

## **SOCIAL:**

The local communities in Pakistan are recognized for having a great range of emotive responses allowing several experts to deem the overall population as passionate, sentimental and demonstrative about subjects that are close to their hearts. As citizens of a country that has been established with a strong religious foundation, they assign great significance to Islamic laws and values. Principles of interest (riba), gambling (maysir), betting (qimar) and other unlawful activities are generally frowned upon and often shunned by most Pakistanis, acting as a powerful catalyst for the integration of Islamic finance. Therefore, the ever-evolving need for Islamic financial products encourages the insurance industry to invest time and resources into the development of Takaful products over conventional products. An increasing awareness regarding Takaful products through digital media has also empowered Takaful companies to increase their market share, as more and more individuals gain insight into the world of Takaful and correlated Islamic financial products.



## **TECHNOLOGICAL:**

The undeniable technological evolution that has infiltrated most industrial sectors has severely influenced the corporate world, altering the conventional means of conducting business in Pakistan. The insurance sector is no different and the rapid growth of Insurtech companies can be considered an opportunity as well as a competitive threat for traditional insurance companies. The industry can either opt to utilize these systematic risks by making strategic alliances to its benefit or adapt and compete with the several new entrants. The implementation of up and coming technological advancements can also be availed in order to make operational processes more efficient and cost-effective. However, a drawback that needs to be accounted for is the initial cost of resources required for such adjustments, which is substantially high.

## **ECOLOGICAL:**

It is irrefutable that the worsening climate crisis accompanied by a consistent increase in global warming is a pressing matter of concern in this day and age and corporate giants are starting to grasp the dilapidating effects it holds on our lifestyles and environment. Assessing the factors that are contributing to such havoc has motivated the insurance industry to also adapt usage of cleaner renewable resources with hopes of making their processes eco-friendly while increasing efficiency. From an unbiased, industrial business perspective, the increase in natural disasters has led to a surge in claims due to destruction of homes, buildings, and factories. The highly polluted environment has significantly contributed to a greater and more frequent number of health concerns, impacting the overall health of consumers and subsequently resulting in higher health claims.

## **LEGAL:**

These established rules and regulations are mainly applicable on Takaful companies: Companies Act 2017, Insurance Rules 2017, Insurance Ordinance 2000, Takaful Rules 2012, code of Corporate Governance for Insurers 2016, Insurance Companies (Sound and Prudent Management) Regulations 2012 and other Shariah Guidelines and Rules. All of the aforementioned rules and regulation form a meticulously stringent system that hinders all non-conventional activities. Furthermore, failure to adequately meet all applicable laws and regulations may result in serious consequences, along with the altering of the company's legal status attached with heavy fines and penalties. Hence, Companies are increasingly hesitant in underwriting new lines of business.

# COMPETITIVE LANDSCAPE AND MARKET POSITIONING

In order to conduct a thorough analysis of the company's competitive environment we have utilized the framework "Porter's Five Forces Analysis". This particular framework is considered to be a macro tool for business analytics employing five key industrial forces to accurately determine the magnitude of competition in an industry and consequently its overall profitability level. Theoretically, this concept is backed by the following five forces to help determine the competitive intensity and attractiveness of the industry, playing an instrumental factor in the company's growth and success.



## **The rivalry amongst current competitors in the industry (High)**

Along with government insurance programs, risk retention organizations, and self-insured enterprises, insurers also compete with one another. As external risks are the main driving force behind product innovation today, there is relatively little product differentiation. The cost of insurance products is heavily controlled as well, therefore the only way for insurers to set themselves apart is by the quality of the services they offer to policyholders. In order to prevail in this competition, insurers must reconsider how their distribution systems cater to and please today's "digitally native" consumers. Tools like chatbot-enabled web applications, mobile apps, and automated service lure insureds with their simple, round-the clock accessibility. These tools will also enable agents and brokers to foster an experience economy by providing policyholders with customized insurance plans and quicker service, which will foster client loyalty.

## **Threat of New Entrants**

New competitors, alliances, and business strategies are emerging as a result of the insurtech movement. Change is afoot in the insurance industry, from technology-driven underwriting products to new sources of property data, usage-based insurance (UBI) technology to the internet of things (IoT) and drones, and from functional insurance API modules to white-labeled insurance products for quick integration and launch.

## **Bargaining Power of Buyers**

With the advent of social media and internet aggregators, individual policyholders now are a force, even though huge corporate clients paying millions of dollars in premiums have more negotiating leverage. Modern consumers want more individualized attention and care for the premiums paid due to instantaneous awareness of coverage, prices, and services. In order to fulfil these expectations, insurers must design user-friendly workflows for all procedures that directly interact with customers, including as underwriting, policy issuance, endorsements, and claims. The website, agents, and customer service personnel all need to provide a streamlined client experience. In order to accomplish this, insurers require the seamless integration of a variety of tools, including lead management systems, rating engines, CRM systems, policy administration systems, front-end portals, third-party data aggregators, and social media platforms.

## **Bargaining Power of Suppliers**

In the past, agents and brokers have made use of their power to persuade policyholders to do business with particular insurers. However, the bargaining power of distributors is dwindling as insurers use front-end methods to engage potential clients directly more frequently. Reinsurers are important in helping insurance companies spread out risk and loosen capital restrictions. A surplus of capacity in the reinsurance market may lead to increased competition and lower prices, which would put pressure on the industry's profitability. Additionally, the reinsurance segment's products might undergo a potential redesign as a result of regulatory standards requirements like IFRS 17.

## **Threats of Substitutes**

In the past, insurance have not had to deal with any replacement goods or services. Today, however, the insurtech movement has made this much more of a reality by enabling innovation in insurance products, including on-demand and usage-based insurance products, which have huge appeal to younger consumers searching for an alternative to the conventional.

# SWOT ANALYSIS



## STRENGTHS

- o Financial Protection It provides financial safety net for themselves and their families in case something happens to the person or the asset.
- o Digitalization and user-friendly claim lodging processes which makes the customer journey stand apart from the industry.
- o Salaam Takafuls client satisfaction with regard to Claim lodging and processes.

## WEAKNESSES

- o In Pakistan the insurance industry lacks innovation insurance offerings, the industry still runs largely on old tried and tested products. This is reducing the number of new entrants coming in this industry.

## OPPORTUNITIES

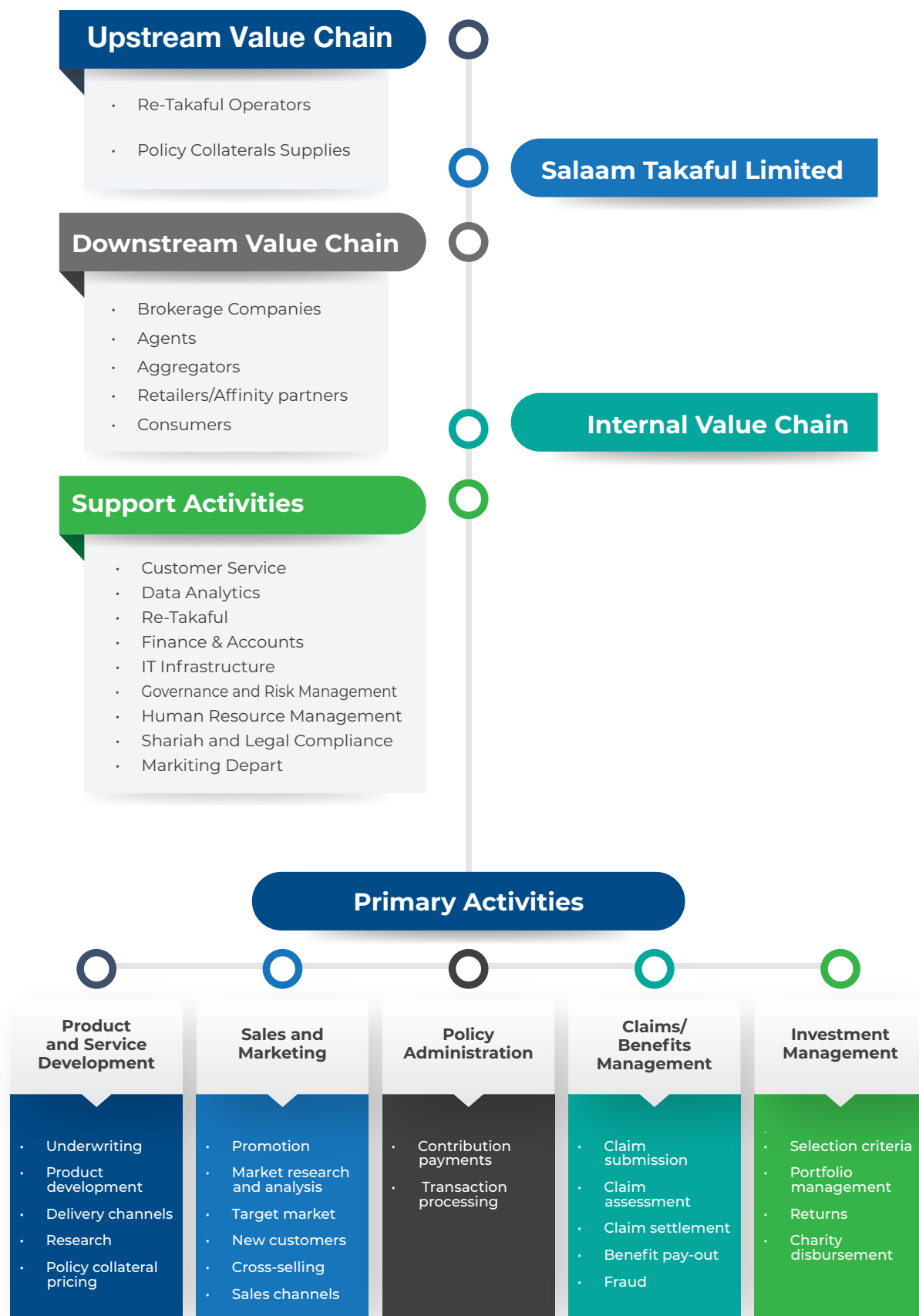
- o Insurtech Insurance technology, or Insurtech, changes all that by giving insurers the tools they need to treat customers better and grow their bottom line. As the industry develops, technology aids insurers in:
  - Streamline the client experience
  - Reduce the use of manual processes
  - Boost earnings by expanding margins

## Threats

- o The recent Economic condition in Pakistan has lead to increased expenses and costs with respect to assets, and the uncertainty in inflation has lead to a respectively lower income. Effecting company.
- o A downfall in the Motor business due to a reduced consumer preference in the asset may lead to a reduction of covered vehicles and impact the industry at large, as 23% of the business in the industry comes from Vehicle coverages.



# VALUE CHAIN ANALYSIS



# EVENTS

## January 2022

- o MoU signed between Salaam Takaful Limited and Kistpay Private Limited
- o MoU signed between Salaam Takaful Limited and Cometinsure
- o Salaam Takaful Limited in collaboration with Bakhbar Kissan and Agro Reap hosted an awareness session for farmers in Swabi
- o Dr. Irum Saba joined Salaam Takaful Limited as a Technical Member of Shariah Board

## February 2022

- o MoU signed between Salaam Takaful Limited and Insurance Bazaar Private Limited
- o Salaam Takaful Limited rated A++ by PACRA
- o MoU signed between Salaam Takaful Limited and Easy Insurance

## March 2022

- o MoU signed between Salaam Takaful Limited and Crop2X
- o South Asian Federation of Accountants (SAFA) awarded the prestigious Certificate Of Merit For Best Sustainability & Corporate Report 2020 to Salaam Takaful Limited
- o MoU signed between Salaam Takaful Limited and MTJ Foundation
- o Salaam Takaful Limited becomes customer's chosen Takaful operator with 90% satisfied policyholders (as a result of a telephonic survey conducted among 18,000 policyholders)
- o MoU signed between Salaam Takaful Limited and Hefazat Technologies
- o MoU signed between Salaam Takaful Limited and Watersprint
- o Salaam Takaful visited multiple farms in Swabi and Mardan

## April 2022

- o Salaam Takaful in collaboration with WaterSprint Ltd and REEDS Pakistan extends parametric based crop Takaful coverage to 61 farmers in Rahim Yar Khan
- o MoU signed between Salaam Takaful Limited and Hifazah Technologies Private Limited
- o Salaam Takaful Limited was invited to the first ever Agritech Conference organized by Pakistan Fintech Network in Islamabad
- o Salaam Takaful Limited conducted a special session on Takaful at Institute of Business Administration
- o MoU signed between Salaam Takaful Limited and Educast Private Limited

## May 2022

- o MoU signed between Salaam Takaful Limited and Target-TMC Private Limited
- o Salaam Takaful Limited secured runner-up position in SummerHack 2022: Global Insurance Design Thinking Ideathon with the theme "Artificial Intelligence in Insurance"
- o Salaam Takaful's initiative of extending parametric based Crop Takaful was covered in Islamic Sustainable Finance & Investment
- o Salaam Takaful Limited commenced a series of awareness sessions for farmers
- o MoU signed between Salaam Takaful Limited and Waada Digital Private Limited
- o Salaam Takaful Limited sponsored World Islamic Finance Forum 2022

## July 2022

- o Salaam Takaful Limited participated in the implementation of IFRS-17 in Pakistan, organized by BADRI Management Consultancy
- o MoU signed between Salaam Takaful Limited and Compare Online Private Limited
- o Salaam Takaful Limited participated in the implementation of IFRS-17 in Pakistan, organized by The Southern Regional Committee of the Institute of Chartered Accountants of Pakistan

## August 2022

- o Salaam Takaful Limited won Brand of the Year Award
- o Salaam Takaful Limited partnered with Syngenta Pakistan

## September 2022

- o MoU signed between Salaam Takaful Limited and Muweshi Co.
- o MoU signed between Salaam Takaful Limited and Khaalis Tech
- o Salaam Takaful Limited won Consumer Choice Award
- o MoU signed between Salaam Takaful Limited and Sidat Hyder Morshed Associates Private Limited
- o Salaam Takaful Limited partnered with Sir Syed University to provide Qarz-e-Hasna to student
- o Arif Alvi hails crop takaful initiatives of Salaam Takaful Limited
- o Salaam Takaful Limited won 2nd position for Best Corporate & Sustainability Report Award 2021 in the insurance category by CA & ICMA Pakistan

## October 2022

- o Follow-up meeting with Dr. Arif Alvi for betterment of Farmers in Pakistan
- o Salaam Takaful Limited signs an agreement with Neubolt Energy Services Pvt. Ltd
- o Salaam Takaful Limited launched parametric based motor takaful coverage under the third cohort of regulatory sandbox by SECP

## November 2022

- o Strategic Alliance between Salaam Takaful Limited & Bank Islami
- o Salaam Takaful Limited partnered with Indus Motor Company Limited for Toyota Protection Plan
- o Salaam Takaful Limited partnered with Iqra University to provide Qarz-e-Hasna to student

## December 2022

- o Salaam Takaful Limited signs an MOU with Hum Mashal-Rah as a part of its ESG initiatives
- o Salaam Takaful Limited was awarded by the prestigious Certificate of Merit for Best Sustainability & Corporate Report 2021 by South Asian Federation of Accountants (SAFA)

# REFLECTING ON OUR MILESTONES SO FAR

## 2018

- **PKR 375 million**
- 150% base line revenue growth

## 2019

- **PKR 1 billion**
- ICAP / ICMA best Corporate and Sustainability Award
- ISO Certification
- South Asian Federation of Accountant best Corporate and Sustainability Award
- Brand of the Year Award
- Service Quality department established
- Expansion to 3 additional cities
- Achieved 80% Customer Satisfaction ratio (based on quality assurance calls)
- Achieved 50% year-on-year assets growth
- 200%\* growth in headcounts

## 2020

- **PKR 1.6 billion**
- Achieved 60% year-on-year assets growth
- 1st position in the Insurance Category for Best Corporate & Sustainability Report
- SAFA Certificate of Merit
- A IFS Rating by PACRA



## 2022

- **PKR 3 Billion**
- 36% YoY growth
- A++ IFS Rating by PACRA
- Achieved 95% customer satisfaction (based on quality assurance calls)
- Started pilot program of Crop Takaful in Punjab and Sindh region
- Surplus Money Distribution to 13,737 participants
- Secured Runner-up position in SummerHack 2022 by Cookhouse Lab-Insurtech, Canada
- Relaunched Salaam App as an insurtech ecosystem
- Brand of the year award
- Consumer Choice award
- Secured 2nd position in the Insurance Category for Best Corporate & Sustainability Report
- Induction in Toyota Protection Plan
- Established ESG board committee
- Became signatory of UNEP-FI principles for sustainable insurance
- Launched Qarz-e-Hasna for students
- Sandbox approved 'Pay How You Drive' telematic solution



## 2021

- **PKR 2.2 Billion**
- 37.5% YoY growth
- 2nd position in the Insurance Category for Best Corporate & Sustainability Report
- Surplus Money Distribution to 10,117 participants
- First telematics based takaful coverage; Pay As You Drive launched
- Launch of Livestock takaful
- Launch of Salaam Virtual Clinic
- CAGR 96%
- Featured in the Insurtech 100
- Establishment of first ever Shariah Board with representation of all Islamic schools of thought
- MTO plan developed for Madaris Graduates and Ulema
- First female representation in Shariah Board



# FIRST ISLAMIC INSURTECH IN PAKISTAN



**Salaam Takaful Limited**  
is the only Shariah Compliant  
Insurtech in Pakistan,  
addressing the digital  
transformation challenges  
and setting new paradigms  
in the industry.

01

Digitized and seamless way of claim processing

02

All of our products are easily accessible via our e-commerce platform

05

Introduced parametric and telematics-based products and extensions

04

1st of its kind multifunctional Salaam App; bringing healthcare at the fingertips now

03

1st virtual clinic with certified physicians on board for free OPD consultation

# DIRECTORS' REPORT

The Board of Directors of Salaam Takaful Limited, (hereinafter referred to as “the Company”) are pleased to present its 17th Annual Report and Audited Financial Statements of the Company together with the Auditor’s Report thereon, for the year ended 31st December 2022.

## Company Overview

As the largest dedicated takaful operator in Pakistan, Salaam Takaful Limited’s business activity is operated through Motor and General Accident, Fire, Marine and Medical Takaful segments. The company offers motor takaful and healthcare takaful products, property and casualty takaful products, general accident and liability takaful, as well as aviation and medical expenses coverage products. It serves both individuals and corporations. The company has undergone a strategic transformation to become a client-centric business that is built on successful stakeholder relationships with a growth mindset to serve larger customer segments. Our strategy is to develop and provide micro-insurance products to promote the concept of financial inclusion and social impact. To further consolidate our position in the takaful industry, Salaam Takaful has been the recipient of the national Best Corporate and Sustainability Report Award for the last four years as well as the South Asian Federation of Accountants (SAFA) Certificate of Merit for Best Presented Annual Report for three years.

## Pakistan’s Economy

The global slowdown due to supply chain disruptions, higher inflation, and monetary tightening has toned down the overall demand at international level which have its implications on the performance of the manufacturing industry in Pakistan.

As in many other countries, Pakistan's economic activity remains currently below potential, implying a negative output gap. At the same time, again as in many other countries, inflation remains substantially above targets. Furthermore, as is also the case in several other emerging economies, the global energy crises, which has pushed up global commodity prices, also puts downward pressure on international official reserves.

Inflationary pressure has started easing out as the MoM CPI inflation declined from massive high of 4.7 percent in October 2022 to 0.8 percent in November. The same trend is witnessed in SPI which decelerated for three consecutive weeks in December that would also be transmitted into CPI inflation of the current month.

The Consumer Price Index (CPI) recorded at 23.8 percent on a YoY basis in November 2022 as compared to 26.6 percent in the previous month.

Import compression strategies, tightening of monetary policy and lower purchasing power of the consumer continued to compress the performance of automobile sector.

Pakistan's total liquid foreign exchange reserves increased to \$ 12.0 billion on December 21, 2022, with the State Bank of Pakistan's reserves now stood at \$ 6.1 billion. Commercial banks' reserves remained at \$ 5.9 billion.

Overall, the fiscal deficit stood at 1.5 percent of GDP (Rs.1,266 billion) during Jul-Oct FY2023 as compared to 0.9 percent of GDP (Rs.587 billion) last year.

For FY2023, economic growth is likely to remain below the budgeted target due to devastation created by floods. This combination of low growth, high inflation and low levels of official reserves is particularly challenging for policy makers. In the short run, demand management policies by Pakistan's Central Bank and Government are designed to fight inflation and protect official reserves and protect inclusive growth.

## **Business Challenges and Opportunities**

In the backdrop of the global climate change catastrophe, Salaam Takaful has been strategically developing Shariah-compliant parametric crop and livestock takaful products for our smallholder farmers and livestock operators. As a responsible business, Salaam Takaful Limited is dedicated to tackling the challenge of climate change while creating more vibrant, healthy and equitable communities throughout Pakistan. We consider climate change to be one of the greatest global and domestic public health challenges of our time.

Our Pay as You Drive (PAYD) takaful product e-tracks the miles driven in your car to offer policy discounts to drivers who, according to their sensor, drive fewer miles than the average - thus saving consumers money while reducing accidents, congestion, and air pollution.

As an asset owner, we believe in the value and potential of microinsurance as a cost-effective investment in preventing future losses, thus, protecting assets and livelihoods. Microinsurance is a valuable tool for poverty alleviation and particularly through health microinsurance schemes, it can provide widespread social protection. Providing microinsurance effectively requires the involvement of many stakeholders from both the public and private sector with different objectives.

In this regard, we share a common vision with the World Bank's strategy to provide access to insurance solutions for low-income countries, and to implement the World Bank's Climate Change Action Plan 2021-2025 (CCAP 2.0) to transition South Asia, particularly Pakistan, toward climate-smart development. Aligned with the five priority transitions recommended by the World Bank's Country Climate and Development Report (CCDR) for Pakistan, we have been taking significant steps toward a climate-resilient development pathway by creating sustainable Shariah-compliant crop takaful solutions to help our farmers face climate vulnerability. Our strategy is to assist smallholder farmers access parametric insurance solutions to adapt to the growing risks of natural disasters as witnessed in Pakistan with the recent devastating floods that resulted in more than 1,700 deaths, more than 8 million internally displaced persons, and \$30 billion in damages and economic losses for our nation.

In May 2021, under the Securities and Exchange Commission of Pakistan's Regulatory Sandbox we initiated two pilots in Rahim Yar Khan and Arifwala and Vehari covering about 470 acres of land to test out Parametric Crop Takaful, and to provide Weather Index Solutions for excessive rainfall, drought, heat/temperature and wind coupled with farm advisory on weather and precision farming techniques. We are now evaluating a hybrid index (i.e., combination of weather and yield protection) for our upcoming pilots in Swabi, Mardan and Depalpur as well. Our plan is to design and deploy our parametric index-based solutions through a diverse distribution mechanism aided by input companies, contract farmers, and NGOs for distribution of our takaful policies to farmers.



Through our collaborative technology platform (which is connected to several weather models, satellite imagery and aided by AI) we are able to provide fairly accurate indices and index trackers with instant claims resolution. Our solution is also available through mobile application and it is a highly agnostic platform capable of integrating with any other software platform. We are now evaluating hybrid index (i.e., a combination of weather and yield protection) for our upcoming pilots in other areas.

Building resilience to climate change is of paramount importance in Pakistan. We believe our experience in executing and running this sophisticated technology driven parametric crop takaful solution can aid in realizing national objectives of financial inclusion and climate resilience, via instant payouts against disaster risks to 9 million farm households.

Our objective is to lay out a foundation for scalable solutions. In doing so, our intent is to improve Pakistan's response to climate-related disasters and contribute to our farmers' resilience building and ultimately to national food security.

Our passion and efforts in this respect are driven by our commitment to global ESG frameworks as Participant of the United Nations Global Compact (UNGC), as Signatory to UNEP-FI's Principles for Sustainable Insurance (PSI), and as an early adopter of the UN SDGs.

## **Risk Overview**

Our Company's risk management activities are actively overseen by the board and senior management. The board approves the risk management strategy, policies and procedures that are consistent with the Company's financial condition, risk profile, and risk tolerance. Such approvals are communicated to all management levels in the Company involved in the implementation of risk management. The board has chosen to delegate some of its risk responsibilities to the Board Audit Committee.

The Board Audit Committee holistically manages and controls the takaful, retakaful, reserving, market, balance sheet, credit, and operational risks of the Company with the ultimate objective of creation of participants and shareholder value through effective management of all risks and ensuring that return is commensurate with the risk taken.

The Audit Committee relies on the controls established by other board and management committees such as the Investment Committee and the Underwriting Retakaful and Co-takaful Committee, claims committee and Risk Management Committee. The Investment Committee monitors the Company's investment portfolio and ensures compliance with set limits in accordance with the Company's risk profile while at the same time take actions to generate maximum returns on investments. The Underwriting Retakaful and Co-takaful Committee strategically drives the retakaful and co-takaful business within limits set by the regulatory requirement and company's internal policies.

Exercise of prudent underwriting helps keep the Company's portfolio stable and covers the risk of liabilities through obtaining re-takaful cover. Salaam Takaful has very good treaty limits with international retakaful companies such as Labuan Re, Singapore Re, Malaysian Re, Saudi Re, PRCL-WRTO & Kuwait Re, all of these maintain good credit ratings.

The main responsibility of the Company's risk management function is identifying, measuring, managing, monitoring, and reporting on the overall level of risk in the Company. Risk Management department (RMD) has strategized the process as below:

- Risk Identification
- Risk Analysis
- Risk Mitigation
- Risk monitoring and reporting

RMD ensures a risk management capability is developed and maintained in all departments/ units. This includes developing policies, guidelines and tools that help to identify measure and monitor the various risks, and “red-flagging” breach of approved limits such as credit exposures, industry limits and country limits that the Company is exposed to.

## **Enterprise Risk Management Framework**

The implementation of an Enterprise Risk Management (ERM) framework provides an entity level portfolio view of risk that primarily covers the participants with focus on sustaining shareholder value. Realizing the importance of a risk strategy that aligns with the Company's overall strategy, the Company has implemented an effective ERM framework to integrate risk management governance, policies, systems, and infrastructure on a company-wide basis instead of managing risks only within individual business lines or functions.

## **Insurer Financial Strength Rating**

Our Board has ensured that as part of the risk management system, the Company gets itself rated from Pakistan Credit Rating Agency Limited (PACRA). During the year, PACRA has elevated the Insurer Financial Strength (IFS) rating of the Company from “A “ (Single A) to “A++” (Single A++) with a Stable Outlook which is reflective of the Company's progress towards improvement in its financial strength. The rating is being used by the Company's risk management function and the Risk Management & Compliance committee as a risk monitoring tool.

## **Our Strategy**

Salaam Takaful's short to medium term strategy is to maintain market leadership on product offerings by continue our market leadership in general takaful. We are establishing a stronger presence through a strengthened brand position, intensive marketing initiatives, an enhanced digital ecosystem, and embracing the ESG/sustainability agenda. We are adopting a multichannel strategy to penetrate the retail segment and leveraging our market-leading position in single contribution products while focusing on retail regular contribution products to diversify our business portfolio.

As part of our long term strategy, Salaam Takaful is launching the first and only digital Family Takaful company in Pakistan. Through Salaam Family Takaful Limited, which is a wholly owned subsidiary of Salaam Takaful Limited, we are aiming to offer individual and corporate clients a differentiated experience of customized services. Salaam Family Takaful's business model applies Shariah ideals to ensure the overall financial security of all the participants in the fund as well as their families, property, and businesses.

Salaam Family Takaful will offer an extensive range of Shariah-compliant takaful products from investment-linked family care products to better savings products that are designed to ensure a better future for our customers and their families. The company will begin operations in FY2023.

## **Our Product Portfolio**

Salaam Takaful has recently developed the following lines of businesses, to further strengthen the Waqf Fund (Participants Takaful Fund) and expand the company's current business:

### **Salaam Domestic Travel Takaful**

This domestic takaful coverage is to comprehensively protect travellers when travelling within Pakistan. With various benefits to cover almost any travel eventuality, customers are well protected from the moment they leave home until their return. Launched in 2021, this product provides coverage in case of flight delay and trip curtailment along with home protection.

### **Salaam International Travel Takaful**

This comprehensive domestic takaful coverage certificate is designed to protect both first-time travellers and seasoned global wanderers when travelling overseas. With a 24-hour coverage and various benefits to cover almost any travel eventuality, this product was updated with the per-day pricing feature alongside parametric flight disruption characteristics.

Salaam Zarai Takaful enables farmers' resilience by leveraging technology to provide agritech parametric crop takaful coverage. The real-time satellite-based solution triggers payouts to policyholders automatically without requiring them to make a claim. Beginning with Salaam Takaful's induction into a regulatory sandbox in 2021, the parametric solution is now taking a more cohesive and consistent shape with the pursuit of a sustainable business model for scaling the initiative to a national-level program.

### **Salaam Livestock Takaful**

In Pakistan, livestock plays an important part in the economy providing milk for income and consumption, selling of livestock, and much more. Salaam Livestock Takaful protect the farmers in case of any unfortunate and unforeseen event relating to their livestock such as a single widespread disease, flooding, mortal death, risk of calving, permanent total disability, and theft. The product has been launched in Hyderabad, Jamshouro, Matiari, Peshawar, Sawabi, Mardan and Sargodha.

## Our Digitalization Journey

As online takaful is gaining traction worldwide, Salaam Takaful is accelerating its digital evolution to provide new digital solutions for its customers through technology to improve the different aspects of business from distribution to claims processing. We believe that digital insurers and takaful operators will help create a competitive environment to raise insurance penetration and boost insurance accessibility in Pakistan. On the IT side, we have revamped our data center and cloud-based data protection and created a robust backup and security framework.

## Implementation of IFRS 17

The impact of IFRS 17 will be felt not only by preparers, but also by boards and audit committees, investors, analysts, regulators, and auditors. Keeping in mind that we would have to be well ahead on the interpretation and application of IFRS 17 in order to meet its more detailed disclosure requirements, Salaam has dedicated significant effort and resources for the Financial Impact Analysis (FIA) to be completed before December 2023. We have appointed AF Ferguson & Co. as our consultants to prepare us for IFRS-17 Implementation.

## Statement on Corporate and Financial Reporting Framework

In compliance with the Corporate and Financial Reporting Framework under the Code of Corporate Governance for insurers 2016, the Directors confirm the following:

- a. The Financial Statements prepared by the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity
- b. Proper books of accounts have been maintained by the Company
- c. Appropriate accounting policies have been applied consistently in preparation of the Financial Statements except as disclosed in the audited accounts, if any, and accounting estimates are based on reasonable and prudent judgment
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements and departure, if any, there from has been adequately disclosed
- e. The system of internal control is sound in design and has been effectively implemented and monitored
- f. There are no significant doubts on the ability of the Company to continue as a going concern
- g. There is no material departure from the best practices of corporate governance.



## Statement on Internal Controls

The system of internal control is sound in design and has been effectively implemented and monitored. The Board of Directors fully recognize their responsibility to ensure that an adequate and effective internal control system exists in the Company and is fully implemented across all business lines. The management assumes responsibility for establishing and maintaining effective internal controls throughout the Company and has made a statement on internal control in this annual report.

## Statement of Compliance with Financial Statements

The financial statements, prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows, and changes in equity. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards and Shari'ah Standards, as applicable to takaful companies in Pakistan, have been followed in preparation of these financial statements and there is no departure from the said standards.

## Statement of Directors' Responsibilities

The Board of Directors have ensured that:

The Code of Conduct is in place and is disseminated throughout the Company

A vision/mission statement and overall corporate strategy for the Company has been adopted and significant policies and procedures have been formulated having regard to the level of materiality, as determined by the Board.

A system of sound internal control has been established which is effectively implemented at all levels within the Company.

Significant issues are placed for the information, consideration and decision of the Board of Directors.

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

Board Committees, namely Audit Committee, Investment Committee, and Ethics, Human Resource & Remuneration Committee, and Investment Committee are effectively functioning.

Management Committees, namely Underwriting and Retakaful Committee, Claim Settlement Committee, and Risk Management & Compliance Committee are effectively functioning.

The risk management system is suitable, effective and proportionate and is implemented and monitored.

Internal audit reports are provided for the review of external auditors and the Board recommends the appointment of external auditors for a year as recommended by the Audit Committee.

The Statement of Compliance with the best practices of corporate governance as per the Code is circulated along with the annual report.

## Governance Framework of the Company

The Board of Directors of Salaam Takaful Limited is committed to maintain high standards of corporate governance which has underpinned the Company's long-term competitiveness, growth and sustainability. The requirements of the Code of Corporate Governance for Insurers, 2016 have been fully adopted and have been duly complied with. A statement to this effect is annexed in the annual report. The composition of the Board includes core competencies and diversity, including gender. Each Board member undergoes self-evaluation exercise on annual basis as well as collectively overall performance evaluation of the Board. This is a key indicator towards strong governance framework of the Company. The Company is keen towards continuous strengthening of the governance structure and internal controls.

KPMG – Taseer Hadi & Co. is the Statutory Auditor, Shariah Auditor and Tax Advisor while EY Ford Rhodes performs the function of Internal Audit of the Company besides the in-house Audit Function. Deloitte has performed updating existing as well as development of new policies and advising on various regulatory and policy development frameworks. All the aforesaid Professional Firms belong to the 'A' category of SECP's Panel of Auditors and are amongst Big Four Audit Firms locally and internationally.

## Pattern of Shareholding

Categories of shareholders	Shareholders	Shares held	Percentage %
<b>Shareholding Pattern</b>			
House Building Finance Company Limited		8,699,500	7.68%
Al Baraka Bank Pakistan Limited		10,435,690	9.22%
Sitara Chemical Industries Limited		2,999,500	2.65%
Mal Al-khaleej Investments LLC		5,218,869	4.61%
Mr. Salim Habib Godil		21,459,992	18.96%
Syed Rizwan Hussain		21,459,990	18.96%
Mr. Shahzad Salim Godil		21,459,990	18.96%
Syed Salman Hussain		21,459,990	18.96%
Others		8,500	0.01%
		<b>113,202,019</b>	<b>100.00%</b>

Categories of shareholders	Shareholders	Shares held	Percentage %
<b>Shareholding Pattern</b>			
House Building Finance Company Limited		8,699,500	7.68%
Al Baraka Bank Pakistan Limited		10,435,692	9.22%
Sitara Chemical Industries Limited		2,999,500	2.65%
	3	<b>22,134,692</b>	<b>19.6%</b>
Directors			
Irum Saba		500	
Mr. Salim Habib Godil		21,459,867	
Shahzad Salim Godil		21,459,864	
Syed Salman Hussain		21,459,864	
Syed Rizwan Hussain		21,459,864	
	6	<b>85,840,459</b>	<b>75.8%</b>
Joint Stock Compan	1	<b>4,500</b>	<b>0.004%</b>
Foreign Investors			
Mal Al-khaleej Investments LLC	1	<b>5,218,868</b>	<b>4.61%</b>
Individuals/Others	8	<b>3,500</b>	<b>0.0031%</b>
Total	18	<b>113,202,019</b>	<b>100%</b>
Shareholders holding 5% or more voting interest			
House Building Finance Company Limited		8,699,500	
Al Baraka Bank Pakistan Limited		10,435,692	
Mr. Salim Habib Godil		21,459,867	
Syed Rizwan Hussain		21,459,864	
Mr. Shahzad Salim Godil		21,459,864	
Syed Salman Hussain		21,459,864	
		<b>104,974,651</b>	

## Performance Review of the Company

Key financial data which depicts the Company's performance over the past 6 years is presented below:

Key Financial Data	2022	2021	2018	2017	2016	2016
	----- (Rupees) -----					
Gross contribution written -PTF	<b>3,002</b>	2,220	1,606	1,032	376	150
Net contribution earned – PTF	<b>1,556</b>	1,105	870	434	128	110
Investment Income -PTF and SHF		55	72	48	6	19
Profit / (Loss) before Tax – SHF	<b>225</b>	112	18	22	(76)	4
Surplus before tax – PTF	<b>26</b>	68	56	28	4	18
Investments-PTF and SHF	<b>438</b>	706	672	601	500	298
Cash & Bank Balances-PTF and SHF	<b>200</b>	193	286	25	88	27
Total Assets-PTF and SHF	<b>4,271</b>	3,722	2,185	1,431	953	479

## Gross Written Contribution Over the Period

The Company's topline 'Gross Written Contribution' which shows the overall business underwritten by the Company throughout the year is presented below:

Key Financial Data	2022	2021	2018	2017	2016	2016
Fire & Eng.	211,931,408	99,126,953	55,943,219	25,858,816	27,084,556	24,634,314
Marine	64,293,997	44,441,769	27,674,302	25,545,139	24,657,084	23,072,993
Motor	1,234,067,031	1,000,599,665	719,283,834	574,720,232	301,533,584	63,667,166
Health	1,350,824,721	1,001,356,002	671,474,214	246,316,626	9,247,091	37,648,404
Miscellaneous	140,732,670	74,006,776	131,334,862	159,371,984	13,334,000	758,842
<b>Total</b>	<b>3,001,849,827</b>	<b>2,219,531,165</b>	<b>1,605,710,431</b>	<b>1,031,812,796</b>	<b>375,856,315</b>	<b>149,781,719</b>

During the year 2022, The Company performed to escalate its topline by 35 % as compared to the previous year 2021. This year Motor & Health Class emerged as the strongest contributor to the business accounting for 86 % of the total written contribution. The Company has focussed on business from non-motor classes as well.

## Claims Expense Over the Period

The Company's topline 'Gross Written Contribution' which shows the overall business underwritten by the Company throughout the year is presented below:

Class	Claim Expense	Re-Takaful and other Recoveries Revenue	Net Takaful Claim Expense	
	2021 (Rupees)		2020 (Rupees)	
Fire & Eng.	344,336,848	320,776,778	23,560,070	3,192,402
Marine	14,067,121	294,583	13,772,538	3,745,147
Motor	561,694,096	188,447,439	373,246,657	207,124,431
Health	800,228,923	-	800,228,923	637,067,912
Miscellaneous	60,585,677	40,010,656	20,575,021	5,682,233
<b>Total</b>	<b>1,780,912,665</b>	<b>549,529,456</b>	<b>1,231,383,209</b>	<b>856,812,124</b>

Major cost of any insurance/takaful company is its claims, but as a dedicated Shariah compliant company Salaam Takaful considers it as benefits for the participants. It is a sharing of risk among participants on the basis of brotherhood. Net claims for the year 2022 increased by 44 % as compared to previous year, because of Increase in business mainly attributable to Motor, Health and Fire & Engineering.



## Financial

The summarized results of the Company's takaful business for the year ended December 31, 2021, are as under:

	YTD 31st December 2022	YTD 31st December 2021	Increase/ (decrease)
<b>PARTICIPANTS' TAKAFUL FUND (PTF):</b>			
Gross Written Contribution	3,001,849,827	2,219,531,165	35%
Net Takaful contribution	2,390,615,368	1,625,618,920	47%
Net Claim Expense	1,231,383,209	856,812,125	44%
Underwriting Results	1,333,646,352	927,423,060	43%
Investment Income	-7,038,886	26,003,586	-127%
Surplus for the period	26,032,357	67,663,223	-62%
<b>SHAREHOLDERS' FUND (SHF)</b>			
Wakala Fee	1,090,430,093	683,819,956	59%
Investment Income	7,650,340	29,170,448	-74%
Profit before taxation for the period	225,065,868	111,770,723	101%
Profit after taxation for the period	192,210,276	107,535,356	79%

## Board and Committee Meetings

In the year 2021, four Board meetings, four Audit Committee meetings, four investment Committee meetings and one HR Committee meetings was held.

Director	Status	Attendance			
		Board	Audit Committee	Investment Committee	HR Committee
Mr. Salim Habib Godil	Non-Executive	6	2	N/A	1
Mr. Rizwan Hussain	Executive	6	N/A	4	1
Mr. Shahzad Salim Godil	Non-Executive	6	4	4	1
Syed Salman Hussain	Non-Executive	5	4	4	1
Mr. Ahmed Shuja Kidwai	Non-Executive	1	N/A	N/A	N/A
Tamim Shabbir	Non-Executive	2	N/A	N/A	N/A
Ms. Irum Saba	Independent	5	2	N/A	N/A
Mr. Faisal Murad	Non-Executive	6	N/A	N/A	N/A
Mr. Muhammad Irfan	Member	N/A	N/A	4	N/A

## Auditors

The present statutory auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants have retired as statutory auditors of the Company at the year-ending 31st December 2022. The Board Audit Committee recommended the appointment of M/s KPMG Taseer Hadi & Co Chartered Accountants to act as statutory auditors for the ensuing year ending 31st December 2023.

## General

1. To facilitate increased earnings, dividend was not distributed during the year. The Company decided that the time is right to utilize retained earnings for funding growth and expansion into new geographical locations and new product lines.
2. The Company does not have any outstanding statutory payments on account of taxes, duties, levies and charges, except taxes and duties on normal course of business that have been disclosed in Financial Statement.

## Tax matter related to Sales tax on health insurance

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 Honorable Lahore High Court (LHC) in the month of September 2019. The Honorable 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 unconsolidated 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 unconsolidated financial statements. The amount involved as of 31 December 2022 is 50.292 million (31 December 2021: Rs. 44.79 million).

## Outlook

According to the Asian Development Bank (ADB) Pakistan's economy is forecast to slow to 3.5% in FY 2023 amid devastating floods, policy tightening, and critical efforts to tackle sizable fiscal and external imbalances. ADB's lower growth projection also reflects double-digit inflation.

A positive economic outlook will largely depend on the restoration of political stability and the continued implementation of reforms under the revived International Monetary Fund (IMF) program to stabilize the economy and restore fiscal and external buffers.

In this macro-outlook, taking advantage of the new regulatory framework, Salaam Takaful has successfully applied for license as a digital-only takaful operator. In FY2022, the Securities and Exchange Commission of Pakistan (SECP) has introduced a registration regime for digital-only insurers and dedicated micro insurers in a bid to promote digitalization and improve customer convenience through instant provision of services. In this regard, amendments to the Insurance Rules, 2017 have been notified vide SRO 1513(I)/2022, said a press release. The minimum capital requirements have been set at Rs.250 million for life digital-only business.

Our aim is to utilize the new framework to develop digital claim lodging and payment process from inception of operations and an implementation plan towards complete transition to digitalize claims processing comprising claim intimation, claims assessment and payment.

We firmly believe that digital technology will play an important role in achieving Salaam's objectives as it enables the distribution of takaful coverage to new customer segments through innovative solutions.

The growing demand for digital services will be a catalyst for takaful growth in the country.

Both the apex regulators, the SECP and the State Bank, have identified Digitalisation as one of the strategic thrusts critical to achieving financial inclusion and transformation towards sustainable finance.

There is a continued focus on alignment with the regulators' vision. Our 2023-25 outlook rests on our capacity to create an accelerated digitalisation business model that will cater to the increasing demand for pure Islamic products in the Pakistani insurance market.

## Acknowledgment

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

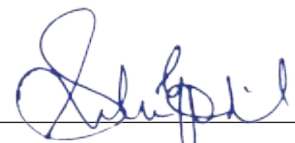
The Directors would also like to thank the Securities and Exchange Commission of Pakistan, re-takaful operators, and all our participants for their continued guidance and support.

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



**Rizwan Hussain**

Managing Director  
& CEO



**Salim Habib Godil**

Chairman of the  
Board of Director

دونوں اعلیٰ ریگولیٹرز، ایس ای سی پی اور اسٹیٹ بینک نے ڈیجیٹلائزیشن کو ایک ایسے اسٹریٹجک زور کے طور پر شناخت کیا ہے جو مالیاتی شمولیت اور پائیدار مالیات کی طرف تبدیلی کے حصول کے لیے اہم ہے۔ ریگولیٹرز کے وژن کے ساتھ ہم آہنگی پر مسلسل توجہ مرکوز ہے۔ ہمارا 2023-25 کا نقطہ نظر ایک تیز ڈیجیٹلائزیشن بزنس ماڈل بنانے کی ہماری صلاحیت پر منحصر ہے جو پاکستانی انشورنس مارکیٹ میں خالص اسلامی مصنوعات کی بڑھتی ہوئی مانگ کو پورا کرے گا۔

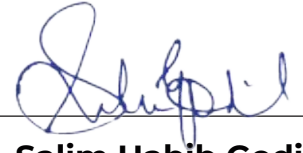
### اعتراف:

ڈائریکٹرز اپنے شیئر ہولڈرز کے لیے اپنی گہری تعریف کا اظہار کرنا چاہیں گے جنہوں نے کمپنی پر مسلسل اعتماد ظاہر کیا ہے۔ ڈائریکٹرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، ریگولٹرز آپریٹرز اور تمام شرکاء کا مسلسل رہنمائی اور تعاون کے لیے شکریہ ادا کرنا چاہتے ہیں۔ آخر میں، ہم اپنے مکمل خاندان کے ہر فرد کے عزم، لگن اور اختراعی سوچ پر تہ دل تعریف کرنا چاہیں گے اور یقین رکھتے ہیں کہ وہ مستقبل میں بھی ایسا کرتے رہیں گے۔ بورڈ آف ڈائریکٹرز کی جانب۔



**Rizwan Hussain**

Managing Director  
& CEO



**Salim Habib Godil**

Chairman of the  
Board of Director



## اکٹوبر:

موجودہ قانونی آڈیٹر کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے قانونی آڈیٹر کے طور پر دوبارہ تقرری پر رضامندی ظاہر کی۔ بورڈ آڈٹ کمیٹی نے میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی کی دوبارہ تقرری کی سفارش کی۔ چارٹرڈ اکاؤنٹنٹس، 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے قانونی آڈیٹر کے طور پر کام کریں گے۔

## جزل:

I. بڑھتی ہوئی آمدنی کو آسان بنانے کے لیے، سال کے دوران ڈیویڈنڈ تقسیم نہیں کیا گیا۔ کمپنی نے فیصلہ کیا کہ برقرار رکھی ہوئی آمدنی کو نئے جغرافیائی مقامات اور نئی مصنوعات کی لائسنس میں ترقی اور توسیع کے لیے استعمال کرنے کا صحیح وقت ہے۔

II. کمپنی کے پاس ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی تھاقانونی ادائیگی نہیں ہے، سوائے کاروبار کے معمول پر ٹیکس اور ڈیویڈنڈ کے جن کا انکشاف مالیاتی گوشواروں میں کیا گیا ہے۔

## ہیلتھ انشورنس پریملز ٹیکس سے متعلق ٹیکس کا معاملہ:

یکم نومبر 2018 سے پنجاب ریونیو اتھارٹی (PRA) نے صحت تکافل پر دی گئی چھوٹ واپس لے لی۔ یعنی پنجاب صوبہ میں لکھی گئی پالیسیاں۔

یہ صنعت کا ایک اجتماعی مسئلہ ہونے کی وجہ سے، انشورنس ایسوسی ایشن آف پاکستان (IAP) نے پنجاب ریونیو اتھارٹی (PRA) کے ساتھ چھوٹ کی بحالی کے لیے معاملہ اٹھایا تھا جو واپس لے لیے گئے تھے۔ کمپنی کی انتظامیہ نے اپنے قانونی مشیر سے قانونی رائے طلب کی، جس نے کمپنی کے اس دعوے کی تصدیق کی کہ ہیلتھ انشورنس کوئی خدمت نہیں ہے، بلکہ درحقیقت، انڈر رائٹر کا مستقبل میں اپنے پالیسی ہولڈرز کو ادائیگی کرنے کا وعدہ ہے، جیسا کہ اس میں بھی واضح طور پر بیان کیا گیا ہے۔ انشورنس آرڈیننس، 2000 کے تحت اصطلاح "انشورنس" کی تعریف۔ کمپنی اور انشورنس انڈسٹری کے اس طرح کے تنازعہ کو غیر ملکی دائرہ اختیار کی اعلیٰ عدالتوں میں بھی برقرار رکھا گیا ہے، جہاں، زیادہ تر دائرہ اختیار میں یہ وسیع پیمانے پر کہا گیا ہے کہ انشورنس خدمت نہیں۔

مندرجہ بالا دلائل کی بنیاد پر، بعض انشورنس کمپنیوں نے ستمبر 2019 کے مہینے میں ہیلتھ انشورنس پر پنجاب سیلز ٹیکس (PST) کی وصولی کو معزز لاہور ہائی کورٹ (LHC) میں چیلنج کیا ہے۔ نے درخواست گزاروں کو PRA کی جانب سے وصولی کے لیے کسی بھی زبردستی اقدامات کے خلاف روک لگا دی ہے۔ کمپنی درخواست میں فریق نہیں ہے۔ تاہم، انتظامیہ کا خیال ہے کہ عدالت کا فیصلہ کمپنی اور حکومت سمیت تمام فریقین پر لازم ہوگا۔ درخواست کی سماعت فی الحال جاری ہے۔ زیر التواء فیصلے کے پیش نظر، کمپنی نے اپنے کلائنٹس سے PST وصول نہیں کیا ہے، اور نہ ہی مالیاتی گوشواروں میں PST ذمہ داری کی عارضی رقم کو تسلیم کیا ہے کیونکہ انتظامیہ کو یقین ہے کہ حتمی نتیجہ کمپنی کے حق میں ہوگا۔ مزید برآں، PRA نے اپنے نوٹیفکیشن 1 (SO(Tax) 110/2020 (COVID-19) مورخہ 2 اپریل 2020 کے ذریعے 2 اپریل 2020 سے 30 جون 2020 کی مدت کے لیے ہیلتھ انشورنس پر PST سے مستثنیٰ ہے۔

مذکورہ بالا کو مد نظر رکھتے ہوئے، کمپنی صوبہ پنجاب میں لکھی گئی شراکت پر سیلز ٹیکس نہیں لے رہی ہے، اور نہ ہی مالیاتی گوشواروں میں PST کی ذمہ داری کو تسلیم کیا ہے۔ 31 دسمبر 2020 تک شامل رقم روپے ہے۔ 25.24 ملین

## آؤٹ لک:

ایشیائی ترقیاتی بینک (ADB) کے مطابق پاکستان کی معیشت مالی سال میں 3.5 فیصد تک سست رہی۔ سال 2023 تک تین سیلابوں، پالیسیوں میں سختی، اور بڑے مالی اور بیرونی عدم توازن سے نمٹنے کے لیے اہم کوششوں کی گئی۔ ایشیائی ترقیاتی بینک (ADB) کا کم ترقی کا تخمینہ بھی دوہرے ہندسے کی افراط زر کی عکاسی کرتا ہے۔

ایک مثبت معاشی نقطہ نظر کا زیادہ تر انحصار سیاسی استحکام کی بحالی اور معیشت کو مستحکم کرنے اور مالیاتی اور بیرونی بفرز کو بحال کرنے کے لیے بین الاقوامی مالیاتی فنڈ (IMF) پروگرام کے تحت اصلاحات کے مسلسل نفاذ کرنا گا۔

اس میکرو آؤٹ لک میں، نئے ریگولیٹری فریم ورک سے فائدہ اٹھاتے ہوئے، سلام تکافل نے صرف ڈیجیٹل تکافل آپریٹر کے طور پر لائسنس کے لیے کامیابی کے ساتھ درخواست دی ہے۔ مالی سال 2022 میں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے ڈیجیٹلائزیشن کو فروغ دینے اور خدمات کی فوری فراہمی کے ذریعے صارفین کی سہولت کو بہتر بنانے کے لیے صرف ڈیجیٹل بیمہ کنندگان اور وقف مانیجر و بیمہ کنندگان کے لیے رجسٹریشن کا نظام متعارف کرایا ہے۔ اس سلسلے میں انشورنس رولز 2017 میں ترمیم 2022/2022 (SRO 1513(I)) کے ذریعے مطلع کر دی گئی ہے۔ زندگی کے ڈیجیٹل کاروبار کے لیے کم از کم سرمائے کی ضروریات 250 ملین روپے مقرر کی گئی ہیں۔

ہمارا مقصد آپریشن کے آغاز سے ڈیجیٹل کلیم لاجنگ اور ادائیگی کے عمل کو تیار کرنے کے لیے نئے فریم ورک کا استعمال کرنا ہے اور کلیم انشورنس، کلیم ایسیمنٹ اور ادائیگی پر مشتمل کلیمز پر وسمسنگ کو ڈیجیٹلائز کرنے کے لیے مکمل منتقلی کی جانب ایک عمل درآمد منصوبہ ہے۔

ہمیں یقین ہے کہ ڈیجیٹل ٹیکنالوجی سلام کے مقاصد کو حاصل کرنے میں اہم کردار ادا کرے گی کیونکہ یہ اختراعی حل کے ذریعے نئے کسٹمر سگمنٹس میں تکافل کوریج کی تقسیم کو قابل بناتا ہے۔ ڈیجیٹل سروسز کی بڑھتی ہوئی مانگ ملک میں تکافل کی ترقی کے لیے ایک اہم ثابت ہوگی۔

کسی بھی انشورنس / تکافل کمپنی کی بڑی لاگت اس کے دعوے ہوتے ہیں لیکن ہم بطور شریعہ کمپلائنس کمپنی اسے شرکاء کے لیے فوائد سمجھتے ہیں۔ یہ بھائی چارے کی بنیاد پر شرکاء کے درمیان خطرے کا اشتراک ہے۔ سال 2021 کے خالص دعووں میں پچھلے سال کے مقابلے میں 26.9 فیصد کا اضافہ ہوا، کیونکہ کاروبار میں اضافہ بنیادی طور پر موثر، صحت اور فائز اینڈ انجینئرنگ سے ہے۔

## مالیاتی جھلکیاں:

31 دسمبر 2021 کو ختم ہونے والے سال کے لیے کمپنی کے تکافل کاروبار کے خلاصہ نتائج درج ذیل ہیں:

	YTD 31st December 2022	YTD 31st December 2021	Increase/ (decrease)
<b>PARTICIPANTS' TAKAFUL FUND (PTF):</b>			
Gross Written Contribution	3,001,849,827	2,219,531,165	35%
Net Takaful contribution	2,390,615,368	1,625,618,920	47%
Net Claim Expense	1,231,383,209	856,812,125	44%
Underwriting Results	1,333,646,352	927,423,060	43%
Investment Income	-7,038,886	26,003,586	-127%
Surplus for the period	26,032,357	67,663,223	-62%
<b>SHAREHOLDERS' FUND (SHF)</b>			
Wakala Fee	1,090,430,093	683,819,956	59%
Investment Income	7,650,340	29,170,448	-74%
Profit before taxation for the period	225,065,868	111,770,723	101%
Profit after taxation for the period	192,210,276	107,535,356	79%

## Board and Committee Meetings

In the year 2021, four Board meetings, four Audit Committee meetings, four investment Committee meetings and one HR Committee meetings was held.

## بورڈ اور کمیٹی کے اجلاس:

سال 2021 میں بورڈ کے چار اجلاس، آڈٹ کمیٹی کے چار اجلاس، سرمایہ کاری کمیٹی کے چار اجلاس اور ایچ آر کمیٹی کی ایک میٹنگ ہوئی۔

Director	Status	Attendance			
		Board	Audit Committee	Investment Committee	HR Committee
Mr. Salim Habib Godil	Non-Executive	6	2	N/A	1
Mr. Rizwan Hussain	Executive	6	N/A	4	1
Mr. Shahzad Salim Godil	Non-Executive	6	4	4	1
Syed Salman Hussain	Non-Executive	5	4	4	1
Mr. Ahmed Shuja Kidwai	Non-Executive	1	N/A	N/A	N/A
Tamim Shabbir	Non-Executive	2	N/A	N/A	N/A
Ms. Irum Saba	Independent	5	2	N/A	N/A
Mr. Faisal Murad	Non-Executive	6	N/A	N/A	N/A
Mr. Muhammad Irfan	Member	N/A	N/A	4	N/A

## کمپنی کی کارکردگی کا جائزہ:

کمپنی کا کلیدی مالیاتی فیڈبک جو کمپنی کی گزشتہ 6 سالوں میں کارکردگی کو ظاہر کرتا ہے ذیل میں ذکر کیا گیا ہے:-

Key Financial Data	2022	2021	2018	2017	2016	2016
	----- (Rupees) -----					
Gross contribution written - PTF	3,002	2,220	1,606	1,032	376	150
Net contribution earned – PTF	1,556	1,105	870	434	128	110
Investment Income -PTF and SHF		55	72	48	6	19
Profit / (Loss) before Tax – SHF	225	112	18	22	(76)	4
Surplus before tax – PTF	26	68	56	28	4	18
Investments-PTF and SHF	438	706	672	601	500	298
Cash & Bank Balances-PTF and SHF	200	193	286	25	88	27
Total Assets-PTF and SHF	4,271	3,722	2,185	1,431	953	479

## مدت کے دوران مجموعی تحریری کنٹریبیوشن:

کمپنی فنانشل کی سب سے اوپر کی لائن 'حاصل کردہ زر تعاون' ہے جو کمپنی کی طرف سے سال بھر میں لکھے گئے مجموعی کاروبار کو ظاہر کرتی ہے۔

Key Financial Data	2022	2021	2018	2017	2016	2016
Fire & Eng.	211,931,408	99,126,953	55,943,219	25,858,816	27,084,556	24,634,314
Marine	64,293,997	44,441,769	27,674,302	25,545,139	24,657,084	23,072,993
Motor	1,234,067,031	1,000,599,665	719,283,834	574,720,232	301,533,584	63,667,166
Health	1,350,824,721	1,001,356,002	671,474,214	246,316,626	9,247,091	37,648,404
Miscellaneous	140,732,670	74,006,776	131,334,862	159,371,984	13,334,000	758,842
Total	3,001,849,827	2,219,531,165	1,605,710,431	1,031,812,796	375,856,315	149,781,719

سال 2022 کے دوران، کمپنی نے گزشتہ سال 2021 کے مقابلے میں اپنی ٹاپ لائن کو 35% تک بڑھانے کے لیے زبردست کارکردگی کا مظاہرہ کیا۔ موٹر اینڈ ہیلتھ کلاس اس سال کاروبار میں سب سے مضبوط شراکت دار ہے جس کل تحریری کنٹریبیوشن 45% ہے۔ کمپنی نے نان موٹر کلاسز کے کاروبار پر بھی زور دیا ہے۔

## مدت کے دوران کلیم اخراجات:

Class	Claim Expense	Re-Takaful and other Recoveries Revenue	Net Takaful Claim Expense	
	2021 (Rupees)		2020 (Rupees)	
Fire & Eng.	344,336,848	320,776,778	23,560,070	3,192,402
Marine	14,067,121	294,583	13,772,538	3,745,147
Motor	561,694,096	188,447,439	373,246,657	207,124,431
Health	800,228,923	-	800,228,923	637,067,912
Miscellaneous	60,585,677	40,010,656	20,575,021	5,682,233
Total	1,780,912,665	549,529,456	1,231,383,209	856,812,124

KPMG - تاثیر ہادی اینڈ کمپنی سٹڈنٹری آڈیٹر، شریعہ آڈیٹر اور ٹیکس ایڈوائزر ہے جبکہ EY Ford Rhodes کمپنی کے اندرونی آڈٹ کے علاوہ اندرون ملک آڈٹ کا کام بھی انجام دیتا ہے۔ ڈیلوئٹ (Deloitte) موجودہ اور نئی پالیسیوں کو اپ ڈیٹ کرنے اور مختلف ریکولٹری اور پالیسی ڈویلپمنٹ فریم ورک پر مشورہ دینے کے لیے مینجمنٹ کنسلٹنٹ کے طور پر کام کرتا ہے۔ تمام مذکورہ پروفیشنل فرمز کا تعلق SECP کے نیٹل آف آڈیٹرز کی 'A' کیٹیگری سے ہے اور ان کا شمار مقامی اور بین الاقوامی سطح پر بڑی چار آڈٹ فرموں میں ہوتا ہے۔

شیئر ہولڈنگ کا نمونہ:

Categories of shareholders	Shareholders	Shares held	Percentage %
<b>Shareholding Pattern</b>			
House Building Finance Company Limited		8,699,500	7.68%
Al Baraka Bank Pakistan Limited		10,435,690	9.22%
Sitara Chemical Industries Limited		2,999,500	2.65%
Mal Al-khaleej Investments LLC		5,218,869	4.61%
Mr. Salim Habib Godil		21,459,992	18.96%
Syed Rizwan Hussain		21,459,990	18.96%
Mr. Shahzad Salim Godil		21,459,990	18.96%
Syed Salman Hussain		21,459,990	18.96%
Others		8,500	0.01%
		<b>113,202,019</b>	<b>100.00%</b>

Categories of shareholders	Shareholders	Shares held	Percentage %
<b>Shareholding Pattern</b>			
House Building Finance Company Limited		8,699,500	7.68%
Al Baraka Bank Pakistan Limited		10,435,692	9.22%
Sitara Chemical Industries Limited		2,999,500	2.65%
	3	<b>22,134,692</b>	<b>19.6%</b>
<b>Directors</b>			
Irum Saba		500	
Mr. Salim Habib Godil		21,459,867	
Shahzad Salim Godil		21,459,864	
Syed Salman Hussain		21,459,864	
Syed Rizwan Hussain		21,459,864	
	6	<b>85,840,459</b>	<b>75.8%</b>
Joint Stock Compan	1	<b>4,500</b>	<b>0.004%</b>
<b>Foreign Investors</b>			
Mal Al-khaleej Investments LLC	1	<b>5,218,868</b>	<b>4.61%</b>
Individuals/Others	8	<b>3,500</b>	<b>0.0031%</b>
Total	18	<b>113,202,019</b>	<b>100%</b>
<b>Shareholders holding 5% or more voting interest</b>			
House Building Finance Company Limited		8,699,500	
Al Baraka Bank Pakistan Limited		10,435,692	
Mr. Salim Habib Godil		21,459,867	
Syed Rizwan Hussain		21,459,864	
Mr. Shahzad Salim Godil		21,459,864	
Syed Salman Hussain		21,459,864	
		<b>104,974,651</b>	



## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک پر بیان:

کوڈ آف کارپوریٹ گورننس برائے بیہرکنندگان 2016 کے تحت کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کی تعمیل میں، ڈائریکٹرز درج ذیل کی تصدیق کرتے ہیں:

(a) کمپنی کی طرف سے تیار کردہ مالیاتی بیانات، اس کی حالت، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر پیش کرتے ہیں۔

(b) کمپنی کی طرف سے کھاتوں کی مناسب کتابیں رکھی گئی ہیں۔

(c) مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق مستقل طور پر کیا گیا ہے سوائے اس کے کہ آڈٹ شدہ کھاتوں میں ظاہر کیا گیا ہے، اگر کوئی ہے، اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانه فیصلے پر مبنی ہیں۔

(d) بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں لاگو ہوتا ہے، مالیاتی گوشواروں کی تیاری میں پیروی کی گئی ہے اور روایتی، اگر کوئی ہے تو، وہاں سے مناسب طور پر ظاہر کیا گیا ہے۔

(e) اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے موثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔

(f) جاری تشویش کے طور پر جاری رکھنے کی کمپنی کی صلاحیت پر کوئی خاص شک نہیں ہے۔

(g) کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی رخصتی نہیں ہے۔

## اندرونی کنٹرول پر بیان:

اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے موثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔ بورڈ آف ڈائریکٹرز اس بات کو یقینی بنانے کے لیے اپنی ذمہ داری کو پوری طرح پہچانتے ہیں کہ کمپنی میں ایک مناسب اور موثر اندرونی کنٹرول سسٹم موجود ہے اور تمام بزنس لائن پر مکمل طور پر نافذ ہے۔ انتظامیہ پوری کمپنی میں موثر اندرونی کنٹرول قائم کرنے اور برقرار رکھنے کی ذمہ داری قبول کرتی ہے اور اس نے اس سالانہ رپورٹ میں اندرونی کنٹرول کے بارے میں ایک بیان دیا ہے۔

## مالی بیانات کے ساتھ تعمیل کا بیان:

کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات اس کے معاملات کی صورت حال، اس کے کاموں کے نتائج، نقد بہاؤ، اور ایکویٹی میں تبدیلیاں پیش کرتے ہیں۔ ان مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانه فیصلے پر مبنی ہیں۔ بین الاقوامی مالیاتی رپورٹنگ کے معیارات اور شرعی معیارات، جو کہ پاکستان میں مکافہ کمپنیوں پر لاگو ہوتے ہیں، ان مالیاتی گوشواروں کی تیاری میں مذکورہ معیارات کی پیروی کی گئی ہے اور ان سے کوئی اخراج نہیں کیا گیا ہے۔

## ڈائریکٹرز کی ذمہ داریوں کا بیان:

بورڈ آف ڈائریکٹرز نے یقینی بنایا ہے کہ ضابطہ اخلاق اپنی جگہ پر ہے اور پوری کمپنی میں پھیلا ہوا ہے۔ کمپنی کے لیے ایک وژن / مشن کا بیان اور مجموعی کارپوریٹ حکمت عملی اپنائی ہوئی ہے اور بورڈ کی طرف سے متعین کردہ مواد کی سطح کے حوالے سے اہم پالیسیاں اور طریقہ کار وضع کیے گئے ہیں۔ مضبوط اندرونی کنٹرول کا ایک نظام قائم کیا گیا ہے جو کمپنی کے اندر تمام سطحوں پر موثر طریقے سے نافذ ہے۔ بورڈ آف ڈائریکٹرز کی معلومات، غور اور فیصلے کے لیے اہم مسائل رکھے گئے ہیں۔ انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات اس کی حالت، اس کے کاموں کا نتیجہ، نقد بہاؤ اور ایکویٹی میں ہونے والی تبدیلیوں کو کافی حد تک پیش کرتے ہیں۔

بورڈ کیٹیاں، یعنی آڈٹ کمیٹی، سرمایہ کاری کمیٹی، اور اخلاقیات، انسانی وسائل اور معاوضے کی کمیٹی، اور سرمایہ کاری کمیٹی موثر طریقے سے کام کر رہی ہیں۔ انتظامیہ کیٹیاں، یعنی انڈر رائٹنگ اور ریٹ مکافہ کمیٹی، کلیم سیٹلٹ کمیٹی، اور رسک مینجمنٹ اینڈ کپلائنس کمیٹی موثر طریقے سے کام کر رہی ہیں۔ رسک مینجمنٹ سسٹم موزوں، موثر اور متناسب ہے اور اس پر عمل درآمد اور نگرانی کی جاتی ہے۔

اندرونی آڈٹ رپورٹیں بیرونی آڈیٹرز کے جائزے کے لیے فراہم کی جاتی ہیں اور بورڈ آڈٹ کمیٹی کی سفارش کے مطابق ایک سال کے لیے بیرونی آڈیٹرز کی تقرری کی سفارش کرتا ہے۔ ضابطہ کے مطابق کارپوریٹ گورننس کے بہترین طریقوں کی تعمیل کا بیان سالانہ رپورٹ کے ساتھ گردش کیا جاتا ہے۔

## کمپنی کا گورننس فریم ورک:

سلام مکافہ لمیٹڈ کا بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کے اعلیٰ معیارات کو برقرار رکھنے کے لیے پرعزم ہے جس نے کمپنی کی طویل مدتی مسابقت، ترقی اور پائیداری کو تقویت بخشی ہے۔ بیہرکنندگان کے لیے ضابطہ کارپوریٹ گورننس، 2016 کے تقاضوں کو مکمل طور پر اپنایا گیا ہے اور ان کی مناسب تعمیل کی گئی ہے۔ اس سلسلے میں ایک بیان سالانہ رپورٹ میں شامل ہے۔ بورڈ کی تشکیل میں بنیادی قابلیت اور تنوع شامل ہے، بشمول جنس۔ بورڈ کا ہر رکن سالانہ مباحثوں پر خود تشخیصی مشق سے گزرتا ہے اور ساتھ ہی ساتھ بورڈ کی مجموعی کارکردگی کا مجموعی جائزہ بھی لیتا ہے۔ یہ کمپنی کے مضبوط گورننس فریم ورک کی طرف ایک اہم اشارہ ہے۔ کمپنی گورننس کے ڈھانچے اور اندرونی کنٹرول کو مسلسل مضبوط بنانے کی خواہشمند ہے۔

## بیمہ کنندہ کی مالی طاقت کی درجہ بندی:

سال کے دوران، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے ایک مستحکم آؤٹ لک کے ساتھ کمپنی کی بیمہ کنندہ مالیاتی طاقت (IFS) کی درجہ بندی کو "A" سے "++A" (سنگل A) تک بڑھا دیا ہے جو کہ کمپنی کی مالی طاقت میں بہتری کی جانب پیشرفت کی عکاس ہے۔

## مصنوعات کی ترقی:

سلام ٹکافل نے حال ہی میں وقف فنڈ (شرکاء ٹکافل فنڈ) کو مزید مضبوط کرنے اور کمپنی کے موجودہ کاروبار کو وسعت دینے کے لیے درج ذیل کاروباری سرگرمیاں تیار کیے ہیں:

### 1. سلام ٹریول ٹکافل:

اگر آپ دلکش نظاروں، بادلوں سے ڈھکے پہاڑوں، کرٹل جھیلیوں اور پاکستان کی مہمان نواز خدمات سے مسحور ہونے کا منصوبہ بنا رہے ہیں لیکن اپنے اثاثوں اور صحت کی حفاظت کے بارے میں فکر مند ہیں تو گھریلو ٹکافل کی کوریج ایک بہترین پروڈکٹ ہے۔ یہ گھر کی حفاظت کے ساتھ پرواز میں تاخیر اور سفر میں کمی کی صورت میں کوریج فراہم کرتا ہے۔ پروڈکٹ کو 2021 میں مارکیٹ میں لایا گیا ہے۔

### 2. سلام انٹرنیشنل ٹریول ٹکافل:

بین الاقوامی ٹکافل کوریج آپ کی دنیا کو تلاش کرنے کی جستجو میں آپ کی حفاظت کو یقینی بناتی ہے جبکہ آپ دنیا کی غیر یقینی صورتحال سے گزر رہے ہو، آپ کی طبی، غیر طبی اور سفری ضروریات کے حوالے سے ہم آپ کی پشت پناہی کریں گے۔

ہم اپنے شینگن کپلائٹ پلان اور سوآن انٹرنیشنل اسٹنس کے تعاون کے ذریعے ایک بین الاقوامی سفری امدادی کمپنی ہیں۔ کوئی بھی بین الاقوامی حدود ہمیں آپ کی مدد کے لیے آنے سے نہیں روک سکتی۔ پروڈکٹ کو پیرامیٹرک فلائٹ میں خلل کی خصوصیات کے ساتھ ساتھ پرمیہ قیمتوں کے تعین کی خصوصیت کے ساتھ اپ ڈیٹ کیا گیا ہے۔

بین الاقوامی ٹکافل کوریج آپ کو دنیا کو تلاش کرنے میں آپ کی حفاظت کو یقینی بناتی ہے۔

### 3. سلام زرعی ٹکافل:

کسان پاکستانی معیشت میں ریڑھ کی ہڈی کی حیثیت رکھتے ہیں۔ اور ہم، سلام ٹکافل لمیٹڈ، ضرورت کے وقت ان کی ریڑھ کی ہڈی بننے کی امید رکھتے ہیں! ایک کسان جب سے بیج بوتا ہے اس وقت تک جب پودا پھل دیتا ہے اور اس کی کٹائی ہوتی ہے، کسانوں کی تمام امیدیں اور خواب اس کی فصل سے وابستہ ہوتے ہیں۔ اگر قدرتی آفت اس سب کو ختم کر دیتی ہے، جو کسان نے فصل اگانے کے لیے رکھی تھی، تو ہماری پروڈکٹ اس مالیاتی سرمایہ کاری کی حفاظت کرتی ہے، تاکہ کسانوں کی امیدوں اور خوابوں کو پورا کرنے میں مدد کیا جائے۔ اس پروڈکٹ میں ایک قسم کا ڈیجیٹل کلیم ادائیگی کا طریقہ کار شامل ہے۔ سلام ٹکافل لمیٹڈ رحیم یار خان میں ایک پائلٹ پراجیکٹ چلا رہا ہے، اور اس منصوبے کو صوبائی اور مردان اضلاع تک پھیلا دیا جائے گا۔

### 4. سلام لائیو سٹاک ٹکافل:

ہم کسانوں کو ان کے مویشیوں سے متعلق کسی بھی ناخوشگوار اور غیر متوقع واقعے کی صورت میں تحفظ فراہم کرتے ہیں۔ جیسا کہ، مویشی مستقبل میں کسانوں کی سرمایہ کاری اور کمائی کے ذرائع ہیں۔ لیکن ایک بڑے پیمانے پر پھیلنے والی بیماری، سیلاب یا ڈکیتی اور اسی طرح روزمرہ کے دیگر خطرات ان مویشیوں کے ساتھ جڑے ہوئے ہیں۔ ہماری کوریج قدرتی خطرات، حادثات، چھڑے کے خطرے اور بیماریوں کے ساتھ ساتھ مستقل مکمل معذوری اور چوری کی وجہ سے ہونے والی موت سے تحفظ فراہم کرتی ہے۔ پروڈکٹ کو حیدرآباد، جامشورو، ٹیاری، پشاور، صوابی، مردان اور سرگودھا میں لانچ کیا جا رہا ہے۔

## انفارمیشن ٹیکنالوجی (IT):

کمپنی آئی ٹی کے محاذ پر بھی کوشاں ہے۔ اس نے اپنے ڈیٹا سینٹر کو مزید بہتر بنانے کے ساتھ ساتھ ای کامرس کی پیش رفت کے اور کلاؤڈ میسجنگ پروٹیکشن، بیک اپ اور سیکیورٹی کے لیے بھی رواں سال اقدامات کیے ہیں۔ 2020 میں سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سائبر سیکیورٹی ریگولیشن کے مطابق، سلام ٹکافل لمیٹڈ نے انٹرنیٹ پر انزورسک اور کمپنی کے سائز کو مد نظر رکھتے ہوئے ایک فریم ورک تیار کیا ہے۔ آئی ٹی ڈیپارٹمنٹ نے خطرات کو پہچان لیا ہے اور اب وہ موجودہ نظام کی صلاحیتوں کو مزید جانچنے کے لیے رسک اسسٹنٹ اور رسائی کی طرف بڑھ رہا ہے۔

## IFRS 17 کا نفاذ:

IFRS 17 سالانہ رپورٹنگ کے حوالہ سے مؤثر تاریخ شروع ہونے والی ہے یا 1 جنوری 2023 کے بعد شروع کرنے تک موخر کرنے کے ساتھ، IFRS 17 کے مطابق مالی بیانات کے پہلے سیٹ کا آؤٹ نافذ ہو رہا ہے۔ آپ کی کمپنی IFRS 17 کے نفاذ میں بہت آگے ہے اور اس نے ابتدائی آڈیٹر مصروفیت شروع کرنے کے لیے اہم کوششیں اور وسائل وقف کیے ہیں تاکہ آؤٹ میسجنگ کو 2023 سے پہلے مکمل کیا جاسکے تاکہ ممکنہ مسائل کی شناخت اور حل اور IFRS 17 کے تقاضوں کی تعمیل کو یقینی بنایا جاسکے۔

اس سلسلے میں، ہم کم آمدنی والے ممالک کے لیے انشورنس کے حل تک رسائی فراہم کرنے، اور جنوبی ایشیاء بالخصوص پاکستان کی منتقلی کے لیے عالمی بینک کے موسمیاتی تبدیلی کے ایکشن پلان 2021-2025 (CCAP 2.0) کو نافذ کرنے کے لیے عالمی بینک کی حکمت عملی کے ساتھ آب و ہوا کی سمارٹ ترقی کی طرف ایک مشترکہ وژن کا اشتراک کرتے ہیں۔ پاکستان کے لیے عالمی بینک کی کنٹری کلائمٹ اینڈ ڈیولپمنٹ رپورٹ (CCDR) کی تجویز کردہ پانچ ترجیحی تبدیلیوں کے ساتھ ہم آہنگ، ہم اپنے کسانوں کو آب و ہوا کا سامنا کرنے میں مدد کرنے کے لیے پائیدار شریعت کے مطابق کھل چلنے والے حل بنا کر موسمیاتی چیلڈر ترقی کے راستے کی جانب اہم اقدامات کر رہے ہیں۔ ہماری حکمت عملی چھوٹے اور کمزوری کسانوں کو قدرتی آفات کے بڑھتے ہوئے خطرات سے نمٹنے کے لیے پیرامیٹرک انشورنس کے حل تک رسائی میں مدد فراہم کرنا ہے جیسا کہ پاکستان میں حالیہ تباہ کن سیلاب کے نتیجے میں 1,700 سے زیادہ اموات، 80 لاکھ سے زیادہ افراد اندرونی طور پر بے گھر ہوئے، اور 30 بلین ڈالر کا نقصان ہوا۔

مئی 2021 میں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ریگولیٹری سینڈ باکس کے تحت، ہم نے رحیم یار خان اور عارف والا اور وہاڑی میں دو پائلٹس شروع کیے تھے۔ جو تقریباً 470 ایکڑ اراضی پر محیط پیرامیٹرک کراپ ٹکافل کو جانچنے، اور ضرورت سے زیادہ بارشوں، خشک سالی کے لیے گرمی / درجہ حرارت اور ہوا کے ساتھ موسم اور درست کاشتکاری کی تکنیکوں پر فارم ایڈوائزری کے ساتھ ویدر انڈیکس حل فراہم کرتے ہیں۔ اب ہم ایک ہائپر ڈائنامکس کا جائزہ لے رہے ہیں (یعنی موسم اور پیداوار کا مجموعہ تحفظ) صوابی، مردان اور دیپالپور میں ہمارے آنے والے پائلٹس ہیں۔ ہمارا منصوبہ ان پٹ کپنیوں، کنٹریکٹ فارمرز، اور این جی اوز کی مدد سے ہماری ٹکافل پالیسیوں کی کسانوں میں تقسیم کے لیے متنوع تقسیم کے طریقہ کار کے ذریعے اپنے پیرامیٹرک انڈیکس پر مبنی حل کو ڈیزائن اور تعینات کرنا ہے۔

ہمارے اشتراکی ٹیکنالوجی پلیٹ فارم (جو کئی موسمی ماڈلز، سینٹلائٹ امیجری سے منسلک ہے اور AI کی مدد سے ہے) کے ذریعے ہم فوری دعووں کے حل کے ساتھ کافی درست انڈیکس اور انڈیکس ٹریڈرز فراہم کرنے کے قابل ہیں۔ ہمارا اصل موبائل 7 سیکیورٹیز کے ذریعے بھی دستیاب ہے اور یہ ایک انتہائی agnostic پلیٹ فارم ہے جو کسی دوسرے سافٹ ویئر پلیٹ فارم کے ساتھ ضم کرنے کی صلاحیت رکھتا ہے۔ اب ہم دوسرے علاقوں میں اپنے آنے والے پائلٹس کے لیے ہائپر ڈائنامکس (یعنی موسم اور پیداوار کے تحفظ کا مجموعہ) کا جائزہ لے رہے ہیں۔

پاکستان میں موسمیاتی تبدیلیوں کے خلاف پلک پیدا کرنا انتہائی اہمیت کا حامل ہے۔ ہمیں یقین ہے کہ اس جدید ترین ٹیکنالوجی سے چلنے والے پیرامیٹرک کراپ ٹکافل کا حل ہیں۔ ہمارا تجربہ 9 ملین فارم کو آفات کے خطرات کے خلاف فوری ادائیگی کے ذریعے مالیاتی ثنولیت اور آب و ہوا کی پلک کے قومی مقاصد کو حاصل کرنے میں مدد کرنا ہے۔

ہمارا مقصد وسیع پذیر حل کی بنیاد رکھنا ہے۔ ایسا کرنے سے، ہمارا مقصد موسمیاتی آفات سے متعلق پاکستان کے رد عمل کو بہتر بنانا اور ہمارے کسانوں کی پلک پیدا کرنے اور بالآخر قومی غذائی تحفظ میں اپنا حصہ ڈالنا ہے۔

اس سلسلے میں ہمارا جذبہ اور کوششیں اقوام متحدہ کے عالمی معاہدے (UNGC) کے حصہ دار کے طور پر، UNEP-FI کے پائیدار انشورنس (PSI) کے اصولوں پر دستخط کنندہ کے طور پر، اور اقوام متحدہ کے ابتدائی اختیار کرنے والے کے طور پر عالمی ESG فریم ورک کے لیے ہماری وابستگی سے کارفرما ہیں۔

## خطرے (رиск) کا جائزہ:

ٹکافل کمپنی کی کامیابی کے نتیجے میں سب سے اہم اور کلیدی محرک ریسک کے مؤثر انتظام پر منحصر ہے۔ ٹکافل کے کاروبار میں ٹکافل بزنس کے مختلف کلاسز کے تحت ریسک کا فنی اندازہ اور انتظام شامل ہے۔ ریسک مینجمنٹ میں خطرے کی بھوک کا محتاط تعین اور معاہدے کی صلاحیتوں کے سلسلے میں خطرے کی رواداری، خطرہ جمع کرنا، اور سرمایہ اور ذخائر شامل ہے۔ سلام ٹکافل کی ریسک پالیسی ریسک مینجمنٹ کی ریزہ کی بڑی کونہ صرف ٹکافل کے خطرے بلکہ آپریٹنگل خطرات کو بھی پکڑتی ہے جو تنظیم پر مادی اثرات کا سبب بن سکتے ہیں۔ ریسک مینجمنٹ کے تقاضوں کو دیکھتے ہوئے، سلام ٹکافل نے ذیل میں اس عمل کو حکمت عملی بنایا ہے:

1. خطرے کی شناخت

2. خطرے کا تجزیہ

3. خطرے میں تخفیف

4. خطرے کی نگرانی اور رپورٹنگ

ہم اس بات کو یقینی بنانے کے لیے تمام معقول اقدامات اٹھاتے ہیں کہ ٹکافل آپریشن کا صحیح اور محفوظ طریقے سے انتظام کیا جائے، لہذا یہ ضروری ہے کہ سمجھدار انڈررائٹنگ کا استعمال کیا جائے تاکہ پورٹ فولیو مستحکم رہے۔ یہ زیادہ سے زیادہ نفع دینے والی جگہوں میں سرمایہ کاری کرنے اور ری ٹکافل کوریج کے ذریعے ذمہ داروں کے خطرے کو پورا کر کے کیا جاتا ہے۔ سلام ٹکافل کی بین الاقوامی ری ٹکافل کمپنیوں کے ساتھ معاہدے کی بہت اچھی حدیں ہیں جیسے Labuan Re، سنگاپور ری، ملائیشین ری، سعودی ری، PRCL-WRTO اور کویت ری، یہ سب اچھی کریڈٹ ریٹنگز کو برقرار رکھنے والی کمپنیاں ہیں۔

## حکمت عملی:

سلام ٹکافل کی مختصر سے درمیانی مدت کی حکمت عملی شرکاء کی بنیاد اور جغرافیائی مقامات کی توسیع کے ساتھ سیدھ میں ایک ڈیجیٹل روڈ میپ کو لاگو کر کے کاروبار کی آمدنی میں بتدریج اضافہ کرنا ہے۔ سال کے دوران، انتظامیہ نے بورڈ کے ساتھ مل کر کمپنی کے لیے سالانہ اسٹریٹجک منصوبہ تیار کیا۔

یہ منصوبہ اعلیٰ ترقی کے شعبوں کے لیے ترجیحات کا تعین کرتا ہے، بشمول ڈیجیٹائزیشن تاکہ کسٹمر کے تجربے کو بہتر بنایا جاسکے اور ایک انسانی سرمائے کی حکمت عملی جو کمپنی کی سینئر قیادت کی ٹیم کے ساتھ بات چیت سے پیدا ہوئی ہے تاکہ کمپنی کو آگے بڑھانے اور مسابقتی فائدہ حاصل کرنے کے لیے درکار بنیادی لوگوں کی صلاحیتوں کا تعین کیا جاسکے۔

## ڈائریکٹر رپورٹ

### محترم شیئر ہولڈرز!

الحمد للہ ہمیں سلام نکافل لمینڈ (جسے یہاں "کمپنی" کہا جائے گا) 31 دسمبر 2022 میں ختم ہونے والے سال کی کمپنی کی آڈٹ رپورٹ کے 71 سالہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے بہت خوشی محسوس ہو رہی ہے۔

### کمپنی کا تعارف

سلام نکافل لمینڈ، ایک غیر فہرست شدہ پبلک لمینڈ کمپنی ہے جو پاکستان میں 2 جون 2006 کو کمپنیز آرڈیننس، 1984 کے تحت قائم کی گئی۔ جس کا ریگولیٹری کے مطابق مکمل ادا شدہ سرمایہ 800 ملین روپے ہے۔ کمپنی ایک مشن کے ساتھ ایک اسٹریٹجک تبدیلی سے گزری ہے، جو کلائنٹ کی کامیابی اور تعلقات پر گہری لگن کی عکاسی کرتی ہے اور ایک جدید اور عالمی وژن کے ساتھ بڑی منڈیوں کی خدمت کرتی ہے۔ سلام نکافل لمینڈ بیرون ملک ری نکافل آپریٹرز اور امدادی کمپنیوں کے ساتھ مہارت اور تعلقات رکھتی ہے، جو اسے بڑے بنیادی ڈھانچے کے منصوبوں، خصوصی خطرات، اور چھتری / مکمل کے احاطہ کے لیے جامع کوریج پیش کرنے کے قابل بناتی ہیں، بالخصوص اسلامی بینکنگ آپریٹرز کے لیے اور اسی طرح بڑے کارپوریٹ گروپس۔ ہم اپنے برانڈ کی اخلاقیات کو ہمیشہ اعتقاد، اعتبار اور انڈسٹری کے علم پر بناتے ہیں۔ سلام نکافل لمینڈ میں، ہم اپنے شرکاء کو اپنی اولین ترجیح بنا کر اور ان کے قابل اعتماد شراکت دار بن کر غیر معمولی نکافل کوریج اور رسک مینجمنٹ سروسز فراہم کرتے ہیں۔

### پاکستان کی معیشت:

سپلائی چین میں رکاوٹوں، مہنگائی میں اضافے اور مالیاتی سختی کی وجہ سے عالمی سطح پر سست روی نے بین الاقوامی سطح پر مجموعی طلب کو کم کر دیا ہے۔ جس کے اثرات پاکستان میں مینوفیکچرنگ انڈسٹری کی کارکردگی پر پڑے ہیں۔ بہت سے دوسرے ممالک کی طرح، پاکستان کی اقتصادی سرگرمیاں فی الحال صلاحیت ترقی کر رہی ہیں۔ جس کا مطلب پیداوار میں منفی فرق ہے۔ ایک ہی وقت میں ایک بار پھر بہت سے دوسرے ممالک کی طرح افراط زر کی حد تک زیادہ ہے۔ مزید برآں جیسا کہ کئی دیگر اترقی پذیر معیشتوں میں بھی ہے۔

عالمی توانائی کے بحران، جس نے انجناس کی عالمی قیمتوں میں اضافہ کیا ہے، بین الاقوامی سرکاری ذخائر پر بھی نیچے کی طرف دباؤ ڈالتا ہے۔

مہنگائی کا دباؤ کم ہونا شروع ہو گیا ہے کیونکہ CPIMoM افراط زر کی بلند ترین سطح سے اکتوبر 2022 میں 4.7 فیصد سے نومبر میں 0.8 فیصد تک گر گئی ہے۔۔۔ ایس پی آئی میں بھی بہی رجحان دیکھا گیا ہے۔ جس نے دسمبر میں مسلسل تین ہفتوں تک گراؤ کی جو کہ موجودہ مہینے کی CPI افراط زر میں بھی منتقل ہو جائے گی۔

کنزیومر پرائس انڈیکس (سی پی آئی) نومبر 2022 میں سالانہ بنیادوں پر 23.8 فیصد ریکارڈ کیا گیا جو پچھلے مہینے میں 26.6 فیصد تھا۔

ایمپورٹ کپیریشن کی حکمت عملی، مانیٹرنگ پالیسی میں سختی اور صارفین کی کم قوت خرید نے آٹوموبائل سیکٹر کی کارکردگی کو مسلسل دبا دیا۔

پاکستان کے کل بالغ زر مبادلہ کے ذخائر 21 دسمبر 2022 کو بڑھ کر 12.0 بلین ڈالر ہو گئے، اسٹیٹ بینک آف پاکستان کے ذخائر اب 6.1 بلین ڈالر ہو گئے۔ کمرشل بینکوں کے ذخائر 5.9 بلین ڈالر ہیں۔

مجموعی طور پر، مالیاتی خسارہ جولائی تا اکتوبر مالی سال 2023 کے دوران جی ڈی پی کا 1.5 فیصد (1,266 بلین روپے) کا باعث بن گیا ہے کہ گزشتہ سال جی ڈی پی کا 0.9 فیصد (587 بلین روپے) تھا۔

مالی سال 2023 کے لیے سیلاب سے پیدا ہونے والی تباہی کی وجہ سے معاشی نمو جو بھرتی کے ہدف سے کم رہنے کا امکان ہے۔ کم شرح نمو، مہنگائی کی بلند شرح اور سرکاری ذخائر کی کم سطح کا یہ مجموعہ خاص طور پر پالیسی سازوں کے لیے چیلنج ہے۔ قلیل مدت میں، پاکستان کے مرکزی بینک اور حکومت کی طرف سے مانگ کے انتظام کی پالیسیاں افراط زر سے لڑنے اور سرکاری ذخائر کی حفاظت اور جامع ترقی کے تحفظ کے لیے بنائی گئی ہیں۔

### کاروباری چیلنجز اور مواقع:

عالمی موسمیاتی تبدیلی کی تباہی کے پس منظر میں، سلام نکافل حکمت عملی کے ساتھ ہمارے چھوٹے ممالک کے لیے شریعت کے مطابق پیرامیٹرک فصل اور لائیو اسٹاک نکافل مصنوعات تیار کر رہا ہے۔ کسان اور لائیو اسٹاک آپریٹرز۔ ایک ذمہ دار کاروبار کے طور پر، سلام نکافل لمینڈ پورے پاکستان میں زیادہ متحرک، صحت مند اور مساوی برادریوں کی تخلیق کرتے ہوئے موسمیاتی تبدیلی کے چیلنج سے نمٹنے کے لیے وقف ہے۔ ہم موسمیاتی تبدیلی کو اپنے وقت کے سب سے بڑے عالمی اور گھریلو صحت عامہ کے چیلنجوں میں سے ایک سمجھتے ہیں۔

Payas You Drive (PAYD) نکافل پروڈکٹ آپ کی گاڑی میں چلنے والے میلوں کو ای ٹریک کرتا ہے تاکہ ان ڈرائیوروں کو پالیسی ڈسکاؤنٹ پیش کیا جاسکے جو اپنے سینسر کے مطابق اوسط سے کم میل ڈرائیو کرتے ہیں۔ اس طرح حادثات، بھیس، اور ہوائی آلودگی کم ہوتے ہوئے صارفین کے پیسے بچاتے ہیں۔

ایک اثاثہ کے مالک کے طور پر، ہم مائیکرو بیمہ کی قدر اور صلاحیت پر یقین رکھتے ہیں کہ مستقبل میں ہونے والے نقصانات کو روکنے کے لیے ایک سرمایہ کاری مؤثر سرمایہ کاری کے طور پر، اس طرح، اثاثوں اور روزی روٹی کے تحفظ کے لیے۔ مائیکرو بیمہ غربت کے خاتمے کے لیے ایک قابل قدر ذریعہ ہے اور خاص طور پر صحت کی مائیکرو انشورنس اسکیموں کے ذریعے، یہ وسیع پیمانے پر سماجی تحفظ فراہم کر سکتا ہے۔ مائیکرو انشورنس کو مؤثر طریقے سے فراہم کرنے کے لیے مختلف مقاصد کے ساتھ پبلک اور پرائیویٹ سیکٹر دونوں کے بہت سے اسٹیک ہولڈرز کی شمولیت کی ضرورت ہوتی ہے۔

# STRATEGY AND RESOURCE ALLOCATION

## THE FIRST PAPERLESS TAKAFUL OPERATOR IN PAKISTAN

Salaam Takaful's strategy of investing in digitization and resource automation has enabled it to become the first paperless takaful operator in Pakistan. By allocating resources towards developing digital capabilities, the company has been able to streamline its operations, reduce costs, and offer enhanced services to its policyholders. This strategic move has not only reinforced Salaam Takaful's position as an industry leader but has also helped to establish the company's reputation as a tech-savvy and customer-centric organization in the Pakistani insurance and takaful market.





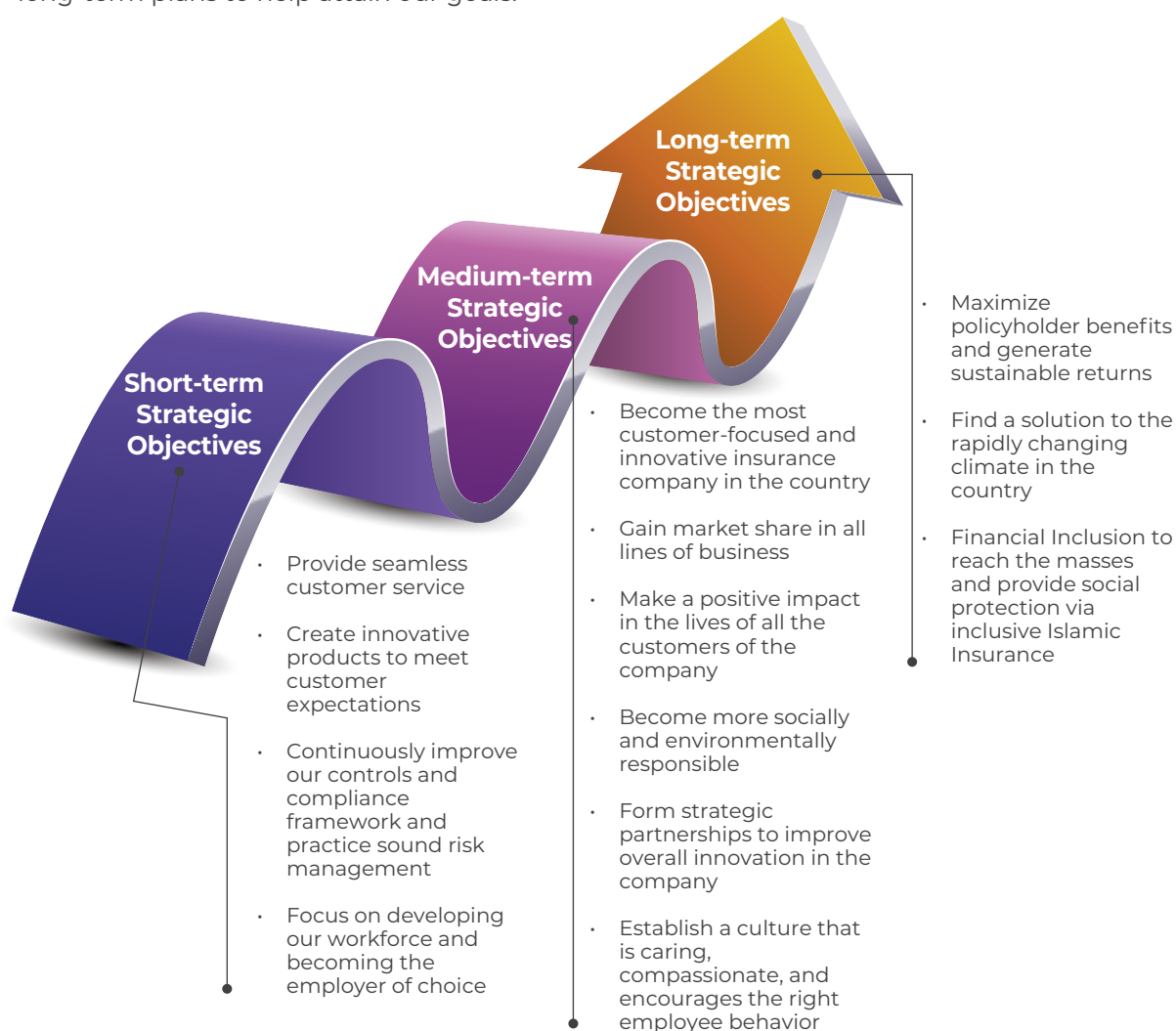
# STRATEGY AND RESOURCE ALLOCATION

## 1. Short, medium, and long-term strategic objectives

### Our Planned Strategic Objectives:

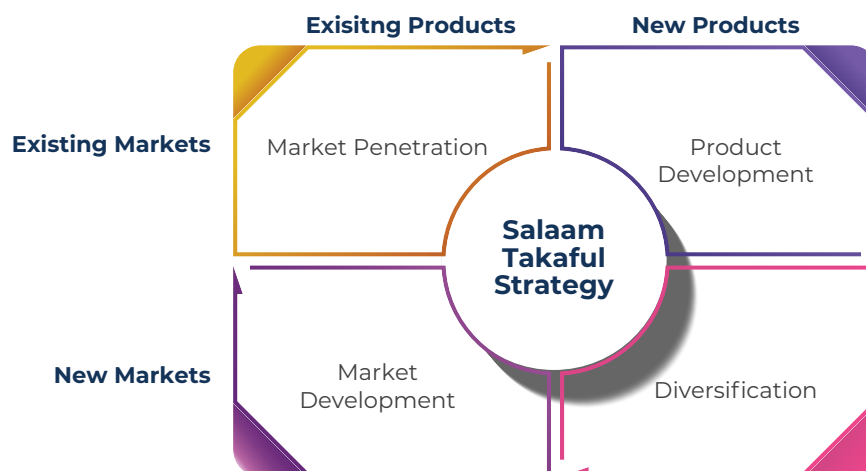
Salaam Takaful Limited is a company in Pakistan that aims to become a leading global takaful tech company. In 2022, the company developed a comprehensive corporate strategy with short, medium, and long-term goals to achieve its objectives.

In the year 2022 the company has made great strides to maintain a comprehensive Corporate Strategy consisting of Strategic Objectives that can be dissected into short, medium and long-term plans to help attain our goals.



## 2. Strategies in place or intended to be implemented

Salaam Takaful Limited aims to establish itself as a top Takaful operator by introducing new products, expanding distribution channels, and targeting new markets with a focus on direct customer sales. This shift from primarily servicing corporations, banks, and other financial institutions is a new strategy for growth that aims to effectively and profitably serve individual customers. The company plans to achieve this by developing new products, expanding into new markets, and diversifying its offerings.



### 3. Resource allocation plans to implement the strategy and financial capital structure

Our Company utilizes a vast array of resources to achieve its defined strategic goals. Following the guidelines that fall under the umbrella of integrated reporting and focusing on the generality of value we can define the various forms of capitals as stated below:

- **Financial Capital**

The financial capital of a company refers to the money available for producing goods or providing services. This can come from investments or business activities and is managed by the company's board of directors. The following is a summary of the main financial funds and how they are used by the company.

- **Cash Management**

The company is dedicated to effectively managing its liquidity to ensure that it has enough cash in hand to meet its obligations to policyholders. The finance department is responsible for cash and liquidity management, and a skilled and capable team regularly monitors and manages liquidity under the guidance of the chief financial officer. During the year, cash outflows of 1410 million (2021: Rs. 964.02 million) were made to pay claims to policyholders. The company currently maintains a ratio of 4.7 million (2021: 1.26) and has cash and bank deposit balances of Rs. 505 million (2021: Rs. 680 million).

- **Investment Management**

The company has a team of experienced staff who manages investments in an organized and systematic manner, keeping abreast of the stock and money markets. They also seek out alternative investment opportunities to generate profitable returns. The investment function is overseen by a vigilant investment committee, which operates under the CFO's oversight to ensure sufficient liquidity for operations and proper investment of excess funds. The total value of investments (PTF+SHF) at the end of the year was Rs. xxx million (2021: Rs. 707 million). All investments, including debt securities/SUKUKS, term deposits, and equity investments, are compliant with Shariah principles.

- **Manufactured Capital**

Manufactured capital refers to the creation of assets and resources that are available to the company to help it achieve its goals. In order to increase productivity and create a more positive work environment, the company sought to improve its infrastructure layout across all offices. A thorough analysis of the limitations of the current location of the head office revealed the steps needed to address the issues. The head office is currently located in a rented building with fragmented offices due to building limitations and size, which also poses challenges for future infrastructure development. This motivated the company to purchase a new office building that would allow for future growth and easy upgrading of support services for the business.

- **Intellectual Capital**

Intellectual capital refers to the creation and retention of organizational knowledge, including software, patents, copyrights, and employee tacit knowledge. The company values its employees highly and is constantly working to improve their work-life quality and compensation. The company also believes that incorporating technological advancements into core business operations is crucial for long-term growth and profitability, as well as being more environmental friendly and sustainable. The Salaam Takaful App is continually being updated and has several new features planned for release soon. The company also uses an internally developed ERP system, which gives it an edge over its competitors. The company aims to become a leading Insurtech/fintech company, offering tech-enabled insurance products directly to customers. The book value of intangibles is Rs. xxx million (2021: Rs. 18 million).

- **Human Capital**

The skills, talents, and attitudes of a company's workforce, as well as their drive to innovate and improve, make up its human capital. The company values maintaining high standards by regularly hiring skilled and experienced professionals. A goal for the future is to increase the number of experts in the team, making sure each department has enough skilled employees. In 2022, the company had an average of 250 employees, compared to 209 in 2021.

- **Social and Relationship Capital**

Social and relationship capital involves shared beliefs, values, and actions. Salaam Takaful is proud of its strong and well-maintained relationships with various communities. We have partnered with various educational institutions to give back to society and bring on board bright and energetic individuals. We believe that building partnerships with other organizations, institutions, professional associations, and regulators can bring benefits to all involved and society in general. This philosophy motivates us to maintain such partnerships in various business environments. More information on our partnerships can be found in the "Partnerships" section.

- **Natural Capital**

Natural capital refers to the resources, both renewable and non-renewable (such as factories, animals, air, water, soil, and minerals), that provide benefits to people. Recognizing the importance of environmentally responsible choices, Salaam Takaful Limited strictly follows a paperless system throughout its operations to promote eco-friendly practices. Additionally, plants have been placed throughout the office to create a greener and fresher atmosphere in the work environment.

#### 4. **Key resources and capabilities of the company which provide sustainable competitive advantage**

Salaam Takaful Limited manages a vast array of resources, giving it a significant competitive edge over its rivals. These valuable resources include.

- Intellectual Capital
- Highly experienced team that creates a unique synergy that isn't available industry wide
- Internally developed IT Ecosystem

#### 5. **Value created by the business, using these resources and capabilities**

Our company has been creating value for Pakistani society since its very inception. The key amounts for value created during the year and the beneficiaries / recipients are as follows:

Value Created	Beneficiary / Recipient	2022 Amount in PKR millions	2021 Amount in PKR millions
<b>Claims</b>	Policyholders	1408	964
<b>Salaries and employee benefits</b>	Employees	416	293
<b>Sales Commission</b>	Insurance agents	268	151
<b>Capital Expenditure</b>	Various suppliers	61.8	106
<b>Ijarah Rentals</b>	Banks and financial institutions	48	29
<b>Income Tax</b>	Government	11.4	12.8



## **6. The effect of technological change, societal issues, environmental challenges and resource shortages, on the company strategy and resource allocation.**

### **Technology**

Salaam Takaful Limited utilizes an internally developed and regulated ERP and mobile application for internal management and communication with customers and partner organizations. Our IT systems are regularly updated and improved to ensure that all operations are able to meet any potential business challenges.

As technology is changing the insurance industry, Salaam Takaful Limited embraces this change and incorporates it into our operations. We constantly focus on new technology and innovations in the industry and adapt our business to make the most of tools that will improve efficiency, reduce costs, and enhance customer experience.

Currently, Salaam Takaful Limited is undergoing a transformation to become a leading fintech/insurtech company, offering products and services through online and IT-enabled platforms, with a focus on reducing cost, improving efficiency, and providing a better customer experience.

### **Societal issues**

Like many other developing countries, Pakistan faces significant societal challenges such as unemployment, illiteracy, poverty, child labor, corruption, harassment, and gender discrimination. In keeping with its commitment to corporate social responsibility, Salaam Takaful Limited aims to play its part in addressing these issues. The company is actively involved in philanthropic and charitable work and regularly donates to reputable organizations. Additionally, Salaam Takaful provides coverage for accidents and health to assist with the burden of healthcare costs. The company is also developing new products, such as loss of job insurance, to help address these issues.

Salaam Takaful Limited supports and donates to notable causes, charities, and NGOs that align with its goal of improving society and humanity. The company is the first dedicated general Takaful provider to distribute surplus to customers and give them the option to donate the surplus to charitable institutions with their consent. This further encourages charitable giving and community engagement.

To address the issue of unemployment, Salaam Takaful has a management trainee program for newly qualified religious scholars (Aalim) to include them in the benefits of corporate growth and provide them with job skills, while simultaneously achieving corporate goals utilizing their religious skills.

Salaam Takaful has a zero-tolerance policy for corruption, harassment, and gender discrimination. Any incidents are dealt with severely and appropriate action is taken.

### **Environmental challenges**

Climate change is a pressing global concern, and communities around the world are taking

steps to reduce the impact of global warming and climate change. Salaam Takaful is proud to be an active member of these environmentally conscious communities. To address the issue, Salaam Takaful has fully implemented a paperless approach and is continuously focused on reducing paper usage. Additionally, the office has been decorated with plants and flowers to create a greener environment and increase awareness about the importance of tree planting and its environmental benefits among employees. Salaam Takaful also aims to reduce its carbon footprint by implementing energy-efficient practices, promoting sustainable transportation and investing in renewable energy. Furthermore, Salaam Takaful is committed to support sustainable development and community projects that promote environmental conservation and biodiversity.

### **Resource shortages**

Since the outbreak of the Covid-19 pandemic, many corporations have placed increased emphasis on preventing resource shortages. As a service organization, Salaam Takaful recognizes that its human resources are its most valuable asset. To ensure continuity and sustained future leadership, Salaam Takaful Limited has implemented detailed succession plans. Additionally, the company regularly hires skilled and professional employees and has established various management trainee and professional internship programs to ensure a sufficient talent pool at all times. Furthermore, Salaam Takaful Limited also focuses on employee well-being and development by providing regular training, workshops and professional development opportunities, to ensure that the employees are equipped with the most recent skills, knowledge and expertise to excel in their roles and contribute to the company's growth.

## **7) Specific processes used to make strategic decisions and to establish and monitor the culture of the organization.**

The following ideals are utilized to make strategic decisions and to establish & monitor the culture of the organization

### **1. Communicate and align**

Salaam Takaful Limited clearly communicates its objectives to its employees, customers, and partner organizations. The goals are established with a comprehensive list of objectives to serve as the foundation for business planning and corporate growth. The leadership team regularly maintains internal and external communication to monitor the overall operations and ensure that all functions and workings align with the corporate objectives. Additionally, Salaam Takaful Limited uses various performance management tools such as Key Performance Indicators (KPIs) and Balanced Scorecard to measure the progress towards achieving its objectives and identify areas for improvement. The company also encourages employee engagement and feedback to ensure that everyone is aligned with the company's goals and feel a sense of ownership and accountability.

### **2. Drive accountability**

Salaam Takaful Limited places a strong emphasis on its system of 360-degree accountability, believing that holding everyone accountable is crucial for improving performance and

achieving corporate objectives. The goals and objectives are clearly communicated to all employees, and their performance is regularly monitored in relation to their specific assigned goals. Additionally, the company uses various performance management tools such as Key Performance Indicators (KPIs) and Balanced Scorecard to measure progress and identify areas for improvement. Performance evaluations are conducted on a regular basis, and employees are provided with feedback and coaching to help them improve their performance and achieve their goals. Moreover, Salaam Takaful Limited also encourages employee development through various training and development opportunities to ensure that employees have the skills and knowledge necessary to meet their goals and contribute to the company's growth.

### **3. Create focus**

Salaam Takaful Limited ensures that all employees and teams have clear and well-defined goals, allowing them to track their progress and evaluate how their work contributes to the company's overall success. Regular performance conversations are held throughout the organization to provide employees with a clear focus and to encourage accountability. This is considered a key responsibility for department heads and is seen as an opportunity for them to demonstrate their leadership skills.

### **4. Be action-oriented**

Management and employees are focused on and fully aware of the specific actions that need to be taken to achieve organizational goals, and this process is closely overseen by management.

### **5. Track progress ethically**

Ethics concerns the nature and perspective of choices made at both the individual and organizational level. As an organization, we embrace this principle and prioritize our integrity values, making them a central aspect of all aspects of our operations, both in routine and exceptional circumstances. Our corporate values are reflected in various processes that shape the daily operations of the company, including:

- Human Resources policies and their implementation
- Reward systems
- Hiring and retention practices
- Performance management and evaluation processes
- Promotion decisions

## **8. Key Performance Indicators (KPIs) to Measure the Achievement Against Strategic Objectives.**

Term	Strategy	Objective	KPI	Future Relevance	Management Approach
	Profitability	To ensure Salaam Takaful remains a profitable company by giving adequate returns to shareholders	<b>PTF</b> Net underwriting results as a % of Net contribution  Surplus as a % of Net contribution  <b>SHF</b> Profit after tax as a % of Wakala fees  Management expenses as a % of Wakala fees	✓	<p>Management is working to efficiently and effectively introduce new product lines that will be sold directly to individuals.</p> <p>Management is consistently striving to improve profitability by eliminating inefficiencies from current operations.</p>
	Growth	To continue the growth momentum	Gross Written Contribution (GWC)	✓	Management is making ongoing investments in the sales team and infrastructure improvements to secure sustained growth for GWC.
	Quality of underwriting	To underwrite policies that are profitable	Combined ratio Loss ratio Underwriting ratio Cessation ratio	✓	Improved the procedure for thoroughly examining and assessing risks before issuing policies.
	Brand value and customer confidence	To improve brand equity and customer services	Brand equity Customer service evaluation	✓	Increased efforts to establish the brand, improve marketing and customer service. Developed a cutting-edge mobile app and implemented digital methods to quickly and easily provide products with the highest customer satisfaction.
	Distribution Channels	Product and services penetration into untapped customer through advance and new resource channels	Number of distribution channels  Number of digital channels  Number of distribution partners	✓	Boosting sales by providing the team with the necessary marketing tools and resources. Introducing new incentives for teams to uncover new channels and achieve all potential targets through these channels. Connecting the sales team and distribution channels through a cohesive IT infrastructure. Utilizing digital channels and expanding the sales team's geographical presence by opening three new branches this year.
	Trainings	Improve the employee performance by giving the relevant training	Number of trainings  Number of seminars & webinars	✓	Management organizes training sessions to enhance the skillsets of employees and boost employee morale. They also encourage employees to attend seminars and webinars at professional forums.
	Customer Excellence	Long-term customer satisfaction and help Salaam Takaful achieve brand recognition	Customer satisfaction surveys  Feedback calls  Different rewards and incentives  Share surplus	✓	Management is conducting customer satisfaction surveys, making follow-up calls, and offering rewards & incentives to enhance long-term customer satisfaction. Salaam Takaful is the first dedicated general takaful to distribute surplus among policyholders.

Term	Strategy	Objective	KPI	Future Relevance	Management Approach
	Product Development	Increasing lines of Businesses to ensure better competitive advantage along with introduction of innovative and more convenient services and products	Number of new products and lines launched	✓	Creating a separate department for researching and developing new product ideas. Hiring executives for product development. Conducting customer surveys to identify and fulfill customer needs and demands for new products, such as free OPD consultation, a focus on bike products, and pay-as-you-drive options.
	Technology Advancement	To equip resources in all departments with latest state of the art technological advancement and integration of all functions in internal and external performance areas.	Number of new systems replaced and adapted	✓	Management conducts internal surveys to determine if employees require new technology. The IT team stays up-to-date on new advancements and technologies used by other organizations to keep up with current trends and efficiencies.

## 9. Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.

### Liquidity Management

Liquidity risk is the risk that a company, such as STL, may be unable to meet its financial obligations without incurring a significant loss by selling its illiquid assets. If STL is unable to meet its obligations on time, it could result in loss of confidence among its participants, reputational damage, uncontrolled withdrawal of participants, litigation, or disciplinary action, all of which could threaten the survival of the institution. To manage this risk, STL uses cash flow modeling and liquidity profiling to ensure that it has enough liquid assets to meet liquidity risk and unexpected liquidity requirements. Currently, STL has enough liquidity available to ensure its operations. The surplus funds are invested in Shariah-compliant term deposits to earn investment income. STL also has a contingency plan in place, which includes identifying alternate sources of liquidity and ranking assets based on their liquidity in case of a crisis. All of these points are laid down in the Finance SOPs.

### Strategy to Address Operational Losses

The Governing Body of a Takaful company is responsible for setting the level of risk that the company is willing to take on in order to achieve optimal returns. This is implemented through policies and procedures that govern factors such as portfolio size, underwriting criteria, product limits, underwriting authorities, claims signing authorities, delegation of authorities, pricing adequacy, and loss scenarios. To address potential operational losses, stress testing and scenario analysis are conducted on an annual basis, and the results are reported to the Audit Committee. STL has a designated risk management function to handle not only operational risk but also enterprise-wide risk management. To minimize operational losses, the company focuses on several key areas including determining the appropriate portfolio size for each line of business, implementing strict underwriting guidelines, setting rigid risk limits for each product, assessing pricing adequacy ratios, and using Re-Takaful protection from a range of global and regional operators to avoid wide fluctuations in claim costs. Installing a flagging system for identification of projected threats.



## **10. Significant plans and decisions.**

### **Growth and Expansion**

The company is looking to expand its customer base by taking calculated risks and decentralizing its power through its geographical expansion strategy, which includes establishing new branches in different cities throughout the country. To do this, the company is introducing new business lines such as agriculture and livestock, medical malpractice, and loss of employment. Even during a pandemic where many businesses have struggled and laid off employees, the company is taking a positive and supportive approach by actively recruiting new employees in almost every department.

### **Organizational Restructuring**

The organization has implemented several productive practices to ensure smooth and efficient operations, including new and improved working systems, improved employee policies, an increase in remote working culture, and technological advancements across all levels of the organization. Additionally, the company has restructured its reporting lines by consolidating the operations of motor and non-motor under a single leadership. Also a structural rotation mechanism is in planning, to rotate key personnel every 3 years/

### **Review & Continuous Improvement**

A department dedicated to service quality and excellence has been established to continuously improve the organization by identifying and implementing necessary upgrades as needed.

### **Risk Management**

The company has established a risk department to identify, analyze, and document potential risks, as well as evaluate their level of severity. The department also has the authority to investigate new products for potential risks and is equipped to determine the level of risk being posed. The autonomy of the risk management department has been increased by the company in terms of new products.

### **Partnering in Ventures**

We collaborate with various affinity partners for the distribution of our retail and group products. The main objective of this mutually beneficial relationship is to expand our reach by capitalizing on shared interests and benefits for corporate relations. These partnerships are formed in areas where insurance/takaful companies do not typically venture into, due to a lack of innovative thinking. This unconventional approach allows us to explore opportunities that are not yet mainstream in the relevant industries.

## **11. Significant changes in objectives and strategies from prior years**

With consistent guidance and direction from the Board of Directors, the management team is focused on creating more comprehensive goals and strategies, as well as investing time and resources in developing innovative products and services that incorporate advanced technology. An example of this is our Salaam Application which includes a sophisticated Virtual Clinic that offers round-the-clock access to highly qualified consulting doctors. The company is also focused on developing a paperless environment that provides efficient and streamlined services, including policy booking, takaful surveys, workshop communication, hospitals, dealers, and within the company itself. Additionally, the company is working to provide an efficient payment system for claims with minimal turnaround time.

# RISK AND OPPORTUNITIES

## DATA SCIENCE

Salaam Takaful's data-driven approach has enabled it to effectively identify and manage risks while capitalizing on emerging opportunities in the Pakistani insurance and takaful market. By leveraging data analytics and insights, the company stays ahead of market trends and make informed decisions that drive growth and profitability. This approach not only helps to mitigate risks but also unlocks new opportunities for the company to innovate and differentiate itself in an increasingly competitive market





# RISK AND OPPORTUNITY ANALYSIS

## RISK ANALYSIS WITH THE IMPACT ON CAPITALS

All sort of risks in Takaful require specific risk management strategy and need to be handled separately. Following key risks have been identified along with their consequences, risk rating and mitigation tools the company has incorporated for their control.

Sr. No.	Risk	Internal / External	Likelihood	Impact	Risk Description	Control Mechanism
01	Actuarial	Internal	Medium	High	Several actuarial assumptions are involved during the design of a product including the estimation of any event to happen or not. Those estimations are mainly based on historical data and subjective judgements that may go wrong or might not repeat.	Rigorous review and approval mechanism is adopted to avoid any actuarial risk. The company has hired a panel of experienced actuaries who design the product and stress test them under various scenarios. The increased availability of data due to data collection in digital mode and sharing / exchange of data with partner entities has helped the company to reduce the actuarial risk
02	Underwriting	Internal	Low	Moderate	Effective underwriting is vital for company and ineffective underwriting could result in significant risk for the organization. This risk may be pertinent in case of poor selection of applicants having probability of high claim ratio or simply the actual losses were higher or above average in that year. It would expose the company to financial losses and can lead to liquidity concerns as well.	The company deals with this risk having a standardized underwriting procedure. In addition, high risk applicants are thoroughly scrutinized before accepting their applications. They may then either be offered to contribute extra contribution in correspondence to their higher risk or their applications can also be rejected.
03	Credit	External	Moderate	High	The company adopts a moderate approach to credit risk keeping the risk at lower side if the counter party/insured fails to fulfill its obligation for payment, resulting the company to incur a financial loss.	The company seeks to control credit risk by continuously monitoring credit exposures, undertaking transactions with different industries' counterparts, and assessing their credit worthiness time to time. Credit is only extended to financial institutions or large corporate entities with chances of default being next to nil.
04	Liquidity	Internal	Moderate	High	The risk of liquidity is significant one for the company in the event if financial obligation becomes due much earlier than expected and in the case of credit default by a significant counterparty. However, the company has a low probability of liquidity risk as the relatively illiquid nature of our liabilities is a potential source of additional investment return, allowing us to invest in avenues; generating higher yields.	The company controls this risk by managing a healthy cashflow in the form of cash equivalents such as deposits. Also, the maturity of financial assets and liabilities are closely and regularly monitored. The company is also using various digital modes of fund collection e.g., inter bank fund transfer, payment aggregators etc. to reduce the lead time of cash collection and resulting in improved liquidity position
05	Investment	External	Moderate	Low	The organization has maintained a high rating investment to counter this risk. Changes in stock market variables and interest rates may affect future cashflows of financial assets. Given that, however the probability of this risk is moderate for the company as balanced portfolio is always maintained.	The organization strives to maintain a balanced portfolio based on analysis of several factors including profitability, liquidity, and credit worthiness. The portfolio is tilted towards debt investments due to lower risk profile.
06	Credit Rating	External	Low	High	The company views this risk potentially significant and adapts a moderate approach to maintain its capital adequacy ratio, credit risk, market risk, liquidity risk effectively, as a decline in credit rating may badly impact our competitive standing as insurer resulting in loss of premium and market share.	The organization aims to maintain a strong rating and financial position by benchmarking against agency rating and any serious concerns are accordingly highlighted.
07	Regulatory	External	High	High	The company operates in an industry that is highly regulated thus making it a major risk for the company due to changes in rules and regulations, or new compliance laws imposed. This may cause the company risk of increase in operating costs in some markets and its business practices as well as impacting certain business lines such as overseas operations. The company may also be exposed to fines, penalties, and reputational risk in case of failure of non-compliance. The organization has incorporated a moderate yet effective approach via a formal legal and compliance department to cater to this risk.	The organization has its dedicated legal and compliance department to monitor the changes in regulatory framework and how it may impact the business operations. Regular meetings are also held with the relevant stakeholders and the company engages with the Insurance Association of Pakistan to ensure industry views are represented.

Sr. No.	Risk	Internal / External	Likelihood	Impact	Risk Description	Control Mechanism
08	Capital Adequacy	Internal / External	Low	High	Capital adequacy is another major risk for the organization. The company may be exposed to the risk of not being able to meet the regulatory requirements of minimum capital required. This risk can result in affecting the company's trade license renewal as well as the company's credit rating.	Regular assessments of capital needs are done. Further the company maintains a profitable and liquid operations to ensure capital adequacy.
09	Political	External	High	High	Political instability, wars, terrorism, riots, and social unrest is next among the major risks the company is exposed. Cost of doing business will increase along with services to customers will also be adversely affected and delayed.	The company seeks to counter this risk by carrying out regular political assessments and its impact on operations. Besides actuaries are also instructed to be extremely prudent in their judgments in accepting any sort of risk. Lastly maintaining a catastrophic cover from reinsurers.
10	Economical	External	Moderate	Moderate	Economic factors such as inflation and changes in interest and currency exchange rate may pose to be a significant impediment for the company in achieving its goals.	The company has developed niche products to maintain and increase its market share without compromising on its profitability.
11	Technological	External	Moderate	Moderate	The technological factors and digitalization change the industry landscape. STL has embarked on the path to use technology for its advantage. Company uses various leads, payment collection, claims disbursement, customer relationship management and customer support. These technological platforms are subject to malicious attacks and obsolescence that could be adverse for the company's operations	The company has hired experienced and competent IT professionals. The company keeps on investing in technological infrastructure and human capabilities to keep them abreast of the current trends so competitive advantage could be retained.
12	Reserve	Internal	Moderate	Low	Inadequate reserve to meet future takaful obligation is one of the major risks for the organization as the company could face unanticipated losses, alongside facing customer dissatisfaction for not being able to settle claims.	The company continuously monitors and enhances reserves and ensures to calculate reserves within built-in margins in all contracts so that inadequacy is never experienced.
13	Unexpected claims	External	Moderate	Moderate	Unexpected claims is another significant risk for the company. Abrupt changes in the external landscape such as regularity, judicial, financial, climatic etc may lead to unpredictably increased claims and coverage. The company might not be able to cater to sudden changes immediately and efficiently thus resulting in customer dissatisfaction.	The company has entered into several excel of loss treaty reinsurance to counter such unexpected claims
14	Data breach	External	Moderate	High	The company is custodian of significant amount of corporate and individual data due to the nature of its business. Loss of data, unauthorized data intrusion or access and technological failure is a significant risk for the organization resulting in bad repute, loss of trust, impacting business operations, financial results and litigations.	The company has hired a team of dedicated experienced IT security experts to look after the IT and network security issues. All IT incidents are logged and dealt with strict security tools. Latest antivirus software, firewalls, encrypted storage and multi factor authentication requirement are also deployed to ensure avoidance of data breaches.
15	Retakaful	External	Low	Moderate	Having a retakaful arrangement doesn't relieve the company of its responsibility as retakaful operator is not a party to the contract. The company might not be able to recover its claim losses if the retakaful operator fails to fulfil its obligations.	To minimize this risk, the company purchases retakaful from several reinsurers who are atleast "A" rated and having operations in multiple jurisdictions with a long history of successful operations.
16	Fraudulent claims	External	Low	Low	Fake and inappropriate claims could be paid resulting in financial loss to the company	The company has a dedicated claims department that scrutinizes each claim. Moreover, claims are not processed until they are backed with all relevant documentation and evidence.
17	Strategic direction risk	Internal	Low	High	Due to sub-optimization and tactical level decision, the company could take a strategic direction where it doesn't want to be or for which it doesn't have the capability resulting in huge or even existential crisis.	The strategic direction and operations of the company is regularly reviewed during the Board of Directors (BOD) meeting. The BOD meeting is conducted on a quarterly basis as per the requirements of the Code of Corporate Governance.



Sr. No.	Risk	Internal / External	Likelihood	Impact	Risk Description	Control Mechanism
18	Natural catastrophe	External	Low	High	The world is subject to an increased risk of natural catastrophe and climate change due to global warming. Recently there was a severe flooding in Pakistan resulting in huge losses and consequences comparatively higher insurance claims.	The company has entered into several retakaful excess of loss contracts to counter such risk. Further the company is devising a revised strategy to take the advantage of this situation.

## ANALYSIS OF KEY OPPORTUNITIES

Sr. No.	OPPORTUNITY	Internal / External	Description	STRATEGY EMPLOYED
01	Automated Systems	Internal	For success of any business, its imperative to offer digital solutions to the customers. The company uses various digital modes for interaction with customers starting from getting sales leads to the provision of claim payments and post insurance supports like virtual clinic, mobile app etc. This not only reduces the business cost but also increases customer satisfaction and employee morale.	The company has dedicated resources for the development of digital solutions and its maintenance including the provision of services. The company has a strong believe to deliver services in digital mode as it is the only way for sustainability, profitability, customer satisfaction and employee morale.
02	Retakaful	External	The company ensures that it arranges adequate retakaful arrangements as a risk management and transfer of loss. This ensures the profitable operations of the company.	The company utilizes its actuarial expertise to ensure adequate retakaful arrangements are done to avoid any significant loss.
03	Skilled Human Resources	Internal	Skilled human resource is a critical factor in provision of high-quality service and customer satisfaction. Sophisticated digital systems and web-based interaction requires a competent and experienced team to be in place.	The company focuses on hiring highly experienced and technically competent workforce. In order regular trainings are conducted for existing staff to ensure their knowledge remains updated with the current trends.
04	Shareholders return	External	Providing tailored solutions to customers and policyholders result in increase in profitability and shareholders return. The company exploits digital channels and electronic means for service delivery and customer relations management. Customized solutions increase the market competitiveness, desirability and market standing. Customer requirements and market trends keeps on varying specially in the digital era and its imperative to stride with the market trends.	Company interacts with its existing and potential customers to get insight into their requirements and uses its digital infrastructure to cater their requirement with innovative solutions in cost efficient manner.
05	Catering Customer needs	External	Many people are still unfamiliar with the concept of Takaful. The Company continuously creates awareness among the customer about it with the fact that Takaful is not only Shariah compliant but also commercially beneficial to everyone.	The company utilizes electronic means to increase the outreach among customers and increasing awareness about Takaful concept and services offered by company. The Salaam mobile application and digital marketing methods plays a crucial role in increasing awareness. Till now the application has been downloaded by more than ten thousand users.
06	Financial inclusion	External	In Pakistan there is a huge population that still do not use any financial product and depends on traditional methods of business mainly in the agriculture including farmers and livestock. Government is focusing to bring this population into the financial umbrella. The company takes pride in being part of this initiative and playing its due role by developing customized products for agriculture.	The company is proud to introduce the parametric takaful for crop and travel being the first of its kind in Pakistan where claim is awarded on happening of certain predefined triggers including wind speed, level of rainfall etc.
07	Disaster risk financing	External	In 2022 Pakistan was subject to huge floods due to global warming. It has been observed that in every five to ten years, there is always a disaster or natural catastrophe in Pakistan and as a nation, our preparedness is always next to nil. The response from the Government and society has always been reactive with the losses being covered by either Government grants or by the survivors themselves.	The company is in collaboration with several government institutions and financial institutions to develop a solution for the recovery in post disaster situation and is confident that it will be able to introduce a Shariah compliant product for the nation.

# RISK MANAGEMENT FRAMEWORK

## ENTERPRISE RISK MANAGEMENT (ERM)

At Salaam Takaful, the ERM function was founded with the approval of Board of Directors and is diligently overseen by the Risk Management and Compliance Committee. It is a holistic approach intended to continually and systematically monitor, identify, control, and report the various sorts of risk that the company may be exposed to; be it strategic, operational, legal, financial etc. alongside set risk tolerances in accordance with strategic objectives.

The Enterprise Risk Management (ERM) process consists of five key steps:



## UNDERSTANDING THE ERM PROCESS

### 1. Risk Identification:

At this stage, major categories of risks are first identified followed by identification of specific ones under each category. Risks are described in detail at this stage, also the source of the risk is made clear.

### 2. Risk Estimation:

Comprehend the nature and level of risk, determine its probability and severity which assists in analyzing about the risk rating as either Critical, High, Moderate or Low.

### 3. Risk Evaluation:

Compare the results of risk analysis against estimation to determine whether the risk is acceptable or not. It also includes analyzing whether the risk needs to be eliminated or merely reduced.

#### 4. Risk Treatment:

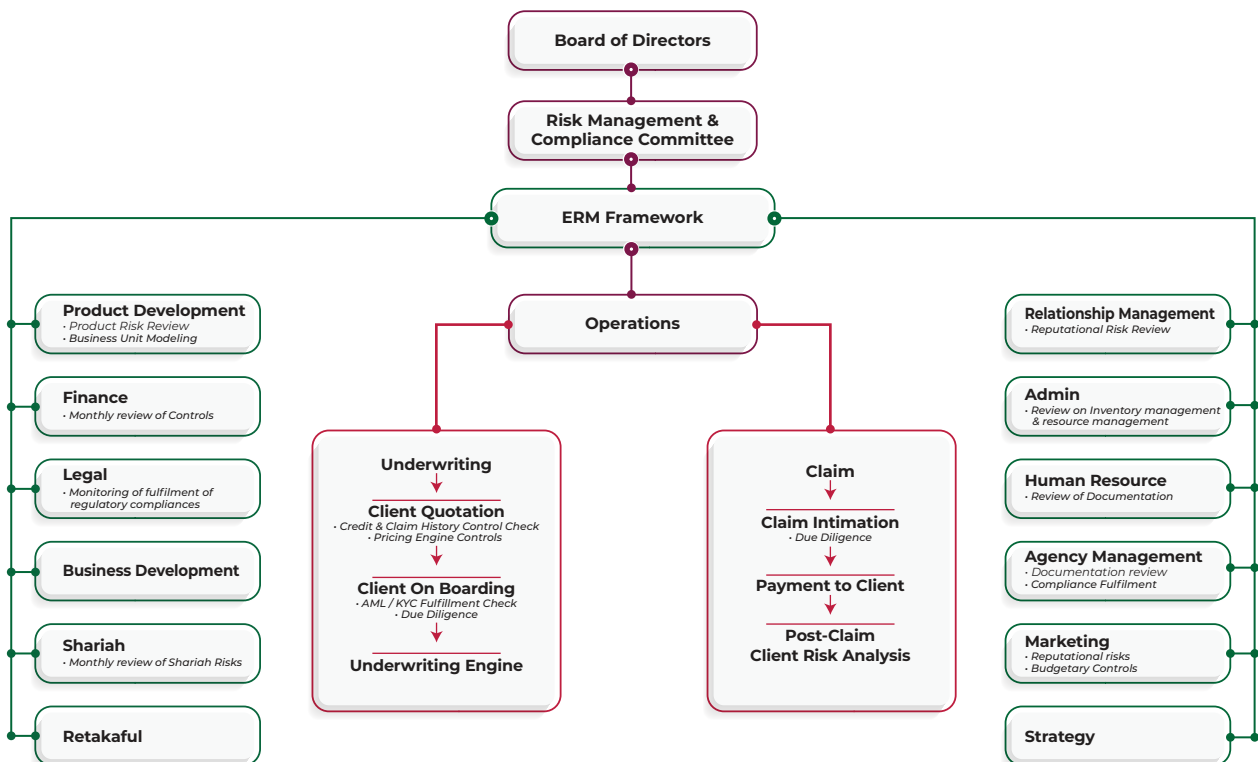
Risk strategies are documented regarding each risk. Existing controls are also reviewed and a potential action for improvement is noted.

#### 5. Risk Monitoring:

Follow up on the status of the risks to identify improvements from the performance level required or expected.

### BOARD COMMITMENT TOWARDS ERM

#### ERM Framework:



## OBJECTIVES OF RISK MANAGEMENT

Since the BOD supervises the risk management in Salaam Takaful Limited, the objectives are set by the BOD and include the following

- Enhance the value creation by promoting sound culture of effective risk management
- Risk management is aligned with the strategic and corporate objectives
- Compliance with statutory and legal obligations
- Eliminate or minimize the risks associated with new developments or black swan events
- Eliminate or reduce the adverse effects of risks
- Minimize the human cost of risks
- Minimize the negative consequences of claims and losses
- Provide high quality products and services
- Encourage openness and transparency to enable effective risk management
- Support strategic decision makers by providing them with timely and accurate information

## RISK STRATEGY

Keeping stride with the current trends of digitalization, the company is following the INSURTECH strategy for future growth. By using online and digital platforms, company could improve the delivery of solutions, customer relationship management and reduce the costs of operations. As per a recent study, by digitalizing the claims process, the claims cost could be reduced by thirty percent. Further the outreach to customers and collection procedure could also be improved resulting in higher stakeholder value. Following methods will be used as a strategy way forward

- Digitalize
- Simplify
- Transform

## SOURCES OF RISKS AND OPPORTUNITIES (INTERNAL AND EXTERNAL)

The company is subject to various risks due to the ever-altering environment and the nature of the corporate world. The key risks identified are stated below:

- Macro risk
- Underwriting risk
- Credit risk
- Liquidity risk
- Regulatory risk
- Economical/Political risk
- Retakaful
- Market perception risk
- ESG related risk
- Digitalization and cyber risk

#### **A. Macro Risk**

Macro risk include interest rate, foreign exchange rate, GDP, political and defense related risks. Every company is always subject to macroeconomic risks. In Pakistan, macro-economic changes are quite rampant, the macro-economic risk for the company gets amplified.

#### **B. Underwriting Risk**

Underwriting involves conducting an analysis the degree of risk each applicant or entity creates for the company before accepting the risk and helps an appropriate level of premium to be determined to cover the risk. Digital platforms are increasingly becoming crucial since access to several online platforms provide crucial services for this purpose. This is also helpful for customers since customers are not charged a higher amount against a lower risk.

#### **C. Credit Risk**

This is the possibility that the party responsible for the discharge of financial liabilities fails to fulfil the commitment resulting in the loss to other party. Being an insurer having significant amount of receivables from various corporate customers, takaful and retakaful operators expose the company to this risk. These risks also include external events affecting the credit worthiness of counterparties. Important to note that the company doesn't have any credit exposure to individual customers.

#### **D. Liquidity Risk**

This is the risk of losses in the event of insufficient liquid assets to meet its financial obligations for policy holders, takaful & retakaful operators and other vendors.

#### **E. Regulatory Risk**

Insurance/Takaful industry is a highly regulated industry and subject to frequent changes in applicable laws, rules, and regulations. Any omission or failure to meet regulatory compliance may expose the Company to penalties, fines, and reputational risks.

#### **F. Economical/Political Risk**

The economy of Pakistan is subject to significant ups and downs attributed to current account deficit, exchange rates and equity market movements; whilst the political environment is uncertain and lacks stability, hampering the cause of business activities.

#### **G. Retakaful risk**

These risks relate to the failure of the retakaful to discharge their obligations on the claims reinsured, as a consequence of which the Company has to incur additional cost.

#### **H. Market perception risk**

Companies are always at the mercy of market perception and to manage the same, every company maintains suitable advertising and public relation campaigns. A small incident has the potential to negatively impact the company's image and damage the business.



## **I. ESG related risk**

All societies place great emphasis on ESG related activities and every company has to continuously do activities related to it and monitor its activities to ensure nothing is against the principles of ESG.

## **J. Digitalization and cyber risk**

With the increased digitalization and reliance on online systems, every company is also subject very high risks pertaining to digitalization and cyber security. All processes must be fail-safe and done without error in the first time.

## **COMPANY'S INITIATIVES IN PROMOTING AND ENABLING INNOVATION**

In this era of digitalization, innovation, out of the box thinking and product development are the keys to success. The market experiences a raft of new innovative products supported by technology and takaful industry is not an exception to it. An insurance company can only identify itself as INSURTECH if it digitally enables its products and manages the customer and partner relations electronically.

### **Analytics:**

The company is increasingly becoming dependent on the analytics that finds hidden relationships among various factors. The products of livestock, crop and travel are significantly data and technology dependent. The company has partnered with various partners for it and building its database of information that will be used as a comparative advantage in future.

### **Seeking ideas from long-term employees:**

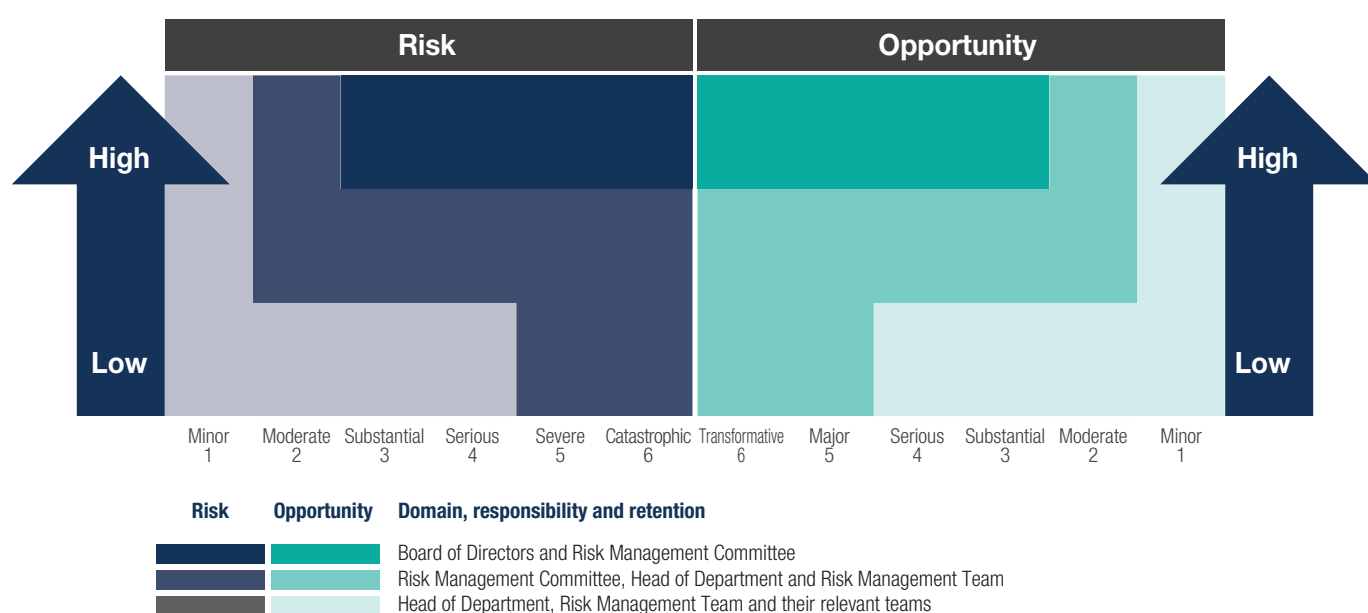
Long-term employees are an intangible asset for the company as they possess great tacit knowledge which is an input in the company's operations. The ideas generated by these long-term employees are given high value due to the same reason.

### **Rewarding innovative ideas:**

Employees are highly rewarded for the innovation and novel hypothesis generated for growth of the business.

# RISK ASSESSMENT (LIKELIHOOD, RISK, OPPORTUNITY AND MAGNITUDE)

At all levels, precautions are taken to avoid the risks prevalent in the present environment that could have adverse impact on the company. Risks are carefully avoided while in pursuit of the opportunities and the same approach has been incorporated at all levels and processes in the company. Innovation is always subject to risk management to protect the company and continue its existence in long term. Significant risks and opportunities are always dealt by BOD and management committee while lower level risks are dealt at the departmental level.



## RISK MITIGATION PLAN

Subsequent to the identification of various risks, the company has prepared a risk mitigation plan to minimize the negative effects on the business continuity. Risk mitigation is a part of risk management, and its implementation will differ in various organizations.

### FIVE STEPS OF RISK MITIGATION PLAN



The major practices that are deeply embedded in our daily operations include:

- Intensified management and technical reviews of each process and procedure.
- Engagement of all stakeholders each and every step of the way, making sure they are up to speed and included in operational and business decisions.
- Special oversight, analysis and testing of areas that are susceptible to high risk.
- A viable contingency plan to counter each risk.
- An executable exit strategy for each plan and allocating a risk manager for each plan, goal and decision.
- Enforcing and continually communicating the significance of risk management and thereby strongly integrating it in the company culture.
- Communicating risks as they arise and providing verifiable continuous status updates regarding it.

### **Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.**

The Board has established a set of hierarchy for the levels of risk in order to manage, avoid or willfully eliminate any arising threat, risk or damage, as deemed appropriate subject to particular scenarios. Minnscale risks are managed by the departments while strategic and heavier hitting risks are managed with the approval of the Board. The Board has also developed a Risk Appetite approach in order to accurately identify the level of risk that the business can safely undertake with caution, as compared to any risk that has a greater potential for being damaging and therefore being unacceptable for the business.

**The hierarchy established is as follows:**

#### **RISK MANAGEMENT HIERARCHY**



# LEVELS OF RISK

## i. Strategic:

It encompasses the risk management functions performed by senior management and the BOD. For instance, definition of risks, ascertaining company's risk appetite, formulating strategy, policies for managing risks, establish adequate systems and controls to ensure that overall risk remains within acceptable range and the reward compensates for the risk taken.

## ii. Business:

It encompasses risk management within a business area or across business lines of Salaam Takaful. Generally, the risk management activities performed by departmental heads or units devoted to risk reviews fall under this category.

## iii. Operational:

It involves 'on-the-line' risk management where risks are created. These are the risk management activities performed by the individuals who take risk on behalf of Salaam Takaful such as underwriting & claim functions. The risk management in these areas is confined to the operational procedures and guidelines set by the management.



## RISK APPETITE

The Risk Appetite of the Company is articulated in the form of Risk Appetite Statement, and it is linked with the Company's objectives and strategy. It addresses the Company's material risk under both normal and stressed market and macroeconomic conditions and set clear boundaries and expectations by establishing quantitative limits and qualitative statements.

The quantitative measures shall be expressed relative to earnings, capital, risk measures, liquidity, and other relevant measures as appropriate. It shall also address more difficult to quantify risks such as reputation risks as well as money laundering and unethical practices.

The Company's Risk Appetite Statement contains the following:

- Key background information and assumptions that informed the Company's strategic and business plans at the time they were approved.
- The Company's short and long-term strategic, capital, and financial plans.

- The amount of risk the Company is prepared to accept in pursuit of its objectives and business plan, considering the interests of its stakeholders (e.g., participants) and the fiduciary duty to shareholders, as well as capital and other regulatory requirements.
- The maximum level of risk that the Company is willing to operate within, based on its overall risk appetite, risk capacity, and risk profile.
- Quantitative measures that can be translated into risk limits applicable to business lines, which in turn can be aggregated and disaggregated to enable measurement of the risk profile against risk appetite and risk capacity.
- Qualitative statements that clearly articulate the motivation for taking on or avoiding certain types of risk, including for reputational and other conduct risks, and establish some form of boundaries or indicators (e.g., non-quantitative measures) to enable monitoring of these risks.
- The strategy and risk limits of each business line, as relevant, align with the Company's risk appetite statement as appropriate; and be forward looking and, where applicable, subject to scenario and stress testing to ensure that the Company understands what events might push the Company outside its risk appetite and/or risk capacity.

## **INFORMATION ABOUT DEFAULTS IN PAYMENT OF ANY DEBTS AND REASONS THEREOF**

### **Information About Defaults in Payment of Any Debts**

There was no default in payment of any debt during the current or preceding year.

## **STRATEGY TO OVERCOME LIQUIDITY PROBLEM AND THE COMPANY'S PLAN TO MANAGE ITS REPAYMENT OF DEBTS AND MEET OPERATIONAL LOSSES.**

Since the takeover of the company by the new management in 2018, the company's profitability has exponentially increased. The profitability and cash flows are under critical monitoring to avoid any default in payment and maintenance of profitable operations.

## **INADEQUACY IN THE CAPITAL STRUCTURE AND PLANS TO ADDRESS SUCH INADEQUACY.**

To date there has been no report of inadequacy in the capital structure or solvency requirements. Till the end of December 2022, the combined equity (SHF and PTF) of the company has reached to 1069M. The sponsors of the company are also expected to induct further capital in the company. The capital of the company is also strengthening with the continued profitability and cash flows.





# GOVERNANCE

## DISRUPTION THROUGH REGULATION

Governance plays a crucial role in the development and deployment of disruptive products by Salaam Takaful Limited under its Sandbox initiatives. To bring such products to market successfully, the company must navigate complex regulatory environments, manage significant risks, and ensure compliance with relevant laws and regulations. Effective governance frameworks help Salaam Takaful Limited to create a transparent and accountable decision-making process that is necessary for managing the risks associated with disruptive products. This allows the company to experiment with innovative products and services within the confines of a safe regulatory sandbox environment. Strong governance also helps Salaam Takaful Limited to build trust and confidence in the market, which is essential for the successful deployment of disruptive products.

# PROFILE OF THE BOARD OF DIRECTORS

**The ways in the organization's governance structure support its ability to generate value in the short, medium and long term**

## **Board Composition:**

### **a) Leadership structure of those charged with Governance**

The Board of Directors of Salaam Takaful Limited comprises seven members. Consisting of five non-executive directors, (including the Chairman and two nominee directors), one independent female director, and a sole executive director who serves as the Managing Director & CEO.

### **b) Name of independent directors indicating justification for their independence**

As an Independent Director of the board, Dr. Irum Saba is not connected and does not have any member relationship, whether pecuniary or otherwise, with the company, its associated companies, or Directors. This permits her to utilize independent professional discretion without being influenced by any conflicts of interest.

### **c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience**

The board is comprised of individuals representing different shareholder interests. It is a collective body of professionals acting together to contribute to the sustainability of the company. Board Members bring the appropriate mix of board expertise: knowledge of the business, financial expertise, and a technological and entrepreneurial perspective.

Salim Habib Godil oversees a highly reputable business conglomerate with over USD100 million in turnover and interests in automotive retail, transport, travel, construction and real estate. He brings robust business acumen and enormous taxation experience to his role as Chairman of the Board.

Syed Rizwan Hussain is an insurance-takaful industry professional with more than 25 years of leadership experience in insurance sales and marketing, customer service, corporate account management, risk and claims management, and corporate strategy formulation. As CEO, he contributes invaluable sector expertise to the business.

Shahzad Salim Godil is a graduate in management sciences from Clark University, Massachusetts, USA. He manages his Group's extensive Toyota retailership in Pakistan. He brings entrepreneurial experience to the board.

Syed Salman Hussain is CEO of iTechnologi Group. With extensive management consulting experience with McKinsey Middle East, he brings technological experience to the board.

Faisal Murad is responsible for strategic initiatives that support the House Building Finance Company (HBFC) Ltd.'s vertically integrated business objectives. He brings with him more than 20 years of diversified retail business experience.

Tamim Shabbir is Chief Financial Officer of Al Baraka Bank Pakistan Ltd. and brings with him 20 years of professional experience in commercial banking, corporate finance, and regulation.

Dr. Irum Saba has more than 15 years of regulatory, research, and teaching experience with organizations of international repute. She is the first Pakistani woman to serve on the International Shari'ah Advisory Board in South East Asia and Middle East. As Independent Director and Chair of the Board Audit Committee, she has clear understanding of the committee's duties and responsibilities and sets clear expectations for committee members, management, and auditors.



**d) Profile of each director including education, experience and involvement /engagement in other entities as CEO, Director, CFO or Trustee etc**

**Salim Habib Godil – Chairman of the Board (Non-Executive Director)**

Salim Habib Godil is a well-known figure and owner of a highly reputable business conglomerate with over USD100 million of turnover and interests in automotive retail (Pakistan's largest Toyota retailer), transport (Pakistan's largest private taxi operator), travel (Pakistan's largest travel agency), construction and real estate. He is also the Chairman of Pak Limousine Services, the company is the pioneer in radio cab business with its brand Metro Radio Cab. Furthermore, He serves as the chairman of Striet Pakistan Pvt Ltd, largest privately owned armored vehicle manufacturer in the country. Overtime the group of companies has diversified into real estate, travel, security services and manpower business.

**Syed Rizwan Hussain – Managing Director & CEO (Executive Director)**

Syed Rizwan Hussain is an insurance-takaful industry professional with more than 25 years of leadership experience in insurance sector. Beginning his career in conventional insurance, Rizwan transitioned to takaful given the industry's growth viability. In 2006, he took over as Managing Director & CEO of Salaam Takaful Limited initiating a change management strategy that saw the organization replace its legacy systems, mobilize its senior management team to deliver results, and increase the Participants' Shareholder Fund to over \_\_\_\_ in value.

**Shahzad Salim Godil – (Non-Executive Director)**

Shahzad Salim Godil is a graduate in management sciences from Clark University, Massachusetts, USA in the year 2008; with major in business management and dual minor in economics and entrepreneurship. He has been working in the group of companies since 2008 in the capacity of director. He has played an instrumental role in expanding the group into different fields of business. Shahzad Salim Godil currently serves as a Director in these companies: Toyota Central Motors, Toyota Society Motors, Toyota Shahra e Faisal, Pak Limousine Services, Streit Pakistan (Pvt) Ltd., Metro Security Services (Pvt) Ltd., Central Facilitation Agency (Pvt) Ltd., Automall, and Central Builders and Developers.

**Syed Salman Hussain – (Non-Executive Director)**

Syed Salman Hussain is a Mechanical Engineer from NED University Karachi and also holds a master's degree in Business from Cranfield University, United Kingdom. Currently, he serves as the Director and CEO of one of Pakistan's largest Vehicle Tracking & Fleet Management companies. He has an extensive Management Consulting experience with McKinsey Middle East and have consulted various state-owned institutions in Middle East along with private firms across the region. Like McKinsey, International Finance Corporation and World Bank.

Apart from this, Syed Salman Hussain has partial ownership in other businesses, including a retail food chain namely The NewYork Pizza, rent a car solution provider namely Carros Private Limited and Itecknologi Private Limited, the only Satellite Tracking Solution provider in Pakistan.

### **Faisal Murad – (Non-Executive Director)**

Faisal Murad has been assigned with the responsibility of executing strategic plans that aim to uphold HBFC's vertically integrated business goals. He has more than 20 years of diversified professional experience in retail business segment. He has served at various management positions; responsible for providing leadership and strategic direction in KASB Technology Limited, KASB Bank Limited, IGI Investment Bank Limited, MCB Bank Limited, Global Securities Pakistan Limited & Summit Bank Limited. He has undergone numerous advanced level trainings from prestigious national and international institutions and holds MBA (Marketing) and B.Sc. (Computer Science) degrees from reputed institutions of the country.

### **Tamim Shabbir – (Non-Executive Director)**

Tamim Shabbir is Chief Financial Officer of Al Baraka Bank Pakistan Ltd. He has 20 years of professional experience in commercial banking, having served as Financial Controller at Faysal Bank Ltd. and Meezan Bank Ltd., with in-depth knowledge of corporate finance, risk management, taxation, and regulatory practices. At Al Baraka, he was a key member of the merger and integration committee that oversaw the successful merger of Burj Bank with Al Baraka in 2016. He started his career at A.F. Ferguson (PwC Pakistan), worked as an Assurance Executive at Ernst and Young UK for two years, and is now a qualified Chartered Accountant from ICAP and Management Accountant from CIMA UK. He began his career with A.F. Ferguson (PwC in Pakistan) and spent two years as Assurance Executive with Ernst and Young, United Kingdom. He is an ICAP qualified Chartered Accountant and a CIMA UK qualified Management Accountant.

### **Dr. Irum Saba – (Independent Director)**

Dr. Irum Saba has 15+ years of regulatory, research, training and teaching experience with renowned international organizations. Currently, she is on deputation from State Bank of Pakistan (central bank) to IBA-Karachi. She is Assistant Professor in the Department of Finance and Program Director of MS Islamic Banking and Finance at IBA-Karachi Pakistan. Notably, she is the first Pakistani female to be a member of the International Shari'ah Advisory Board in South East Asia and Middle East, She is member of grand council of the Chartered Institute of Islamic Finance Professionals (CIIF), Malaysia. She delivers training both at local and international levels in addition to teaching, research, and administrative work. She has written numerous several articles and chapters in books on the topics of Management, corporate governance, Islamic finance, and Islamic microfinance. She has extensive regulatory experience with specific focus to promote Islamic banking and Finance while working in the Islamic Banking Department of State Bank of Pakistan-The Central Bank. She has also contributed to the promotion and growth of Takaful industry while working with the Securities and Exchange Commission of Pakistan (SECP). She is a Shari'ah-registered financial planner (Shari'ah RFP). She holds the Chartered Islamic Finance Professional (CIFP) credential from INCEIF with distinction and PhD in Islamic Finance from INCEIF. She holds a master's in commerce (M. Com) with distinction and PGD in Islamic Banking and Insurance from Institute of Islamic Banking and Insurance (IIBI), London.



# CHAIRMAN'S REVIEW REPORT

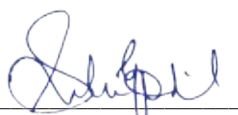
**Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.**

In accordance with the SECP's S. R. O. 301 (I)/2020 Guidelines for Performance Evaluation of the Board of Directors, Chief Executive Officer and Chief Regulatory Officer and keeping in view the Company's structure, the Board of Salaam Takaful Limited has adopted an internal performance evaluation process which is driven by the Chairman with assistance from the Company Secretary. The Board annually self-evaluates the performance of the overall board, board committees, and individual directors, including the Chief Executive Officer.

The Board of Directors of Salaam Takaful Limited is functioning well with Board Members' mature approach to decision making and balance between the business's internal and external environments. The Board comprises professionals of high caliber and diversified experience from various business disciplines including an experienced, independent director. The Chairman has a positive relationship with the CEO and their partnership brings strength to the organization.

On review, the annual performance of the Board and each Board Member according to their self-assessment forms has been quite satisfactory and the overall performance of the Board has been exceptional. Most importantly, Board Members ensure that their skills reflect the needs of the Company and make valid contributions to board discussions.

I would like to thank each Board Member for the time and effort they have put in , and the manner in which they have fulfilled their responsibilities during the year. As Chairman, I could not have hoped for a better group of experts steering the Company in the right direction. I am extremely pleased by the way our Board has performed and it is a privilege to work side by side with them.



**Salim Habib Godil**  
Chairman of the Board

## **A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management**

The Board of Directors plays an active role in the decision-making process. The entire decision-making process is governed by the 'Delegation of Financial Authority Matrix', which has been approved by the Board. The matrix outlines the distribution of authority, starting from the Managing Director & CEO and then to the CEO's direct reports who comprise the senior executive management team.

### **Statement of Delegated Authority**

This Statement sets out the functions reserved to the board of directors (Board) of Salaam Takaful Limited (Company) and those delegated to management.

The Board reserves to itself all functions that are likely to have a material impact on the performance and reputation of the Company. The matters specifically reserved to the Board are:

- Providing leadership and setting the strategic objectives of the Company;
- Appointing the Chief Executive Officer and approving the appointment, and when necessary replacement of the Company Secretary, Chief Financial Officer, and other senior executives;
- Approving and monitoring operating budgets, major capital expenditure and financial and other reporting.
- Overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- Overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company;
- Ensuring the Company has in place an appropriate risk management framework for both financial and non-financial risks and setting the risk appetite within which the Board expects management to operate; and
- Approving the Company's remuneration policy and framework;

All matters not specifically reserved to the Board and necessary for the day-to-day operations of the Company are delegated to management. Specifically, the responsibilities of management are:

- Formulating, recommending and implementing the strategic objectives of the Company;
- Translating the approved strategic plan into annual operating and financial plans of the business;
- Managing the Company's human, physical and financial resources to achieve the Company's objectives; • operating within the delegated authority limits set by the Board;
- Carrying out the day-to-day responsibility for the Company's conformance with relevant laws and regulations, risk management, internal compliance and control systems within the risk appetite set by the Board;
- Keeping pace with industry and economic trends to keep the business competitive;
- Providing the Board with accurate, timely and clear information to enable directors to perform their responsibilities;
- Advising the Board immediately of any material matters impacting the Company's operations.

# ANNUAL EVALUATION OF PERFORMANCE USED FOR THE MEMBERS OF THE BOARD

## Report on the Board's Annual Evaluation

The statement outlines the procedure adopted by the Board of Salaam Takaful Limited to assess its performance, along with that of its committees and individual directors, including the Chairman. Additionally, it analyzes the noteworthy outcomes of the Board's yearly evaluation.

## Methodology

The Board has adopted an internal process of self-assessment whereby individual Board members, including the Chairman, evaluate their own performance and the Chairman also evaluates the overall performance of the Board. This is done through an online questionnaire administered by HR and Corporate Secretariat. The Chairman compiles the responses into a report, which is discussed in the Board meeting.

## Evaluation criteria

<b>Board</b>	<b>Board evaluation considers:</b> <ul style="list-style-type: none"> <li>- Board's role, structure, and functioning</li> <li>- Board practices, including fostering a culture that promotes candid discussion</li> <li>- Oversight of strategy and risk</li> <li>- Oversight of internal controls</li> </ul>
<b>Board Committees</b>	<b>Committee evaluation considers:</b> <ul style="list-style-type: none"> <li>- Committee Members' balance of skills and experiences</li> <li>- Adequacy of information received</li> <li>- Committee effectiveness</li> <li>- Well-informed about the company, its business environment, and board practices</li> </ul>
<b>Chairman</b>	<b>CEO's evaluation by Board Members considers:</b> <ul style="list-style-type: none"> <li>- Leadership of the board including fostering a culture that promotes candid discussion</li> <li>- Has a positive working relationship with the CEO</li> </ul>
<b>CEO</b>	<ul style="list-style-type: none"> <li>- Effective execution of strategies</li> <li>- Achievement of financial and business targets set by the Board</li> <li>- Exploring new business opportunities anticipating business trends and opportunities</li> <li>- Champions ESG particularly culture, diversity, equity and inclusion</li> </ul>
<b>Individual Board Members</b>	<b>Individual Board Members' evaluation by the Chairman considers:</b> <ul style="list-style-type: none"> <li>- Sharing of knowledge and expertise with Board and senior management</li> <li>- communication and interpersonal skills</li> <li>- Staying informed on matters that impact the Company</li> <li>- Acting independently and in the best interest of shareholders</li> </ul>

## **Board Members Evaluated**

1. Salim Habib Godil - Chairman
2. Syed Rizwan Hussain - MD & CEO/Executive Director
3. Shahzad Salim Godil – Non Executive Director
4. Syed Salman Hussain - Non Executive Director
5. Faisal Murad - Non Executive Director
6. Tamim Shabbir - Non Executive Director
7. Dr. Irum Saba - Independent Director

## **PART I. BOARD AS A WHOLE AND BOARD COMMITTEES**

### **Board as a whole**

The Board Evaluation Report 2022 highlights the following areas of board performance that are critical to the Board's overall effectiveness: These include the role of the board, its structure, and functioning, strategic planning, and supervision of risk and internal control of the board.

The working of the Board is based on the guidelines of the Code of Corporate Governance for Insurers 2016 and the Companies Act 2017 and relevant laws and regulations. The Board fulfills its fiduciary responsibilities providing an oversight role.

There is appropriate separation between the Board and management's roles with the Board setting the strategic direction of the Company and management working to achieve the Company's strategic growth. The Board is always accessible to the shareholders and the Annual General Meeting is timely conducted.

There is healthy interaction among the Board Members who regularly meet outside of Board meetings, and regularly communicate with the CEO and senior executives. The Chairman plays a cohesive leadership role and resolves conflict where it arises. The CEO's annual performance appraisal is conducted by the Board.

### **Board structure and functioning**

The Board comprises of seven members with one woman director, and it is appropriately sized with a well-balanced mix of skills to ensure effectiveness. The board is diverse in terms of skills, experience and competencies of board members. The number of board meetings conducted during the year were sufficient and the required quorum in order to have detailed deliberation was available. Board's agenda was set by the Chairman and mutually agreed by board members. Board Members are familiar with the Company's policies and procedures and the terms of reference of the board's sub-committees.

### **Board Members give adequate time to preparation and participation in board and committee meetings**

The board effectively manages its agenda and calendar. Where board members are actively involved. There is a positive relationship between Board members and senior executives and the board offers guidance and support to management. Management provides advice and give guidance to management.

## Oversight of risk and internal controls

The Board Audit Committee supervises oversees internal controls to prevent internal and external fraud, assess the quality of the audit process, and evaluate how strong the company's risk management program is. The board defines the company's risk appetite and ensures that risk expectations are communicated to the management based on the recommendations of the Audit Committee. An appropriate risk oversight structure is in place, including the role of the full board and the audit committee. The Board Audit Committee ensures that the strength of risk management systems and contingency plans are regularly assessed. The Board oversees the company's risk mitigation processes by ensuring:

- The robustness of the whistleblowing mechanism;
- Compliance with the conflict of interest policy and disclosure of potential conflicts of interest by Board Members;
- Compliance with the AML/CFTP regime; and
- Maintenance of a sound IT infrastructure with proper controls and security.

## Board Committees

The Board has the following sub-committees that are effectively functioning:

- Audit Committee
- Ethics Human Resource & Remuneration Committee
- Investment Committee

Terms of reference of each of the Board's committees are appropriate to their functioning and undergo a process of regular review. The Board delegates tasks to respective sub-committees. Committee chairs recommend appropriate action plans to the board and ensure action plans are being followed through.

## PART II. INDIVIDUAL BOARD MEMBERS

Results of Individual Board Members' self-assessment demonstrate that Board Members:

- Actively contribute to Board discussions and decisions in board meetings
- Share their knowledge and expertise with the Board and senior management
- Stay informed on financial and regulatory matters that impact the Company
- Act independently in their individual capacity and in the best interest of all stakeholders

## Chairman

The Chairman provides strong leadership to the Board and standing liaison between the Board and management.

## Executive Director

The contribution of the Executive Director has been extremely effective, translating into sustainable growth and achievement of the Company's strategic objectives.



## **Non-Executive and Independent Directors**

Non-executive and Independent Directors introduce new concepts to the boardroom and show a willingness to challenge and engage in boardroom discussions.

### **Board Education**

All Board Members have keep abreast of current knowledge of the insurance/takaful sector and the Board frequently avails learning and development opportunities, including Directors' orientation workshop.

### **Conclusion**

The Chairman will relay the results of the Annual Board Evaluation to the Board and will recommend steps that can be taken to increase the value of Directors' contribution to the Board. The annual board evaluation process provides an opportunity to determine that the Board is optimally contributing and that the appropriate sub-committees are in place.

### **Disclosure**

Through the Chairman's Review Report on Annual Performance Evaluation of the Board, the Board discloses how it evaluated the performance of the Board and Board Members in the annual report describing the evaluation process and the performance areas considered. The Chairman shall discuss the results of the Review Report with the Board. The Board shall discuss the key areas identified for improvement in the coming year and the actions taken in response to the Performance Evaluation.

### **Disclosure if the board's performance evaluation is carried out by an external consultant once in three years**

Currently , the board's performance evaluation is carried out internally by a governance personnel who is the corporate secretary and has experience conducting external (third party) board evaluations for financial institutions.

### **Formal orientation courses for Directors and Directors' Training Program (DTP)**

The Code of Corporate Governance for Insurers 2016 requires insurers to make appropriate arrangements to carry out orientation courses for its directors to acquaint them with their duties and responsibilities and enable them to manage the affairs of the insurer on behalf of the shareholders (policyholders in case of mutual insurer, which are the members of such insurer).

The Company has taken a step forward in this respect. Besides fulfilling the mandatory requirement of Orientation Course, the Company encouraged the Directors to acquire professional training (Directors Training Program) from accredited institutions. The current composition comprises of 5 certified directors on the Board.

It is the requirement for listed companies to ensure that the female executives and the HODs attend Directors Training Program. The CCG for listed companies mentions the criteria for compliance in this respect. The condition is not applicable on us. However, the details of compliances required under applicable laws and the compliances ensured accordingly, have been stated above.

## External oversight of functions

To enhance the credibility of the internal controls and systems, various functions are under external oversight and their recommendations are shared with Board of Directors. The external partners are known for their integrity and professional expertise and have extensive credibility in the market.

Internal Audit	EY Ford Rhodes & Company, Chartered Accountants
ISO Certification	Bureau Veritas
Credit Rating	PACRA
Shariah Compliance	KPMG Taseer Hadi & Company, Chartered Accountants

## Policy for remuneration to non-executive directors

The Company has set the remuneration of Non-Executive Directors (NEDs), which is sufficient to attract and fairly compensate high quality individuals. The remuneration of NEDs is agreed upon and approved by the shareholders. The remuneration of NEDs shall comprise of attendance fee per meeting and reimbursement of expenses incurred for the performance of their duties. The reimbursement of expenses may include travelling and hoteling expenses.

## Policy for retention of board fee by the company

Executive Director is required to obtain Board approval before accepting any external appointment. Executive Director is permitted to retain any fees in respect of his services if there is a Board Approval. Currently, the only Executive Director of Salaam Takaful Limited, MD and CEO holds the position of an Independent Director of Amana Takaful PLC and the same was approved by the Board of Directors in their 86th Board Meeting held on February 20th, 2019.

## Policy for security clearance of foreign directors

Currently, there are no foreign directors serving on the board.

## How the organization's implemented governance practices have been exceeding legal requirements

### Formalizing governance policies and guidelines

A policy portfolio outlines the company's governance, business processes, and code of conduct for Directors and all employees including specific policies on topics such as conflict of interest; workplace harassment and discrimination; diversity, equity and inclusion; and guidelines for using digital and social media

### Functioning of the board of directors and relations with executive management

The board of directors is at the core of governance in our Company. The board defines company strategies, assigns those who are responsible for implementing them, and identifies the people who will supervise and control managerial performance. Most importantly, the board is responsive to shareholders and enhances the value to the company's equity and maximizes the return on investments for all participants and shareholders.

## **Transparency and disclosure of information**

Timely and accurate disclosure is essential for shareholders, potential investors, regulatory authorities, and other stakeholders. It is a significant responsibility of the CEO to keep the board fully informed about the operations of the company and progress in achieving the goals set by shareholders and the board in a timely manner. This information helps keep the board apprised of what is happening in the company and enables it to oversee management's performance.

## **Ensuring sustainability in the business**

ESG disclosures are not mandatory, however, our company is increasingly focusing on ESG and sustainable development as a critical business imperative. We are committed to take ESG seriously and are working to embed it within the business lines to achieve higher profitability on average.

## **Salaam Takaful's Measurable Objectives for DE&I are**

By the end of FY2025, we will raise the proportion of women in our workforce as follows:

7.5% of our senior leaders will be women

15% of our mid-level managers will be women

'Senior leaders' refers to Organization levels SVP to MD

'Mid-level managers' includes all permanent (full-time or part-time), management trainees and interns, but not contractors.

This gender-inclusive approach is designed to create an authentic culture of inclusion. We aim to create a culture of inclusion by promoting DE&I awareness and capability across our Company via learning, communications, and DE&I groups, and by supporting our managers to develop as inclusive leaders.

Names of related parties in Pakistan and outside Pakistan, with whom the company had entered into transactions or had agreements and / or arrangements in place during the financial year, along with the basis of relationship describing common directorship and percentage of shareholding.

Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement.

# LIST OF RELATED PARTIES

Following are the details of Related Parties of the Company:

Sr. No.	Name of Director	Designation	Names of the companies /bodies corporate/ firms/ associations	Nature of interest (if any) [No. of shares & Percentage]
1	Faisal Murad	Director	House Building Finance Company Limited	Group Head - Business & Operations
2	Tamim Shabbir	Director	Al-Baraka Bank Pakistan Limited	Chief Financial Officer
3	Rizwan Hussain	Managing Director & CEO	The NewYork Pizza	Partner
4	Rizwan Hussain	Managing Director & CEO	Amana Takaful PLC	Independent Director
5	Salim Habib Godil	Director	Toyota Central Motors (Pvt) Ltd	Shareholding
6	Salim Habib Godil	Director	Central Faciliation Agency (Pvt) Ltd	Shareholding
7	Salim Habib Godil	Director	Central Builders & Developers	Shareholding
8	Salim Habib Godil	Director	Gharo Enterprises (Pvt) Ltd	Shareholding
9	Salim Habib Godil	Director	Aviation Enclave (Pvt) Ltd	Shareholding
10	Salim Habib Godil	Director	Property Associates (Pvt) Ltd	Shareholding
11	Salim Habib Godil	Director	Pak Limousine Services (Pvt) Ltd	Shareholding
12	Salim Habib Godil	Director	Trumps Management	A.O.P
13	Salim Habib Godil	Director	Central Tower	A.O.P
14	Salim Habib Godil	Director	Streit Pakistan (Pvt) Ltd	Shareholding
15	Salim Habib Godil	Director	Toyota Society Motors (Pvt) Ltd	Shareholding
16	Salim Habib Godil	Director	Toyota Port Qasim Motors (Pvt) Ltd	Shareholding
17	Salim Habib Godil	Director	Riffat Builders & Developers	A.O.P
18	Salim Habib Godil	Director	Nida Builders	A.O.P
19	Salim Habib Godil	Director	Assamawat	A.O.P
20	Salim Habib Godil	Director	A & Z Associates (FL - 3)	A.O.P
21	Salim Habib Godil	Director	Cosmos Properties	A.O.P
22	Salim Habib Godil	Director	G & W Associates	A.O.P
23	Salim Habib Godil	Director	Dawn Town Enterprises	A.O.P
24	Salim Habib Godil	Director	Wass Enterprises	A.O.P
25	Salim Habib Godil	Director	Armored Vehicles Pakistan (Pvt) Ltd	Director
26	Salim Habib Godil	Director	Texas Trading	A.O.P

Sr. No.	Name of Director	Designation	Names of the companies /bodies corporate/ firms/ associations	Nature of interest (if any) [No. of shares & Percentage]
27	Salim Habib Godil	Director	Toyota Shahrah-e-Faisal Motors	Shareholding
28	Salim Habib Godil	Director	Automall (Pvt) Ltd	Shareholding
29	Salim Habib Godil	Director	Scimitar (Pvt) Ltd	Shareholding
30	Shahzad Salim Godil	Director	Toyota Central Motors (Pvt) Ltd	Shareholding
31	Shahzad Salim Godil	Director	Central Faciliation Agency (Pvt) Ltd	Shareholding
32	Shahzad Salim Godil	Director	Central Builders & Developers	Shareholding
33	Shahzad Salim Godil	Director	Gharo Enterprises (Pvt) Ltd	Shareholding
34	Shahzad Salim Godil	Director	Aviation Enclave (Pvt) Ltd	Shareholding
35	Shahzad Salim Godil	Director	GBS Enterprises (Pvt) Ltd	Shareholding
36	Shahzad Salim Godil	Director	Pak Limousine Services (Pvt) Ltd	Shareholding
37	Shahzad Salim Godil	Director	Toyota Society Motors (Pvt) Ltd	Shareholding
38	Shahzad Salim Godil	Director	Toyota Port Qasim Motors (Pvt) Ltd	A.O.P
39	Shahzad Salim Godill	Director	Central Tower	Shareholding
40	Shahzad Salim Godil	Director	Metro Securities Services (Pvt) Ltd	Shareholding
41	Shahzad Salim Godil	Director	Texas Trading	A.O.P
42	Shahzad Salim Godil	Director	Crective Integrated Business Solutions	Partner
43	Shahzad Salim Godil	Director	Sawallow Power	Partner
44	Shahzad Salim Godill	Director	Scimitar (Pvt) Ltd	Shareholding
45	Shahzad Salim Godil	Director	Cedar College	Director
46	Shahzad Salim Godil	Director	Northstar Navigation (Pvt) Ltd	Director
47	Shahzad Salim Godil	Director	Automall (Pvt) Ltd	Shareholding
48	Syed Salman Hussain	Director	Itecknologi Tracking Services (Pvt) Ltd.	Director/Shareholder
49	Syed Salman Hussain	Director	Itecknologi (Pvt) Ltd	Director/Shareholder
50	Syed Salman Hussain	Director	Itecknologi Logistic (Pvt) Ltd	Director/Shareholder
51	Syed Salman Hussain	Director	Carros Private Limited	Partner
52	Syed Salman Hussain	Director	The NewYork Pizza	Director/Shareholder
53	Syed Salman Hussain	Director	Avolox (Pvt) Ltd	Director/Shareholder
54	Syed Salman Hussain	Director	Northstar Navigation (Pvt) Ltd	Director/Shareholder
55	Syed Salman Hussain	Shareholder	EZ Bazar (Pvt) Ltd	Shareholder
56	Dr Irum Saba	Independent Director	First Habib Modaraba	Independent Director
57	Dr Irum Saba	Independent Director	Al-Noor Modaraba	Independent Director



### **In case of conflict, disclosure that how such a conflict is managed and monitored by the board**

All Directors and Key Officers appointed by the Company shall disclose their significant contracts and arrangements (interest) and of their relatives within one month of their appointment or relinquishment. Through the company's 'Policy on Transactions or Contracts with Related Parties' the Board has delegated the power to approve related party transactions conducted at arm's length to the Board Audit Committee. No Director shall participate in any discussion or approval of a contract or arrangement with respect to related party transactions in which such Director is interested unless requested by the Chairman of the Board. Where a majority of the Directors are interested in any related party transactions, the matter shall be placed before the general meeting for approval as a special resolution.

### **Disclosure of Board's Policy on the following significant matters**

#### **a) Governance of risk and internal controls**

The Company's risk management architecture comprises the following components:

Board of Directors; Audit Committee; Risk Management & Compliance Committee; risk management function; risk champions; and internal audit function.

The Board ensures that an effective enterprise risk management (ERM) framework is in place and defines the company's risk strategy and risk appetite. The Audit Committee assists the Board in carrying out its oversight responsibilities of the company's financial reporting process and internal and external audit functions, and ensures that senior management monitors the effectiveness of the internal control system and risk management. Further, the Board has delegated its oversight role for risk management and compliance to the Risk Management & Compliance Committee (RMCC) in accordance with requirements set out in the Code of Corporate Governance for Insurers, 2016. The RMCC assists the Board in meeting its risk oversight responsibility by monitoring the effectiveness of the Company's risk management framework, risk management policies and procedures, and related methodology used in assessing and mitigating probable risks falling within the purview of the risk management function. The RMCC is also responsible for reviewing the compliance policies and procedures and their implementation in order to assess the extent to which the Company is ensuring compliances with applicable laws and regulations, and to recommend any significant non-compliances or necessary changes for improvements to the Board.

#### **b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives**

Salaam Takaful believes that establishing a diverse workforce and bringing equity and inclusivity in the workplace leads to significant benefits by enabling better problem-solving, creating a more innovative workplace culture, enhanced decision making skills, and the ability to attract and retain talented employees and ensuring that the Company is able to attract and retain talent.

### **Salaam Takaful's Measurable Objectives for DE&I are:**

By the end of FY2025, we will raise the proportion of women in our workforce as follows:

7.5% of our senior leaders will be women

15% of our mid-level managers will be women

'Senior leaders' refers to Organization levels SVP to MD

'Mid-level managers' includes all permanent (full-time or part-time), management trainees and interns, but not contractors.

#### **c) Disclosure of director's interest in significant contracts and arrangements**

All Directors appointed by the Company shall disclose their significant contracts and arrangements (interest) and of their relatives within one month of their appointment or relinquishment. Through the company's 'Policy on Transactions or Contracts with Related Parties' the Board has delegated the power to approve related party transactions conducted at arm's length to the Board Audit Committee. No Director shall participate in any discussion or approval of a contract or arrangement with respect to related party transactions in which such Director is interested unless requested by the Chairman of the Board. Where a majority of the Directors are interested in any related party transactions, the matter shall be placed before the general meeting for approval as a special resolution.

#### **d) Remuneration of non-executive directors for attending board meetings and general meetings**

The Company has set the remuneration of Non-Executive Directors (NED) which is sufficient to attract and fairly compensate highly qualified individuals. The remuneration of NEDs is agreed upon and approved by the shareholders.

#### **e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies**

The Executive Directors of the Company who serve as Non-Executive Directors in other companies are entitled to receive remuneration against meeting fees and reimbursement of expenses for attending the meeting subject to the approval of Board of Directors.

#### **f) Security clearance of foreign directors**

At present, there are no foreign directors on the Board of Salaam Takaful. However, as the Company looks to expand into other geographical locations, we will have to consider security clearance for foreign directors for which the Company shall file security clearance documents along with other statutory filings with the Securities and Exchange Commission of Pakistan. In case of transfer of shares in favor of the foreign national/company and appointment of foreign national as director of the Company in Pakistan, security clearance will also be obtained from the Ministry of Interior Pakistan.

#### **g) Board meetings held outside Pakistan**

For this year, no Board meetings were held outside Pakistan. Where such meeting is held, both executive and non-executive directors shall be reimbursed for the performance of their duties, including reimbursement of expenses for traveling and hotel stay for the purpose and duration of the board meetings.

#### **h) Human resource management including preparation of succession plan**

The responsibility for human resource management lies with the Head of HR who manages the succession planning process, provides the tools to help identify, develop, and coach high potential employees and manage their career planning. The Board Ethics, Human Resource and Remuneration Committee is responsible for approving the succession plan and overseeing the succession planning process. A board approved Succession Plan is in place which identifies the critical positions within the company, identifies their key competencies, and creates high level development plans for them.

#### **i) Social and environmental responsibility**

A Sustainability Strategy is in place which sets out a general framework of corporate sustainability at Salaam Takaful Limited for a long-term vision of a sustainable future focused on value creation of the business to society and the environment while enabling and maintaining a stringent governance mechanism for non-financial aspects of the business. The Sustainability Strategy includes general guidelines, organizational settings, policy documents, organizational charts, and responsibility matrices.

Under Social Stewardship, the core focus is on Training and Skill Development Programs; Community Capacity Strengthening; Embedding Diversity & Inclusion; Leveraging Philanthropic Capital; Awareness and Precautionary Measures for occupational health and safety (OH&S); and Abiding by all pertinent social national and provincial laws, policies, rules, and regulations.

Under Environmental Stewardship the core focus is on Environmental Impacts; Environmental Performance; Environmental Awareness; Control of Pollution; Abiding by all pertinent environmental national and provincial laws, policies, rules, and regulations on environmental matters; Research and Development of Science and Technology; and Create Awareness on environmental matters.

#### **j) Communication with stakeholders**

In order to strengthen stakeholder communications, the Company builds positive relationships with minority shareholders, partner organizations, and the media who influence other stakeholders. Press releases, interviews, and participation in conferences, seminars, and awareness sessions by the C-suite executives helps build understanding and relationship with the government and regulators, industry associations, other financial institutes, and interest groups. The Marketing department effectively uses digital media forums to communicate and spread the Company's messaging further to the broader groups of stakeholders.

The Company always strives to ensure that minority shareholders attend general meetings of the Company. Company follows relevant provisions of Companies Act, 2017 to circulate notice of general meeting twenty one (21) days in advance along with proxy forms and relevant working papers. The notice of each general meeting is also published on the Company's website.

#### **k) Investors' relationship and grievances**

The Company has an Investor' Relations section on its corporate website to ensure stakeholders are well aware about the business performance of the Company. In consonance with the applicable laws,

the Company has established a Grievance Function. The responsibilities of the Grievance Function lie with the Benefit (Claims) Settlement Committee. The Grievance Function has designated focal persons to take care of matters pertaining to both Policyholders' (Participants') grievances and Investors' grievances. The Company has placed the details of the designated focal persons on its website. Following details are placed on the website: [www.salaamtakaful.com](http://www.salaamtakaful.com)

For Investors' Grievances	For Policyholders' (Participants) Grievances
<b>Mr. Fahad Ahmed Khan</b> AVP Finance Email: <a href="mailto:fahad.ahmed@salaamtakaful.com">fahad.ahmed@salaamtakaful.com</a> UAN: 111-875-111 Cell: 0322-2578494 Fax: 021-34373195	<b>Mr. Farhan Sheikh</b> Head of Marketing Email: <a href="mailto:complaints@salaamtakaful.com">complaints@salaamtakaful.com</a> UAN: 111-875-111 Cell: 0309-2224770 Fax: 021-34373195

## **l) Employee health, safety and protection**

The Company recognizes its responsibility towards the environment in which it operates as well as continual improvement in the occupational health and safety of its employees in compliance with applicable rules and regulations. Through its Health, Safety and Environment Policy, the Company strives to establish high level of HSE measures in order to become a responsible corporate citizen.

The Company is committed to fulfil its overall responsibility for the protection of workers' safety & health, and Human Resource & Administration departments provide leadership for OH&S activities. Senior management has been allocated responsibility, accountability and authority for the development, implementation and performance of the OH&S management system and the achievement of the relevant OH&S objectives.

## **m) Whistle blowing policy**

The Company's Whistle Blowing Policy is aimed at providing a platform for employees to voice their concerns to the appropriate authorities about any suspicious or unlawful events / activities, fraud, corruption, misconduct, or collusive practices which are against the policies of Salaam Takaful Limited or may have an adverse impact on the business or goodwill of the Company. The policy provides Whistle Blowers complete confidentiality and protection to be able to report such cases without any fear of retribution, such as loss of job, discrimination, victimization, harassment, etc. The Company shall ensure that the Whistle Blowing Policy is fairly and consistently applied with zero tolerance for policy violations and strict action against policy misuse and frivolous complaints.

#### **n) Safety of records of the company**

Salaam Takaful Limited ensures proper maintenance of records in accordance with the requirements as stipulated in the Companies Act, 2017. The Company has obtained a document management facility from a third party record management and storage service provider for safe custody of physical documents and files.

The Company has a proper backup strategy in place which is governed by comprehensive IT Policy that directs each staff member to store their critical data on shared folder, located on file server which is a centralized place to store all the critical data. IT department performs frequent backup of the file server and move all the data to the Backup server and in case of insufficient space, harddrives are kept in fire proof boxes. In case of loss of primary file server, the company has a proper recovery strategy to restore data on a pre-arranged alternate file server.

#### **o) Providing reasonable opportunity to the shareholder for participation in the AGM**

In order to strengthen stakeholder communications, the Company always strives to ensure that minority shareholders attend general meetings of the Company. Company follows relevant provisions of Companies Act, 2017 to circulate notice of general meetings, AGM and EOGM, twenty one (21) days in advance along with proxy forms and relevant working papers. The notice of each general meeting is also published on the Company's website.

### **Board review statement of the organization's business continuity plan or disaster recovery plan**

Business Continuity Planning is the process whereby the Company ensures the maintenance or recovery of operations, including services to customers, when confronted with adverse events such as natural disasters, technological failures, human errors, cyber attacks, and terrorism. In order to meet this challenge, Salaam Takaful has an internally designed Business Continuity Plan (BCP) which provides guidelines to be followed in case of occurrence of any disaster and is periodically tested to ensure any weaknesses can be identified and corrected.

The objective of the Company's BCP is to:

- Ensure protection of the lives and property of employees and third parties
- Provide uninterrupted takaful services to participants; and
- Mitigate the negative effects disruptions can have on the Company's strategic plans, reputation, operations, liquidity, credit quality, market position, and ability to remain in compliance with applicable laws and regulations

The Company's Business Continuity Planning empowers the IT Coordinator to restore the minimum acceptable level of IT services in case of disaster and disruption and ensure availability of critical data at a secure backup site. The IT Department has also developed their own Disaster Recovery plan.



# ROLE OF THE CHAIRMAN

To ensure that the Board addresses the matters that are of strategic and material importance to the future growth and success of the Company.

- To establish a close relationship of trust with the Chief Executive and other Executive Directors, providing support and advice while respecting executive responsibility
- To set the Board's agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues
- To ensure that the Board determines the nature and extent of the significant risks that the Company is willing to embrace in implementing its strategy
- To encourage and foster active engagement by all members of the Board by promoting a culture of mutual respect and open communication between all Directors
- To ensure that the Board receives accurate, timely and clear information that will enable it to conduct its business in an informed manner
- To lead the process for selecting Board appointments for building an effective Board with an appropriate balance of skills and experience
- To provide consultation on matters of remuneration of Executive Directors
- To ensure that the Board has effective decision-making processes and that terms of reference of board committees are established to effectively execute their responsibilities
- To manage the Board to ensure that non-executive directors have sufficient time to consider critical issues and not be faced with unrealistic deadlines for decision-making
- To ensure that the Company provides the opportunity for Directors to update their skills, knowledge and capabilities to enable effective performance of the Board and its appropriate Committees
- To establish a process that enables the performance of its individual Directors, the Board as a whole and its Committees are evaluated at least once a year
- To ensure effective communication with shareholders and ensure that the Board has a full understanding of the views of major shareholders
- To chair all Board and general meetings of the Company

# ROLE OF THE CEO

- To lead, in conjunction with the Board, the development of the Company's strategy
- To keep abreast of all material undertakings and activities of the Company, all material external factors affecting the Company, and to ensure that processes & systems are in place
- To lead business development resources to ensure achievement of targeted business growth while maintaining Underwriting and Shariah standards
- To recommend yearly budget for Board's approval and prudently manage Company's resources within those budget guidelines according to current laws and regulations
- To develop, and regularly review Company's investment policy with the assistance of CFO
- To control credit facilities extended to business development employees and valued participants
- To provide motivation, encouragement, and incentives to the office personnel to acquire professional qualifications and to achieve their individual goals
- To assess performance of direct reportees against agreed job descriptions and if needed, provide training opportunities and motivation to achieve their job targets and objectives
- To assess the principal risks of the Company and to ensure that these risks are being monitored and managed
- To ensure effective internal controls and management information systems are in place
- To ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever it does business.
- To communicate effectively with shareholders, employees, Government authorities, general public, and other stakeholders
- To ensure the integrity of all public disclosure by the Company
- To request that special meetings of the Board be called when appropriate

# SHARES HELD BY SPONSORS / DIRECTORS / EXECUTIVES

Class of shareholders	Sum of% of Shareholding	Sum of Number of Shares
Directors, Sponsors and Chief Executive Officer (CEO)	75.83	85,839,959
Al Baraka Bank Pakistan Limited	9.22	10,435,692
House Building Finance Corporation	7.69	8,699,500
Mal Al Khaleej Investment LLC	4.61	5,218,868
Sitara Chemical Industries	2.65	2,999,500
Others	0.01	8,500
<b>Grand Total</b>	<b>100.00</b>	<b>113,202,019</b>

## Salient features of TORs and attendance in meetings of the board committees

The Board has three standing committees: (i) Board Audit Committee (ii) Board Ethics, Human Resource & Remuneration Committee; and (iii) Board Investment Committee.

### The Audit Committee is primarily responsible for:

- Managing significant risks and exposures and policies with respect to risk assessment and risk management
- Reviewing operational and accounting internal controls, including response to the discovery of material control deficiencies
- Reviewing the action taken by management on the internal auditors' and independent auditors' recommendations
- Monitoring the effectiveness of the Company's internal control system over financial reporting
- Overseeing the Company's Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime

### The Ethics, Human Resource & Remuneration Committee is primarily responsible for:

- Establishing the Company's compensation philosophy assuring that the Company's executive incentive compensation program is administered in a manner consistent with that philosophy
- Setting compensation level and performance goals for the CEO and his key reports taking pay for performance factors into account
- Reviewing the Company's employee benefit programs and making recommendations to the Board with respect to the Company's incentive compensation plans
- Evaluating the existing skills/experience matrix for composition of the Board and Board committees, including recommending the Board about the appointment and remuneration of non-executive directors
- Ensuring that the Code of Ethics & Conduct is disseminated and clearly understood by staff and management

**The Investment Committee is primarily responsible for:**

- Monitoring compliance with the investment policy focused on the Company's investment philosophy.
- Adopting a clear investment strategy that aligns with the Company's risk tolerance.
- Reviewing all major investment and divestment proposals and recommending for the Board's approval.
- Measuring short-term and long-term performance with clearly defined benchmarks.
- Ensuring that the returns on the participants' fund and the shareholders' fund are consistent with the protection, safety, and liquidity of such funds.

**Disclosure of policy for actual and perceived conflicts of interest relating to members of the board of directors and a disclosure that how such a conflict is managed and monitored**

All Directors appointed by the Company shall disclose their significant contracts and arrangements (interest) and of their relatives within one month of their appointment or relinquishment. Through the company's 'Policy on Transactions or Contracts with Related Parties' the Board has delegated the power to approve related party transactions conducted at arm's length to the Board Audit Committee. No Director shall participate in any discussion or approval of a contract or arrangement with respect to related party transactions in which such Director is interested unless requested by the Chairman of the Board. Where a majority of the Directors are interested in any related party transactions, the matter shall be placed before the general meeting for approval as a special resolution.

**Investors' grievance policy**

A Board approved Policy for Client and Investor Grievance is in place to establish an effective process for immediate resolution of all client and investor grievances. The Claims Committee is responsible for monitoring and overseeing the grievance function and the grievance redressal mechanism as per section Ixxiv of the Code to resolve complaints within 30 days of their receipt.

**Policy for safety records of the company**

We ensure proper maintenance of records in accordance with the requirements as stipulated in the Companies Act 2017. The Company has obtained a record management and storage facility from a third-party service provider for safe custody of physical documents and files. The Company has a proper data backup strategy in place which is governed by a comprehensive IT Policy. Each staff member is directed to store their critical data on shared folders, located on a centralized file server that stores all the critical data. The IT department performs frequent backups of the file server and moves all the data to the backup server and in case of insufficient space, hard drives are kept in fireproof boxes. In case of loss of primary file server, the Company has a proper recovery strategy to restore data on a pre-arranged alternate file server.

## Disclosure of IT Governance Policy

The Board Audit Committee oversees the effectiveness of the Company's internal control system over information technology and cyber security. The management considers IT governance as an ongoing, cyclical occurrence. Therefore, the Information Technology department has been assigned the responsibility to direct IT endeavors to ensure that the following objectives are met:

- Enterprise-wide alignment of IT.
- Appropriate management of IT related risks.
- Business continuity / disaster recovery processes to ensure IT impacted disruptions.
- Securing data privacy and user access and an effective cybersecurity framework.
- Responsible use of IT resources.

## Timely Communication

The annual audited financial statements of the Company for the year ended 31st December 2022 were approved by the Board of Directors of the Company and signed on behalf of the Board by the Chief Executive Officer, the Chairperson of the Board Audit Committee, another Director, and the Chairman of the Board within 97 days.

## Report of the Board Audit Committee

**The primary role of the Board Audit Committee is to assist the Board in fulfilling its oversight responsibilities in areas such as the integrity of financial reporting, the effectiveness of the risk management framework and system of internal controls as well as consideration of ethics and compliance matters.**

- Composition of the committee with at least one member qualified as financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee.

The Audit Committee is chaired by an Independent Director. All members of the Committee possess requisite understanding of accounting requirements and concepts to effectively review the financial statements, and are able to constructively challenge management and the auditors on key aspects.

- Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements.

The Board Audit Committee is involved throughout the financial reporting process, not only to review the Company's financial statements at the end of the process, but to provide effective oversight and ensure a quality outcome. In fulfilling their responsibilities for oversight of the financial reporting process and in clearing financial statements, the Audit Committee is particularly invested in the following areas:



- o Any issues raised by the auditors during the year, including deficiencies in internal control that may impact on the preparation of the financial statements, and whether any of these issues remain unresolved at year end.
  - o Any requests made by the auditors for adjustments to the financial statements. If the requested adjustments remain unadjusted, whether agreement has been reached with the auditors that these do not have a material impact on the financial statements.
  - o Adequate explanation by management of the impact of any changes in accounting policies or accounting requirements on the financial statements.
- Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure.

The Board Audit Committee is assigned a broad range of responsibilities under its charter including, but not limited to, the oversight of:

- o Internal control and risk management.
  - o Financial reporting.
  - o Performance management.
  - o The internal audit and external audit functions.
  - o Monitoring compliance with legal and regulatory compliance.
- Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance.

The Board Audit Committee reviews and approves internal audit's remit, having regard to the complementary roles of the internal and external audit functions. The Audit Committee ensures that internal audit function is free to work independently and objectively, i.e., it is free from the influence of those being audited. The Committee ensures that internal audit has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors including the Institute of Internal Auditors' Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Committee also approves the appointment or termination of appointment of the Head of Internal Audit, as well as his appraisal and remuneration.

- Review of arrangement for staff and management to report to Audit Committee in confidence.

The Audit Committee ensures that whistleblowing arrangements are in place by means of which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Within its oversight of governance mandate the Audit Committee exercises authority to independently investigate where such matters are brought to its notice for appropriate follow-up action. The Audit Committee is fully supported by the Board to ensure that the whistleblower is protected from unfair termination or any other form of retaliation that they may face as a result of whistleblowing.

The Audit Committee and the Board recognize the critical roles that auditors and accountants play in exposing fraud, and the importance of affording these critical gatekeepers robust whistleblower protections so that they may come forward without fear of retribution to disclose fraud or other violations of federal securities laws or company policies.

- An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded.

In assessing the effectiveness of the external audit process, the Board is engaged in monitoring and evaluating the independence of the external auditor and, in particular, the offering of services other than auditing services by the auditor. The Board utilizes the Audit Committee to independently assess and monitor the external auditor's work and efficiency. The Audit Committee is also responsible for assessing the quality of the audit performed and the independence and objectivity of the external auditor. The Committee also makes a recommendation to the Board on the appointment or reappointment of the external auditor. In addition, the Committee oversees the work and quality of the internal audit function.

- If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.

The retiring auditors are eligible and have communicated their consent for reappointment as auditor.

If an external auditor other than the retiring external auditor is being considered to undertake the Company's audit before lapse of three years, the Audit Committee will consider the effect this may have on the effectiveness of the Company's overall arrangements for external audit as well as investor perceptions in this regard and appropriately make the case for such recommendation to the Board.

- The Audit Committee's views on whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

It is the management's responsibility to prepare complete and accurate financial statements and reporting and disclosures are to be made in the Annual Report in accordance with financial reporting standards and applicable rules and regulations. However, the Audit Committee reviews the clarity and completeness of disclosures in the financial statements and considers whether the disclosures made are set properly in context. The Audit Committee reviews the content of the Annual Report including accounts related information presented with the financial statements, the business review, Chairman's review and Directors report, and corporate governance statements relating to compliance and audit and risk management to ensure that as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

- Results of the self-evaluation of the Audit Committee carried out of its own performance.
- Individual members of the Audit Committee assessed their performance as part of the Board's performance evaluation process
- Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.
- No whistle blowing incident reported during the year.

**Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities / matters that are within the scope of the Audit Committee's responsibilities.**

The Chairperson of the Audit Committee present at the AGM to answer the queries of shareholders since the Audit Committee is responsible for the oversight of financial reporting and disclosures.

**Board disclosure on Company's use of Enterprise Resource Planning (ERP) software including:**

Board's disclosure on Company's use of Enterprise Resource Planning (ERP) software including:

- a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system;
- b) details about user training of ERP software;
- c) how the company manages risks or control risk factors on ERP projects;
- d) how the company assesses system security, access to sensitive data and segregation of duties

The Company utilizes an in-house built Enterprise Resource Planning (ERP) software that is designed to process transactions and keep track of processes from the underwriting phase to the award of claims including Re-Takaful, investment and other support activities. ERP helps determine resources use within the Company on a day-to-day basis connecting the core business functions of underwriting, Re-Takaful, claims and investments, and support business functions of finance, HR, marketing etc.

- a) For every function there is a specific in-house module developed to support the operations and these are linked to other modules to form an enterprise-wide resource.
- b) Whenever any employee joins, he is given a training of the relevant module. Further more, for all the changes and amendments, the IT department arranges a separate training on the updates.
- c) The ERP is subject to regular changes due to the ongoing changing requirement. All changes are fully authorized by the IT steering committee before embarking on the development, the changes are tested in detail on the test server by the developer before running any update live.
- d) There is a periodic review of the systems by the independent consultants to ensure that system is free of bugs, errors, and all other malfunctioning patches.
- e) The Company has also installed antivirus and firewalls in all its hardware devices. All systems are password protected with visibility of each field of data being appropriately authorized and granted on "need to know and access" basis.

**Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.**

No such external search consultancy has been used in the appointment of the Chairman or a non-executive director during the year.

**Chairman's significant commitments and any changes thereto**

- To maintain our commitment to our customers and our shareholders, the Board and management team will continually assess the Company's strategy and operating performance
- We will make significant investments in digitization informed by the leadership team's outreach to customers and policyholders to understand their needs
- We will pursue an ambitious growth strategy for the next five years, both organic and through acquisitions, driven by full line product offering and market penetration, as well as through strategic acquisitions and investing in profitable growth
- Salaam Takaful's business model is built on the foundation of Sharia'h and the adoption of the Wakalah contract. We will continue to contribute Tabarru' into the common Takaful fund to generate surplus distribution for our participants
- We will increase our focus on integrating environmental social governance (ESG) factors into investment decisions and respond to calls for greater private sector involvement in achieving the United Nations' Sustainable Development Goals (SDG)
- As always, the Board of Directors will remain committed to good corporate governance and ethical business practices, promote the long-term interests of our stakeholders, the responsible use of resources, and ensure the wellbeing, safety, and success of our employees

**Disclosure about the Government of Pakistan policies related to company's business/sector in Directors' Report and their impact on the company business and performance.**

As the apex regulator, the Securities and Exchange Commission of Pakistan has recently forwarded suggestions to the provincial taxation authorities for taking budgetary measures to promote the insurance sector and increase insurance/takaful penetration in the country. SECP has also proposed measures to promote microinsurance products that would benefit low end consumers and ensure their financial inclusion as well as restoring the exemption from sales tax on life and health insurance and reinsurance services, and on personal lines on non-life insurance business.

These proactive measures by the Government along with Microinsurance Rules 2014, which prescribe the conduct of microinsurance business with focus on consumer protection, transparency, and disclosure requirements, will positively impact Salaam Takaful's business as the Company is rolling out its agri-takaful products for the benefit of small farm holders and livestock operators. Moreover, the Government's proposed sales tax exemptions present a favorable outlook for the insurance/takaful sector as a whole, and particularly for the Company as it looks to start its Life takaful business this year.

The Government of Pakistan's promulgation, from time to time, of various acts, codes and ordinances - Companies Act 2017; Marine Insurance Act 2018; Code of Corporate Governance for Insurers 2016; Insurance Ordinance 2000 - assists the insurance/takaful sector and the Company to better manage business in the light of regulatory reform.

To uphold its corporate governance framework, the Company fully complies with amended Rules, Regulations and SROs, including the Insurance Companies (Sound and Prudent Management) Regulations 2012 with respect to the fitness and propriety requirements of the Chief Executive, Directors and key officers. The Company fully complies with the Anti Money Laundering and Countering Financing of Terrorism AML/CFT Regulations 2020 to ensure transaction monitoring of all its takaful products, conduct robust customer due diligence (CDD) and implement stringent know your customer (KYC) measures to verify the identities of customers. Through the SRO on Corporate Insurance Agents Regulations 2020 which strengthens the regulatory regime for distribution of insurance through corporate insurance agents, the Company has negotiated third party bancassurance agreements for sale of its takaful products.

## **How the organization's implemented governance practices have been exceeding legal requirements.**

### **Formalizing governance policies and guidelines**

A policy portfolio details the company's governance, business processes, and code of conduct for Directors and all employees with specific policies on conflict of interest; workplace harassment and discrimination; diversity, equity and inclusion; use of digital media, and social media guidelines.

### **Functioning of the board of directors and relations with executive management**

The board of directors is at the core of governance in our Company. The board defines company strategies, assigns those who are responsible for implementing them, and identifies the people who will supervise and control managerial performance. Most importantly, the board is responsive to shareholders and adds value to the company's equity and maximizes the return on investments for all participants and shareholders.

### **Transparency and disclosure of information**

Timely and accurate disclosure is essential for shareholders, potential investors, regulatory authorities, and other stakeholders. A major part of the CEO's role is to keep the board fully informed about the operations of the company and progress in achieving the goals set by shareholders and the board in a timely manner. This information helps keep the board apprised of what is happening in the company and enables it to oversee management's performance.

### **Ensuring sustainability in the business**

ESG disclosures are not mandatory, however, our company is increasingly focusing on ESG and sustainable development as a critical business imperative. We take ESG seriously and are working to embed it within the business lines to achieve higher profitability on average.



## **Pandemic Recovery Plan by the management and policy statement.**

### **Policy Statement**

The COVID-19 pandemic disrupted daily life and introduced uncertainty about the future. Taking that into consideration, the Pandemic Recovery Plan (PRP) provides a framework through which Salaam Takaful can fulfill our business continuity and employee engagement while ensuring the safety and well-being of our staff, customers, clients, and vendors.

### **Pandemic Recovery Plan (PRP)**

We successfully navigated through the pandemic with Pandemic Recovery Plan for proper planning for the reopening process. Our company took a series of steps to plan for and recover from the pandemic.

#### **1. Create a Pandemic Recovery Team**

included relevant departments and personnel needed to make critical reopening decisions.

#### **2. Meet Regularly and Document Important Decision and Actions**

Pandemic recovery teams met at least weekly, and the recovery team leaders met with their respective teams on an as needed basis. Initially all meetings were virtual.

#### **3. Follow Provincial and Federal Requirements**

We followed the Sindh and Federal Government's notifications The World Health Organization (WHO) and U.S. Centers for Disease Control and Prevention (CDC) to gather critical information about reopening timelines, phases, and requirements.

#### **4. Determine Key Dates**

We created timelines for reopening to determine what each department had to do to ensure a safe and effective reopening.

#### **5. Determine Testing and Health Assessment Requirements**

To ensure a safe reopening, employees were tested and screened as follows:

- Baseline COVID-19 testing for all returning personnel.
- Use of temperature checking systems, including thermal solutions.

#### **6. Determine Protective Measures by Space Type**

Social distancing was practiced, including inside elevators and in areas with high risk of exposure as follows:

- Offices: staggered attendance, markings.
- Stairways: social distancing, one-way traffic.

- Boardroom: closed to groups, scheduled use, markings.
- Elevators: limit individuals per car.
- Bathrooms: doors held open.
- Cafeteria: scheduled dining groups, limited staff, staff screening.
- Gym: limit of one individual per 6 square feet, doors held open, scheduled use, markings.
- Kitchen: limited staff, staff screening, doors held open.

## **7. Department-Specific Return Planning**

Each department developed a specific return to work plan implementing protective measures as follows:

- Wear masks in common areas
- Social distancing of workspaces
- Regular sanitizing by employees
- Staggered attendance 50% only in office
- Markings in work and common area

## **8. Develop Policies and Procedures**

We developed policies and procedures needed for reopening as follows:

- Pandemic sick policy.
- Return to work after testing positive for COVID-19.

## **9. Develop and Implement Training**

Our plan is to develop in-house employee trainings for any future pandemics or emergency situations that may arise, including the following:

- Staying safe at work
- Good Health and well-being

# DISCLOSURES ON IT GOVERNANCE AND CYBERSECURITY

## PROTECTION IN JUST A FEW CLICKS

IT Governance plays a crucial role in ensuring the smooth functioning and security of Salaam Takaful Limited's e-commerce store. As customers can purchase takaful policies online, the company must ensure that its IT systems and processes are well-governed, monitored, and aligned with industry standards. IT governance practices help to ensure that the e-commerce store is reliable, available, and resilient, enabling customers to transact with confidence. Additionally, effective IT governance practices facilitate the integration of new technologies, enabling the company to improve its e-commerce capabilities, enhance the customer experience, and stay competitive in the market



# IT GOVERNANCE AND CYBERSECURITY

## The Board Responsibility Statement on the Evaluation and Enforcement of Legal and Regulatory Implications of Cyber Risks

The Board collectively and individually understands and acknowledges that:

- Cybersecurity and all matters pertaining to it remain an ongoing and indispensable governance priority
- Cybersecurity is a governance issue that affects the organization as a whole and requires ongoing oversight from the Board
- The Board and Management must diligently consider the many approaches that will comprehensively enable monitoring for any potential cybersecurity vulnerabilities and threats
- The board must provide effective oversight of cyber security risks and protection. This must be complemented by strong managerial systems and reporting structures that function superbly
- Enterprise-wide cybersecurity programs should be regularly re-evaluated to guarantee their implementation across individual business units, legacy systems, recently acquired companies, and newly developed technologies

**The Board emphasizes on cybersecurity, and the Board Audit Committee guarantees that cybersecurity policies and procedures are established, and that management has the proper knowledge, personnel, and funding to manage cyber risks**

## Procedures, Policies Related to IT Governance and Cybersecurity Programs

As insurance companies increasingly incorporate technology across their operations, it has become imperative for takaful providers and their partners to ensure that their information technology systems are fully secured against cyber threats

The Securities and Exchange Commission of Pakistan's Guidelines on Cybersecurity Framework for the Insurance Sector, 2020 applies to all insurers, including takaful operators, registered under the Insurance Ordinance 2000 for the adoption of appropriate cybersecurity practices. Salaam Takaful has implemented the Guidelines through a Cybersecurity Governance Framework that involves the Board, the Board Audit Committee, and critically, Management

The company submitted its initial Cyber Risk Assessment Report, endorsed by the Chief Information Security Officer and CEO, to the commission on April 30, 2021, in line with directives to conduct annual cyber risk evaluations. A cybersecurity strategy and framework are being crafted as a medium to long-term blueprint which will be presented to the board for scrutiny and rectification



## Board's Risk Oversight on Cybersecurity

**The board recognizes that cybersecurity is an organization-wide risk issue that must be managed diligently**

In overseeing cybersecurity risk, the Board has predominantly adopted and implemented the five core principles by the National Association of Corporate Directors for cyber risk governance, encouraging boards to:

- Cybersecurity must be viewed and addressed as a strategic business risk, not merely an IT concern
- Recognizing the legal ramifications of cyber threats that are relevant to their company's particular circumstances
- Ensure that there is sufficient cybersecurity expertise available, that resources are being utilized effectively, and that board meeting agendas include a dedicated time slot to discuss cyber risk management and prevention in a well-regulated manner
- Management should establish an enterprise-wide cyber risk management framework with sufficient staffing and budget to meet expectations
- Focus on discussing cyber security and potential threats at the board management level, including relevant topics:
  - Identifying and quantifying financial exposure to cyber risks
  - The specific procedures and schematics associated with each approach, including the criteria for accepting, mitigating, or transferring risks through insurance

## Board-level Committee Responsible for IT Governance & Cybersecurity

- Viewing cybersecurity as a full board priority continues to be a priority for the Board
- The oversight of IT governance and cybersecurity is the responsibility of the Board Audit Committee. Relevant IT leaders should provide regular updates to the audit committee, which will then work with them to enforce cyber risk mitigation
- The Board Audit Committee is also responsible for overseeing the burden of cyber risk
- The Board has added a director with a technology background to tackle the increasing risk of cybersecurity
- The Board depends on the Chief Information Security Officer and the IT team to make risk management decisions and enhance the board's cybersecurity knowledge and awareness as needed

## **CYBERSECURITY GOVERNANCE FRAMEWORK**

The responsibility for setting the Company's IT strategy has been assumed by the Board Audit Committee, which also ensures effective management of cyber risk

The management is equipped with appropriate knowledge, staffing, and budgets to manage the risks from cybersecurity, and the Board Audit Committee ensures the presence of cybersecurity policies, procedures, and processes

The Company's cybersecurity strategy and framework are effectively implemented, managed, and monitored by officers who have defined roles and responsibilities, and are provided with adequate support by management. resources and appropriate authority to them

### **Company Controls as “Early Warning System”**

- In case of a disaster or disruption, the IT Coordinator is empowered by the Company's Business Continuity Planning Policy to restore the minimum acceptable level of IT services and ensure the availability of critical data at a secure backup site. Their own individualized Disaster Recovery plan has also been developed by the IT Department
- It is crucial for our Company to detect suspicious activity earlier in the attack chain and respond accordingly as cyber-attacks become increasingly sophisticated
- To protect the Company's IT infrastructure and customer data consistently, a proactive approach is necessary
- The Company has responded to these challenges by deploying an Intrusion Detection System within our Cybersecurity platform to counter any detectable security events

### **Independent Comprehensive Security Assessment of Technology Environment**

A holistic review of relevant functions and departments within Salaam Takaful Limited is conducted to assess the design and operational effectiveness of cyber security and business continuity controls through an independent and comprehensive security assessment of the technological environment. The control framework assessment evaluates the processes, technology, and people aspects. A third-party contractor conducts the review annually.

## Information Technology

- Assessment of the network architecture, topology and network communication with third parties and regulators
- Analysis of remote connectivity including VPN access
- External vulnerability assessment and penetration testing
- Internal vulnerability assessment and penetration testing
- Secure configuration review of firewalls, routers, switches, operating systems and databases being used within the Organization
- Application & infrastructure review and assessment of multiple customer financial, internal financial & internal non-financial applications
- Assessment of other business specific technology being used within the organization

## Cyber Security

- Information Security Governance assessment (including both documentation and implementation review of strategy, policies, procedures, standards & guidelines)
- Assessment of Security Operation Centre (SOC) including review of coverage scope for SOC monitoring, adequacy of rules defined for monitoring, implementation review of the SIEM solution and review of policies, procedures and standards pertaining to the SOC operation
- Assessment of Incident Management (IM) including review of policies, procedures and standards pertaining to the IM operation; determining the adequacy of incident detection controls by conducting mock incidents under controlled environment; evaluating the incident response under various scenarios; evaluating the maturity of the incident response team
- Assessment of security appliances & solution including Privileged Identity & Access Management, High Privileged User Management
- Advanced Persistent Threat (APT) resilience test to determine the adequacy of the APT solution

## Internal Audit

- Assessment of the coverage and adequacy of Information Security & Business Continuity domains by the Internal Audit Department

### **Business Continuity**

- Assessment of Business Continuity including review of strategy, policy, procedure & standards pertaining to Business Continuity Management; review of BCP & DR drill results; review of adequacy of the Business Continuity committee & required management support
- Assessment of the Data Centre and Disaster Recovery Sites

### **Physical Security**

- Evaluation of all physical securing controls across the environment of the organization

### **Compliance**

- Review of the process and monitoring adequacy of the organization to comply with all local and global regulatory requirements

### **End Users**

- Random survey pertaining to Information Security
- Social Engineering test to determine the IS awareness level among the employees



# CONTINGENCY AND DISASTER RECOVERY PLAN

## Contingency Plan

Salaam Takaful Limited has a resilient contingency plan in case of any viable IT failure or cyber breach, in addition to the preventive controls in place to avoid any unlikely threat or event. There are recovery/response thresholds, roles and responsibilities, and communication systems in place for managing any unlikely situation of IT failure or cyber breach.

**The steering committee leads the Business Continuity Plan (BCP) / Contingency Plan (CP) as follows:**

<b>Composition</b>	<ul style="list-style-type: none"><li>■ Managing Director &amp; CEO</li><li>■ Chief Technology Officer</li><li>■ Chief Financial Officer</li><li>■ Head of Human Resource</li><li>■ Head of Risk Management (Secretary)</li></ul>
<b>Frequency of meeting</b>	<ul style="list-style-type: none"><li>■ As decided by the steering committee</li></ul>

The Contingency Plan includes the following elements:

- Support team - well defined and assigned roles have been designated to each individual
- Risk Assessment
  - Identify the threat
  - Probability of the occurrence of the threat
  - Evaluate the value of the impact
  - Calculate the risk value = Impact value X Probability of the occurrence of threat
- Business impact analysis
- Plan testing
- Contingency prioritization
- Scenario building
- Contingency phase development, concentrating on:
  - Determining the contingency origin and scope
  - Monitoring the contingency
  - Taking prudent actions during the contingency
  - Informing all those affected by the contingency including the recovery procedures and steps for the restoration



- o Updating those impacted continuously, regarding the status of recovery response
- o Lessons learned from the contingency and need to update organizational procedure to avoid similar contingency in future

■ Monitoring & evaluation

■ Criteria for activation



## Disaster Recovery Plan (DRP)

Salaam Takaful Limited has established an official documented Disaster Recovery Plan that is in place for the recovery, after the happening of contingency back to normal operations. The company follows a cloud disaster recovery approach.



At Salaam Takaful Limited, we consider the DRP to be an integral element of our day to day operations ensuring that losses are minimized during disastrous situations, should they arise.

## **Types of disaster that are covered by the DRP include:**

- Application failure
- Communication failure
- Data center disaster
- Denial of Service (DOS)
- Denial of Data (DOD) / Loss of Data (LOD)
- Building level disaster
- City-wide disaster
- National disaster

Our foolproof recovery strategy initiates at the corporate level, determining the applications and services spanning from those that are deemed most critical, to the ones that are considered least critical. The Recovery Time Objective (RTO) and Recovery Point Objective (RPO) are defined as per the criticality of the application and service. The aspects examined in the recovery plan include the budget, resources utilized (people, facilities and time), management's take on the potential risk, technology, data, suppliers and compliance requirements.

## **The following are the main components of the Disaster Recovery Plan**

1. Introduction: The DRP is designated to serve as a guide to recover IT services within the agreed time frame. The owner of the plan is the Command and Control Team (CCT). The plan is based on certain carefully concluded assumptions like the possibility of calamity striking at any time or place
2. IT infrastructure: A detailed diagram of the IT infrastructure in Pakistan is included to use as a foundational reference point
3. Backup and recovery strategy: The physical location of the DR-cloud site is in Berlin, Germany. The site will act as a DR site for all IT operations. All critical DR applications will be activated from the DR site in case of any disaster
4. Strategy for critical IT services: Critical applications and IT services will be identified and will determine the order of recovery from the most critical application to the least critical one. Recovery Time Objective (RTO) and Recovery Point Objective (RPO) has been assigned to each application accordingly
5. Critical data on staff workstations: The staff is directed to store all data on the network, shared folders and drives that are located on file servers
6. IT disaster recovery team: Roles and responsibilities have been distinctly assigned in case of a disaster

For cyber insurance, the company intends to insure itself hence no external insurance has been obtained.

## **Advancement in Digital Transformation**

Salaam Takaful Limited is fully cognizant of the advancements being made in digital transformation in this technologically reliant age and is therefore fully utilizing the 4.0 industrial revolution technological advancement. Our company is adamant to continue incorporating digital advancements throughout our operations, to fully ensure that we continue to make strides in our industry. A mobile application has been launched and the company is in the process of moving its business applications and data on cloud. The company also uses Artificial Intelligence (AI) for Customer Relationship Management (CRM) and it is being used in the mobile application for a better customer experience.

## **Education and Training Efforts of the Company to Mitigate Cybersecurity Risks**

The Company believes that employee training is necessary to spread and encourage a security-conscious culture as well as to ensure that the IT department is proficient in using the cybersecurity systems and tools.

To implement a cybersecurity plan, the IT department has established ongoing cybersecurity training for its officers on the identified risks and the procedures and systems designed to mitigate those risks.

The IT department has established a security awareness program to educate all employees about the corporate policies and procedures when working with IT assets and sensitive data, as well as password security, safe internet habits, clean desk policies, data management and privacy, bring your own device (BYOD) policies, and more.





# ANALYSIS OF THE FINANCIAL INFORMATION

## FREE CONSULTATION THROUGH YOUR PHONE

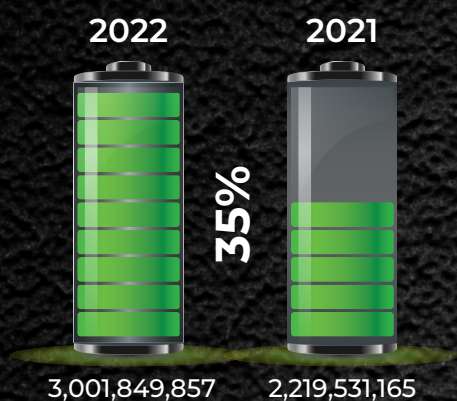
Providing value-added services to policyholders is as important as Financial Information Analysis. One of those value added services is Salaam Virtual Clinic. Analysis of financial information helps the company to monitor its financial performance, identify areas for improvement, and make data-driven decisions that align with its strategic goals. On the other hand, the Salaam Virtual Clinic is a value-added service that provides policyholders with free consultation services with doctors over video calls.



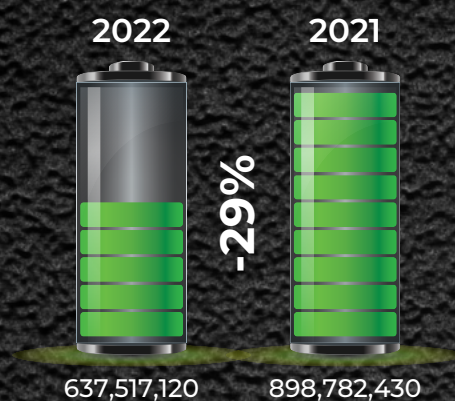




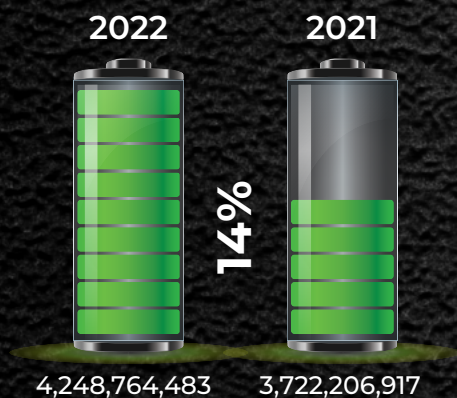
# KEY FINANCIAL FIGURES (RUPEES)



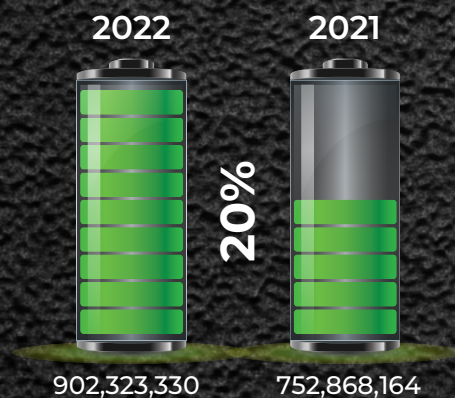
**Gross Written Contribution**



**Investments & Bank Deposits**

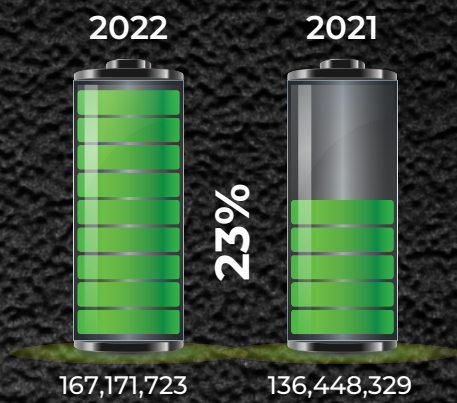


**Asset Base**

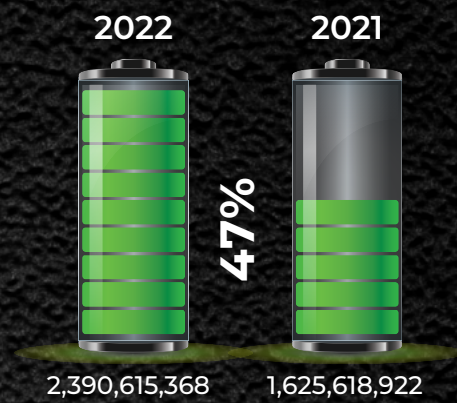


**Equity**

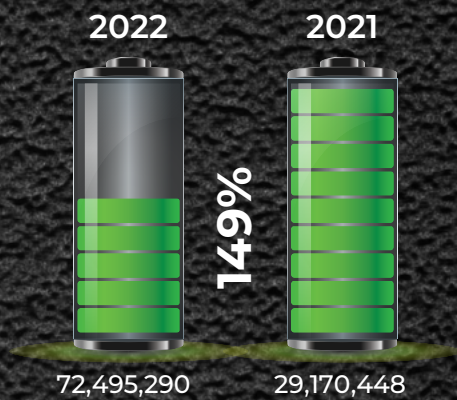




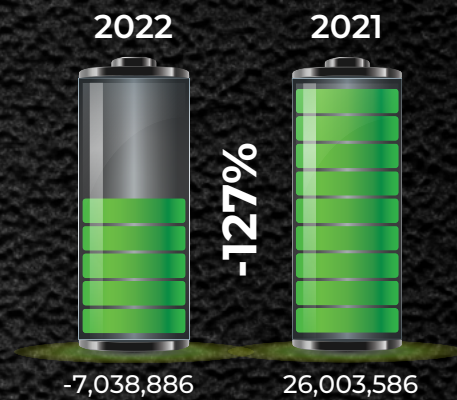
**Accumulated  
Surplus/deficit-PTF**



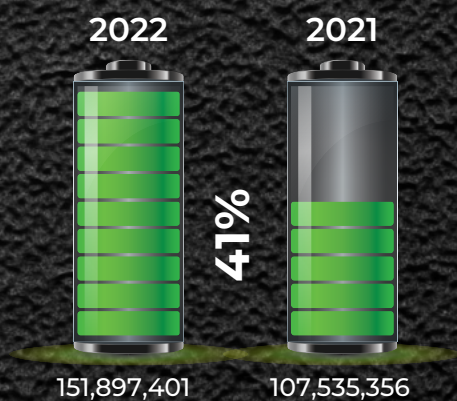
**Net Takaful  
Contribution**



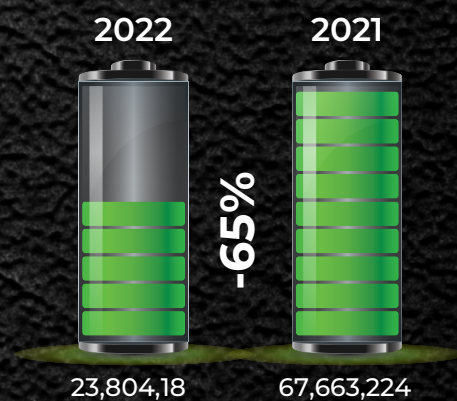
**Net Investment Income  
SHF**



**Investment Income  
PTF**



**Profit after Taxation  
SHF**



**Surplus After Taxation  
PTF**

# 6 YEARS AT A GLANCE

Balance Sheet	2022	2021	2020	2019	2018	2017
	(Rupees)					
<b>Share Capital &amp; Reserves</b>						
Authorized Share Capital						
150,000,000 ordinary shares of Rs.10/- each	1,500,000,000	1,500,000,000	1,500,000,000	700,000,000	700,000,000	700,000,000
Issued, subscribed and paid-up share capital	1,132,020,019	1,132,020,019	612,989,050	612,989,050	612,989,050	300,000,000
Discount on issuance of shares	(332,020,019)	(332,020,019)	(112,989,051)	(112,989,051)	(112,989,050)	-
Fair value reserve	(1,823,029)	(9,404,357)	-	-	(6,638,666)	(4,496,169)
Accumulated lossess	104,146,359	(37,727,479)	(142,270,104)	(145,541,363)	(161,051,131)	(83,329,984)
	<b>902,323,330</b>	<b>752,868,164</b>	<b>357,729,896</b>	<b>354,458,637</b>	<b>332,310,203</b>	<b>212,173,847</b>
<b>Waqf / Participants Takaful Fund ( PTF )</b>						
Ceded Money	500,000	500,000	500,000	500,000	500,000	500,000
Fair value reserve	(112,982)	(7,032,188)	-	-	(20,788,553)	(3,874,718)
Accumulated Surplus/(deficit)	166,784,705	142,980,517	83,035,761	27,066,104	(1,196,271)	(3,165,509)
	<b>167,171,723</b>	<b>136,448,329</b>	<b>83,535,761</b>	<b>27,566,104</b>	<b>(21,484,824)</b>	<b>(6,540,227)</b>
Qard-e-hasna - payable	-	-	-	91,479,565	109,479,565	40,479,565
<b>Liabilities</b>						
<b>Underwriting Provisions</b>						
Outstanding claims including IBNR	740,780,247	341,383,225	234,657,639	152,283,379	79,393,141	62,479,532
Unearned contribution reserves	1,561,033,084	1,205,566,566	774,926,588	504,543,197	216,589,853	39,052,938
Contribution deficiency reserves	1,105,878	1,277,365	-	-	937,985	-
Unearned re-takaful rebate	28,524,963	19,592,827	12,812,863	3,851,295	4,237,040	2,655,575
Contributions received in advance	1,811,546	4,734,487	4,888,381	6,710,260	2,445,918	2,071,037
Takaful/Re-takaful Payables	90,543,017	29,500,776	68,745,109	51,365,916	64,795,959	66,460,114
Unearned wakala fees	367,010,265	665,027,460	226,315,276	147,035,841	87,081,507	15,621,173
Wakala fees payable	188,208,380	433,736,167	89,654,027	7,867,535	-	5,678,187
Mudarib fees payable	2,166,864	18,554,744	11,018,684	11,315,701	6,247,671	5,785,557
Deferred Tax Liability	-	-	2,670,457	928,289	-	-
Other creditors and accruals	198,085,185	113,516,808	318,476,315	71,472,047	70,720,463	33,044,411
	<b>3,179,269,429</b>	<b>2,832,890,424</b>	<b>1,744,165,338</b>	<b>957,373,460</b>	<b>532,449,536</b>	<b>232,848,524</b>
<b>Total Equites &amp; Liabilites</b>	<b>4,248,764,483</b>	<b>3,722,206,917</b>	<b>2,185,430,995</b>	<b>1,430,877,767</b>	<b>952,754,480</b>	<b>478,961,709</b>
<b>Assets</b>						
Property and equipment	93,328,909	125,980,054	86,543,396	44,193,686	13,703,879	4,978,928
Intangible assets	22,275,900	18,000,900	8,705,000	4,667	145,344	286,022
<b>Investments</b>						
Investment property	272,000,000	-	-	-	-	-
Investment in subsidiaries	214,631,064	-	-	-	-	-
Equity securities and mutual funds	57,384,200	99,858,705	-	-	177,953,472	141,344,802
Debt securities	75,000,000	118,000,000	88,000,000	88,000,000	126,078,419	25,358,435
Term deposits	305,500,000	487,800,000	583,600,000	513,200,000	195,500,000	131,500,000
Qard-e-hasna - receivable	-	-	-	91,479,565	109,479,565	40,479,565
Long term deposits	25,410,786	24,310,806	10,691,613	12,073,240	3,236,144	1,367,334
Loans and other receivables	68,673,987	172,657,102	53,904,278	67,526,863	18,733,409	22,104,299
Takaful / co-takaful receivables	1,678,591,627	1,039,154,876	480,278,414	254,742,978	42,216,463	15,077,979
Re-takaful recoveries against outstanding claims	371,239,651	83,270,644	94,690,909	45,739,312	19,501,263	24,495,182
Salvage recoveries accrued	22,895,000	15,694,000	10,692,786	4,506,786	2,250,000	750,000
Wakala fees receivable	188,208,380	433,736,167	89,654,027	7,867,535	-	5,678,189
Mudarib fees receivable	2,166,864	18,554,744	11,018,684	11,315,701	6,247,671	5,785,557
Deferred wakala fees	367,010,265	665,027,460	226,315,276	147,035,841	87,081,507	15,621,173
Deferred comission expense	158,037,313	112,754,453	58,295,367	33,609,160	34,652,031	2,252,361
Taxation-payment less provisions	-	20,060,318	12,790,053	13,986,143	5,206,957	5,499,482
Prepayments	126,777,617	94,222,963	83,806,369	70,759,599	22,462,879	9,491,255
Cash and Bank	199,632,920	193,123,725	286,444,823	24,836,690	88,305,476	26,891,146
<b>Total Assets</b>	<b>4,248,764,483</b>	<b>3,722,206,917</b>	<b>2,185,430,995</b>	<b>1,430,877,765</b>	<b>952,754,479</b>	<b>478,961,709</b>

Income Statement	2022	2021	2020	2019	2018	2017
	(Rupees)					
<b>Participants Takaful Fund ( PTF )</b>						
<b>- Revenue Account</b>						
Net Contribution Revenue	2,390,615,368	1,625,618,921	1,211,094,262	623,121,949	145,076,085	137,706,994
Net Claims expense	(1,259,620,770)	(876,810,671)	(690,404,080)	(316,556,556)	(77,630,691)	(55,243,649)
Wakala Fee	(1,090,430,093)	(683,819,956)	(465,302,807)	(310,068,297)	(70,353,840)	(73,569,678)
Direct Expenses	(72,721,088)	(55,170,076)	(52,529,739)	(19,840,727)	(5,178,974)	(9,630,456)
Retakaful rebate earned	64,301,364	33,569,610	18,150,375	14,986,149	10,897,817	9,975,737
Contribution deficiency reversal	-	-	-	937,986	(937,986)	2,305,153
	<b>(2,358,470,587)</b>	<b>(1,582,231,093)</b>	<b>(1,190,086,252)</b>	<b>(630,541,445)</b>	<b>(143,203,674)</b>	<b>(126,162,893)</b>
<b>Net underwriting results</b>	<b>32,144,781</b>	<b>43,387,828</b>	<b>21,008,010</b>	<b>(7,419,495)</b>	<b>1,872,411</b>	<b>11,544,101</b>
Investment income	(7,038,886)	26,003,586	40,858,157	20,272,119	2,277,940	8,900,858
less: Mudarib's share	(2,612,120)	(7,536,060)	(11,502,983)	(5,068,030)	(569,485)	(2,225,214)
Net investment income	(9,651,006)	18,467,526	29,355,174	15,204,089	1,708,455	6,675,644
Other income	2,081,060	6,082,869	5,889,079	20,673,051	119,595	126,056
Bank charges	(770,647)	(274,999)	(282,606)	(195,270)	(131,653)	(48,352)
			-	-	-	-
<b>Surplus / ( deficit ) before tax</b>	<b>23,804,188</b>	<b>67,663,223</b>	<b>55,969,657</b>	<b>28,262,375</b>	<b>3,568,808</b>	<b>18,297,449</b>
Provision for taxation - current	-	-	-	-	(1,599,570)	(3,332,187)
<b>Total surplus / ( deficit ) transferred to balance of waqf / participants takaful fund</b>	<b>23,804,188</b>	<b>67,663,223</b>	<b>55,969,657</b>	<b>28,262,375</b>	<b>5,168,378</b>	<b>21,629,636</b>
<b>Shareholders Fund ( SHF ) - Revenue Account</b>						
Wakala fee Income	1,090,430,093	683,819,956	465,302,807	310,068,297	70,353,840	73,569,678
Commission expense/acquistion cost	(267,979,424)	(150,698,558)	(125,390,614)	(63,918,818)	(25,853,126)	(9,311,809)
Management expenses	(697,114,968)	(454,179,748)	(353,370,720)	(261,626,829)	(133,638,981)	(77,572,727)
	<b>(965,094,392)</b>	<b>(604,878,306)</b>	<b>(478,761,334)</b>	<b>(325,545,647)</b>	<b>(159,492,107)</b>	<b>(86,884,536)</b>
Mudarib's shares of PTF investment income	2,612,120	7,536,060	11,502,983	5,068,030	569,485	2,225,214
Investment Income	72,495,290	29,170,448	31,079,014	35,376,552	11,327,533	11,440,512
Direct Expense	(2,227,409)	(11,803,105)	(9,918,448)			
Other income	9,149,229	13,210,740	3,931,132	299,368	921,469	3,478,813
Finance cost	(3,486,625)	(5,285,070)	(4,740,479)	(2,820,233)	-	-
<b>Profit for the year before taxation</b>	<b>203,878,306</b>	<b>111,770,722</b>	<b>18,395,675</b>	<b>22,446,367</b>	<b>(76,319,780)</b>	<b>3,829,681</b>
Provision for taxation - Current	(51,980,905)	(4,235,367)	(13,239,903)	(5,446,482)	(879,423)	(697,431)
<b>Profit after tax</b>	<b>151,897,401</b>	<b>107,535,356</b>	<b>5,155,772</b>	<b>16,999,885</b>	<b>(77,199,203)</b>	<b>3,132,250</b>
<b>Earnings per share basic and diluted</b>	<b>1.34</b>	<b>0.33</b>	<b>(1.52)</b>	<b>0.10</b>	<b>0.71</b>	<b>1.01</b>



# HORIZONTAL ANALYSIS

Share Capital & Reserves	22 vs 21 Change in Values	22 vs 21 Change in % age	21 vs 20 Change in Values	21 vs 20 Change in % age
Authorized Share Capital 150,000,000 ordinary shares of Rs.10/- each	-	0%	-	-
Issued, subscribed and paid-up share capital	-	0%	519,030,969	1
Discount on issuance of shares	-	0%	(219,030,969)	2
Fair value reserve	7,581,328	-81%	(9,404,357)	0%
Accumulated lossess	141,873,838	-376%	104,542,625	-73%
	<b>149,455,166</b>	<b>20%</b>	<b>395,138,268</b>	<b>110%</b>
Waqf / Participants Takaful Fund ( PTF )				
Ceded Money	-	0%	-	-
Fair value reserve	6,919,206	-98%	(7,032,188)	0%
Accumulated Surplus/(deficit)	23,804,188	17%	59,944,756	72%
	<b>30,723,394</b>	<b>23%</b>	<b>52,912,568</b>	<b>63%</b>
Qard-e-hasna - payable	-	0%	-	0%
Advance Against Subscription Money	-	0%	-	0%
Liabilities				
Underwriting Provisions				
Outstanding claims including IBNR	399,397,022	117%	106,725,587	45%
Unearned contribution reserves	355,466,518	29%	430,639,978	56%
Contribution deficiency reserves	(171,487)	-13%	1,277,365	0%
Unearned re-takaful rebate	8,932,136	46%	6,779,964	53%
Contributions received in advance	(2,922,941)	-62%	(153,894)	-3%
Takaful/Re-takaful Payables	(61,042,241)	-207%	39,244,333	57%
Unearned wakala fees	(298,017,195)	-45%	438,712,185	194%
Wakala fees payable	(245,527,787)	-57%	344,082,140	384%
Mudarib fees payable	(16,387,880)	-88%	7,536,060	68%
Deferred Tax Liability	-	0%	(2,670,457)	-100%
Other creditors and accruals	84,568,377	74%	(204,959,507)	-64%
	<b>346,379,005</b>	<b>12%</b>	<b>1,088,725,086</b>	<b>62%</b>
<b>Total Equites &amp; Liabilites</b>	<b>526,557,567</b>	<b>14%</b>	<b>1,536,775,923</b>	<b>70%</b>
Assets				
Property and equipment	(32,651,145)	-25.92%	39,436,658	46%
Intangible assets	4,275,000	23.75%	9,295,900	107%
Investments				
Equity securities and mutual funds	(42,474,505)	-42.53%	99,858,705	0%
Debt securities	(43,000,000)	-36.44%	30,000,000	34%
Term deposits	(182,300,000)	-37.37%	(95,800,000)	-16%
Qard-e-hasna - receivable	-	0.00%	-	0%
Long term deposits	1,099,980	4.52%	13,619,193	127%
Loans and other receivables	(103,983,115)	-60.23%	118,752,824	220%
Takaful / co-takaful receivables	639,436,751	61.53%	558,876,462	116%
Re-takaful recoveries against outstanding claims	287,969,007	345.82%	(11,420,265)	-12%
Salvage recoveries accrued	7,201,000	45.88%	5,001,214	47%
Wakala fees receivable	(245,527,787)	-56.61%	344,082,140	384%
Mudarib fees receivable	(16,387,880)	-88.32%	7,536,060	68%
Deferred wakala fees	(298,017,195)	-44.81%	438,712,185	194%
Deferred comission expense	45,282,860	40.16%	54,459,086	93%
Taxation-payment less provisions	(20,060,318)	-100.00%	7,270,265	57%
Prepayments	32,554,654	34.55%	10,416,594	12%
Cash and Bank	6,509,195	3.37%	(93,321,098)	-33%
<b>Total Assets</b>	<b>526,557,566</b>	<b>14%</b>	<b>1,536,775,922</b>	<b>70%</b>

20 vs 19 Change in Values	20 vs 19 Change in % age	19 vs 18 Change in Values	19 vs 18 Change in % age	18 vs 17 Change in Values	18 vs 17 Change in % age	17 vs 16 Change in Values	17vs 16 Change in % age
800,000,000	1	-	-	-	0%	-	-
-	0%	-	-	312,989,050	1	-	-
- 0%	-	0%	112,989,050	-	-	-	-
-	0%	6,638,666	-100%	2,142,497	48%	6,159,447	-370%
3,271,259	-2%	15,509,768	-10%	77,721,146	93%	2,300,531	-3%
<b>3,271,259</b>	<b>1%</b>	<b>22,148,434</b>	<b>7%</b>	<b>120,136,356</b>	<b>57%</b>	<b>3,858,916</b>	<b>-2%</b>
-	-	-	-	-	-	-	-
-	0%	20,788,553	-100%	16,913,835	4.37	5,827,937	(2.98)
55,969,656	207%	28,262,375	-2363%	1,969,239	-62%	14,965,262	-83%
<b>55,969,656</b>	<b>203%</b>	<b>49,050,928</b>	<b>-228%</b>	<b>14,944,597</b>	<b>229%</b>	<b>9,137,325</b>	<b>-58%</b>
91,479,565	100%	18,000,000	-16%	69,000,000	170%	5,644,246	16%
-	0%	-	0%	-	0%	-	0%
82,374,260	54%	72,890,238	92%	16,913,609	27%	32,087,867	-34%
270,383,391	54%	287,953,344	133%	177,536,915	455%	34,142,475	-47%
-	0%	937,985	-100%	937,985	-	2,305,153	-100%
8,961,569	233%	385,746	-9%	1,581,465	60%	689,922	-21%
(1,821,879)	-27%	4,264,343	174%	374,881	18%	997,725	93%
(17,379,193)	-34%	13,430,042	-21%	1,664,155	-3%	18,297,854	-22%
79,279,435	54%	59,954,334	69%	71,460,334	457%	13,656,992	-47%
81,786,492	1040%	7,867,535	100%	5,678,187	-100%	17,934,656	-76%
(297,017)	-3%	5,068,030	81%	462,114	8%	21,280,258	-79%
1,742,168	188%	92828900%	-	-	-	-	-
247,004,268	346%	751,584	1%	37,676,052	114%	13,940,701	-30%
<b>786,791,878</b>	<b>82%</b>	<b>424,923,924</b>	<b>80%</b>	<b>299,601,012</b>	<b>129%</b>	<b>153,338,153</b>	<b>-40%</b>
<b>754,553,230</b>	<b>53%</b>	<b>478,123,287</b>	<b>50%</b>	<b>473,792,771</b>	<b>99%</b>	<b>142,415,499</b>	<b>-23%</b>
51,054,710 116	%	30,489,807	222%	8,724,951	175%	2,442,636	-33%
(4,667)	-100%	140,677	-97%	140,678	(0)	286,022	-
-	0%	177,953,472	-100%	36,608,670	26%	23,410,239	20%
-	0%	38,078,419	-30%	100,719,984	397%	870,380	4%
70,400,000	14%	317,700,000	163%	64,000,000	49%	81,609,000	-38%
91,479,565	100%	18,000,000	-16%	69,000,000	170%	5,644,246	16%
(1,381,627)	-11%	8,837,096	273%	1,868,810	137%	350,700	-20%
(13,622,585)	-20%	48,793,454	260%	3,370,890	-15%	14,724,913	-40%
225,535,436	89%	212,526,515	503%	27,138,484	180%	7,540,153	-33%
48,951,597	107%	26,238,049	135%	4,993,919	-20%	1,682,549	-6%
6,186,000	137%	2,256,786	100%	1,500,000	200%	-	0%
81,786,492	1040%	7,867,535	-	5,678,189	-100%	17,934,654	-76%
(297,017)	-3%	5,068,030	81%	462,114	8%	21,280,258	-79%
79,279,435	54%	59,954,334	69%	71,460,334	457%	13,656,992	-47%
24,686,207	73%	1,042,871	-3%	32,399,670	1438%	1,470,214	-39%
(1,196,090)	-9%	8,779,186	169%	292,525	-5%	2,394,363	-30%
13,046,770	18%	48,296,720	215%	12,971,624	137%	9,408,126	-50%
261,608,133	1053%	63,468,786	-72%	61,414,330	228%	1,868,172	7%
<b>754,553,230</b>	<b>53%</b>	<b>478,123,287</b>	<b>50%</b>	<b>473,792,771</b>	<b>99%</b>	<b>142,415,499</b>	<b>-23%</b>

Income Statement	22 vs 21 Change in Values	22 vs 21 Change in % age	21 vs 20 Change in Values	21 vs 20 Change in % age
Net Contribution Revenue	764,996,446	47%	414,524,659	34%
Net Claims expense	382,810,099	44%	186,406,591	27%
Wakala Fee	406,610,137	59%	218,517,149	47%
Direct Expenses	17,551,012	32%	2,640,337	5%
Retakaful rebate earned	30,731,754	92%	15,419,235	85%
Contribution deficiency reversal	-	0%	-	0%
	<b>776,239,494</b>	<b>49%</b>	<b>392,144,842</b>	<b>33%</b>
Net underwriting results	(11,243,048)	26%	22,379,817	-107%
Investment income	(33,042,472)	-127%	(14,854,571)	-36%
less: Mudarib's share	(4,923,940)	-65%	(3,966,923)	-34%
<b>Net investment income</b>	<b>(28,118,532)</b>	<b>-152%</b>	<b>(10,887,648)</b>	<b>-37%</b>
Other income	(4,001,809)	-66%	193,790	3%
Bank charges	495,648	180%	(7,607)	-3%
<b>Surplus / ( deficit ) before tax</b>	<b>(43,859,036)</b>	<b>-65%</b>	<b>11,693,566</b>	<b>21%</b>
Provision for taxation - current	-	0%	-	0%
Surplus from discontinued operation				
<b>Total surplus / ( deficit ) transferred to balance of waqf / participants takaful fund</b>	<b>(43,859,036)</b>	<b>-65%</b>	<b>11,693,566</b>	<b>21%</b>
Shareholders Fund ( SHF ) - Revenue Account				
Wakala fee Income	406,610,137	59%	218,517,149	47%
Commission expense/acquistion cost	117,280,866	78%	25,307,945	20%
Management expenses	242,935,220	53%	100,809,028	29%
	<b>46,394,051</b>	<b>-59%</b>	<b>92,400,176</b>	<b>687%</b>
Mudarib's shares of PTF investment income	(4,923,940)	-65%	(3,966,923)	-34%
Investment Income	43,324,842	149%	(1,908,566)	-6%
Other income	(4,061,511)	-31%	9,279,608	236%
Finance cost	(1,798,445)	-34%	544,591	11%
<b>Profit for the year before taxation</b>	<b>90,309,138</b>	<b>77%</b>	<b>93,919,638</b>	<b>406%</b>
Provision for taxation - Current	47,745,538	1127%	(9,004,537)	-68%
<b>Profit after tax</b>	<b>44,362,045</b>	<b>41%</b>	<b>102,379,584</b>	<b>1986%</b>
<b>Earnings per share basic and diluted</b>	<b>0.39</b>	<b>41%</b>	<b>0.87</b>	<b>1029%</b>

20 vs 19 Change in Values	20 vs 19 Change in % age	19 vs 18 Change in Values	19 vs 18 Change in % age	18 vs 17 Change in Values	18 vs 17 Change in % age	17 vs 16 Change in Values	17vs 16 Change in % age
587,972,313	94%	478,045,865	330%	7,369,091	5%	101,356,094	-42%
373,847,524	118%	238,925,865	308%	22,387,042	41%	73,446,483	-57%
155,234,510	50%	239,714,457	341%	3,215,838	-4%	42,190,527	-36%
32,689,012	165%	14,661,753	283%	4,451,482	-46%	21,206,709	-69%
3,164,226	21%	4,088,332	38%	922,080	9%	867,921	-8%
(937,986)	100%	1,875,972	-200%	3,243,139	-141%	74,528	-3%
<b>559,544,807</b>	<b>89%</b>	<b>487,337,771</b>	<b>340%</b>	<b>17,040,781</b>	<b>14%</b>	<b>135,901,270</b>	<b>-52%</b>
28,427,505	383%	9,291,907	-496%	9,671,690	-84%	34,545,176	-150%
20,586,038	102%	17,994,179	790%	6,622,918	-74%	2,952,182	-25%
6,434,953	127%	4,498,545	790%	1,655,729	-74%	738,046	-25%
<b>14,151,085</b>	<b>93%</b>	<b>13,495,634</b>	<b>790%</b>	<b>4,967,189</b>	<b>-74%</b>	<b>2,214,136</b>	<b>-25%</b>
(14,783,972)	-72%	20,553,456	17186%	6,461	-5%	88,562	236%
87,336	45%	63,617	48%	83,301	172%	25,795	114%
<b>27,707,283</b>	<b>98%</b>	<b>24,693,566</b>	<b>692%</b>	<b>14,728,641</b>	<b>-80%</b>	<b>32,393,807</b>	<b>-230%</b>
-	0%	1,599,570	-100%	1,732,617	-52%	3,332,187	
<b>27,707,283</b>	<b>98%</b>	<b>26,293,136</b>	<b>1335%</b>	<b>12,996,024</b>	<b>-87%</b>	<b>29,061,620</b>	<b>-206%</b>
155,234,510	50%	239,714,457	341%	3,215,838	-4%	42,190,527	-36%
61,471,796	96%	38,065,692	147%	16,541,317	178%	3,869,463	-29%
91,743,891	35%	127,987,848	96%	56,066,254	72%	14,229,221	-15%
<b>2,018,823</b>	<b>13%</b>	<b>73,660,917</b>	<b>-83%</b>	<b>75,823,409</b>	<b>569%</b>	<b>24,091,843</b>	<b>-224%</b>
6,434,953	127%	4,498,545	790%	1,655,729	-74%	738,046	-25%
(4,297,538)	-12%	24,049,019	212%	112,979	-1%	2,244,239	24%
3,631,764	1213%	622,101	-68%	2,557,344	-74%	2,323,020	201%
1,920,246	68%	282023300%	-	-	-	-	-
<b>(2,130,446)</b>	<b>-8%</b>	<b>98,766,147</b>	<b>-129%</b>	<b>80,149,461</b>	<b>-2093%</b>	<b>20,262,630</b>	<b>-84%</b>
7,793,421	143%	4,567,059	519%	181,992	26%	2,196,574	-76%
<b>(11,844,113)</b>	<b>-70%</b>	<b>94,199,088</b>	<b>-122%</b>	<b>80,331,453</b>	<b>-2565%</b>	<b>18,066,056</b>	<b>-85%</b>
<b>(0.19)</b>	<b>-70%</b>	<b>1.85</b>	<b>-122%</b>	<b>1.62</b>	<b>-1554%</b>	<b>0.60</b>	<b>-85%</b>

# VERTICAL ANALYSIS

Balance Sheet	2022	2021	2020	2019	2018	2017
	(Rupees)					
<b>Share Capital &amp; Reserves</b>						
Authorized Share Capital						
70,000,000 ordinary shares of Rs.10/- each						
Issued, subscribed & paid upshare capital	26.64%	30.41%	28.05%	42.84%	64.34%	62.64%
Discount on issuance of shares	-7.8%	-8.92%	-5.17%	-7.90%	-11.86%	0.00%
Fair value reserve	0.0%	-0.25%	0.00%	0.00%	-0.70%	-0.94%
Accumulated lossess	2.5%	-1.01%	-6.51%	-10.17%	-16.90%	-17.40%
	<b>21.2%</b>	<b>20.2%</b>	<b>16.4%</b>	<b>24.8%</b>	<b>34.9%</b>	<b>44.3%</b>
<b>Waqf / Participants Takaful Fund ( PTF )</b>						
Ceded Money	0.0%	0.01%	0.02%	0.03%	0.05%	0.10%
Fair value reserve	0.0%	-0.19%	0.00%	0.00%	-2.18%	-0.81%
Accumulated Surplus/(deficit)	3.9%	3.84%	3.80%	1.89%	-0.13%	-0.66%
	<b>3.9%</b>	<b>3.7%</b>	<b>3.8%</b>	<b>1.9%</b>	<b>-2.3%</b>	<b>-1.4%</b>
Qard-e-hasna - payable	0.0%	0.00%	0.00%	6.39%	11.49%	8.45%
Advance Against Subscription Money	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Underwriting Provisions						
Outstanding claims including IBNR	17.4%	9.17%	10.74%	10.64%	8.33%	13.04%
Unearned contribution reserves	36.7%	32.39%	35.46%	35.26%	22.73%	8.15%
Contribution deficiency reserve	0.0%	0.03%	0.00%	0.00%	0.10%	0.00%
Unearned re-takaful rebate	0.7%	0.53%	0.59%	0.27%	0.44%	0.55%
Contributions received in advance	0.0%	0.13%	0.22%	0.47%	0.26%	0.43%
Amounts due to takaful/re-takaful companies	2.1%	0.79%	3.15%	3.59%	6.80%	13.88%
Unearned wakala fees	8.6%	17.87%	10.36%	10.28%	9.14%	3.26%
Wakala fees payable	4.4%	11.65%	4.10%	0.55%	0.00%	1.19%
Mudarib fees payable	0.1%	0.50%	0.50%	0.79%	0.66%	1.21%
Deferred Tax Liability	0.0%	0.00%	0.12%	0.06%	0.00%	0.00%
Other creditors and accruals	4.7%	3.05%	14.57%	4.99%	7.42%	6.90%
	<b>74.8%</b>	<b>76.1%</b>	<b>79.8%</b>	<b>66.9%</b>	<b>55.9%</b>	<b>48.6%</b>
<b>Total Equites &amp; Liabilites</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Assets</b>						
Property and equipment	2%	3.38%	3.96%	3.09%	1.44%	1.04%
Intangible assets	1%	0.48%	0.40%	0.00%	0.02%	0.06%
<b>Investments</b>						
Investment property	6%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment in subsidiaries	5%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity securities and mutual funds	1%	2.68%	0.00%	0.00%	18.68%	29.51%
Debt securities	2%	3.17%	4.03%	6.15%	13.23%	5.29%
Term deposits	7%	13.11%	26.70%	35.87%	20.52%	27.46%
Qard-e-hasna - receivable	0%	0.00%	0.00%	6.39%	11.49%	8.45%
Long term deposits	1%	0.65%	0.49%	0.84%	0.34%	0.29%
Loans and other receivables	2%	4.64%	2.47%	4.72%	1.97%	4.62%
Takaful / co-takaful receivables	40%	27.92%	21.98%	17.80%	4.43%	3.15%
Re-takaful recoveries against outstanding claims	9%	2.24%	4.33%	3.20%	2.05%	5.11%
Salvage recoveries accrued	1%	0.42%	0.49%	0.31%	0.24%	0.16%
Wakala fees receivable	4%	11.65%	4.10%	0.55%	0.00%	1.19%
Mudarib fees receivable	0%	0.50%	0.50%	0.79%	0.66%	1.21%
Deferred wakala fees	9%	17.87%	10.36%	10.28%	9.14%	3.26%
Deferred comision expense	4%	3.03%	2.67%	2.35%	3.64%	0.47%
Taxation-payment less provisions	0%	0.54%	0.59%	0.98%	0.55%	1.15%
Prepayments	3%	2.53%	3.83%	4.95%	2.36%	1.98%
Cash and Bank	5%	5.19%	13.11%	1.74%	9.27%	5.61%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



Income Statement	2022	2021	2020	2019	2018	2017
	(Rupees)					
Participants Takaful Fund ( PTF )						
Participants Takaful Fund ( PTF )						
Net Contribution Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Net Claims	-52.69%	-53.94%	-57.01%	-50.80%	-53.51%	-42.98%
Wakala Fee	-45.61%	-42.07%	-38.42%	-49.76%	-48.49%	-53.42%
Direct Expenses	-3.04%	-3.39%	-4.34%	-3.18%	-3.57%	-6.99%
Retakaful rebate earned	2.69%	2.07%	1.50%	2.41%	7.51%	7.24%
Contribution deficiency reversal	0.00%	0.00%	0.00%	0.15%	-0.65%	1.67%
Investment income	-0.29%	1.60%	3.37%	3.25%	1.57%	6.46%
Mudarib's share given to Shareholder's Fund	-0.11%	-0.46%	-0.95%	-0.81%	-0.39%	-1.62%
Other income	0.09%	0.37%	0.49%	3.32%	0.08%	2.95%
Bank charges	-0.03%	-0.02%	-0.02%	-0.03%	-0.09%	-0.04%
<b>Surplus / ( deficit ) before tax</b>	<b>1.00%</b>	<b>4.16%</b>	<b>4.62%</b>	<b>4.54%</b>	<b>2.46%</b>	<b>13.29%</b>
Provision for taxation - current	0%	0%	0%	-1%	0%	-2%
Total surplus / ( deficit ) transferred to <b>balance of waqf / participants takaful fund</b>	<b>23,804,188</b>	<b>67,663,224</b>	<b>54,370,089</b>	<b>24,930,190</b>	<b>3,568,810</b>	<b>(9,027,827)</b>
Shareholders Fund ( SHF )						
Wakala fees	100%	100%	100%	100%	100%	100%
Comission expense	-25%	-22%	-27%	-21%	-37%	-13%
Management expenses	-64%	-66%	-76%	-84%	-190%	-105%
Mudarib's shares from PTF Investment Income	0%	1%	2%	2%	1%	3%
Investment Income	7%	4%	7%	11%	16%	16%
Direct Expenses						
Other income	1%	2%	1%	0%	1%	5%
Finance cost	0%	-1%	-1%	-1%	0%	0%
<b>Profit for the year before taxation</b>	<b>19%</b>	<b>16%</b>	<b>4%</b>	<b>7%</b>	<b>-108%</b>	<b>33%</b>
Provision for taxation - Current	-5%	-1%	-3%	-2%	-1%	-1%
<b>Profit after tax</b>	<b>151,897,401</b>	<b>107,535,356</b>	<b>5,155,772</b>	<b>16,999,885</b>	<b>(77,199,203)</b>	<b>21,198,306</b>

# SUMMARY OF CASHFLOW STATEMENT FOR LAST 6 YEARS

	2022	2021	2020	2019	2018	2017
	----- (Rupees) -----					
Total cash (used in) / flows from all operating activities	(24,547,148)	(11,626,449)	128,721,170	(25,244,269)	79,132,929	(66,523,489)
Total cash (used in) / flows from all investing activities	31,056,342	(181,694,650)	(67,113,037)	(38,224,517)	(217,718,600)	68,391,661
Total cash (used in) / flows from all financing activities	-	100,000,000	200,000,000	-	200,000,000	-
<b>Net cash (used in) / flows from all activities</b>	<b>6,509,194</b>	<b>(93,321,099)</b>	<b>261,608,133</b>	<b>(63,468,786)</b>	<b>61,414,329</b>	<b>1,868,172</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>193,123,724</b>	<b>286,444,823</b>	<b>24,836,590</b>	<b>88,305,376</b>	<b>26,891,047</b>	<b>25,022,875</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>199,632,918</b>	<b>193,123,724</b>	<b>286,444,723</b>	<b>24,836,590</b>	<b>88,305,376</b>	<b>26,891,047</b>

## INFORMATION ABOUT ADEQUACY OF CAPITAL STRUCTURE

### SHARE CAPITAL AND RESERVES

	2022	2021	2020
Authorized share capital 150,000,000 ordinary shares of Rs. 10 each	1,500,000,000	1,500,000,000	1,500,000,000
Issued, subscribed and paid-up share capital	1,132,020,019	1,132,020,019	612,989,050
Discount on issuance of shares	(332,020,019)	(332,020,019)	(112,989,050)
Fair value reserve	(1,823,029)	(9,404,357)	-
Accumulated losses	104,146,359	(37,727,479)	(142,270,104)
<b>Total</b>	<b>902,323,330</b>	<b>752,868,164</b>	<b>357,729,896</b>

# FINANCIAL RATIOS

		2022	2021	2020	2019	2018	2017
<b>Financial Ratios</b>	<b>Formulation</b>						
<b>Underwriting Ratios</b>							
Combined Ratio	Loss Ratio + Underwriting Expense Ratio	<b>96.10%</b>	91.15%	96.54%	103.05%	163.45%	103.21%
Loss Ratio	Net Claims Expense / Net Contribution Revenue	<b>52.69%</b>	53.94%	57.01%	50.80%	53.51%	40.12%
Underwriting Expense Ratio	Net Commission, Management, General & Admin Expense / Net Contribution Revenue	<b>43.41%</b>	37.21%	39.53%	52.24%	109.94%	63.09%
Cession Ratio	Retakaful Ceded / Contribution written	<b>8.52%</b>	7.55%	9.03%	14.85%	15.77%	29.35%
<b>Profitability Ratios</b>							
Net Underwriting Result as % of Net Contribution Revenue	Net Underwriting Result / Net Contribution Revenue	<b>1.34%</b>	2.67%	1.73%	-1.19%	1.29%	8.38%
Net Underwriting Result as % of Gross Written Contribution	Net Underwriting Result / Gross Written Contribution	<b>1.07%</b>	1.95%	1.31%	-0.72%	0.50%	7.71%
Net Underwriting Result as % of Net Contribution Revenue	Net Underwriting Result / Net Contribution Revenue	<b>1.34%</b>	2.67%	1.73%	-1.19%	1.29%	8.38%
Net Underwriting Result as % of Gross Written Contribution	Net Underwriting Result / Gross Written Contribution	<b>1.07%</b>	1.95%	1.31%	-0.72%	0.50%	7.71%
Net Underwriting Result (Excluding Wakala) as % of Net Contribution Revenue	Net Underwriting Result (Excluding Wakala) / Net Contribution Revenue	<b>46.96%</b>	44.73%	40.15%	48.57%	49.79%	61.81%
Net Underwriting Result (Excluding Wakala) as % of Gross Written Contribution	Net Underwriting Result (Excluding Wakala) / Gross Written Contribution	<b>37.40%</b>	32.76%	30.29%	29.33%	19.22%	56.83%
Surplus/(deficit) as % of Net Contribution Revenue	Surplus/(deficit) / Net Contribution Revenue	<b>1.00%</b>	4.16%	4.49%	4.00%	2.46%	13.29%
Surplus/(deficit) as % of Gross Written Contribution	Surplus/(deficit) / Gross Written Contribution	<b>0.79%</b>	3.05%	3.39%	2.42%	0.95%	12.22%
Combined Income as % of Net Contribution Revenue	Combined Income / Net Contribution Revenue	<b>7.35%</b>	10.78%	4.92%	6.73%	-50.75%	15.56%
Combined Income as % of Gross Written Contribution	Combined Income / Gross Written Contribution	<b>5.85%</b>	7.89%	3.71%	4.06%	-19.59%	14.31%
Management Expenses as % of Gross Written Contribution	Management Expense / Gross Written Contribution	<b>23.22%</b>	20.46%	22.01%	25.36%	35.56%	51.79%
Profit before tax as % of Wakala Fee Earned (Shareholder's Fund)	Profit before tax / Wakala Fee Earned (Shareholder's Fund)	<b>19.02%</b>	17.12%	4.97%	8.15%	-108.48%	5.21%
Net Profit Margin - Shareholder's Fund	Profit after tax / Wakala Fee Earned - (Shareholder's Fund)	<b>13.93%</b>	15.73%	1.11%	5.48%	-109.73%	4.26%
<b>Liquidity Ratios</b>							
Liquid Assets to Gross Claims Outstanding	High Quality Liquid Assets / Provision for Outstanding Claims	<b>68.2%</b>	199.5%	370.8%	353.3%	357.5%	253.5%
Current Ratio	Current Assets/Current Liabilities	<b>145.4%</b>	137.9%	131.9%	148.4%	154.5%	238.6%
Cash to Current Liabilities	Cash/Current Liabilities	<b>20.7%</b>	27.3%	57.6%	66.8%	62.6%	93.0%
Takaful Debt to Gross Contribution	Takaful Debt / Contribution Written	<b>55.9%</b>	46.8%	29.9%	24.7%	11.2%	10.1%
<b>Investor Ratios</b>							
Return on Assets (Combined)	Profit after tax/Total Assets	<b>4.4%</b>	5.9%	3.3%	3.5%	-10.3%	4.5%
Return on Equity (Combined)	Profit after tax/Total Equity	<b>17.9%</b>	26.3%	14.5%	12.1%	-28.5%	10.4%
Breakup Value per Share (without Revaluation)							
Breakup Value per Share (with Revaluation)							
<b>Capitalization Ratio</b>							
Gross Financial Leverage	Gross Technical Reserves / Adjusted Shareholder's Equity	<b>238%</b>	235%	248%	191%	116%	51%
Net Financial Leverage	Net Technical Reserves / Adjusted Shareholder's Equity	<b>280%</b>	308%	355%	254%	123%	51%
Operating Leverage	Net Premium Revenue / Adjusted Shareholder's Equity	<b>244%</b>	244%	294%	180%	56%	67%
Breakup Value Per Share	Total Net Shareholder's Equity / Total Ordinary Shares Outstanding	<b>7.97</b>	6.65	5.84	5.78	5.42	7.07
Equity		<b>902,323,330</b>	752,868,164	357,729,896	354,458,637	332,310,203	212,173,847
No.of Shares		<b>113,202,002</b>	113,202,002	61,298,905	61,298,905	61,298,905	30,000,000

# DUPONT ANALYSIS 2021 VS 2021 COMBINED

## RETURN ON EQUITY

2022	2021
17.94%	26.33%

÷

### Ownership Ratio

2022	2021
25.17%	23.89%

### Return on Assets

2022	2021
4.41%	5.93%

÷

### Total Assets

2022	2021
4,248,764,483	3,722,206,917

### Owners' Equity

2022	2021
1,069,495,054	889,316,493

+

### Owners' Equity

2022	2021
1,069,495,054	889,316,493

### Total Liabilities

2022	2021
3,179,269,429	2,832,890,424

÷

### Non Current Liabilities

2022	2021
740,780,247	341,383,225

### Current Liabilities

2022	2021
3,179,269,429	2,832,890,424

×

### Assets Turnover

2022	2021
0.60	0.55

### Net Profit Margin

2022	2021
7.35%	10.78%

÷

### Total Assets

2022	2021
4,248,764,483	3,722,206,917

### Revenue

2022	2021
2,390,615,368	1,625,618,922

### Profit after Tax

2022	2021
175,701,589	175,198,580

÷

### Non - Current Assets

2022	2021
3,179,269,429	2,832,890,424

### Current Assets

2022	2021
3,179,269,429	2,832,890,424

### Total Net Expense

2022	2021
3,179,269,429	2,832,890,424

### Total Net Expense

2022	2021
3,179,269,429	2,832,890,424

# FREE CASHFLOW TO THE COMPANY

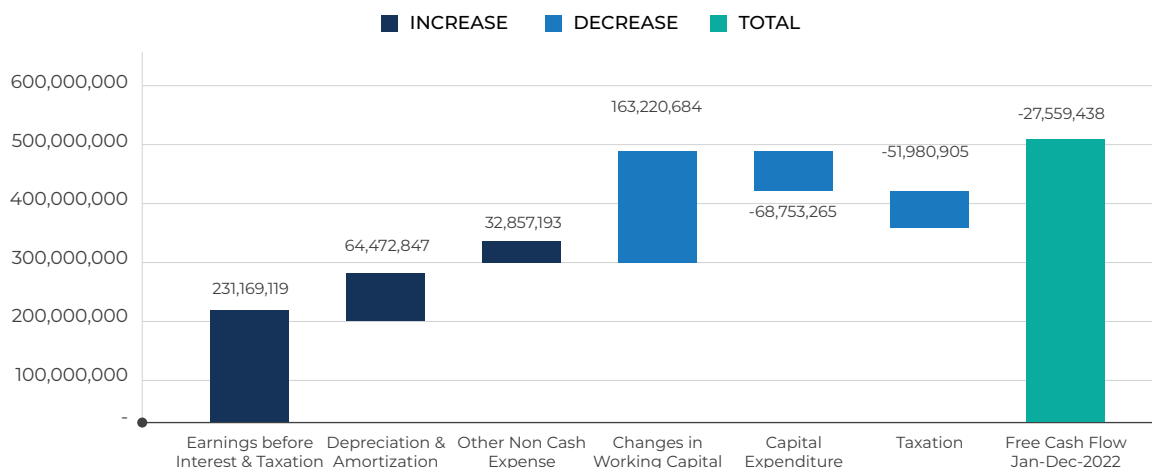
## Descriptions

Earnings before Interest & Taxation  
Less: Taxation

Add : Depreciation  
Add : Amortization  
Add : Other Non-Cash Expenses  
Less : Other Non-Cash Income  
Changes in Working Capital  
Less : Fixed Capital Expenditure

	2022	2021
	(Rupees)	
	231,169,119	174,148,876
	-51,980,905	-4,235,367
	179,188,214	169,913,509
	64,472,847	41,613,210
	-	-
	32,857,193	31,704,640
	-	-
	163,220,684	462,424,672
	-68,753,265	-58,762,493

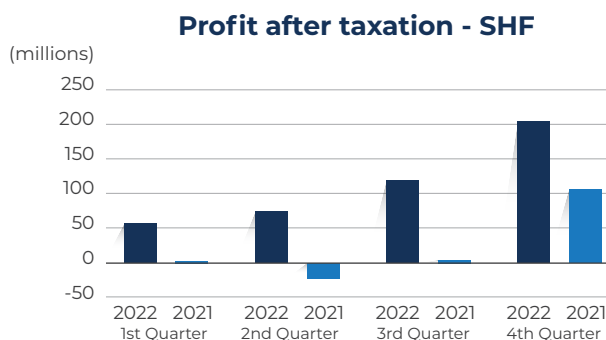
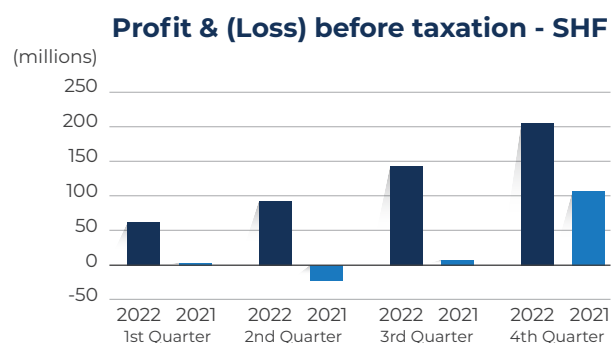
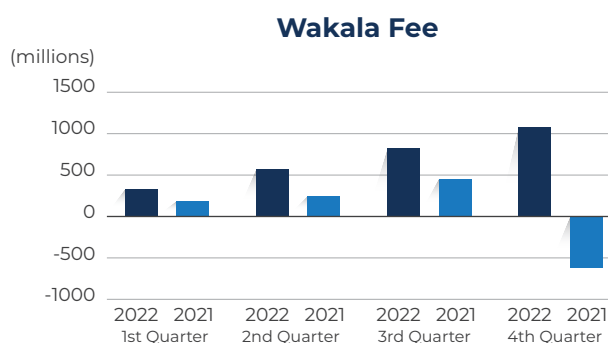
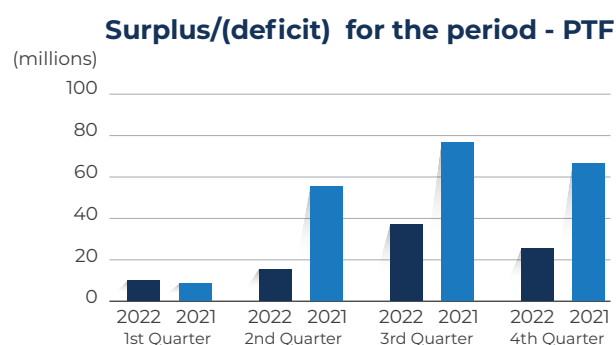
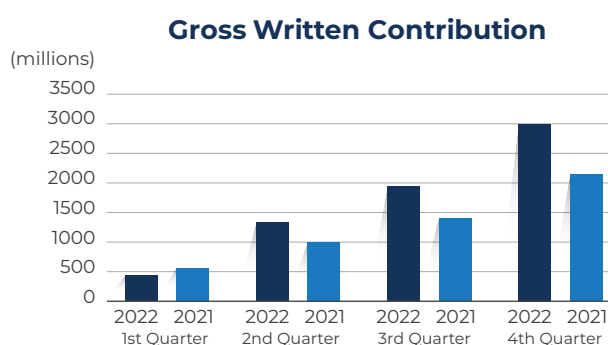
## Free CashFlow to Firm





# QUARTERLY ANALYSIS

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2022	2021	2022	2021	2022	2021	2022	2021
Gross Written Contribution	414,674,178	509,417,509	1,316,133,058	1,002,210,562	1,921,579,507	1,480,715,984	3,001,849,827	2,219,531,165
Surplus/(deficit) for the period - PTF	11,307,936	9,509,705	16,998,987	56,079,655	38,813,757	78,151,567	23,804,189	67,663,223
Wakala fee	293,816,210	122,352,948	539,865,944	249,095,326	825,118,171	438,715,545	1,090,430,093	-683,819,956
Profit & (Loss) before taxation - SHF	58,725,272	4,851,051	92,024,848	-20,724,167	140,312,607	9,453,067	203,878,306	111,770,723
Profit after taxation - SHF	54,318,029	3,015,756	73,518,919	-23,257,524	121,806,678	4,075,408	203,878,306	107,535,356



# COMMENTARY ON FINANCIAL PERFORMANCE AND RATIOS

## GROSS WRITTEN CONTRIBUTION:

Gross Written Contribution: For the year 2022, Gross Written Contribution increased by 35% year on year and clocked in at Rs. 3,001.85 million (2021: Rs. 2,219.53 million). The management continues with aggressive business strategy. Motor class business which accounts for 41% of total Written Contribution increased by 23% YoY. Health class business increased by 35% YoY and now accounts for 45% of total Written Contribution. Fire & Property Damage increased by 114% YoY as well.

Net Takaful Contribution for the year is Rs. 2,390.62 million (2021: Rs. 1,625.62 million) depicting an increase of 47%. It is pertinent to note that unearned contribution stands at Rs. 1,561.03 million which will be earned in an upcoming year.

## CLAIMS

Net takaful claim expense increased by 30.39% as compared to previous year mainly due to an increase in business volume mainly attributable to Motor and Health.

## PROFITABILITY

The Shareholders' fund income is derived from the wakala fees earned, investment return and mudarib income earned from PTF investment income. During 2022, the Company managed to earn wakala fees of Rs. 1,090.43 million (2021: Rs. 683.82 million) an increase of 37% over same period last year. The year 2022 registered a net profit after tax of Rs. 151.90 million vis-a-vis a net profit of Rs. 107.54 million in 2021. Shareholders' Fund profitability is derived mainly through Wakala fees and investment income net of Management and other expenses.

The Participants' Takaful fund income is derived from the net takaful contribution earned and investment return. During 2022, the Company managed to earn net takaful contribution revenue of Rs. 2,390.62 million (2021: Rs. 1,625.62 million) depicting an increase of 32%. The year 2022 registered a net surplus after tax of Rs. 23.80 million as compared to a net surplus of Rs. 67.66 million in 2021. Decreasing Participants' Takaful fund profitability resulted mainly due to decrease in investment income.

## UNDERWRITING RATIOS

Combined Ratio has improved to 96.1% as compared to 91.15% in 2021. The combined ratio improved mainly due to a significant increase in business and aggressive management strategy loss ratio decreased slightly at 52.69% as compared to 53.94% in 2021. Declining underwriting expense ratio coupled with slightly inclining loss ratio led to an improved combined ratio.

## PROFITABILITY RATIOS

Profitability Ratios depicted positive signs as both the Participants' Takaful Fund and Shareholders' Fund closed positive at Rs. 23.80 million (2021: Rs. 67.66 million) and Rs. 151.90 million (2021: Rs. 107.54 million) respectively. This is due to substantial increase in business underwritten, increase in investment income and significantly controlled Management, General & Admin and Commission expenses.

## LIQUIDITY RATIOS

Takaful Debt (receivables) to Contribution Written has increased to 55.9% (2021: 46.82%) due to the receivables pertaining to recent month's business written that were subsequently received after December year end.

Company has strong solvency position with both the Shareholders' and Participants' Takaful Funds having higher solvency margins in all four quarters of the year 2022.

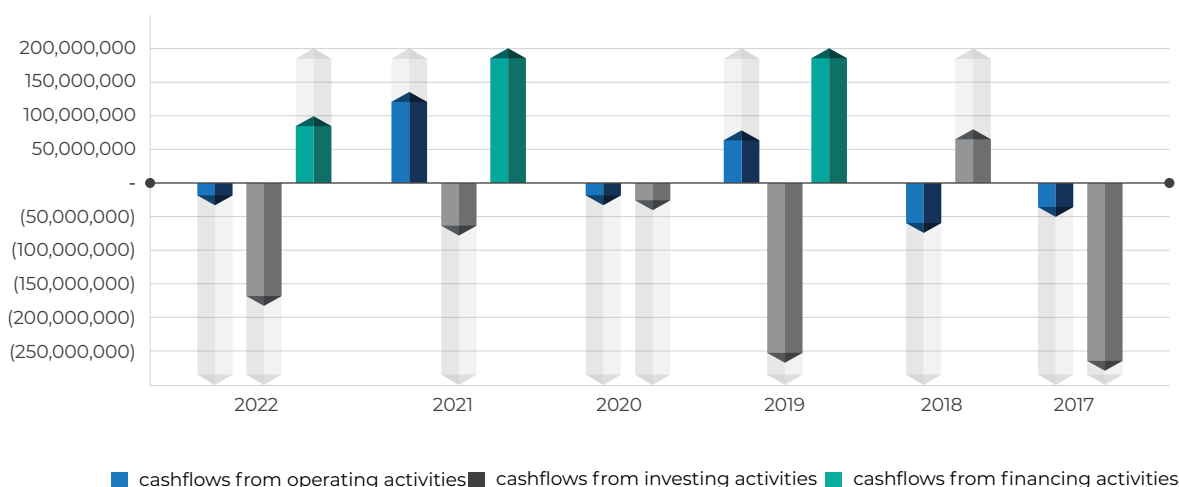
## INVESTOR RATIOS

The Shareholder's Return on Equity and Return of Assets is 4.4% and 17.99% respectively (2021: 5.9% and 26.3%), combined (SHF & PTF) Return on Equity has decreased to 17.9% (2021: 26.33%) owing to better business performance as compared to previous year.

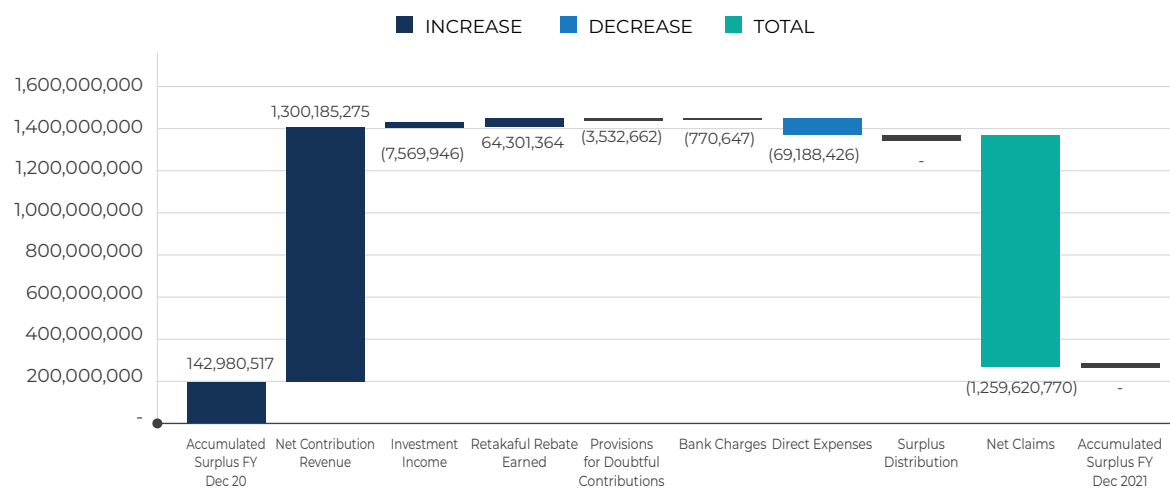
## CAPITALIZATION RATIOS

The Gross and Net Financial Leverage has increased to 238% and 280% respectively (2021: 235% and 308%) due to substantial rise in Unearned Contribution, which closed at 1,561.03 million (2021: Rs. 1,205.6 million). The rise is due to tremendous increase in Company's business activities and Gross Written Contribution Revenue.

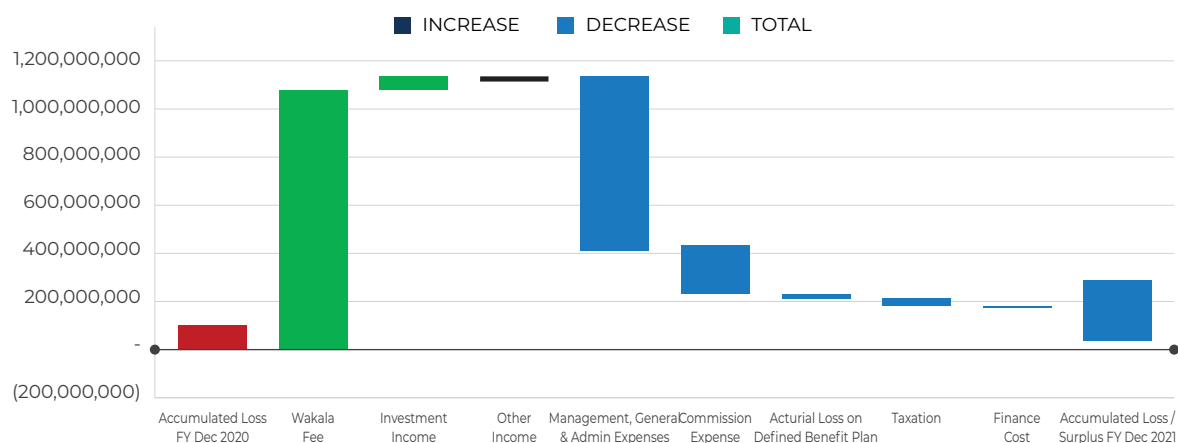
### Cashflow Summary



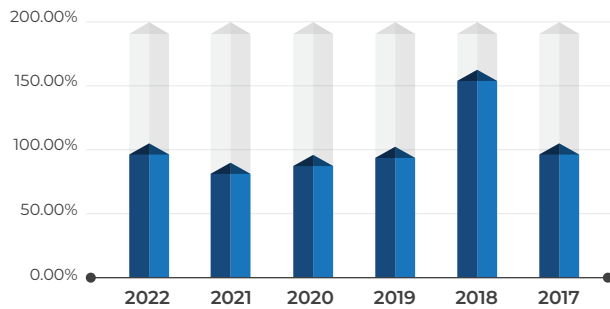
## Participants' Takaful Fund - Profitability



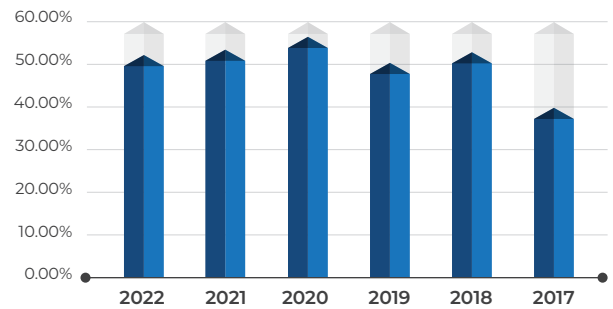
## Shareholders' Fund - Profitability



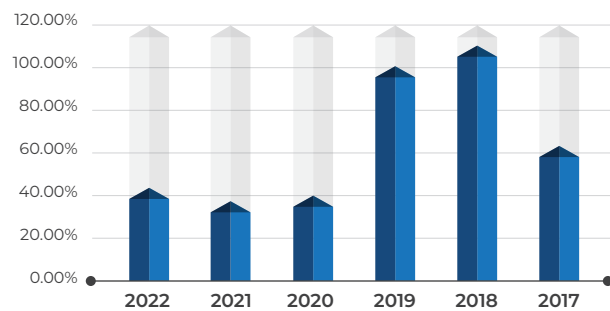
### Combined Ratio



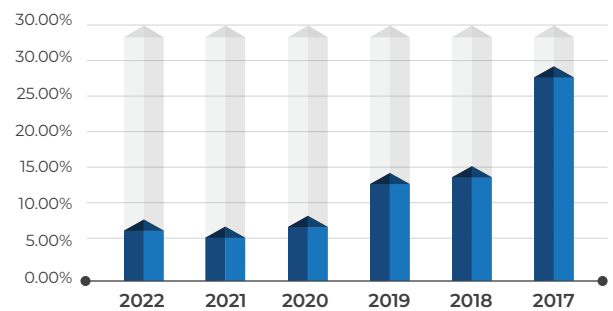
### Loss Ratio



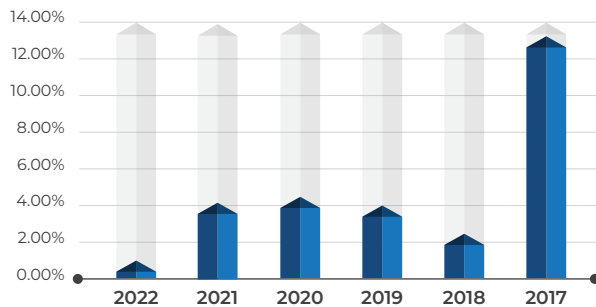
### Underwriting Expense Ratio



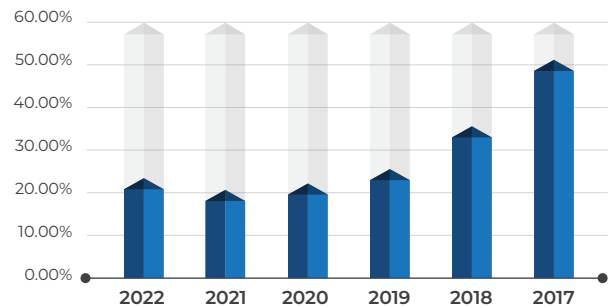
### Cession Ratio



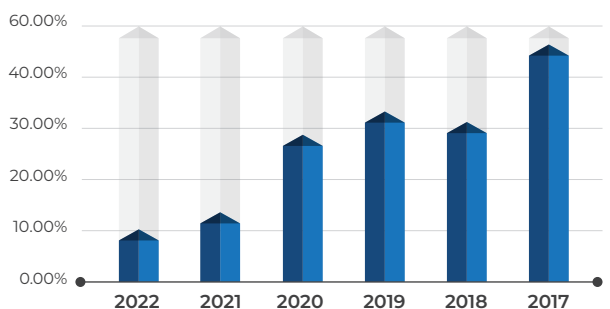
### Surplus/(deficit) as % of Net Contribution Revenue



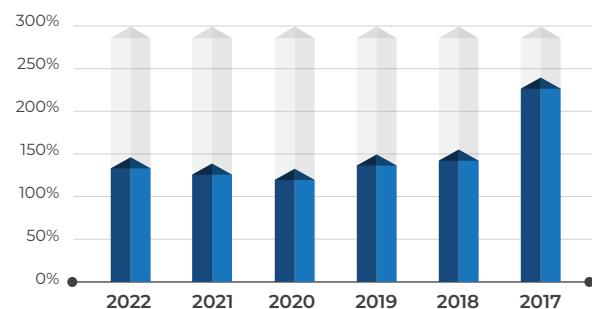
### Management Expenses as % of Gross Written Contribution



### Cash to Current Liabilities

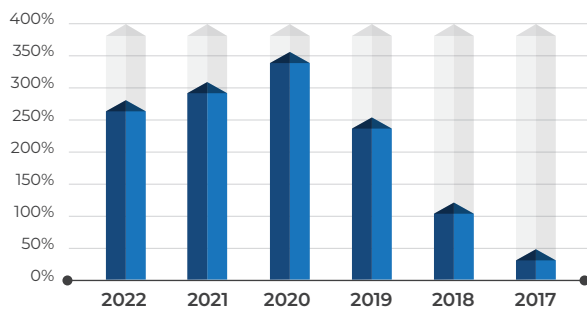


### Current Ratio %

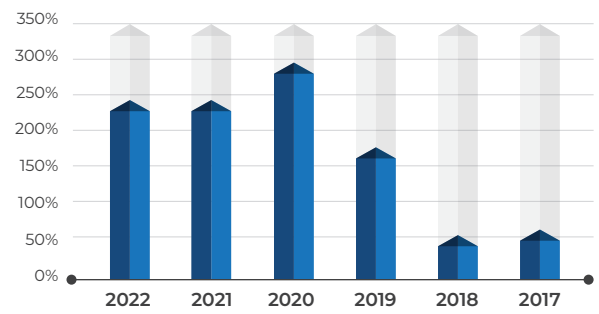




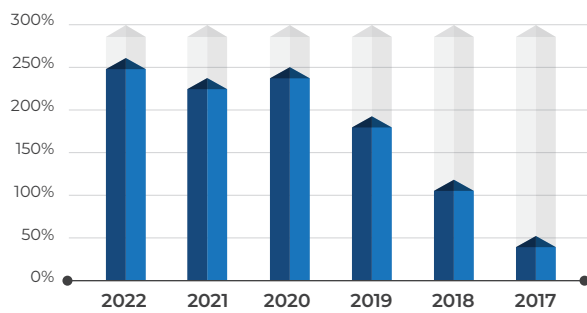
### Net Financial Leverage



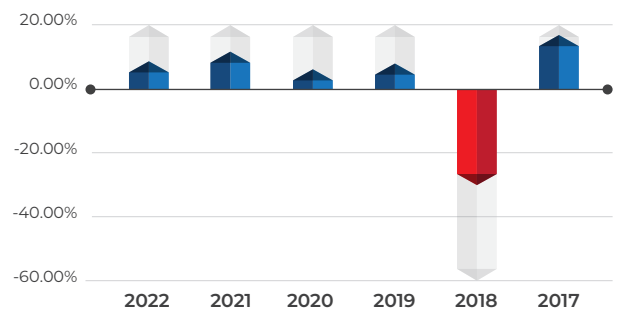
### Operating Leverage



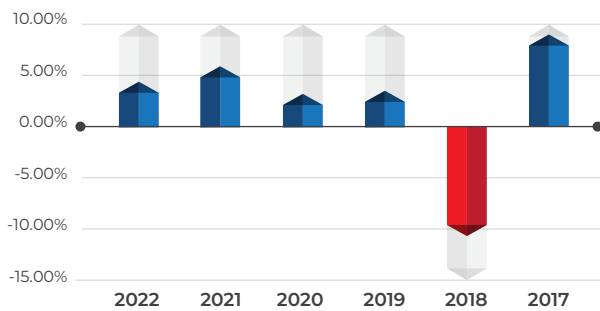
### Gross Financial Leverage



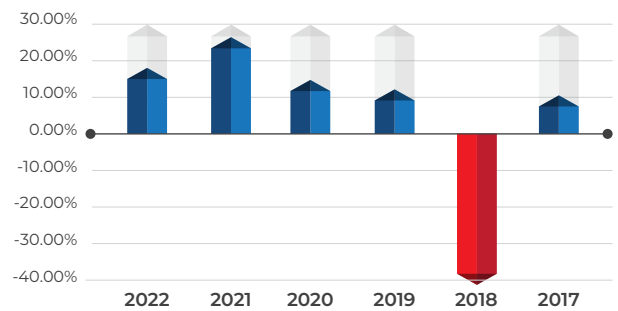
### Combined Income as % of Net Contribution Revenue



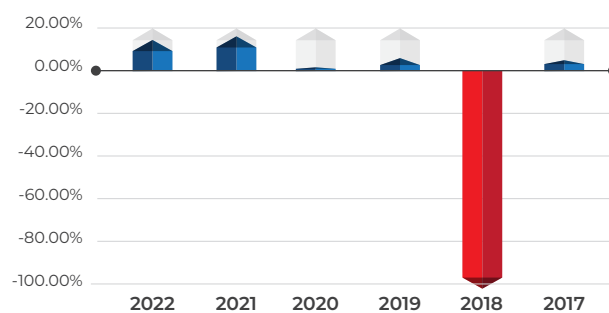
### Return on Assets (Combined)



### Return on Equity (Combined)



### Net Profit Margin - Shareholder's Fund



# PROFIT AND LOSS ACCOUNT ANALYTICAL REVIEW

Year ended 31 December

2022	2021	Change	% Change
(Rupees)			

## PARTICIPANTS' TAKAFUL FUND (PTF)

Contribution earned

41%

The reason for increase is basically twofold. First, the overall business has been increased in current period and second is the contribution earned from unearned contribution of prior year. The major increase was in Health and Motor business earned by 30% and 31% respectively. The reason for increase in health business is the competitive pricing and fact that Salaam Takaful has very large and wide network of hospital in its panel in all major cities across the country. While the increase in motor business earned is attributable to inclusion of major banks in the clientele of Salaam Takaful.

Less: Contribution ceded to retakaful operators

57%

The increase is in line with the increase in overall contribution earned and contribution written.

Net takaful contribution  
Retakaful rebate earned

92%

The overall increase is attributable to Property and Fire Damage class of business. This year almost all risk is reinsured either under facultative mechanism or retakaful treaty which resulted in 67% increase of this class.

Net underwriting income

44%

Claim expenses have increased over the year, this is mainly because of growth in overall business activity. Many new clients have been added to the portfolio and corresponding claims have also increased over the year. The increase is in line with the increase in overall business of the company.

Incurred But Not Reported (IBNR) claims expense  
Reversal / (change) of contribution deficiency expense

39%  
100%

It is based on actuarial assumptions.  
It is based on actuarial assumptions.

Other direct expenses

49%

The prepaid tracker has been increased which is line of the increase in overall motor business. However, tracker expenses have been reduced as the major business inclusive of tracker services was written as at the year end.

Surplus before investment income

-127%

The decrease is mainly attributable to decrease in dividend income and decreasing in stock market, also investment move to property.

Investment income

-88%

The reason for increase is the increasing of interest rates.  
It is in line with the reduction in investment income of PTF.

Other income  
Profit on bank balances  
Mudarib's share of investment income  
Net investment income  
Provisions against doubtful contributions  
(net of wakala fee)

30%  
-65%

It is based on the management estimate as the further receivable balances are further included in the ageing bracket against which provision against doubtful debts are required.

Bank charges  
Surplus after taxation

180%

(495,648)

# PROFIT AND LOSS ACCOUNT ANALYTICAL REVIEW

Year ended 31 December					
	2022	2021	Change	% Change	
	(Rupees)				
<b>SHAREHOLDERS' FUND (SHF)</b>					
Wakala fee	40	1,090,430,093	683,819,956	406,610,137	59% The increase is due to the increase in overall business earned and increase in Wakala Fees rates.
Commission expense	25	(267,979,424)	(150,698,558)	(117,280,866)	78% The increase is in line with the increase in overall business activities of the company.
General, administrative and management expenses	26	(697,114,968)	(454,173,748)	(242,935,220)	53% The increase is mainly attributable to increase in salaries, wages and other benefits and the Ijarah Rentals. The overall increase is in line with the management's growth strategy.
		(965,094,392)	(604,878,306)	(360,216,086)	
		125,335,701	78,941,650	46,394,051	
Mudarib's share of PTF investment income	29	2,612,120	7,536,060	(4,923,940)	-65% It is in line with the reduction in investment income of PTF.
Investment income		7,650,340	23,170,448	(21,520,108)	-74% The decrease is mainly attributable to decrease in dividend income and decreasing in stock market, also investment move to property.
Direct expenses	27	(17,095,067)	(11,803,105)	(5,291,962)	45% The increase is due to increase in Auditpr's Remuneration and inflationary impact on subscriptions.
Profit on bank balances		14,867,658	13,342,233	1,525,425	11% The increase is due to the increase in overall average profit rates and substantial increase in bank balances as at the year end.
Other income / (loss)	30	9,149,229	(131,493)	9,280,722	-7058% In prior year, there was gain on sales of PPE and Liabilities written back with the total of almost Rs.2 million.
Change in fair value of investment property		64,844,950	-	64,844,950	
Finance cost		(3,486,625)	(5,285,070)	1,798,445	-34% The increase is in line with the increase in average interest rates
Profit before taxation		203,878,306	111,770,723	92,107,583	
Taxation	31	(51,980,905)	(4,235,367)	(47,745,538)	1127% The reduction is mainly attributable to deferred tax on lease libalities and revaluation on investments.
Profit after taxation attributable to shareholders'		151,897,401	107,535,356	44,362,045	
Earnings (after tax) per share	34	124	0.07	1.17	1729%

The annexed notes 1 to 46 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION ANALYTICAL REVIEW

	Note	Shareholders' Fund		Participants' Takaful Fund			% Change
		31 December 2022	31 December 2021	31 December 2022	31 December 2021	Change	
ASSETS							
Property and equipment	6	93,328,909	125,980,054	-	-	(32,651,145)	-26%
Intangible assets	7	22,275,900	18,000,900	-	-	4,275,000	24%
Investment property		272,000,000	-	-	-	272,000,000	-
Investments							
Debt	8	75,000,000	118,000,000	-	-	(43,000,000)	-36%
Term deposits	9	151,500,000	292,700,000	154,000,000	195,100,000	(182,300,000)	-37%
Equity	10	34,767,063	62,260,412	22,617,137	37,598,293	(42,474,505)	-43%
Long term deposits	11	25,10,786	24,310,806	-	-	1,099,980	5%
Loans, advances and other receivables	12	45,102,062	119,722,701	18,040,434	23,865,134	(80,445,339)	-56%
Investment in subsidiaries		214,631,064	39,453,059	-	-	175,178,006	444%
Takaful / Re-takaful receivables	13	-	-	1,678,591,627	1,039,154,876	639,436,751	62%
Re-takaful recoveries against outstanding claims	23.2	-	-	371,239,651	83,270,644	287,969,007	346%
Salvage recoveries accrued	23.2	-	-	22,895,000	15,694,000	7,201,000	46%
Deferred wakala fees	28	-	-	367,010,265	665,027,460	(298,017,195)	-45%
Deferred commission expense	25	158,037,313	112,754,453	-	-	45,282,860	40%
Deferred tax asset	31.2	-	3,608,144	-	-	(3,608,144)	100%
Taxation-payment less provisions		-	16,452,174	-	-	(16,452,174)	-100%
Accrued investment income		6,159,862	8,737,945	-	3,753,991	(6,332,073)	-51%
Receivable from participants' takaful fund (PTF)	14	189,746,873	429,415,183	-	-	(239,668,310)	-56%
Prepayments	15	1,551,104	3,205,094	125,226,513	91,017,870	32,554,654	35%
Cash and bank	16	124,819,646	122,562,731	74,813,274	70,560,994	6,509,195	3%
TOTAL ASSETS		1,414,330,582	1,497,163,656	2,834,433,901	2,225,043,261	526,557,566	

The decrease due to charge of depreciation, also no major increase in asset.

It represents the additions in relation to development of software.

It represents the additions in investment in property.

The addition in investment was due to placement of investment in property and investment in equity instruments of various companies.

The increase is mainly due to the addition in IJARAH vehicles.

The decrease is mainly due to transfer of addition to investment in property. Further the amount include receivable balance from subsidiaries with respect to expenses incurred on there behalf transfer to separate line item. the amount include receivable balance from subsidiaries with respect to expenses incurred on there behalf.

The overall business of the company has increased to Rs. 3.0 billion marked an increase of Rs.800 million. The increase in receivable is in line with business.

The change is mainly due to increase in claim of non-motor.

The increase is in line with the increase in motor business and related claims.

The decrease is due to decrease in wakala rate.

The increased is in line with the increase in business and commission rates.

The asset is attributable to temporary differences related to lease liabilities and revaluation of investments.

The decrease is in line with the decrease in investments palced for TDR and GOP Ijarah Sukuks.

The balance is in line with the decrease in Modarib Fees due to overall decrease in investments and wakala rates of overall business.

The increase is attributed to increase in Prepaid Retakful Ceded which is in line increase in overall business.

The annexed notes 1 to 46 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION ANALYTICAL REVIEW

SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO CO's SHAREHOLDERS	Shareholders' Fund		Participants' Takaful Fund		% Change
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	
(Rupees)					
Authorised share capital 1150,000,000 (31 December 2020: 150,000,000 ordinary shares of Rs. 10 each	1,500,000,000	1,500,000,000	-	-	0%
Issued, subscribed and paid-up share capital	1,132,020,019	1,132,020,019	-	-	0%
Discount on issuance of shares	(332,020,019)	(332,020,019)	-	-	0%
Fair value reserve	(1,823,029)	(9,404,357)	-	-	100%
Accumulated losses	104,146,359	(37,727,479)	-	-	-176%
WAQF / PARTICIPANTS' TAKAFUL FUND (PTF)	902,323,331	752,868,164	-	-	10%
Ceded money	-	-	500,000	500,000	0%
Fair value reserve	-	-	(112,982)	(7032,188)	100%
Accumulated surplus	-	-	166,784,705	142,980,517	17%
Balance of Participants' Takaful Fund (PTF)	-	-	167,171,723	136,448,329	
Underwriting provisions	-	-	-	-	
Outstanding claims including IBNR	23	-	740,780,247	341,383,225	117%
Unearned contribution reserves	21	-	1,561,033,084	1,205,566,566	29%
Unearned re-takaful rebate	-	-	28,524,963	19,592,827	46%
Contribution deficiency reserve	-	-	1,105,878	1,277,365	100%
Contributions received in advance	-	-	1,811,546	4,734,487	-62%
Takaful / re-takaful payables	18	-	90,543,017	29,500,776	207%
Unearned wakala fees		665,027,460	-	-	-45%
Accrued expenses		10,453,968	-	-	15%
Deferred taxation		-	-	-	-
Taxation-payment less provisions		-	-	-	-
Payable to staff gratuity fund - defined benefit plan	36	24,226,831	-	-	20%
Payable to shareholder's fund (SHF)	14	-	189,746,873	429,415,183	-56%
Other creditors and accruals	19	44,587,233	53,716,570	57,124,502	34%
TOTAL LIABILITIES		744,295,492	2,667,262,178	2,088,594,932	12%
TOTAL EQUITY AND LIABILITIES		1,414,330,582	2,834,433,901	2,225,043,261	14%
Contingencies and Commitments	20				

Claim expenses have been increased over the year, this is because of growth in overall business activity. Many new clients have been added to portfolio and corresponding claims have also increased over the year. It is in line with increase in overall business of the company.

It is in line with increase in overall business of the company.

It is related to miscellaneous business. Immaterial balance. However, the major balance was subsequently adjusted.

The major payable balance has been adjusted and treaties were effective enough to reduce the amount of payable.

In line with decrease in wakala rates.

The liability is attributable to temporary differences related to lease liabilities and revaluation of investments.

The increase is in line with the increase in number of employees during the year which increase the value of defined benefit obligations.

The balance is in line with the decrease in Modarib Fees due to overall decrease in investments and wakala rates of overall business.

The major reason is the issuance of shares capital which was previously included as advance against issuance of share capital.

The annexed notes 1 to 46 form an integral part of these financial statements.





# OUTLOOK

## A WHOLE WORLD OF DISCOUNT OFFERS

Salaam Takaful Limited's discount offers on different merchants across Pakistan are a testament to the company's commitment to enhancing customer value and building long-term relationships. By offering these discounts, the company is not only providing additional benefits to its policyholders but also strengthening its brand equity and market position. Looking ahead, Salaam Takaful Limited's customer-centric approach and focus on innovation and technology are expected to drive future growth and enable the company to deliver even greater value to its customers

# FORWARD LOOKING STATEMENT

Looking ahead, we believe that our company is well-positioned to capitalize on the growth opportunities in our industry. We have a strong track record of innovation and a dedicated team of professionals that we believe will continue to drive our success. We expect to see continued growth in our revenues and profits in the short, medium, and long term, as we expand our product offerings and enter new markets. However, we also recognize that there are risks and uncertainties that could impact our performance, including changes in consumer demand, competition, and regulatory environments. We are committed to managing these risks and uncertainties and to making informed decisions that will enable us to achieve our goals.

## Explanation of the external environment

There are many external environmental factors that can impact our business performance, strategic objectives, and access to capital:

### Political

The actions and policies of governments and other political entities that can affect our organization. This can include changes in tax policies, regulatory frameworks, and trade agreements, as well as political instability or conflict in a particular region. In the short, medium, and long term, we may need to adapt to changes in the political environment in order to maintain a competitive advantage and protect our interests.

### Economic

The broader economic conditions that can impact STL, such as changes in inflation, unemployment rates, and economic growth. We may need to adapt our business strategies in response to changes in the economic environment in order to maintain profitability and access to capital.

### Social

The cultural, demographic, and social trends that can impact the company. This can include changes in consumer attitudes and preferences, as well as demographic shifts in the population. We may need to adapt our products, marketing strategies, and business practices in response to changes in the social environment in order to remain relevant and attractive to consumers.

### Technological

The advancements and innovations in technology that can impact us. This can include the development of new technologies, the adoption of new software or hardware, and changes in the way that businesses operate. We may need to invest in new technology in order to remain competitive and meet the needs of customers.

### Environmental

The impact of an STL's operations on the natural environment, as well as the impact of external environmental factors on the organization. This can include issues related to climate change, resource depletion, and pollution. STL may need to adapt its business practices in order to reduce its environmental impact and meet the expectations of consumers, regulators, and other stakeholders.

## Legal

The laws, regulations, and legal frameworks that can impact the company. This can include changes in employment laws, insurance laws, intellectual property laws, and consumer protection laws. We may need to adapt our business practices and policies in order to comply with changes in the legal environment and protect our interests.

Overall, the company needs to be aware of and adapt to the external environmental factors that can impact its business performance, strategic objectives, and access to capital. This requires a combination of short-term and long-term planning, as well as a willingness to change and adapt in response to changing circumstances.

## performance of the company FOR disclosures made in 2022

Forward Looking Statement from 2022: Following an in-depth introspective analysis and taking into consideration the determined challenges and obstacles followed by certain resultant contingencies, the company has carefully devised various products that are currently in the design and pilot phase. The aforementioned products and services include but are not limited to: cash-less OPD, Crop Insurance and bike insurance. The products are principally marketed and sold through our well-established digital channels or in a bundled form through the agency of our partners. We hold firm faith that these products will prove to further strengthen our market footprint and improve our brand image in a comprehensive manner.

All of the mentioned products and services were successfully launched in the year. Extensive business development activities have been conducted along all newly established line. We have also marketed the new products significantly. All in all the company has met all the forward looking disclosures mentioned in the previous year and even managed to go beyond those self-established goals.

## Our performance against last year's forward-looking statement

Forward-looking statement disclosed last year	Our performance in 2022
During 2021 the company successfully launched Pay As You Drive (PAYD), loss of employment and livestock insurance. Crop Insurance is currently in the pilot phase and Cashless OPDs are in the design phase with the expectation to be launched within first half of 2022. These products are fashioned in an intentional manner with the aim of catering to masses from various walks of life including both the rural and urban sectors.	Based on our current projections and assumptions, we expect to see revenue growth of at least 25% in the next fiscal year, with profits expected to increase by at least 35%. We believe that this growth will be driven by the launch of several new products, as well as the expansion of our distribution channels into new target markets. However, we also recognize that there are a number of factors that could impact our performance, including changes in consumer demand, competition, and economic conditions. As a result, these projections are subject to change and may not be achieved.



# STATUS OF PROJECTS DISCLOSED IN 2021

Initiatives made in 2021	Forward-Looking Statement made in 2022
<p>Parametric solutions were presented and incorporated in a holistic and sustainable manner leading to the execution of a successful pilot project in Rahim Yar Khan</p> <hr/> <p>The project eventually took flight as business started generating from Karachi as well as Interior Sindh</p> <hr/> <p>MTO programs and trainings were launched for reputable universities, out of which 6 separate institutes were engaged and a total of 14 candidates were hired under the MTO, Aalim/Aalima MTO and the ACCA trainee program</p> <hr/> <p>Proficient individuals were hired for the HR OD function, directing them to run the OD and training program in the company</p> <hr/> <p>The company converted all of its internal paper-reliant procedures and operations into completely paperless methods. With Salaam Takaful ambitiously working to incorporate digital advancements along each step, it is adamant to stay on track to become the largest Islamic Insurtech in Pakistan</p> <hr/> <p>Salaam Takaful initiated the distribution of its surplus amongst its participants, apportioning it amongst both, corporates banks and individuals</p>	<p><b>Cashless OPD</b> The product has been successfully piloted under the name "Salaam SehatPay" it has signed agreements with multiple stakeholders to provide users with cashless transaction facilities for OPD services</p> <hr/> <p><b>Crop Takaful</b> We have successfully developed a "Crop Parametric Takaful" product which covers perils such as drought, excess rainfall, flood, heat, wind, and frost. This product pays out to farmers based on pre-agreed parameters and does not require a calamity to be declared or manual loss assessment. We also offer value-added services such as farm advisory, weather notifications, farm health monitoring, and a virtual clinic for farmers &amp; their families. We have successfully piloted this product in 10 districts of Pakistan in collaboration with REEDs, Fauji Fresh and Freeze, and Syngenta.</p> <hr/> <p><b>Bike Takaful</b> We have launched the product and have successfully conducted business of Rs. 30M. The product is very successful amongst new and expensive bike owners. Since there are no significant competitors in the market, we foresee a bright future for this line of business.</p>

## Sources of information and assumptions used for projections

1. Internal Financial Projections
2. Internal Budgetary Projections
3. Insurance Association of Pakistan
4. Pakistan Bureau of Statistics
5. Pakistan Economic Survey, MoF



## **Response to the critical challenges and uncertainties that are likely to arise**

To address critical challenges, the risk management department employs proactive measures such as risk identification, assessment, and mitigation strategies. Regular risk assessments are conducted to identify potential threats and uncertainties that could impact operations. This includes analyzing market trends, economic factors, regulatory changes, and other external variables that may pose risks to the business.

Furthermore, financial ratios are closely monitored to assess the company's financial health. Key financial indicators such as liquidity ratios, solvency ratios, and profitability ratios are tracked to quickly identify any deviations or potential issues. Timely actions are taken to mitigate risks and maintain the stability of the company's financial position.

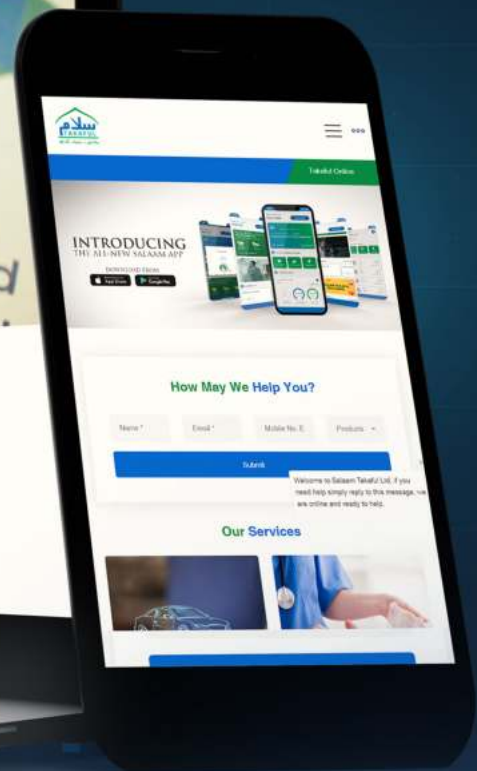
In addition to financial metrics, control mechanisms also monitor the completion of KPIs and objectives. This ensures alignment with strategic goals and progress towards desired outcomes. Monitoring these performance indicators helps identify areas of improvement, address potential roadblocks, and make necessary adjustments to enhance overall performance and mitigate risks associated with goal misalignment.

Overall, the organization is well-equipped to respond to critical challenges and uncertainties due to the established risk-aware culture. The expertise and diligence of the risk management department, coupled with continuous monitoring of financial ratios and the completion of KPIs and objectives, allow for proactive risk management, informed decision-making, and effective navigation of uncertainties.

# STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

## UNPRECEDENTED CONVENIENCE

Salaam Takaful's digital claim lodging services provide unprecedented convenience to policyholders, while also strengthening stakeholder relationships. By enabling customers to submit claims digitally, the company can improve customer satisfaction and reduce operational costs. At the same time, the streamlined claims process can enhance relationships with Islamic insurance agents and brokers, leading to increased policy sales and customer retention. Overall, the digital claim lodging services reflect Salaam Takaful's commitment to stakeholder engagement and relationship management, which can contribute to the company's long-term success



# STAKEHOLDER ENGAGEMENT POLICY

Salaam Takaful Limited is adamant about establishing and preserving beneficial, lasting partnerships with all of its stakeholders. In every city where we operate, our company meticulously upholds its commitment to diversity and tolerance. We continue to adopt and put into practice a thorough community strategy that is guided by the local environment. Our company strives to continuously ensure that we are knowledgeable about the local communities and demographics that frequently contact our business. Our top objective is to keep recognizing and interacting with the people, organization's, and groups that are particularly interested in our business model or who might be impacted by it.

Stakeholder engagement is a well-established practice at Salaam Takaful, and it has been acknowledged to play an important role in the organization's thriving and ongoing performance. Our company values the direct relationship that we see between excellent stakeholder management and overall organizational performance.

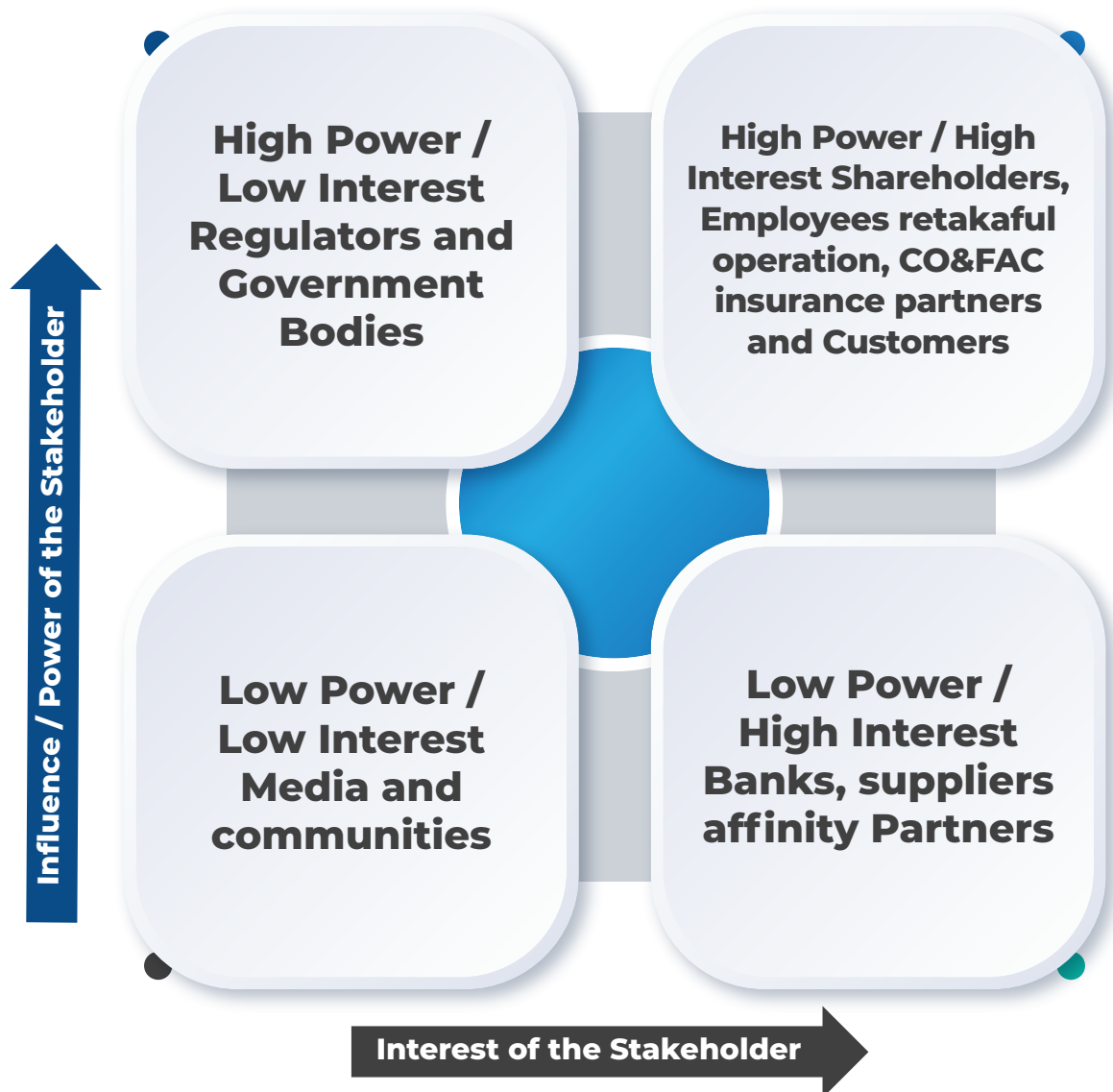
The following are the fundamental principles developed in our stakeholder interaction and engagement policy:

- Accountability to our stakeholders and society as a whole
- Stakeholder-inclusive decision-making processes across our operations
- Role and duties assignment and implementation for ongoing relationship management
- Recognition of any possible issues raised by the stakeholder and consideration of the materiality of any such situation, if it arises.
- Appropriate reaction to material stakeholder issues
- Stakeholder interaction based on a concrete value system that incorporates and honours the following tenets:
  - o Integrity
  - o Passion
  - o Humanity
  - o Innovation
  - o Excellence
- Disclosure of stakeholder's governance proceedings before the social and ethics committee of the board

## Stakeholder identification and engagement

Any person whether natural or corporate who is affected by the decisions or operations of the Salaam Takaful Limited is a stakeholder and is engaged accordingly to ignite organizational growth. At Salaam Takaful Limited, the stakeholders are dealt in a principled approach. The basic principles that guide the engagement of stakeholders are equity, flexibility, inclusiveness, learning, ownership and transparency. Stakeholder engagement provides opportunities to further align business practices or knowledge production with societal needs and expectations, helping to drive long-term sustainability and shareholder value. The company harnesses digital solutions to manage for improved stakeholder engagement.

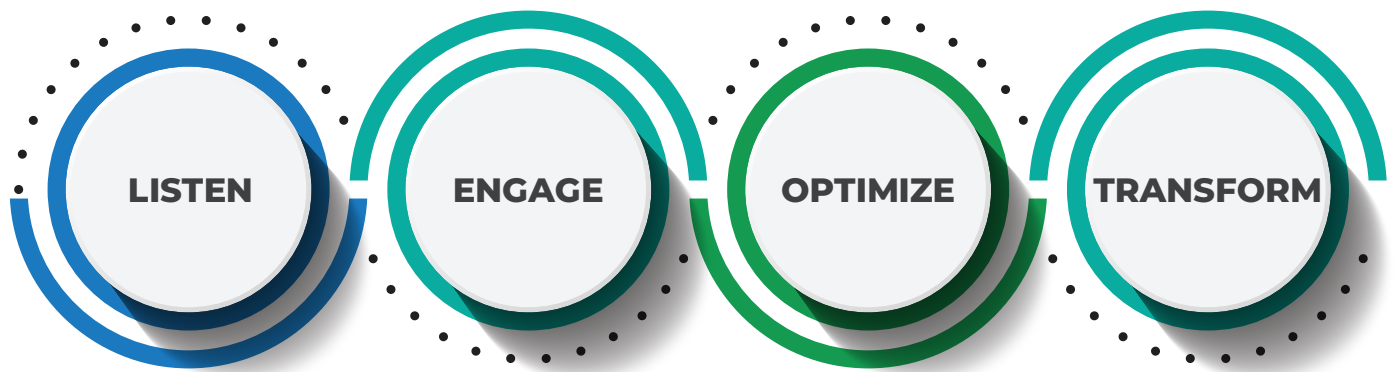
The stakeholders are identified and classified as per the following matrix



### Utilizing the social media for stakeholder relationship management

Salaam Takaful Limited uses social media as a disruptive advantage to amplify the quality of engagement with its stakeholders. We utilize Customer Relationship Management (CRM) systems based on complex Artificial Intelligence (AI) to listen to stakeholders through various social media platforms and collect vital data at the same time. By engaging on social media, we build trust resulting in long term organizational growth.













**Stakeholders engagement policy of the company and how the company has identified its stakeholders.**

We continuously engage with our stakeholders to understand their unique needs, expectations, perceptions or concerns. This helps us identify risks and opportunities, and gain the insights we need so our strategy, products and services continue to meet our stakeholder's needs or expectations.



**Stakeholders' engagement process and the frequency of such engagements during the year.** Explanation on how these relationships are likely to affect the performance and value of the company, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees and g) Analysts.

There is a continuous process of stakeholder relationship engagement. A successful stakeholder engagement strategy connects the appropriate engagement format to the right stakeholder group. The digital way of engagement powered by data driven innovation helps us to deliver inspiring and unforgettable experiences

Stakeholders	 Shareholders	 Employees	 Customers / Policyholders	 Regulators and Government Bodies	 Bank	 Suppliers & Affinity Partners	 Media & Communities	 Rating Agencies
<b>Process of engagement</b>	<ul style="list-style-type: none"> <li>- Annual and extraordinary general meeting</li> <li>- Notice</li> <li>- Periodic reports</li> <li>- Corporate briefing</li> </ul>	<ul style="list-style-type: none"> <li>- Employee relations function</li> <li>- Trainings</li> <li>- Sessions with senior management</li> </ul>	<ul style="list-style-type: none"> <li>- Customer services function</li> <li>- Mass communication</li> <li>- Call center</li> <li>- Social media and advertisement</li> </ul>	<ul style="list-style-type: none"> <li>- Periodic returns and filings</li> <li>- Response to the query from any government body</li> <li>- Proactive engagement and meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Proactive engagement and meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Procurement and outsourcing contracts - regular communication</li> </ul>	<ul style="list-style-type: none"> <li>- Product and services outreach</li> <li>- Advertisement and promotions</li> </ul>	<ul style="list-style-type: none"> <li>- Results</li> <li>- Meetings</li> <li>- Information for credit rating</li> </ul>
<b>Frequency of engagement</b>	<ul style="list-style-type: none"> <li>- Annually</li> <li>- Half yearly</li> <li>- Quarterly</li> <li>- As and when needed</li> </ul>	<ul style="list-style-type: none"> <li>- Continuously</li> </ul>	<ul style="list-style-type: none"> <li>- Continuously</li> </ul>	<ul style="list-style-type: none"> <li>- As per the legal requirements</li> <li>- Whenever any notice / query is received</li> </ul>	<ul style="list-style-type: none"> <li>- Continuously</li> </ul>	<ul style="list-style-type: none"> <li>- Continuously</li> </ul>	<ul style="list-style-type: none"> <li>- Continuously</li> </ul>	<ul style="list-style-type: none"> <li>- Quarterly</li> </ul>
<b>Likelihood to affect performance and value</b>	<ul style="list-style-type: none"> <li>- Investment value increase</li> <li>- Good reputation</li> </ul>	<ul style="list-style-type: none"> <li>- Highly motivated employees can improve the business</li> <li>- Representative to communities</li> </ul>	<ul style="list-style-type: none"> <li>- Key to organizational success</li> <li>- Brand reputation and image</li> </ul>	<ul style="list-style-type: none"> <li>- Compliance is a key concern</li> <li>- Transparency</li> <li>- Surety to society that the company is acting within the legal boundaries</li> </ul>	<ul style="list-style-type: none"> <li>- Backbone to the financial services</li> <li>- Distribution partner for bancassurance</li> <li>- Providers of return to surplus investment</li> </ul>	<ul style="list-style-type: none"> <li>- Providers of input that is used for our services</li> <li>- Low cost inputs with high quality</li> </ul>	<ul style="list-style-type: none"> <li>- Brand image</li> <li>- Public image</li> <li>- Mass communication</li> </ul>	<ul style="list-style-type: none"> <li>- Credit rating</li> </ul>
<b>Way of managing the relationships</b>	<ul style="list-style-type: none"> <li>- Giving comprehensive information on time</li> <li>- Responding to their queries, if any, immediately</li> <li>- Responding to their concerns on first priority</li> </ul>	<ul style="list-style-type: none"> <li>- Providing a good quality of work life</li> <li>- Providing above average remuneration</li> <li>- Addressing to employee concerns immediately</li> </ul>	<ul style="list-style-type: none"> <li>- Providing good quality services</li> <li>- Benefit in the form of claims and surplus</li> </ul>	<ul style="list-style-type: none"> <li>- Submission of information on timely basis</li> <li>- Reply to any query immediately and avoid any undue friction</li> </ul>	<ul style="list-style-type: none"> <li>- Providing all compliance related information on time</li> <li>- Ensuring compliance for all rules and regulations</li> <li>- Responding to their concerns on timely basis</li> </ul>	<ul style="list-style-type: none"> <li>- Addressing to their concerns on timely basis</li> <li>- Not taking any unfair advantage</li> </ul>	<ul style="list-style-type: none"> <li>- Giving proper information on timely basis</li> <li>- Not leaving any information gap</li> </ul>	<ul style="list-style-type: none"> <li>- Providing correct information</li> <li>- Full information on timely basis and avoid hiding any information</li> </ul>

## STEPS TAKEN BY THE MANAGEMENT TO ENCOURAGE THE MINORITY SHAREHOLDERS TO ATTEND THE GENERAL MEETINGS.

The company encourages and does its full effort to ensure that all shareholders including minority shareholders are included in all decision making of the company by ensuring their presence in general meetings of the company. The company uses Zoom / Teams for the conduct of the meeting so giving an additional opportunity to minority shareholders to attend meetings and have their voice heard.

Following is the compulsory requirement for the general meetings

- 21 days prior notice to every member including the agenda and necessary support of the meeting via post and email
- The aforementioned notice is also updated on our website at the time of dispatch
- Active participation by shareholders in the meeting is encouraged
- The minutes of the meeting are kept by the company and are available to every shareholder on request.

### Investors' Relations section on the corporate website.

To impart information to investors, a dedicated section is maintained in the website containing all information that an investor might need to review the business performance of the company. The link of the same section is as below

The video of the Managing Director (MD) and Chief Executive Officer (CEO) on the business and financial performance of the company is available on the website as below



**The Managing Director/CEO's video on the Company's overview, business performance, strategy and outlook is available at:**

<https://salaamtakaful.com/Gallery/detail/?id=22>



## Issues raised in the last AGM, decisions taken and their implementation status.

The 16th Annual General Meeting (AGM) was held on 26th April 2022 at 12:00 PM at the registered office of the company office 6th floor, Business Centre, Block-6, PECHS, Shahrah-e-Faisal, Karachi. The participants were also supported to attend the meeting remotely via Zoom.

The meeting was attended by the shareholders, directors, CFO, Company Secretary and Executive Director Finance & Strategy. Engagement Partner of the statutory auditors KPMG Taseer Hadi & Co. Chartered Accountants also attended the meeting. No significant issue was raised or remained unresolved, and all agenda items were unanimously approved.

Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business.

## Statement of value addition

### Statement of Value Addition

#### Particulars

#### Wealth generated:

Net Takaful contribution

Investment income

Other income

Retakaful Rebate Earned

Contribution deficiency reversal

Gross wealth generated

Less : Claims, Commission and Direct Expenses

#### Wealth distributed:

To Employees

Salaries and other related cost

To Government Taxes

Retained in Business

Depreciation and Amortization

(Loss) / Gain transferred to retained earnings

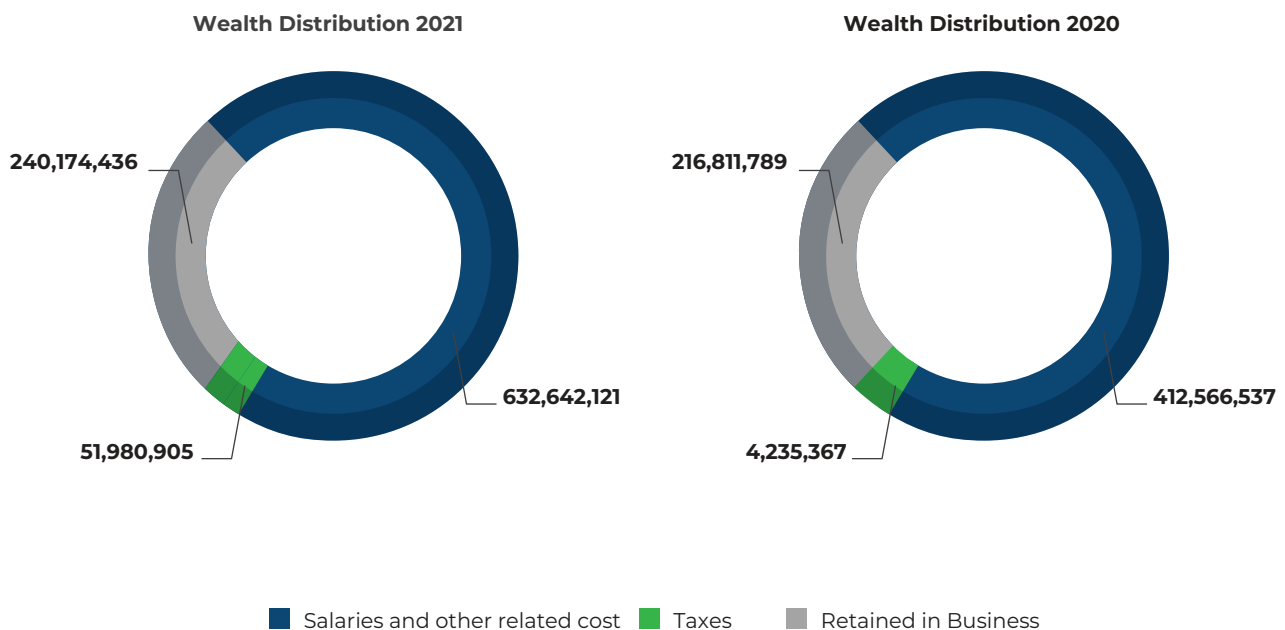
#### Wealth distributed:

Salaries and other related cost

Taxes

Retained in business

	2022	2021
	(Amount in PKR)	
Net Takaful contribution	2,390,615,368	1,625,618,922
Investment income	65,456,404	55,174,034
Other income	11,230,289	19,293,609
Retakaful Rebate Earned	64,301,364	33,569,610
Gross wealth generated	2,531,603,425	1,733,656,174
Less : Claims, Commission and Direct Expenses	(1,606,805,963)	(1,100,042,480)
	924,797,462	633,613,694
To Employees		
Salaries and other related cost	632,642,121	412,566,537
To Government Taxes	51,980,905	4,235,367
Retained in Business		
Depreciation and Amortization	64,472,847	41,613,210
(Loss) / Gain transferred to retained earnings	175,701,589	175,198,579
	924,797,462	633,613,694
To Employees		
Salaries and other related cost	632,642,121	412,566,537
Taxes	51,980,905	4,235,367
Retained in business	240,174,436	216,811,789
	924,797,462	633,613,694



### Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year

The company believe that all stakeholders are dealt in a transparent and exemplary manner. Stakeholders' voices constitute an important concern for us and responded accordingly. Social media and digital communication channels play a pivotal role in it. Since the company is not listed on any stock exchange, no analyst briefing was held during the year.

### Highlights about redressal of investors' complaints

All the complaints are dealt in a diligent and transparent manner. The complaints received are sorted out in a prioritized manner.

Investors can raise their complaints to the Company Secretary as below

Muhammad Irfan  
 Company Secretary  
 6th floor, Business Centre, Main Shahrah-e-Faisal, Karachi  
 Email : m.irfan@salaamtakaful.com





# SPECIFIC DISCLOSURES OF THE FINANCIAL STATEMENTS

## FASTER CLAIMS FOR DELAYED FLIGHTS

Salaam Takaful's specific disclosures in its financial statements and its innovative product offerings, such as the Parametric-based flight disruption coverage for Salaamti Travel, demonstrate the company's commitment to transparency. By providing clear and concise financial information and offering faster claims processes for delayed flights, Salaam Takaful is able to build trust with its stakeholders and enhance its reputation in the industry. This emphasis on transparency not only strengthens the company's relationships with its customers but also ensures accountability and integrity in its business operations. Overall, Salaam Takaful's transparent approach serves as a testament to its commitment to excellence



# Departures



## FLIGHT DELAYED

Dear "Muhammad Kashif", your flight PK-305 is delayed for 4 hours and is now scheduled to depart at "18-Jul-2022 03:15:00". Here is your cash voucher: [cashvoucher.com](http://cashvoucher.com)  
Have a safe journey!  
For queries, please call 021-111-875-111 or visit: [salaamtakaful.com](http://salaamtakaful.com)

Departures			
Time	To	Flight	Gate
08:50	LONDRES-GW		
Code shared:			
09:00	BARCELONA		
Code shared:			
09:05	BOGOTA		
Code shared:			
09:20	HELSINKI		
Code shared:			
09:25	MELILLA		
Code shared:			
09:30	BARCELONA		
Code shared:			
09:40	MARSELLA		
Code shared:			
09:45	BARCELONA		
Code shared:			
09:45	BOLONIA		
Code shared:			
09:55	CINEBRA		
Code shared:			

Departure		
Flight	Gate	
	S28	
To		
CASABLANCA		
Code shared:		
PARIS-CDG		
Code shared:		
NEWYORK-JFK		
Code shared:		
ANDRES-HR		
Code shared:		
CELONA		
Code shared:		

Canceled
Boarding

# CLAIMS MANAGEMENT AND DETAILS OF OUTSTANDING CLAIMS

S. No.	Particulars	2022	2021
1	Claims management and details of outstanding claims (IBNR & IBNER) with estimated liability and ageing thereof. Outstanding claims including IBNR and IBNER	740,780,247	341,383,225
2	Highlights of segment revenue account	Please refer to <b>"Segment information"</b> below	
3	Disclosure of outstanding premium/ unearned premium		
4	Details of claims under different categories of policies		

## Segment Information of Revenue Account and Contribution

PTF	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Total
2022						
Gross Written Contribution (GWC)	211,931,408	64,293,997	1,234,067,031	1,350,824,721	140,732,670	3,001,849,827
Net Underwriting Income	21,023,392	17,466,486	365,700,197	934,378,270	25,918,294	1,364,486,639
Net Takaful Claims Expense	-23,560,070	-13,772,538	-373,246,657	-802,457,091	-20,746,508	-1,233,782,864
IBNR, provision and other direct expense	-37,451,242	2,134,207	-68,424,316	-1,642,045	3,291,740	-102,091,656
Net investment income						-4,275,815
Other income						-532,116
						23,804,188
2021						
Gross Written Contribution (GWC)	99,126,953	44,441,769	1,000,599,665	1,001,356,002	74,006,776	2,219,531,165
Net Underwriting Income	7,458,369	6,342,162	254,219,781	698,689,233	8,659,028	975,368,573
Net Takaful Claims Expense	-3,192,402	-3,745,147	-207,124,432	-637,067,912	-5,682,233	-856,812,125
IBNR, provision and other direct expense	-1,977,456	-2,464,156	-50,107,086	-12,059,536	-8,560,388	-75,168,622
Net investment income						22,608,180
Other income						1,667,216
						67,663,222

S. No.	Particulars	2022	2021
1	Disclosures pertaining to solvency margin.	Please refer the section <b>"Solvency"</b> below	

Assets	Shareholders' Fund	Participants' Takaful Fund (Rupees)	Total
Property and equipment	87,798,625	-	87,798,625
Right-of-use assets	36,426,379	-	36,426,379
Capital Work-in-Progress	1,755,050	-	1,755,050
Intangible assets	18,000,900	-	18,000,900
Equity securities	62,260,412	37,598,293	
Debt securities	118,000,000	-	118,000,000
Term deposits	292,700,000	195,100,000	487,800,000
Long term deposits	24,310,806	-	24,310,806
Loans and other receivables	159,175,759	23,865,134	183,040,893
Accrued investment income	8,737,945	3,753,991	12,491,936
Takaful / co-takaful receivables	-	1,039,154,876	1,039,154,876
ReTakaful recoveries against O/S claims	-	83,270,644	83,270,644
Salvage recoveries accrued	-	15,694,000	15,694,000
Deferred Wakala fees	-	665,027,460	665,027,460
Deferred commission expense	112,754,453	-	112,754,453
Taxation -payment less provision	16,452,174	-	16,452,174
Deferred tax asset	3,608,144	-	3,608,144
Prepayments	3,205,094	91,017,870	94,222,963
Cash & Bank	122,562,731	70,560,994	193,123,725
<b>Total Assets (A)</b>	<b>1,067,748,472</b>	<b>2,225,043,262</b>	<b>3,292,791,734</b>
<b>In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance 2000</b>			
(d) Loan to employees	13,293,455	-	13,293,455
(h) Contribution due and payable to the insurer for more than three months	-	340,267,389	340,267,389
(i) intangible assets	22,275,900	-	22,275,900
(j) Deferred tax asset	-	-	-
(u) Vehicles , property & equipment	33,579,304	-	33,579,304
<b>In-admissible assets as per following clauses of section 12 of the Insurance Rules, 2017</b>			-
(v) Sukuk; To the extent they exceed five percent of the non-life insurer's total investment	-	-	-
<b>In-admissible assets as per the rule 10 (k) of the Takaful Rules, 2012</b>	-	-	-
<b>Total of In-admissible assets (B)</b>	<b>69,148,659</b>	<b>340,267,389</b>	<b>409,416,048</b>
<b>Total Admissible Assets (C=A-B)</b>	<b>1,155,435,049</b>	<b>2,494,166,512</b>	<b>3,649,601,561</b>
<b>Total Liabilities</b>			
<b>Underwriting Provisions:</b>			-
Outstanding claims including IBNR		740,780,247	740,780,247
Unearned contribution reserves		1,561,033,084	1,561,033,084
Unearned retakaful rebate		28,524,963	28,524,963
Contribution received in advance		1,811,546	1,811,546
Takaful / Re-takaful payables		90,543,017	90,543,017
Unearned Wakala fees		367,010,265	367,010,265
RECEIVABLE / PAYABLE (Current account between OPF and PTF)		-	-
Contribution deficiency reserve		1,105,878	1,105,878
Other Creditors and Accruals	144,996,986	53,716,570	198,713,556
<b>Total Liabilities (D)</b>	<b>512,007,251</b>	<b>2,477,515,305</b>	<b>2,989,522,556</b>
<b>Total Net Admissible Assets (E=C-D)</b>	<b>643,427,798</b>	<b>16,651,207</b>	<b>660,079,005</b>
<b>Minimum Solvency Requirement (higher of following)</b>			
Method A - U/s 36(3)(a)		150,000,000	150,000,000
Method A - U/s 36(3)(b)		275,386,899	260,037,055
Method A - U/s 36(3)(c)		171,282,226	360,963,118
<b>Excess / (Deficit) in Net Admissible Assets over Minimum Requirements</b>			<b>299,115,887</b>



S. No.	Particulars	2022	2021
6	Certificate of actuary giving details of the liabilities on account of live policies and estimates/assumptions made for the same	Please refer the section " <b>Actuary report</b> " below	

## 1. Executive Summary

- 1.1. The purpose of this report is to present results of actuarial valuation of incurred-but-not-reported (IBNR) claims reserve and contribution deficiency reserve (CDR) for all lines of business as at December 31st, 2022 for Salaam Takaful Limited (also referred to as the "Company")
- 1.2. The results of actuarial valuation as at the valuation date (31-December-2021) are summarized below:

As a December 31st, 2022		
Reserve	Gross Reserve (PKR)	Net Reserve (PKR)
Incurred-But-Not Reported Claims Reserve (All Lines of Business)	93,406,193	57,234,010
Contribution Deficiency Reserve (All Lines of Business)	1,105,878	1,105,878
Total Reserves	94,512,071	58,339,889

- 1.3. Line of business wise break-up of IBNR reserve is given in Section 5 of the report
- 1.4. These reserves have been computed in accordance with the SEC Guidelines for Estimation of Incurred but Not Reported (IBNR) Claim Reserve, 2016 and generally accepted actuarial principles
- 1.5. This report has been prepared for submission to the Management of the Company and its external auditors

Certified by:



Hussain Feroz Ali, FSA  
Consulting Actuary



Salaam Takaful Limited focuses on the high-quality assets so they can bring long term profitability for the company, ensure satisfactory return to the shareholders and financial growth of the company. To pursue the said objectives, the company had a policy of continuously reviewing the asset quality so that any corrective action, if any, could be taken place. Following are the figures for 2022 with the figures same period last year.

	2022	2021	% Var
Fixed assets (SHF + PTF)			
Property and equipment	93,328,909	125,980,054	-26%
Intangible assets	22,275,900	18,000,900	24%
	115,604,809	143,980,954	-20%
Other assets			
Long term deposits	25,410,786	24,310,806	5%
Loans, advances and other receivables	55,406,370	143,587,835	-61%
Investment in subsidiaries	222,367,190	39,453,059	464%
Takaful / Re-takaful receivables	1,678,591,627	1,039,154,876	62%
Re-takaful recoveries against outstanding claims	371,239,651	83,270,644	346%
Salvage recoveries accrued	22,895,000	15,694,000	46%
Deferred wakala fees	367,010,265	665,027,460	-45%
Deferred commission expense	158,037,313	112,754,453	40%
Deferred tax asset	-	3,608,144	0%
Taxation-payment less provisions	-	16,452,174	0%
Accrued investment income	6,159,862	12,491,936	-51%
Receivable from participants' takaful fund (PTF)	189,746,873	429,415,183	-56%
Prepayments	126,777,617	94,222,963	35%
	3,223,642,554	2,679,443,534	20%
Investments and bank balances			
Investment property	272,000,000	-	0%
Debt	75,000,000	118,000,000	-36%
Term deposits	305,500,000	487,800,000	-37%
Equity	57,384,200	99,858,705	-43%
Cash and bank balances	199,632,920	193,123,725	3%
	909,517,120	898,782,430	1%
	<b>4,248,764,483</b>	<b>3,722,206,917</b>	<b>14%</b>

Fixed assets comprise of leasehold improvements, vehicles, furnitures & fixtures and IT equipment that are used for the operations. The other assets are created as a result of the operations and considered good and company feels no chance of it going bad.

Investment and bank balances comprise of Shariah compliant deposits, sukuks and equity investments in blue chip securities. As a matter of policy, the company only limits its investments in blue chip securities and doesn't involve in REPO or REVERSE REPO transactions.

Further details are included in analysis of financial information section.

# SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

## TECHNOLOGY FOR SUSTAINABLE FUTURE

Salaam Takaful's sustainable technological initiatives are a testament to the company's commitment to sustainability and corporate social responsibility. By implementing green technology solutions and digitizing its processes, the company has not only reduced its environmental footprint but has also enabled its customers to reduce theirs. This approach not only aligns with the company's sustainability goals but also creates social value by contributing to a more sustainable future for the Pakistani insurance & takaful industry and the society at large.







## MESSAGE

### ON SUSTAINABILITY FROM MANAGING DIRECTOR & CEO

I am elated to share Salaam Takaful Limited's 2022 sustainability practices with you. The past few years have been difficult, both due to the COVID-19 pandemic and strenuous conditions of the industry, and we are extremely proud of our people and their performance during these testing times.

Throughout the world, the insurance industry is perceived as an agent of affirmative ESG action through their influence on their stakeholders, policyholders, and vendors, as well as through implementing change in their own operations.

More notably, the financial sector in frontier states such as Pakistan, needs to play an essential role to support initiatives that strengthen their national enterprises. The Prime Minister has advocated for actions to fight climate change by pledging that Pakistan will shift to producing 60pc clean energy by 2030. According to S&P Global, the insurance industry is in a significant and distinctive position to transition to climate risk insurance, both on the asset side where their investments face climate risk, as well as in underwriting risk on the liability side.

I believe that as an industry leading Takaful operator, comprehending Environmental, Social and Governance (ESG) issues empowers Salaam Takaful Limited to reduce risks and utilize opportunities in underwriting, claims, and investments. A focus on ESG will reinforce our core business and sustainability, and will strengthen interactions with civil stakeholders, including institutional investors and regulators.

We welcome your feedback.

Syed Rizwan Hussain  
Managing Director & CEO



# OVERVIEW OF THE COMPANY

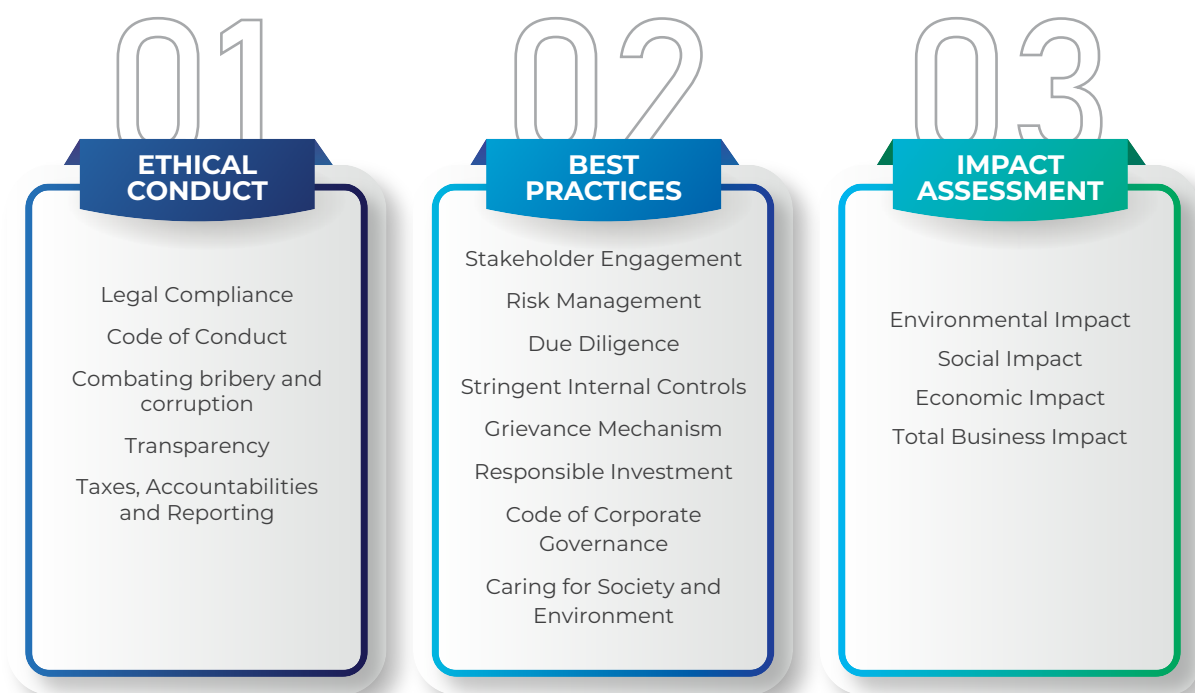
Salaam Takaful Limited is dedicated to regulating its business practices as a responsible corporate citizen and takes a worthwhile interest in improving the societal infrastructure by contributing to community welfare causes. STL intends to be a leader in the philanthropic spheres of the societies that it serves. Moreover, STL is highly devoted to pursuing and implementing an inclusive business model aligned with the Company's long-term business strategy through this policy.

After the takeover of the company in 2018 by the new major shareholders, STL began to take up its role as a responsible part of the society and participated in various humanitarian activities such as medical camps, awareness sessions, education and training activities etc., which contributed to the welfare of our society.



# ESG PHILOSOPHY AND RESPONSIBLE BUSINESS CONDUCT

At STL, we view governance as a significant part of the sustainability culture and practices within our Company. We certify that we are upholding the codes of good corporate governance, and that all of our investment decisions consider both the financial and non-financial aspects necessary to come to an informed conclusion. In order to be transparent to all our stakeholders, we have illustrated our best practices in our Responsible Business Protocols.



## WE ARE COMMITTED TO MAKING A POSITIVE IMPACT AND DRIVING CHANGE TOWARDS A SUSTAINABLE FUTURE.

### Our ESG Proposition

We are implementing a strategic sustainability culture in our business regulations.

We are providing sustainable, thoughtful, and novel Takaful solutions, keeping in mind the dynamic needs of our society and environment.

We are constantly working to improve our ESG Intelligence.

We have created working groups across the Company, whose job is to enhance our ESG capabilities to help make the right underwriting and portfolio management decisions.

We are consulting with competent experts to devise a benchmark to track our ESG advancements.

We are committed to playing our role in the transition to a green economy.

# GOVERNANCE OF ESG

## Board-level ESG Committee

One of the main functions of the Board, is to provide oversight. A Board-level committee can be essential for leading the evolution and application of the company's ESG strategy. Whether or not such a team is formalized as a "committee" or a "council", its members commonly include the Company Secretary, Chief Financial Officer, Human Resources Officer, and senior members.

The Board Committee will:

- Decisively characterize and constructively supervise STL's ESG ambitions.
- Approve the yearly ESG plan-of-action.
- Promote coordination across sub-committees to allow for a more effective composition of ESG issues for the Board.

## Management-level ESG Committee

A multi-functional Management Committee will appraise and suggest ESG-related policy proposals for consideration by the Board.

The Management Committee will:

- Consult on ESG-related issues with the relevant stakeholders, i.e., peers, business partners, and development agencies.
- Guide STL towards calculated ESG priorities in alignment with business strategy and in partnership with corporate communications.
- Ensure that reporting on ESG matters is done in an efficient and timely manner

# OUR CORE VALUES

At Salaam Takaful, our corporate philosophy is built on our core values and the regulations of our business are aligned with those values.

## People

We are committed to the development of each individual employee, workplace diversity, and inclusion with zero tolerance toward intimidation, and discrimination.

## Planet

We believe in respecting the environment and the communities in which we function, and keeping that in mind, we plan to conduct our business in an ethical manner.

## Profit

We supply high-quality, novel, and ingenious products and services to our participants. Furthermore, we are constantly working to achieve improved returns.

# SUSTAINABLE DEVELOPMENT GOALS

In 2016, the government of Pakistan proclaimed its support for SDGs as a way forward to provide a sustainable future for the generations to follow. In the context of United Nations SDGs, Salaam Takaful Limited vows to execute SDGs that directly or indirectly affect our products and services. We have constructed an efficient plan to improve our strategies and performance to the most pertinent SDGs that are directly or indirectly related to our business functions and our wider stakeholder base. Salaam Takaful Limited, with the collaborative efforts of our stakeholders, will strive to constantly improve upon sustainable and responsible business operations in the context of following SDGs.



## SALAAM'S FAMILY



# OUR PEOPLE: A RESPONSIBLE, HEALTHY & DYNAMIC WORKFORCE

Salaam Takaful Limited (STL) has a firm conviction to manage, strengthen, and continually develop its human resource as a dynamic, functional, and goal-oriented workforce that can face a wide array of challenges and utilize them as supplemental opportunities both for our internal and external stakeholders.

STL stimulates and upholds a safe, secure, and respectful workplace environment, is committed to respect the fundamental rights of our people. We plan on being an equal opportunity employer with zero tolerance for discrimination in all its forms. Furthermore, we firmly believe in promoting and protecting freedom of expression and speech. Over the years, we have cultivated an intricate plan with the necessary safeguards to ensure that our employee code of ethics and conduct is acknowledged and applied. Some of the policies that we have conceived in this context, are the whistle-blower policy, the grievance management policy, and the harassment and abuse policy. We have strict controls in place for social safeguards such as child/bonded labor and a minimum wage policy.

At STL, we consider our employees to be our family, and make sure that we are abiding by all the best employment practices.

## Employee Turnover

On annual basis, we calculate our employee turnover ratio to illustrate a trend on how many employees stepped down from their positions at STL. Furthermore, we conduct employee surveys to call attention to the inadequacies in our work environment that need to be improved, thereby strengthening our employees' confidence in us.

$$\text{Employee Turnover Rate} = \frac{\text{Employees who left}}{(\text{Employees at the beginning} + \text{Employees at the end})/2} * 100$$

Employee Turnover Rate	2022	2021
	27.46	36.82

## Benefits

As an equal opportunity employer, we provide the following benefits to our employees:

1. We ensure that no one is rewarded below minimum wage.
2. We provide an annual increment based on the inflation rate increase.
3. We award yearly bonuses based on an individual employee's performance.
4. We have set up a provident fund.
5. Our working hours are set up as per local guidelines (Sindh Labour Policy 2018, Pakistan).
6. We provide a Health and Life Insurance policy for our employees.
7. Promotions in our company are based on fair and transparent policy.



## **Diversity & Inclusion**

We encourage women empowerment at all levels of our organization. In order to further diversify and be inclusive internally, we launched a female-only, Management Trainee Program (MTO) in the year 2021 to promote and build confidence in our female employees.

Furthermore, we make sure to provide a secure, immaculate, and lively environment to all of our employees, which is free from harassment, discrimination, and workplace politics.

## **Training and Education**

Programs for updating employee skills and adjustment assistance are frequently launched.

## **Non-Discrimination**

We strongly disagree with discrimination on the basis of:

1. Race
2. Age
3. Disabilities
4. Migrant Status
5. HIV and AIDS
6. Gender
7. Religion
8. Political Opinions

## **Whistle Blowing Policy**

In order to rectify conflicts at all levels within our company, we have established an inflexible and uncompromising grievance mechanism and whistle blowing policy so that none of our employees feel unheard or disrespected.

## **Our Planet: Green and Clean Business**

At STL, we are in the process of developing a two-factor program to positively impact our environment, i.e. our internal environmental management controls and our business investments' environmental impacts. The former is strictly under our control, and we have already built up a long-term plan for it. The latter still needs an in-depth operation to analyze our contributions and alleviative actions. In the context of our business operations, STL has developed and implemented an internal environmental management policy. This strategy consists of three phases: assess and reduce our negative impacts and commit to enhance our positive impacts.

We believe that it is essential to protect and preserve non-renewable resources such as electricity provided by fresh water, so we constantly take motivated steps to manage our operational environmental footprint. Moreover, we hope to reduce the ecological impact of our business operations vis-à-vis our environmental footprint. We also seek to develop company-wide awareness, control and put implementation plan into action. Additionally, we hope that these efforts yield significant results in the foreseeable future.

## Towards a Responsible Future

In the future, Salaam Takaful Limited envisions itself as a responsible shariah compliant business entity. To achieve this goal, we are currently working on a thorough transformation blueprint in line with our corporate sustainability plan.

Some of the significant features of this transformation plan shall be:

- To organize, develop and focus our efforts towards our corporate sustainability vision.
- Policy, operational and functional level interventions to strengthen and promote sustainability throughout our value chain especially in the agricultural and livestock sectors.
- To prioritize and align key focus areas on United Nations Sustainable Development Goals (SDGs) with measurable targets in a short, medium, and long-term perspective.
- Improve our efforts in regards to measuring and supervising our internal social and environmental footprint.
- Develop and apply the necessary social and environmental actions in our investment, product and service portfolios.

We hope that these priority indicators will equip us with the necessary baseline and benchmark determination needed to initiate our vigorous transformational efforts as a responsible and sustainability centric entity.

ESG Philosophy and Responsible Business Conduct:

- i. To provide shelters, homes and places of refuge for the poor and to promote the overall welfare of the more underprivileged people in our society through welfare institutions or otherwise for the purpose of poverty alleviation.
- ii. To establish and support educational institutions that provide learning, practical training, and research centres, and setup facilities to ensure the most effective and productive education programs for promoting education. And to maintain, supervise and access the highest academic standards for such institutions.
- iii. To award, on a timely basis, scholarships to distinguished and capable students and scholars.
- iv. To establish and support hospitals, clinics, dispensaries, and centres that provide high-quality medical aid and relief, and provide medical assistance to the individuals that require it.
- v. To seek the co-operation and aid of professional bodies, and technical and business communities in raising awareness regarding the importance of our health.
- vi. To promptly allot the required funds, volunteers and other material and non-material resources needed in the event of any natural calamity, disaster or pandemic.

## Causes to be Supported

1. Educational institutions (i.e., madaris, primary and secondary, higher education)
2. healthcare (i.e., blood donation, ophthalmology, health care incentives (free health insurance for critical surgical cases, STL to decide on case-to-case basis) minimum 10 per year or as per STL Board recommendation).
3. Economical housing schemes.
4. Interest free loans (Qard-e-Hasana) on predetermined term basis (i.e., half annually, annually etc.).
5. Literacy programs for the underprivileged members of our society.
6. Welfare programs for the needy members of our society regarding food and nutrition.
7. Internship programs for new graduates (shortlisted based on CGPA).
8. Sponsoring Holy Quran reading competitions.
9. Sponsorships of sporting and other extracurricular events.
10. Advocating for the productive utilization of resources.
11. Volunteering efforts.
12. Disaster relief, medication, shelters, food, drinking water, health and hygiene consumables, cash grants etc.

## Decision-Making Authority

The final decision-making authority on the CSR policy, its application and development shall reside with the CEO on each matter that is related to the CSR policy after the necessary collaboration and recommendations from Responsible Business Committee (RBC) unless otherwise needed to satisfy any stipulation contained in the Companies Ordinance or SECP regulations.

## Sustainability Value Proposition

1. Embedding a calculated sustainability custom in our business practices through an empowered and knowledgeable governance structure.
2. Providing sustainable, legitimate, and inventive Takaful solutions, products, and services by keeping in mind the dynamic needs of society and our environment.
3. Benchmarking our team efforts in economic, social, and environmental sustainability.
4. Developing and applying standardized working models for society and the environment, while attempting to meet our commercial targets.
5. Ensuring that our ethics and transparency on sustainability in our business conduct vis-à-vis our stakeholders.
6. Supervising our sustainability footprint to accomplish an overall positive impact on our society, environment, and economic well-being, whilst satisfying the needs of our stakeholders.

## STL's Environmental Stewardship

STL's maximum attention and focus are on the following:

1. Environmental performance is identified and analyzed to find ways for development.
2. Environmental awareness to be created on issues relevant to the company and our value chain.

3. Control of pollution in all its forms and in the protection of the environment that we live in.
4. Abiding by all the relevant environmental, national, and provincial laws, policies, rules, and regulations on environmental matters.
5. Research and development of science and technology, which will help prevent environmental damage because of pollution.
6. Create awareness to the stakeholders and the general public at large, on environmental matters and issues.

## ENVIRONMENT

### Partnering on Digital Technologies to Address the Water-agriculture Nexus

#### MoU signing between Salaam Takaful Limited and WaterSprint



Salaam Takaful Limited has signed an MoU with Water Sprint Ltd. with the purpose of creating a strategic collaboration that recognizes the positive capabilities of both organizations to secure water resources and to protect local communities from droughts and natural disasters across the country, by providing technical knowledge and digital technological solutions to farmers.

Under this MoU, both organizations will partner up in an effort to benefit the agriculture sector, by providing training sessions and human capacity development, building quality institutions, and R&D.

Salaam Takaful and Water Sprint will cooperate to support transformations across the agricultural value chain, ranging from water source security, on-farm water-use efficiency, post-harvest infrastructure, market linkages, to research through a collaborative action approach.

This MoU will provide opportunities for agricultural revolutions and technical support to test, apply, and mainstream digital approaches relevant to water security across the agricultural supply chain.



**SDG 6:** Clean Water and Sanitation; to ensure the availability and the sustainable management of water and sanitation for all members of society.

**SDG 9:** Build Resilient Infrastructure; to encourage comprehensive and sustainable industrialization and promote innovation.

**SDG 12:** Responsible Consumption and Production; to ensure sustainable consumption and production patterns.

**SDG 17:** Strengthen the means of implementation and re-energize the global collaboration for sustainable development.

### Move Towards a Paperless Workplace

We are working to develop a paperless workplace. By the end of 2023, Salaam Takaful is planning to be completely paper-free, thereby eliminating the paper-usage in our transactions every year.

As a part of this transition, we are concentrating on creating a legal framework that wholly complies with the applicable record keeping laws. Moreover, we plan to go paperless through the process of adopting the necessary technology and technical skills that will digitize 100% of our internal processes and customer services so that we will no longer require physical documents in any of our operations or procedures.

Staff members have been encouraged to print only by items of extreme importance. Use of colored paper is to be avoided wherever possible. And, board members request only essential documents from the Corporate Secretariat.



### This MoU aligns with:

**SDG 9:** Industry, Innovation and Infrastructure; to build durable infrastructure, encourage inclusive and dependable industrialization and promote innovation.

**SDG 12:** Responsible Consumption and Production; to ensure sustainable utilization and production patterns.

**SDG 13:** Climate Action; to take critical actions to tackle climate change and its impacts on our environment.



## Reduction in Plastic Consumption - Rethinking Plastic Usage in Every Department

In this regard, STL utilizes the principle of reusing, through a Company-wide initiative to make persistent reductions in our plastic usage over a period of time.

We attempt to provide unlimited filtered tap water, in an effort to eliminate single-use plastic water bottles.

We provide reusable items in the kitchen and staff cafeteria, in an effort to eliminate disposable plastic serve ware

### Our Efforts Align with:



**SDG 12:** Responsible Consumption and Production; to ensure sustainable utilization and production patterns.

### Earth Day (22nd April)



Earth Day is observed every year to increase efforts to protect the environment and the Earth in its natural form. Awareness sessions were held and informative messages were sent to improve the level of awareness among employees, customers, partner entities and suppliers for the land preservation and environmental protection.

**Our efforts align with:**



**SDG 12:** Responsible Consumption and Production; to ensure sustainable utilization and production patterns.

**SDG 13:** Climate Action; to take critical actions to tackle climate change and its impacts on our environment.

#### **World Environment Day (5th June)**



World Environment Day is celebrated every year on 5th June to raise awareness and knowledge regarding the harmful impacts of society's practices on our environment. Furthermore, this day is observed to illustrate commitment towards protecting our environment; on the land, under the sea and to Highlight the need to reduce the consumption of natural resources to fight climate change. Several awareness sessions were held for our employees, policyholders, suppliers, and students with a commitment to work towards a healthier environment.

### Our efforts align with:



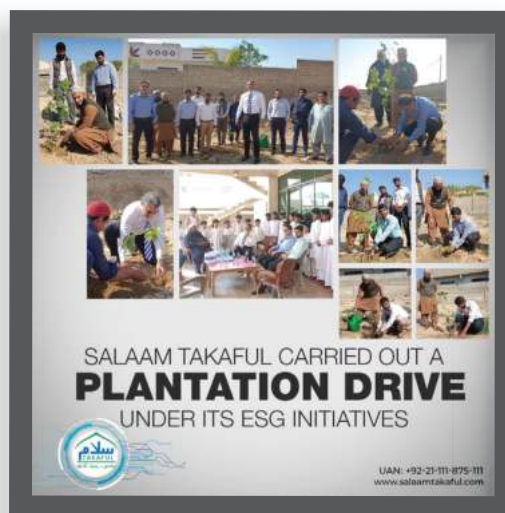
**SDG 12:** Responsible Consumption and Production; to ensure sustainable utilization and production patterns.

**SDG 13:** Climate Action; to take critical actions to tackle climate change and its impacts on our environment.

**SDG 14:** Life Below Water; to protect and sustainably utilize the oceans, seas, and marine resources for sustainable development.

**SDG 15:** Life On Land; to protect, restore and encourage the sustainable use of terrestrial ecosystems, to sustainably supervise forests, tackle desertification, and put an end to and attempt to reverse land degradation and stop biodiversity loss.

### Plantation Drive



### Salaam Takaful carried out a Plantation Drive under its ESG initiatives

In line with our ESG philosophy, we have successfully completed a plantation drive to help improve our environment and contribute towards the health and well-being of the community at large. We are excited to see the positive impact this plantation drive will make on the local environment, and we look forward to continuing to promote environmental sustainability through our ESG initiatives.

**Our efforts align with:**



**SDG 12:** Responsible Consumption and Production; to ensure sustainable utilization and production patterns.

**SDG 13:** Climate Action; to take critical actions to tackle climate change and its impacts on our environment.

**SDG 15:** Life On Land; to protect, restore and encourage the sustainable use of terrestrial ecosystems, to sustainably supervise forests, tackle desertification, and put an end to and attempt to reverse land degradation and stop biodiversity loss.

## **SOCIAL**

### **Awareness Session for Farmers in Swabi**



### **Salaam Takaful Limited in collaboration with Bakhbar Kissan and AGRP Reap hosted an awareness session for farmers in Swabi**

Livestock is an important asset for our economy in general and particularly for farmers of our country as it is the safeguarding wall against hard times for one and all. Salaam Takaful Limited in collaboration with Bakhbar Kissan and Agro Reap, hosted an awareness session for farmers in Swabi. At the event, the farmers were apprised with Salaam Livestock Takaful, an exclusive takaful plan, having coverages against losses due to the death or injuries of livestock.

The event was well attended by more than 1000 farmers where they were given the awareness on how to protect their livestock against the natural calamities and accidents and how this collaboration will provide them with a beneficial ecosystem.

**This effort aligns with:**



**SDG 3:** Good Health and Well-being; to ensure healthy lives and encourage overall well-being of our society.

**Salaam Takaful Limited commenced a series of Livestock Awareness session for farmers**



Salaam Takaful Limited, believing in the motto that prevention is better than cure, commenced a series of awareness sessions to apprehend farmers about potential animal related diseases and relevant vaccinations.

Lack of awareness among our local farmers is one of the reasons why Lumpy Skin Viral Disease made such devastation. Besides this, there are various other diseases which prove harmful not only for animals but humans too. Keeping all this in mind, our expert veterinaries have started visiting farmers to guide them about the steps they can take to keep their farms and animals safe, and avoid preventable losses.

**This effort aligns with:**



**SDG 15:** Life On Land; to protect, restore and encourage the sustainable use of terrestrial ecosystems, to sustainably supervise forests, tackle desertification, and put an end to and attempt to reverse land degradation and stop biodiversity loss.



## Health Awareness Sessions and Medical Camps



Continuing the smart journey, Salaam Takaful Limited organized awareness sessions and medical camp during the month of February. The awareness sessions were conducted to educate the customers about Health policy benefits and Salaam app.

All the members who attended these sessions were provided with free of cost medical treatment.

Salaam Takaful Limited always aims to provide its customers with the best experience powered by technology.

**This effort aligns with:**



**SDG 3:** Good Health and Well-being; to ensure healthy lives and overall well-being of all the members of our society.

**SDG 10:** Reduced Inequalities; to reduce unfair practices within and among countries/cities.

## Blood Donation for Thalassemia Patients Camps



Thalassemia is one of the most prevalent genetic blood disorder caused when the body doesn't make enough of a protein called hemoglobin, an important part of red blood cells, and Pakistan remains one of the highest thalassemia affected countries in the world. Thalassemia patients need regular blood transfusion and iron chelation alongside regular diagnostic examinations, in order to survive this deadly disease. Every year 4,500,000 people in Pakistan require blood transfusions which may not be very costly, but there is a lack of blood transfusion facilities and blood banks.

In an effort to be a source of help for Thalassemia survivors, Salaam Takaful Limited hosted a Blood Donation Drive in cooperation with Afzaal Memorial Thalassemia Foundation on Thursday, the December 15th, 2022. This camp was set up at Salaam Takaful Limited's head office in Karachi, and over 30 qualified staff members including the senior management, enlisted to donate their blood and helped accomplish the goal of this camp.

You do not always have to be an archetypal hero to save lives – every pint of blood that is donated at such camps helps save at least 3 lives. We sincerely hope that our humble contribution helps in the attempt to bridge the gap between the demand and supply issue of coordinating the blood group for the needy. We intend to continue taking such steps that result in a healthy ecosystem and society, while upholding impeccable traditions, which is our responsibility towards humanity.

### This effort aligns with:



**SDG 3:** Good Health and Well-being; to ensure healthy lives and overall well-being of all the members of our society.

**SDG 10:** Reduced Inequalities; to reduce unfair practices within and among countries/cities.

## Aalim Management Trainee Officer Program

In Pakistan, madrassahs are an essential part of the education system. In several distinctive areas across the country, these madrassahs, generally offer free of cost education to millions of low-income families. In 2020, we began a process to access the graduates of these madrassah schools in Pakistan to identify talented and qualified young individuals, in order to enable them so that they can work towards the development and progress of their fraternity. An Aalim Management Trainee Officer (AMTO) program was designed specifically with this pre-set goal in mind. The AMTO program is coordinated with one of the government's top priorities to mainstream religious school curricula so that madrassah students can be allowed to induct themselves into the job market. To ensure gender equality and encourage the women at work, the male to female ratio in this program is kept 1:1.

### This Program aligns with:



**SDG 10:** Reduced Inequalities; which highlights that income inequality cannot be effectively handled unless the underlying inequality of circumstances is addressed.

**SDG 5:** Gender Equality; which highlights accomplishing gender equality and empowering the women in our society.

**SDG 8:** Decent Work and Economic Growth; which encourages sustained, comprehensive and sustainable economic growth, fruitful employment and decent work for all

### Speaking up

STL is committed to a supportive environment wherein employees feel secure when they share their concerns. Employees are continuously encouraged to speak up and report concerning conduct, that they believe, in good faith, is in violation of the Company's internal policies, laws and regulations. There are multiple avenues for employees to raise their concerns, including to line managers, legal, compliance, or human resources. Such reports can also be submitted anonymously.

**This Program aligns with:**

**SDG 10:** Reduced Inequalities; which highlights that income inequality cannot be tackled effectively, unless the underlying issue of inequality of opportunities is addressed.

**SDG 8:** Decent Work and Economic Growth; which promotes comprehensive, equal, and sustainable economic growth, fruitful employment and decent work for all

**Breast Cancer Awareness (Pink Ribbon)**



Several awareness sessions were directed with the purpose of raising awareness regarding the issue of breast cancer, due to its rising threat. The attendants of these sessions were educated about the disease; including its symptoms, precautions and common treatments, and how the Salaam Takaful health policy could be used to counter the disease and help anyone in the family if they are affected by it.

**This effort aligns with:**



**SDG 3:** Good Health and Well-being; to ensure healthy lives and encourage the well-being of people in our society.

## Awareness Session on World no Tobacco Day

World No Tobacco Day  
31st May



Salaam Takaful Limited in collaboration with Liaquat National Hospital & Medical College organized a Health Awareness Session for its growth partners on the occasion of World No Tobacco Day.

The medical consultant of LNH, Dr. Tabish, talked about the health issues caused by smoking and tobacco use and highlighted the risk of diseases like cancer, heart issues, respiratory problems, and other tobacco-related illnesses. He also shared about the benefits of quitting smoking and how to develop a plan to quit successfully.

The interactive session was not only informative but also left participants inspired and empowered to make healthier choices in their life for themselves.

### This effort aligns with:



**SDG 3:** Good Health and Well-being; to ensure healthy lives and encourage overall well-being of our society

**SDG 13:** Climate Action; to take critical actions to tackle climate change and its impacts on our environment.



## Salaam Takaful Limited has Signed an MoU with MTJ Foundation



**MoU signing between  
Salaam Takaful Limited  
and MTJ Foundation**

Salaam Takaful Limited has signed an MoU with MTJ Foundation with the motive of embarking on a strategic partnership that recognizes the positive capabilities of both organizations and produces productive and fruitful results for the people of our country. Under this collaboration, students of the MTJ Foundation will have access to high-quality healthcare via Salaam Health Takaful Plan. The signing ceremony took place at Madrasa tul Hasnain where Mr. Waqas Ahmed and Mr. Molana Yousuf Jameel Sb, signed on behalf of their respective entities. Through this alliance, both parties intend to put combined efforts to create a sustainable and improved shared future for our society. This is the first step towards a much more inventive collaboration between these two organizations.

### This effort aligns with:



**SDG 3:** Good Health and Well-being; to ensure healthy lives and encourage overall well-being of our society

**SDG 10:** Reduced Inequalities; to reduce unfair practices within and among countries/cities

## Financial Awareness, Literacy and Innovation



Salaam Takaful Limited considers education and training activities to be an essential part of sustainable development, and emphatically believes in reimbursing society with the knowledge that has been accumulated within the company. In this regard, STL has taken part in innumerable activities in collaboration with various institutions where highly qualified personnel shared beneficial insights with the participants and attendants.

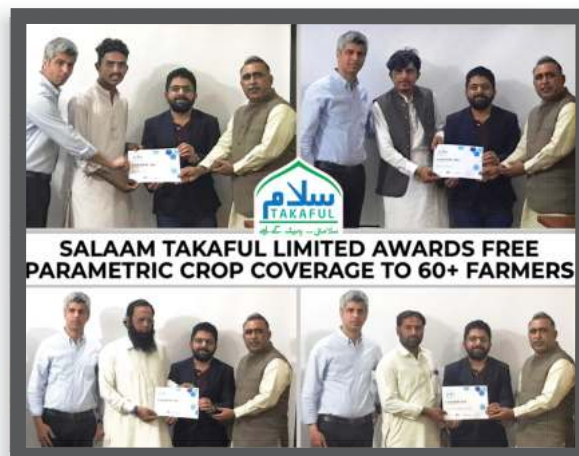
**This effort aligns with:**



**SDG 4:** Quality Education; to ensure inclusive and impartial high-quality education and promote lifelong learning opportunities for all members of the society.

**SDG 8:** Decent Work and Economic Growth; to promote dependable, comprehensive and sustainable economic growth, fruitful employment and decent work for all.

### **Financial Inclusion Through Products Supporting Agriculture**



On the path of technical creativity and industry leadership, keeping in mind the responsibility of being a thoughtful corporate citizen, the Company has launched parametric insurance for the first time in Pakistan, where the insurance claim will be awarded to farmers without any documentation. The weather and other impactful conditions in the locality are monitored scientifically via satellite and tracking sensors, and depending on certain conditions being fulfilled, the claim will automatically be awarded to such farmers. The farmers are also given dependable advice on the crop conditions, in order for preventive and corrective measures to be put in place to improve the quality and yield of the crop.

Similarly, the cattle is marked with trackers and sensors to monitor their health, and farmers are given productive advice on how to deal with any strenuous situations. In case of the loss of animal/s, the claim is awarded to the farmers without any required documentation.

**This effort aligns with:**



**SDG 1:** No Poverty; to end poverty in all its forms in our society.

**SDG 2:** Zero Hunger; to end hunger, accomplish food security, and enhanced nutrition, and to encourage sustainable agriculture.

**SDG 8:** Decent Work and Economic Growth; to promote sustained, comprehensive and dependable economic growth, productive employment, and decent work for all members of society.

## **Governance**

### **Sustainable Finance, Business Ethics, Anti-money Laundering (AML) and Combating Financing of Terrorism (CFT)**

Being an accountable and Shariah compliant corporate citizen forms an essential element of the company's functions. As the country's largest dedicated Takaful contractor and leading insurer we are proud of our dependable and rigorous Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) screening. Furthermore, our operations are contingent upon comprehensive Shariah compliance and in-depth audit checks. All customers, suppliers, partners, and financial institutions have been through all these procedures to be commissioned to work/partner with us. All these procedures ensure long-term sustainability of the organization through finance.

**This effort aligns with:**



**SDG 8:** Decent Work and Economic Growth; to promote enduring, and inclusive economic growth, and full and fruitful employment for all.






**SDG 16:** Peace, Justice, and Strong Institutions; to promote pleasant and comprehensive societies for sustainable development, to provide access to justice for our society as a whole, and to build effective, and intelligible institutions at all levels.



## SUSTAINABLE DEVELOPMENT GOALS (SDG)

Goal	Description and intended impact	No	Salaam Takaful's Contribution towards the goal
<b>1 NO POVERTY</b> 	<p>End poverty in all its forms in our society as a whole.</p> <p>End extreme poverty in all forms.</p>	1	Financial inclusion through products supporting agricultural development.
<b>2 ZERO HUNGER</b> 	<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture.</p> <p>Achieve food security through sustainable agriculture.</p> <p>Meet the nutritional needs of society as a whole.</p>	1	Financial inclusion through products supporting agriculture.
<b>3 GOOD HEALTH AND WELL-BEING</b> 	<p>Ensure healthy lives and promote the well-being for people of all ages.</p> <p>Ensure health coverage for all employees and their dependents and policyholders.</p> <p>Easy access to medicine</p> <p>End extreme poverty in all forms.</p>	4	<p>Awareness session on World No Tobacco day.</p> <p>Awareness session on Breast cancer day.</p> <p>Blood donation and Thalassemia awareness camps.</p> <p>Health awareness sessions and medical camps.</p> <p>Awareness session for farmers.</p> <p>MOU with MTJ Foundation.</p>
<b>4 QUALITY EDUCATION</b> 	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all members of the society.</p> <p>Provide basic education and increased access to higher education.</p>	1	Financial awareness, literacy, and knowledge on key issues
<b>5 GENDER EQUALITY</b> 	<p>Achieve gender equality and empower all women and girls in our society.</p> <p>End the discrimination against women and girls in educational institutions and workplaces.</p> <p>Create a safe work environment for women.</p> <p>Develop equal opportunities for women.</p>	1	Aalim Management Trainee Officer program.



Goal	Description and intended impact	No	Salaam Takaful's Contribution towards the goal
<b>6 CLEAN WATER AND SANITATION</b> 	<p>Ensure availability and sustainable management of water and sanitation for all.</p> <p>Maximum availability and utilization of water.</p>	1	Collaborating on Digital technologies in order to address the water-agriculture network.
<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	<p>Ensure access to affordable, dependable, sustainable and modern energy for all.</p> <p>Encourage the use of clean and green energy with a specific focus on natural energy.</p>		
<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	<p>Promote dependable, comprehensive, and sustainable economic growth, full and productive employment and decent work for all.</p> <p>Provide decent work opportunities to as many people as possible.</p> <p>Provide adequate opportunities to recent graduates.</p>	5	<p>Financial awareness, literacy, and knowledge on key issues.</p> <p>Speaking up and spreading awareness.</p> <p>Sustainable finance, business ethics, Anti-Money Laundering (AML) and Counter Financing Terrorism (CFT).</p> <p>Aalim Management Trainee Officer program.</p> <p>Financial inclusion through products supporting agriculture.</p>
<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	<p>Build durable infrastructure, promote inclusive and sustainable industrialization and foster creativity.</p> <p>Digital leadership through innovation and investment in infrastructure</p>	2	<p>Collaborating on Digital technologies in order to address the water-agriculture network.</p> <p>Move towards a Paperless Workplace.</p>
<b>10 REDUCED INEQUALITIES</b> 	<p>Reduce inequality within and among different countries/cities.</p> <p>Reduce the widespread inequalities amongst cities and communities within our country.</p>	7	<p>MOU with MTJ Foundation.</p> <p>Speaking up and spreading awareness.</p> <p>Blood donation and Thalassemia awareness camps.</p> <p>Aalim Management Trainee Officer program.</p> <p>Health awareness sessions and medical camps</p> <p>Financial inclusion through products supporting agriculture</p>

Goal	Description and intended impact	No	Salaam Takaful's Contribution towards the goal
<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> 	<p>Make cities and human settlements inclusive, safe, adaptable and sustainable.</p> <p>Invest in green-earth initiatives.</p>	1	Financial inclusion through products supporting agriculture
<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	<p>Ensure sustainable consumption and production patterns.</p> <p>Minimize wastage and improve the utilization of depleting resources.</p>	6	<p>Move towards a Paperless Workplace.</p> <p>Reduction in Plastic consumption.</p> <p>Collaborating on Digital technologies in order to address the water-agriculture network.</p> <p>Plantation Drive</p> <p>Earth Day (22nd April).</p> <p>World Environment Day (5th June).</p>
<b>13 CLIMATE ACTION</b> 	<p>Take urgent action to tackle climate change and its impacts on society and the environment.</p> <p>Attempt to reverse climate change and bring the Earth to its natural order.</p>	5	<p>Move towards a Paperless Workplace.</p> <p>Awareness session on World No Tobacco day.</p> <p>Plantation Drive.</p> <p>Earth Day (22nd April).</p> <p>World Environment Day (5th June).</p>
<b>14 LIFE BELOW WATER</b> 	<p>Protect and sustainably use the oceans, seas and marine resources for sustainable development.</p> <p>Protect and conserve the life below water.</p> <p>Reduce the depletion rate via responsible consumption.</p>	1	World Environment Day (5th June).
<b>15 LIFE ON LAND</b> 	<p>Protect, replace and encourage sustainable use of terrestrial ecosystems, sustainably supervise forests, tackle desertification, and halt and reverse land degradation and halt biodiversity loss.</p> <p>Protect the natural ecosystem on the Earth by restoring the forests and bio diversity.</p>	3	<p>Awareness session for Farmers</p> <p>Plantation Drive</p> <p>World Environment Day (5th June).</p>

Goal	Description and intended impact	No	Salaam Takaful's Contribution towards the goal
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>Promote peaceful and inclusive societies for sustation development, provide access to justice for all the members of society, and build effective, accountable and inclusive institutions at all levels.</p> <p>Strengthen the institutions for peace and counter injustice.</p>	1	Sustainable finance, business ethics, Anti-Money Laundering (AML) and Counter Financing Terrorism (CFT).
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>Strengthen the means of implementation and revitalize the global partnership for sustainable development.</p> <p>Forging partnerships with institutions for sustainability.</p>	1	Collaborating on Digital technologies in order to address the water-agriculture network.

**Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013, issued by the SECP or any other regulatory framework as applicable.**

The Company is currently reviewing the CSR Guidelines and regulatory framework for compliance and has appointed A. F. Ferguson & Co. (a member firm of PWC in Pakistan) as its consultants and advisors for the same. The Company is devoted to United Nations Sustainable Development Goals (SDGs) and the efforts towards the same are discussed in the prior paragraphs.

**CLEAN AND GREEN PLANET:**

Salaam Takaful Limited is highly committed to restoring the environment and making the responsible decisions necessary to achieve that goal. Many initiatives have been taken by the company and few of them are as follows:

1. Greenery in the office: Indoor and outdoor plants have been placed inside and outside our offices in Karachi, Lahore, Islamabad, Multan and Faisalabad. It is a requirement for all of our offices to have plants as an indication of our commitment towards a greener planet.
2. Going paperless: Realizing the importance of trees and their impact on the environment, the Company had taken an initiative and made it mandatory for everyone to adopt a paperless policy. Employees and partners of the Company are educated about the significance of this decision, and it is compulsory for our employees to follow this policy.

3. Sunlight advantage and responsible use of electricity: A drive has been initiated, wherein the administration is compelling its employees to keep the window blinds open in the offices during daytime hours and switch off the lights to take maximum advantage of sunlight and reduce the cost of electricity.
4. Online meetings and trainings: Since the evolution of COVID-19, we have adapted efficient strategies such as encouraging employees to attend meetings via Zoom and other online platforms to avoid excess travel and ancillary costs and to save time. This plan also serves to maximize employee productivity. Similarly, the Company is also conducting all its interviews for available employment opportunities via Zoom, in an effort to consider the above factors for society as a whole.
5. Waste minimization and responsible consumption: Utilizing the concept of reduce, reuse and recycle, our Company has taken various steps to minimize waste. After the successful transition to "Going Paperless", our Company has taken measures such as: no single use plastics, bulk procurement to reduce packing wastage, online payments, email and SMS communication, extended use of office furniture to maximize benefits and minimize wastage etc. The Company is also considering various other measures in this regard. A water consumption policy is also being developed to amplify waste reduction of scarce resource.
6. Services with clean and green impact: The Company is continuously encouraging its employees, policyholders, and partners to utilize services that have an environmentally responsible impact, including electronic communication, no manual / paper invoices, purchase orders or policies etc.
7. Building design and infrastructure: The Company plans to relocate its office to a new building that has been developed and built in a sustainable manner, to ensure a more environmentally friendly impact. The building is designed with large windows and glasses on its exterior, in order to take full advantage of sunlight. Furthermore, the building insulated in a technical manner to provide warmth in the winter and keep the office cool in summer. Suitable health and safety measures have been placed within the building, like firefighting equipment, emergency exits and alarms, fire sprinklers, CCTV cameras etc. to enhance the experience of our employees in the new building and to provide them with a pleasant work environment. The building is also located in an untroubled and peaceful community near the coast to refine the commuting experience of our employees.
8. Runner up – summer hack 2022, Cookhouse Labs Insur-tech, Canada: Salaam Takaful Limited participated and secured runner-up position in recently concluded SummerHack 2022: Global Insurance Design Thinking Ideathon with the theme "Artificial Intelligence in Insurance." It was a 3-day ideathon with 100+ innovators represented by 15 teams from Asia Pacific, Europe, Middle East, Africa and the Americas.

The contenders included participants from prestigious financial institutions around the globe. Salaam Takaful, represented by Mr. Umair Ismail, Mr. Ali Zaidi, Mr. Shah Ahmed, Mr. Mir Faisal Talpur and Mr. Abdul Basit, emerged as runner-up after they proposed an innovative solution with the name Farm Robo. The idea was aimed to increase the penetration of insurtech, backed by artificial intelligence, especially in the rural areas of Pakistan. Besides this, Salaam Takaful Limited has also been awarded with Masterclass Tailored Solution.

The competition was organized by Cookhouse Labs – InsurTech, a collaborative space for innovative thinkers, based out of Canada, which invites insurance and reinsurance experts, financial services professionals, entrepreneurs and academics from around the globe to join in on developing solutions for the current and future trends of insurtech, in collaboration with InsurLab Germany and MSG Global. Salaam Takaful was bested only by HSBC Canada.

9. Parametric insurance and sustainable Islamic finance: Salaam Takaful leverages technology to provide parametric crop Takaful coverage. The real-time satellite-based solution triggers payouts to policyholders automatically without requiring them to make a claim. Beginning with Salaam Takaful's induction into a regulatory sandbox in 2021, the parametric solution is now taking a more cohesive and consistent shape with a pursuit of a sustainable business model for scaling the initiative to a national-level program.

Salaam Takaful launched its pilot execution in the district of Rahim Yar Khan with the help of WaterSprint as a technology service provider and REEDS working on the ground level to assist in tech literacy among farmers. It has hired a team of agronomists from different agriculture-oriented cities who will use their technical skills to evaluate the findings of the pilot execution and provide valuable solutions to improve the product.

The operator is expecting to create an impact on 6000-plus households in the first year of business and create a positive impact on 33,000-plus households by 2026. Highlighting the emphasis on financial inclusion in the UN Sustainable Development Goals, Salaam Takaful has committed to align all future social efforts toward creating financial inclusivity.

10. Principles for Sustainable Insurance: Endorsed by the U.N. Secretary-General, the Principles for Sustainable Insurance (PSI) has the distinction of being the largest collaborative initiative between the United Nations Environment Programme Finance Initiative (UNEP FI) and the insurance industry called the PSI Initiative. Over 140 organizations worldwide have adopted the four Principles for Sustainable Insurance, including insurers representing more than 25% of world insurance premium volume and USD 14 trillion in assets under management. The Principles are part of the insurance industry criteria of the Dow Jones Sustainability Indices and FTSE4Good.

Salaam Takaful Limited is in the process of becoming a signatory to the same. The criterial has been reviewed by both sides and Salaam Takaful Limited believes that there is no impediment in this way. Salaam Takaful Limited believes that as long-term custodians of assets, the insurance industry is a key player in supporting environmental, social and governance (ESG) efforts in their investment, underwriting, and operations. Becoming a signatory to the Four Principles for Sustainable Insurance PSI is a significant step towards building a resilient, inclusive and sustainable business.





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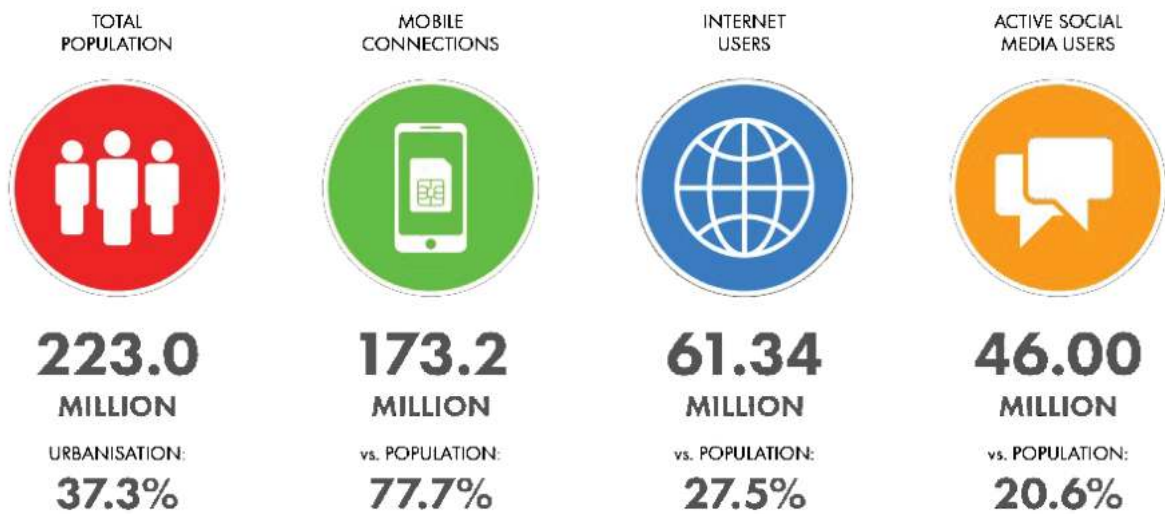
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11. Insurtech and Micro Insurance: Though the Company has an online presence and certain products can be purchased from the Company's website directly, digital embedding and distribution through microfinance institutions will be one of the major revenue drivers in the future. The Company has already started working and investing towards developing this medium which will gather its momentum in the ensuing years to the Company's benefit. Some examples include Strategic Partnerships with aggregators (Smartchoice.pk & others) and third-party companies (Bakhabar Kissan, Reap Agro, InFarmer, Watersprint) that allow a deep penetration to previously untapped market segments. These avenues educate potential customers and build trust in the overall insurance sector. Our proactive activity will help us greatly influence this channel.
12. Digital landscape: The digital footprint is expanding in Pakistan and globally. Ecommerce Market expansion in Pakistan is expected to continue over the next few years at a predicted compound annual growth rate (CAGR 2021-2025) of 7%, as indicated by the Statista Digital Market Outlook. Currently we stand at 46 million active internet users and above 20% of the population who actively consume social media automatically make it to our potential target market. Salaam Takaful is taking multiple measures to take the advantage of digital revolution. Key highlights of digital market is as below



13. Agri and livestock: Being an underdeveloped and agricultural country, it's imperative to bring them under financial documentation and extend the benefits of modern financial systems to the same sector. Salaam Takaful has already introduced few products on the same and is in process to launch multiple products to ensure food security and bringing a positive change in the rural life.
14. Tech Incubation Center: We plan to invest in a Tech Incubation Center at our new office space in Salaam Tower. This center will specifically focus on the financial services and insurance sector. This will include Hardware Infrastructure companies, E-insurance brokerage, E-surveyor companies and more. This incubation will be led by our "Financial Inclusion" vision and all companies will be evaluated on their affect in furthering this cause.

# BUSINESS MODEL

## CREATING A DIGITAL ROAD THROUGH PARTNERSHIPS

Salaam Takaful Limited has partnered with various technology companies to offer innovative Islamic insurance products, streamline operations, and improve customer experience. By leveraging these partnerships, the company differentiates itself, attracts customers, and achieves its strategic objectives. Overall, Salaam Takaful Limited recognizes the importance of technology partnerships in its business model and has been proactive in leveraging these partnerships to build a reputation for innovation and excellence in the market







# BUSINESS MODEL

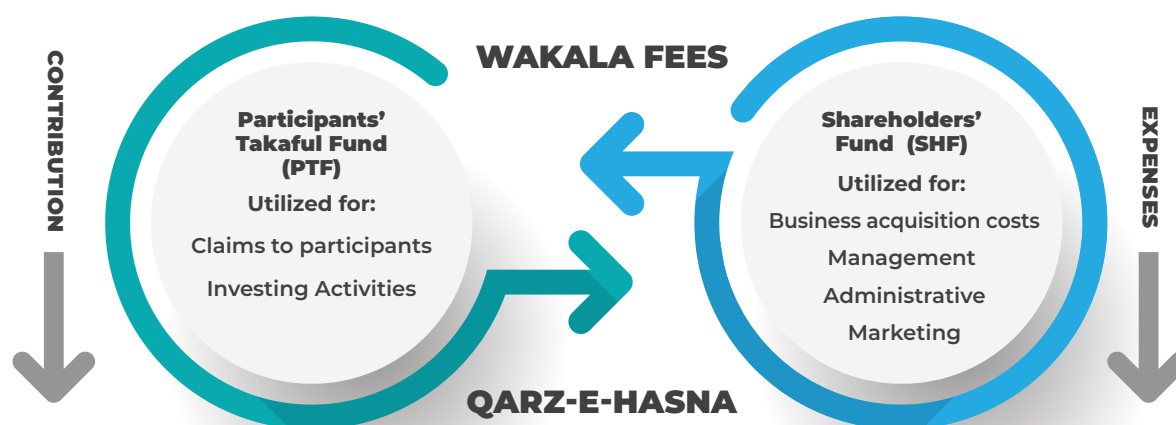
Salaam Takaful Limited, a renowned Takaful Operator, specializes in providing Shariah-compliant insurance services to individuals and corporate entities. As a public limited (unlisted) company, jointly owned by several corporate and individual investors, it has established a solid reputation in the industry.

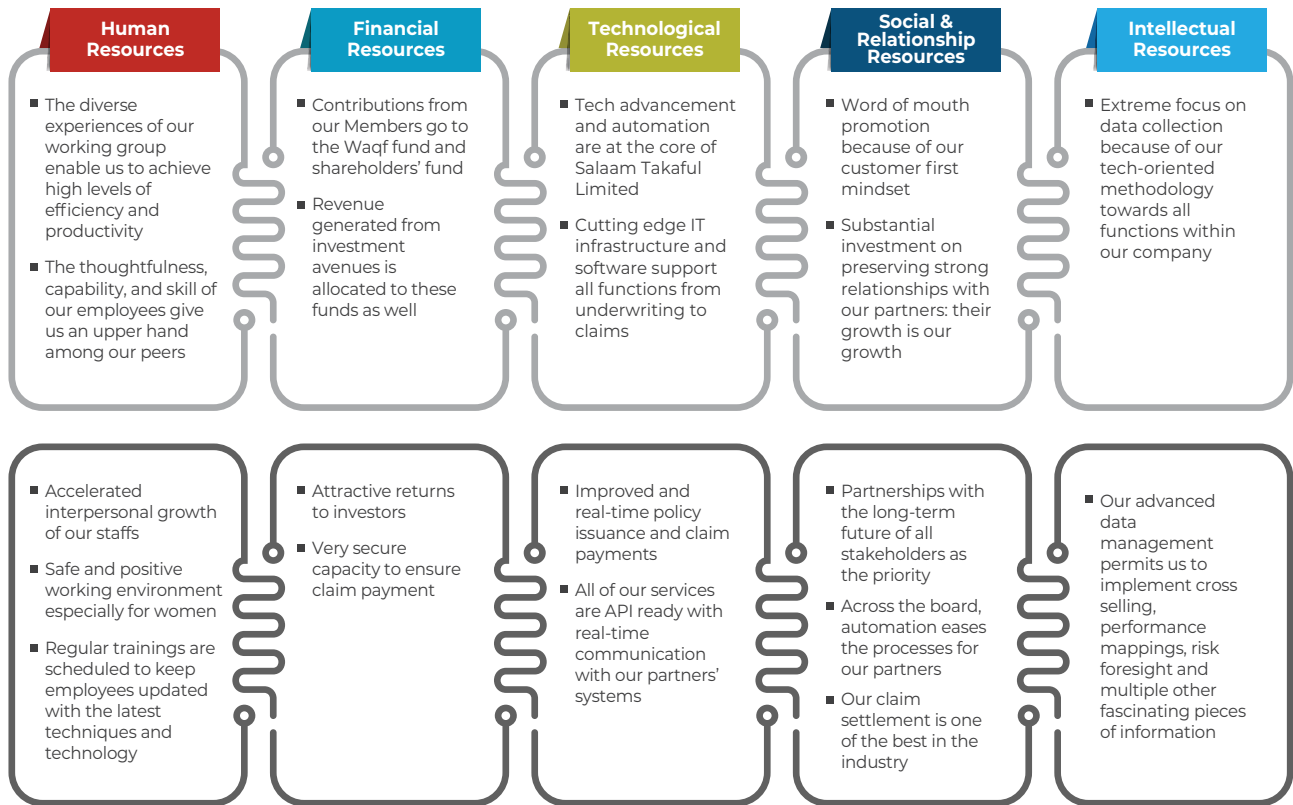
Traditionally, the company engaged with clients through conventional means. However, in response to the evolving landscape of Fintech/Insurtech, it is actively designing digitized technological platforms to sell its products and enhance customer services. With a firm focus on innovative thinking and being at the forefront of the market, Salaam Takaful Limited adopts a "customer first" approach in its resolute and customer-centric business model. It strives to serve clients across Pakistan through a blend of well-developed digital, electronic, and corporeal touchpoints.

The comprehensive lineup of products and services caters to diverse needs. Salaam Takaful Limited offers motor, health, fire & engineering, and miscellaneous islamic insurance products, catering to both individuals and corporations. Moreover, its competent team continuously works on developing inventive and novel offerings. These include Pay as you drive (PAYD), Bike Takaful, Cashless OPD, Parametric-Based Livestock Takaful, Parametric-Based Travel Takaful, Parametric-Based Crop Takaful, and Loss of Employment Takaful. By expanding its products range, the company seeks to accommodate the retail market and embrace a Direct to Consumer (DTC) model. Importantly, all products strictly adhere to Shariah-compliant principles.

The renowned business functions are supported by various support functions, ensuring the seamless execution of operational activities with efficiency and effectiveness. The company consistently invests in core operations, supporting both existing and emerging product lines. By doing so, it aims to generate value for stakeholders, encompassing shareholders, customers, employees, business partners, regulators, professional associations, and society as a whole. These investments cover financial, human, manufactured, intellectual, social & relationship, and natural capital. The collective efforts of the esteemed board of directors, senior management, employees, contractors, and business partners are key drivers of the company's steadfast growth.

In conclusion, Salaam Takaful Limited is committed to delivering exceptional Shariah-compliant insurance services. Through its innovative digital platforms, wide range of products, and customer-centric approach, it aims to provide extraordinary experiences to clients across Pakistan while generating value for stakeholders.





## KEY ELEMENTS AND BUSINESS ACTIVITIES



# CORE AREAS

- Crop
- Livestock
- Special Products

EMERGINGS LINE

- SehatPay
- Comprehensive IPD

HEALTH

- Engineering
- Miscellaneous
- Marine
- Fire

NON-MOTOR

- Theft
- Total Loss
- Third Party
- 3T
- Pay as you Drive

MOTOR

## Market Landscape and Competitive Positioning

Shariah Compliance

Regulatory Changes

Political Instability

Global Economic Changes

Monetary & Fiscal Policy Changes

Competitors' Market Share

Impact on Business Practices

# VALUE ADDITION

We continuously try to offer the maximum benefits in the most cost-effective rates possible

We strive to make the policy issuance and claim disbursement mechanism as fast and hassle free as possible

## FOR PARTICIPANTS

We offer our employees multidimensional experiences

We deliver our employees a sense of responsibility by giving them independent domains

We have ethos that promote avant-garde thinking

## FOR EMPLOYEES

We offer our shareholders high returns on their put in capital

We guarantee a smooth flow of data of all major actions to our shareholders

Our emphasis on revenue growth, operating margins and capital effectiveness marks the approval of our shareholders

## FOR SHAREHOLDERS

We provide our partner with a committed resource to support with everyday governance

We form win-win situations for all our partners

Our allies aid us in penetrating their industry whereas we alleviate the financial risks from our takaful solutions

## FOR PARTNERS

## **INPUT:**

### **Human Resources**

- Our adept and highly proficient personnel allows our team to work in a cohesive manner
- The diversity that is maintained throughout the Company allows for a wider representation of local demographics and allows for fresher ideas to be integrated
- Consistent learning and team building opportunities allow for a cohesive network and flourishing environment to exist
- A highly experienced team of talented individuals give us a competitive edge in the industry

### **Financial Resources**

- The capital contributed by our participants directly contributes to the Waqf Fund and Shareholders Fund
- Additional investments made generate value that also contributes to these funds

### **Technological Resources**

- We swiftly incorporate technological advancements into our operations, ensuring innovation and digital ingenuity
- Our corporation is equipped with state-of-the-art IT infrastructure utilized across all departments
- Our cutting-edge software is designed to handle various processes, from underwriting to claims

### **Social & Relationship Resources**

- Placing our customers as the utmost priority allows us to focus on word-of-mouth marketing
- We strive to establish mutually beneficial relationships with our stakeholders and partners, fostering growth and success for all

### **Intellectual Resources**

- Our paperless approach facilitates digitized and computerized data accumulation and analysis, promoting a systemic flow of information
- Our technology-led protocols and effective managerial guidance ensure harmonious collaboration among departments

## **OUTCOME:**

### **For Human Resources**

- We create a facilitative atmosphere that promotes interpersonal growth among employees
- We prioritize the well-being of all employees, providing safe and welcoming working conditions, especially for women
- We organize workshops, seminars, and trainings to continually enhance employees' technical skills
- Regular performance reviews help identify and address potential weaknesses or problem areas



#### **For Financial Resources**

- We deliver substantial and attractive returns to our shareholders
- Our stable and growing financial capacity ensures efficient and effective claim payments without incurring losses

#### **For Technological Resources**

- We provide improved & real-time policy issuance and hassle-free claim payments
- Our API-ready infrastructure enables seamless communication with partners' systems, facilitating timely information exchange

#### **For Social & Relationship Resources**

- We maintain mutually beneficial long-term partnerships
- Our automated infrastructure enhances ease of use for partners
- Our efficient claim settlement procedures ensure the satisfaction of our expansive client base

#### **For Intellectual Resources**

- Our commendable data management enables us to implement cross-selling techniques, performance mappings, risk foresight, and other compelling insights
- For Participants we continually strive to offer maximum benefits at cost-effective rates
- We prioritize efficiency and effectiveness in policy issuance and claim disbursement mechanisms

#### **For Employees**

- We provide multidimensional experiences for personal and professional growth
- Employees are entrusted with independent domains and responsibilities, fostering a sense of responsibility
- Our ethos and passion encourage avant-garde thinking while staying true to our roots

#### **For Shareholders**

- We offer shareholders exponentially high returns on their investments
- We ensure a smooth flow of data for all major actions, keeping shareholders informed
- Our focus on revenue growth, operating margins, and capital effectiveness reflects our commitment to shareholder satisfaction

#### **For Partners**

- We provide dedicated resources to support everyday governance for our partners
- We prioritize creating win-win situations for all partners
- Through our Takaful solutions, we help alleviate financial risks in their industries, further strengthening our partnerships

# **BUSINESS MODEL IN ACCORDANCE WITH INTERNATIONAL INTEGRATED REPORTING (IR) FRAMEWORK**

The comprehensive framework diagram illustrates the fundamental components and interrelationships that contribute to the success of Salaam Takaful Limited. Through various operational activities, executed by our dedicated operations department, we strive to generate significant outcomes and favorable results for a wide range of stakeholders. This includes our esteemed customers, policyholders, employees, shareholders, partner companies, regulators, professional associations, rating agencies, and the broader society.

## **External Stakeholders**

Within the external environment, our key stakeholders encompass shareholders, policyholders, re-takaful & co-takaful operators, rating agencies, media, senior management, employees, and prospective policyholders. Their involvement and support play a crucial role in shaping our operations.

## **Inputs**

The company relies on several key inputs that form the foundation of our operations. These inputs include financial, intellectual, human, manufactured, natural, social, and relationship capital. They serve as the pillars that enable us to run our operations smoothly and drive sustainable growth. These inputs are essential in generating the desired output, playing a pivotal role in our business model's success.

## **Process**

Our processes encompass the various business activities carried out using the inputs to produce valuable output. As an adaptable business model, we constantly respond to the dynamic external environment, ensuring improved output and outcomes. Through revolutionary innovation, process improvement, effective relationship management, and strict adherence to Shariah compliance, we aim for long-term success.

## **Output**

The services we provide, such as claims, surplus, and ancillary services, represent the tangible output for our valued policyholders. Additionally, this output includes financial profits and cash flows that contribute to our overall success.

## **Outcome**

At the heart of our mission, Salaam Takaful Limited strives to achieve exemplary customer satisfaction, foster brand loyalty, and promote positive environmental impact. Furthermore, additional outcomes encompass employee morale, corporate reputation, and customer loyalty. Our business model is designed to generate beneficial outcomes, encouraging us to continually enhance and advance our products and services.



# COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

## SERVICE FIRST, PAYMENT LATER

Salaam Takaful Limited upholds the principles of compliance with the Code of Corporate Governance in all aspects of their operations. This includes their innovative Pay as you Drive Motor Takaful, where policyholders are charged based on the number of kilometers driven. By adhering to the Code, Salaam Takaful ensures transparency, accountability, and fairness in their pricing structure, providing customers with a reliable and ethical insurance solution.







# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

## For the year ended 31<sup>st</sup> December, 2022

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

Salaam Takaful Limited (herein after referred to as “the Company”) has applied the principles contained in the Code in the following manner:

1. The Company has executive and non-executive directors including those representing minority interests on its Board of Directors. At present the Board includes:

<b><u>Category</u></b>	<b><u>Names</u></b>
Independent Director	Dr. Irum Saba
Executive Director	Syed Rizwan Hussain
Non-Executive Directors	Mr. Salim Habib Godil
	Mr. Shahzad Salim Godil
	Syed Salman Hussain
	Mr. Tamim Shabbir
	Mr. Faisal Murad

The Independent Director meets the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

Salaam Takaful Limited is an un-listed Company. The Company strives to encourage effective representation on Board of Independent Non-Executive Directors including those representing minority interests, so that the Board as a group includes core competencies and diversity.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in the payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has not been declared as a defaulter by a stock exchange.
4. The Company has prepared “Statement of Ethics and Business Practices” as Code of Conduct which has been disseminated among all the directors and employees of the Company, along with the relevant policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
8. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
12. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.
14. The Company has formed the following management committees:

**Underwriting & Co-Takaful / Re-Takaful Committee:**

<b><u>Name of the Member</u></b>	<b><u>Designation</u></b>	<b><u>Category</u></b>
Syed Rizwan Hussain	Managing Director & CEO	Chairman
Mr. Kamran M. Hanif	Head of Operations*	Member
Mr. Raheel Shaikh	Head of Health-Underwriting & Products	Member
Mr. Umair Ismail	Head of Specialty & Transformation*	Member Secretary

\* Represents changes during the year

**Benefit (Claim) Settlement Committee:**

<b><u>Name of the Member</u></b>	<b><u>Designation</u></b>	<b><u>Category</u></b>
Syed Rizwan Hussain	Managing Director & CEO	Chairman
Dr. Omair Saeed	Head of Health-Benefits & Network*	Member
Mr. Shoaib Hussain	Manager Claims – Non-Motors*	Member
Muhammad Irfan	Chief Financial Officer	Member
Mr. Faheem Darrs	Head of Claims-Motor (South)*	Member- Secretary

\* Represents changes during the year

**Risk Management & Compliance Committee:**

<b><u>Name of the Member</u></b>	<b><u>Designation</u></b>	<b><u>Category</u></b>
Syed Rizwan Hussain	Managing Director & CEO	Chairman
Mr. Waqas Ahmed**	Executive Director – Strategy & Planning	Member
Mr. Kamran M. Hanif	Head of Operations*	Member
Mr. Umair Ismail	Head of Specialty & Transformation*	Member
Muhammad Irfan	Chief Financial Officer	Member
Syed Muhammad Ali Zaidi	Head of Risk Management*	Member - Secretary

\*Represents change during the year

\*\*Not a member of the Board of Directors

15. The Board has formed the following Board Committees:

**Investment Committee:**

<b><u>Name of the Member</u></b>	<b><u>Category</u></b>
Syed Salman Hussain	Chairman – Non-Executive Director
Syed Rizwan Hussain	Member– Executive Director
Mr. Shahzad Salim Godil	Member – Non-Executive Director
Muhammad Irfan	Member & Secretary – Chief Financial Officer & Chief Investment Officer

**Ethics, Human Resource and Remuneration Committee & Nomination Committee:**

<b><u>Name of the Member</u></b>	<b><u>Category</u></b>
Mr. Salim Habib Godil	Chairman – Non- Executive Director
Syed Rizwan Hussain	Member – Executive Director
Mr. Shahzad Salim Godil	Member – Non - Executive Director
Syed Salman Hussain	Member– Non - Executive Director
Mr. Noman Zaidi*	Member & Secretary – Head of Human Resource

\*Represents change during the year

16. The Board has formed an Audit Committee. It comprises of five (5) members of whom one (1) is an independent director and four (4) are non-executive directors. The chairman of the Committee is an independent director & non-executive director. The composition of the Audit Committee is as follows:

**Audit Committee:****Name of the Member**

Dr. Irum Saba  
Mr. Salim Habib Godil  
Mr. Shahzad Salim Godil  
Syed Salman Hussain  
Mr. Fahad Ahmed Khan\*

**Category**

Chairperson – Independent Director  
Member – Non-Executive Director  
Member – Non-Executive Director  
Member – Non-Executive Director  
Secretary – Head of Internal Audit

\*Represents change during the year

17. The meetings of the committees, except the Ethics, Human Resource and Remuneration Committee were held once in every quarter and in case of the Audit Committee prior approval from CEO and CFO of the interim and final results of the Company, as required by the Code of Corporate Governance for Insurers, 2016 has been taken. The minutes of the meetings were duly circulated in accordance with the requirement to the Code. One meeting of the Ethics, Human Resource and Remuneration Committee was held during the year. The terms of reference of the Committees have been formed and advised to the Committees for compliance.
18. The Board has outsourced the internal audit function to EY Ford Rhodes, Chartered Accountants, one of the BIG-4 audit firms of international repute, considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function on regular basis. Further, a robust internal control environment is in place and is effectively overseen by Head of Internal Audit.
19. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, Re-Takaful, risk management and grievance function / department possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

<b><u>Name of the Member</u></b>	<b><u>Designation</u></b>
Syed Rizwan Hussain	Managing Director and CEO
Mr. Muhammad Irfan	Chief Financial Officer (CFO), Company Secretary, Chief Investment Officer and Head of Investor Grievances
Mr. Kamran M. Hanif	Head of Operations*
Mr. Umair Ismail	Head of Specialty and Transformation*
Mr. Fahad Ahmed Khan*	Head of Internal Audit
Ms. Rana Mustansir*	Company Secretary & Head of Legal, Compliance & Compliance Officer
Mr. Faheem Darrs	Head of Claims – Motor (South Region) and Head of Policyholder Grievances
Mr. Alisha Fazal	Head of Claims – Motor (North Region)
Mr. Raheel Sheikh	Head of Health - underwriting & Products
Dr. Omair Saeed	Head of Health - Benefits & Network
Syed Muhammad Ali Zaidi	Head of Risk Management

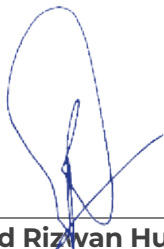
\*represents changes during the year

20. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
23. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
24. The Company has set up a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.



25. The Board ensures that as part of the risk management system, the Company gets itself rated from Pakistan Credit Rating Agency Limited (PACRA) which is being used by its risk management function and the respective committee as a risk monitoring tool. The rating assigned by the Pakistan Credit Rating Agency Limited (PACRA) is 'A++' with stable outlook given on February 6th, 2022.
26. The Board has set up a Grievance function which fully complies with the requirement of the Code of Corporate Governance for Insurers, 2016.
27. The Company has not obtained any specific exemption from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code of Corporate Governance for Insurers, 2016.
28. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied.

By Order of the Board



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**Syed Rizwan Hussain**

Managing Director & CEO

Date: April 12th, 2022

# REVIEW REPORT ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 ("the Code") as prepared by the Board of Directors ("the Board") of Salaam Takaful Limited ("the Company") for the year ended December 31st, 2022 in accordance with the requirements of the Code.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended December 31st, 2022.

Date: 27th April, 2023

Karachi



KPMG Taseer Hadi & Co.  
Chartered Accountants

# REPORT OF THE AUDIT COMMITTEE

## 1. Composition of the Committee

The Audit Committee, appointed by and responsible to the Board of Directors comprises of five non-executive directors.

Members of the Committee

- Following are the members of the Audit Committee:
- Dr. Irum Saba – Chairperson (Independent Director)
- Tamim Shabbir – Member (Non-Executive Director)
- Salim Habib Godil - Member (Non-Executive Director)
- Shahzad Salim Godil - Member (Non-Executive Director)
- Syed Salman Hussain - Member (Non-Executive Director)

## 2. Scope of Audit Committee

Scope of Audit Committee encompasses but is not limited to overview the adequacy and effectiveness of governance, risk management, and control processes of the company. Internal audit assessments include evaluating whether risks relating to the achievement of company's strategic objectives are appropriately identified and managed. The results of operations are consistent with established goals and objectives. The Audit Committee emphasizes on the effectiveness of internal controls, compliance, assurance, internal audit functions, and other responsibilities given by the Board of Directors.

## 3. Internal Control Framework

The Audit Committee is also responsible to make sure that the Company's Internal Control Framework is effective and efficient in the manner to cater the potential risk associated with the safeguard of the assets. The components of the Internal Control Framework are as follows:

### The control environment

It is the attitude of the strategic level management towards the control. The Company's senior management took active part to develop and establish internal control system and encourages the employees to adhere to them.

### Entity's risk assessment process

The risk assessment process forms the basis for how management determines the risks to be managed. The Company outsourced the internal audit function to one of the big four firms, EY Ford Rhodes, whose role focuses heavily on risk identification and assessment.

### The information system

The information system of the organization comprises of the financial reporting procedures and objectives from the recording stage to the disclosure of financial position and performance of the Company to its stakeholders. The Company has stringent control over its information system to make sure its financial statements show true and fair view.

### **The control activities**

The policies and procedures have been designed to ensure that their operation are being operated in our efficient and effective manner. The Company took assistance from Deloitte to draft its policies and they are in operation, which is reviewed on timely basis.

The monitoring of controls

This is the process of evaluating the efficacy and usefulness of controls over time and taking necessary precautionary and remedial action to improve and update them. Head of Internal Audit of the Company and EY Ford Rhodes are serving their roles to monitor the controls and reporting it to the Audit Committee.

## **4. Role of Internal Auditor**

The role of an internal auditor is to provide an independent assurance that an organization's risk management, governance and internal control processes are operating effectively. Internal Auditor also provides an unbiased and objective view. In addition, internal auditor helps organization to succeed and to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## **5. Major Roles and Responsibilities of Internal Audit**

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the Company's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.

## 6. Meeting Conducted by Audit Committee

- During the year 2021 four Audit Committee meetings were held.
- The financial statements of Salaam Takaful Limited are reviewed quarterly, semi-annually and annually by the Audit Committee before its approval by the Board.
- There is a full access and liberty in approaching the Chairman and discussing the issues having significant concern for the Internal Auditor.
- All the duties carried out by Internal Audit function are according to the charter defined by the committee for the efficient and effective functioning of the operations.
- The Committee also suggest recommendations after reviewing the controls.
- The Internal Audit function also carries out updates on the entire audit activity during the year.
- The significant audit findings are forwarded to the Audit Committee.
- The Internal Audit function also ensures compliance of Shariah Advisor reports.

## 7. External Audit

The Chairman of the Audit Committee also held meetings with partner of our External Auditor KPMG Taseer Hadi & Co. to ensure the independence of auditors in expressing an audit opinion.

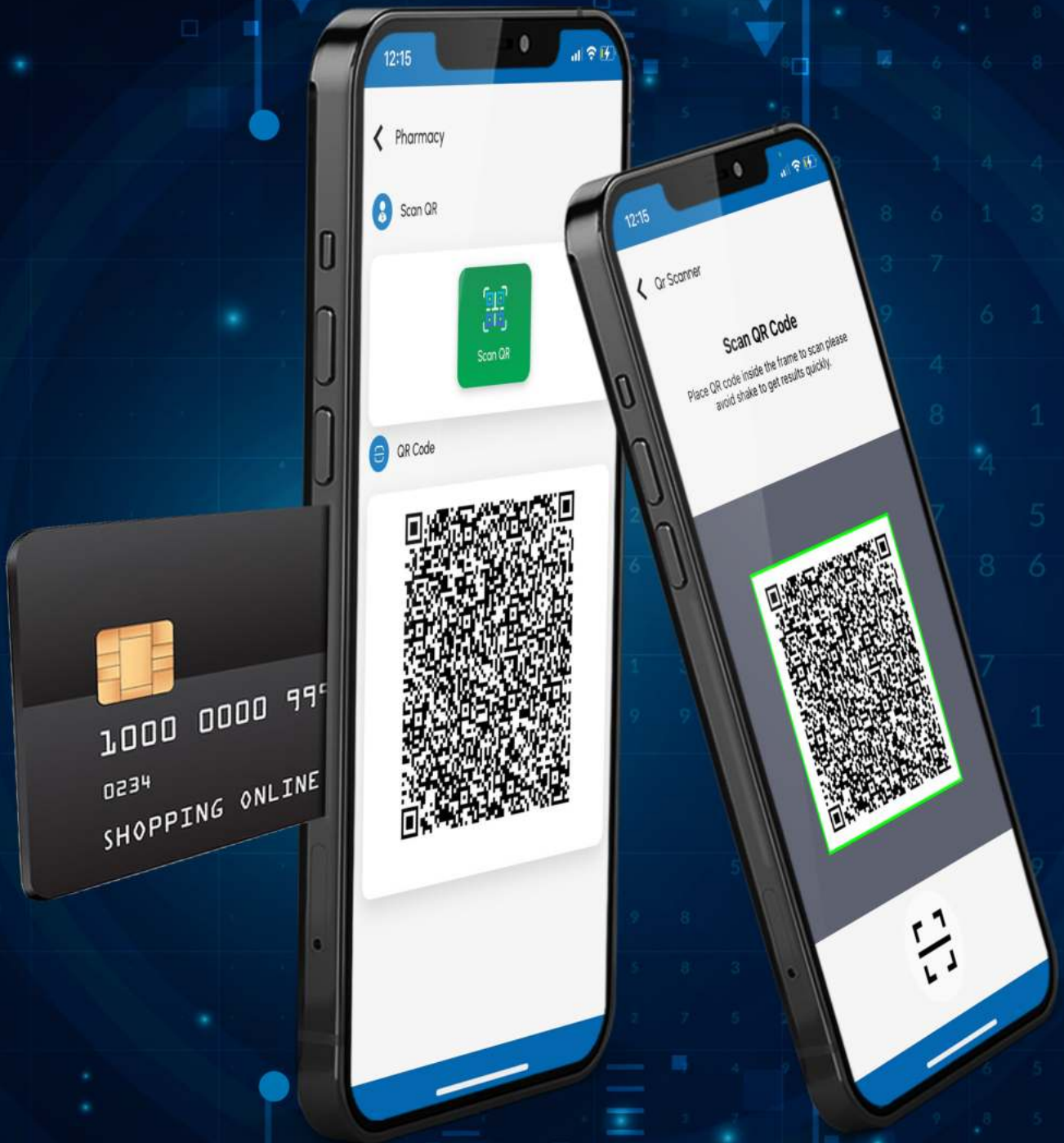
The Audit Committee reviewed the audited accounts of Salaam Takaful Limited for the period year ended 31<sup>st</sup> December, 2021 audited by KPMG Taseer Hadi & Co. and confirms that there is no material non-compliance found within the audited accounts and all the information provided in the financial statements are free from material misstatement and shows true and fair view.



**Dr. Irum Saba**

Chairperson  
Audit Committee





# SHARIAH COMPLIANCE AND AUDIT

## CASH ASSISTANCE JUST A TAP AWAY

Salaam Takaful's products and processes are Shariah Compliant yet innovative. One of these kinds of products is Salaam Sehat Pay (Cashless OPD) service, which provides maximum convenience to policyholders, allowing them to access medical services without the hassle of cash payments. This service is supported by a network of partner hospitals and healthcare providers, ensuring that policyholders have access to quality medical care when they need it the most. By providing convenient solutions like Salaam Sehat Pay and disclosing industry-specific details, Salaam Takaful is enhancing its reputation as a customer-centric provider of Islamic insurance solutions.

# PROFILE OF SHARIAH ADVISOR

## Mufti Sajjad Ashraf Usmani - Shariah Advisor and Member, Shariah Board

Mufti Sajjad Usmani is a qualified CSAA (Certified Shariah Advisor & Auditor) from AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain), Takhassus Fil Ifta (Specialization in Islamic Jurisprudence and Fatwa) and Dars-e-Nizami/Shahadat-ul-Aalamia from Jamia Dar-ul-Uloom, Karachi and a certified anatomist of Sukuk, Islamic Banking & Finance. He is a seasoned professional with over 12 years of experience in writing Fatawa and 8 years in serving as a Shariah Advisor of leading financial institutions of Pakistan.

He has blend experience of providing Shariah consultancy to four (4) Takaful Companies as Shariah Advisor since 2015 and also served as Shariah Advisor of the Tier 2 Mudharabah Sukuk issued by Meezan Bank Limited. He is the Shariah Board Member at National Bank of Pakistan (Aitamad Islamic).

He also has 7 years' working experience with leading Auditing firms like A.F.F (PWC) & Deloitte Pakistan, as a Shariah Consultant & Head of Shariah Audit and has supervised various Shariah Audits of renowned Islamic Banks, Takaful Companies and Sukuks under the audit firm's umbrella. He knows the practical problems being faced by the Islamic Financial Institution.

He is a teacher of Hadith and Fiqh (Islamic Jurisprudence) at Jamia Dar-ul-Uloom, Karachi besides teaching in various leading Islamic educational institutions like IBA CEIF & Center for Islamic Economic since 2011.

# PROFILE OF SHARIAH BOARD

## Dr. Mufti Irshad Ahmad Aijaz - Chairman, Shariah Board

Dr. Mufti Irshad Ahmad Aijaz is the Chairman of the Shariah Supervisory Board of BankIslami. He graduated from Jamiat-ul-Uloom Islamiyyah, Binnori Town, Karachi and obtained his Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) from there. He then completed his Takhassus fi al-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Dar-ul-Uloom, Karachi. He has passed country's first Islamic Finance course "Contemporary Business and Banking and its critical evaluation in the light of Shariah" offered by the Centre for Islamic Economics, Jamia Dar-ul-Uloom, Karachi, Pakistan, in 1994. He has also completed his PhD in Islamic Finance.

Dr. Irshad Ahmad Aijaz currently holds advisory position in following Institutions:

- Chairman, Shariah Supervisory Board BankIslami Pakistan Limited
- Chairman, Shariah Advisory Committee of State Bank of Pakistan
- Chairman, Shariah Advisory Committee, SECP
- Member, AAOIFI Shariah Standard Committee – Karachi

- Member, Shariah Supervisory Board – Summit Bank Limited
- Shariah Advisor of Allied Rental Modaraba
- Member, Shariah Board – Standard Chartered Bank (Pakistan) Limited
- Member, Shariah Committee of Barakah Group – Australia
- Member, Religious Board of Modaraba Companies – Pakistan
- Consultant, Shariah Review Bureau – Bahrain
- Member, Committee on Accounting & Auditing Standards for Interest Free Modes of Financing and Investment, ICAP

He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions including National Institute of Banking and Finance (State Bank of Pakistan) and Center of Islamic Economics (a division of Jamia Dar-ul-Uloom, Karachi).

### **Mufti Sajjad Usmani - Shariah Advisor and Member, Shariah Board**

Mufti Sajjad Usmani is a qualified CSAA (Certified Shariah Advisor & Auditor) from AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain), Takhassus Fil Ifta (Specialization in Islamic Jurisprudence and Fatwa) and Dars-e-Nizami/Shahadat-ul-Aalamia from Jamia Dar-ul-Uloom, Karachi and a certified anatomist of Sukuk, Islamic Banking & Finance. He is a seasoned professional with over 12 years of experience in writing Fatawa and 8 years in serving as a Shariah Advisor of leading financial institutions of Pakistan.

He has blend experience of providing Shariah consultancy to four (4) Takaful Companies as Shariah Advisor since 2015 and also served as Shariah Advisor of the Tier 2 Mudharabah Sukuk issued by Meezan Bank Limited. He is the Shariah Board Member at National Bank of Pakistan (Aitamad Islamic).

He also has 7 years' working experience with leading Auditing firms like A.F.F (PWC) & Deloitte Pakistan, as a Shariah Consultant & Head of Shariah Audit and has supervised various Shariah Audits of renowned Islamic Banks, Takaful Companies and Sukuks under the audit firm's umbrella. He knows the practical problems being faced by the Islamic Financial Institution.

He is a teacher of Hadith and Fiqh (Islamic Jurisprudence) at Jamia Dar-ul-Uloom, Karachi besides teaching in various leading Islamic educational institutions like IBA CEIF & Center for Islamic Economic since 2011.

## **Ayatullah Sheikh Shabbir Hasan Lakhani (Maisami) - Member, Shariah Board**

Ayatullah Sheikh Shabbir Hasan Lakhani (Maisami) holds a Masters in Arabic and Islamic Sciences and a Sanad of Ijtehad, received from Ayatollah Sheikh Mohammad Hadi Marifat and Ayatollah Syed Muhammed Kazim Hairee. He has specialized in areas such as Islamic Education System, Islamic Economic System, Islamic Banking System, and Islamic Justice System. He has also attended Durs-e-Kharej (Ijtehad) of renowned scholars such as Ayatollah Waheed-e-Khorasani, Ayatollah Syed Mohammad Kazim Hairee, and Ayatollah Sheikh Mohammad Hadi Marifat. In addition, he has received Ijazas of Umur-e-Hisbeyah from prominent figures like Ayatollah Aluzma Syed Mohammad Raza Gulpaygani, Ayatollah Aluzma Sheikh Nasir Makarim Shirazi, and Ayatollah Aluzma Sheikh Fazel Lankarani. Apart from his academic achievements, He has established offices in multiple cities and completed three years towards an MBBS degree at Dow Medical College Karachi in 1981. He completed his intermediate education at Lawrence College, Murree, and matriculation at Habib Public School, Karachi.

Ayatullah Sheikh Shabbir Hasan Lakhani (Maisami) is an accomplished Islamic scholar with a wide range of achievements. He co-founded and has been managing the Zahra (S.A.) Academy for over 35 years. Additionally, he introduced the first-ever summer camps, Mazhab Shinasi, which has over 25,000 alumni worldwide. He is also a prolific writer, having authored six books in three languages, and serves as a Shariah Advisor to various organizations, including the State Bank of Pakistan and the Halal Food Authority Pakistan. Moreover, he is a member of several boards, including the Board of Governors of Halal Food Authority Pakistan and serves as an advisor to the Chairman of Wefaq-ul-Madaris Shia, Pakistan.

## **Dr. Mufti Muhammad Yunas Ali – Member, Shariah Board**

Dr. Mufti Muhammad Yunas Ali holds a PHD degree in Islamic Banking & Finance from University of Karachi. His Ph.D. dissertation titled “Shari’ah non-compliance risk and its impact on Islamic Banking”. He already possesses a Master’s degree in Islamic Banking & Finance from Sheikh Zayed Islamic Centre, University of Karachi. Religiously, he has completed Takhassus-fil-Fiqh wal-Ifta (Specialization in Islamic Jurisprudence and Fatwa Writing) and completed Al-Shahadul Aalamiyyah (Equivalent to Masters in Arabic and Islamic Sciences) from Tanzeem-ul-Madaris Ahle-Sunnat Pakistan and got 3rd. position in all Pakistan. He has over 17 years of experience in the field of Research and Ifta.

He has a remarkable academic record and written various Books including Interpretation and Marginal Notes on “Jaddul Mumtar” (Arabic commentary of Alahazrat Imam Ahmad Raza Khan on Radd-ul-Muhtar/Fatawa Shami) and “Bahar e Shariat” (Complete Collection of Islamic Laws), booklets and research papers which are published in HEC approved journals as well.

He currently holds following additional positions;

- Resident Shari’ah Board Member (RSBM) of Pakistan Mortgage Refinance Company (PMRC)



- Visiting lecturer in Sheikh Zayed Islamic Centre of University of Karachi
- Visiting lecturer in Islamic Learning Department – Faculty of Islamic Studies in University of Karachi
- Visiting lecturer in Al. Manaar Islamic Research Centre
- Lecturer in School of Islamic Banking & Finance - Jamiah Dar-ul-Uloom Memon, MA Jinnah Road, Karachi, Pakistan

#### **Dr. Irum Saba – Technical Member, Shariah Board**

Dr. Irum Saba has more than 17 years of progressive regulatory, research, training, and teaching experience with organizations of international repute. Currently, she is in Institute of Business Administration (IBA), Karachi working as an Associate Professor in the Department of Finance and Program Director of MS Islamic Banking and Finance. She has the honor to be the first Pakistani female to be part of the International Shariah Advisory Board in South East Asia and Middle East. Recently, she has been awarded the title of WOMENi Pakistan in recognition of her contribution to the Islamic Finance Industry in Pakistan and internationally. Furthermore, Dr. Irum Saba has also been included in the prestigious list of top 10 Influential Women in Islamic Business & Finance 2021, while attaining the honor of being the first female whose name has been added in the register of Shariah Advisors by SECP as per the Shariah Advisors Regulations, 2017.

# SHARIAH BOARD

In the year 2021, Salaam Takaful Limited took another unprecedented initiative by establishing a Shariah Board of renowned Shariah experts from the Islamic Finance Industry with representation from all leading Islamic schools of thought. The aim is to have a collaborative discussion on many upcoming issues, challenges and to uphold the true essence of takaful and achieve the ultimate level of shariah compliance through the guidance of this board. Moreover, the board will assist in further product innovation, achievement of process excellence and implementation of best practices within the confines of Shariah, which eventually will produce more value for all stakeholders. The panel of Shariah Board of Salaam Takaful Limited is more comprehensive and unique as it consists of shariah scholars from all schools of thoughts and a woman as a member for the first time in Pakistan in Shariah Board.

Two Shariah Board meetings were conducted in the year 2021, in second Shariah Board meeting, the leading Shariah experts from takaful industry were invited to provide their expert opinions on the challenges and matters that the overall takaful industry is facing in Pakistan.

	First Shariah Board Meeting	Second Shariah Board Meeting
Dr. Mufti Irshad Ahmad Aijaz - Chairman, Shariah Board	✓	✓
Mufti Sajjad Ashraf Usmani - Shariah Advisor and Member, Shariah Board	✓	✓
Ayatullah Sheikh Shabbir Hasan Lakhani (Maisami) – Member, Shariah Board	✓	✓
Dr. Mufti Muhammad Yunas Ali – Member, Shariah Board	✓	✓
Dr. Irum Saba – Member, Shariah Board	✓	✓
Dr. Mufti Khalil Ahamad Aazami, by Invitation		✓
Mufti Muhammad Hassan Kaleem, by Invitation		✓

# MANAGEMENT'S STATEMENT OF COMPLIANCE WITH SHARIAH RULES AND PRINCIPLES

The financial arrangements, contracts, and transactions entered into by Salaam Takaful Limited (referred to as "the Company") for the year ended 31st December, 2022 are in compliance with Takaful Rules, 2012

Further, we confirm that:

1. The Company operates within a Shariah governance framework where all product offerings are approved by an independent Shariah Board and a dedicated Shariah Advisory who ensure strict Shariah compliance at the granular level.
2. The transactions entered into, by the Company and the Waqf, as the case may be, for the year ended 31st December 2022, are in compliance with the requirements of the Shariah guidelines as prescribed by the Shariah Advisor and the Takaful Rules, 2012.
3. The Company has imparted trainings / orientations and ensured availability of all manuals approved by the Shariah Advisor and the Board of Directors to maintain an adequate level of awareness, capacity, and sensitization of the staff and management.
4. The Company offers a diversified range of Shariah-compliant product offerings to its participants. All products have been approved by the Shariah Advisor and the financial arrangements including investments, investment policies, contracts, and transactions performed by the Company are in accordance with the guidelines and policies approved by the Shariah Board.
5. The assets and liabilities of Takaful Operations (Participants' Takaful Fund) are segregated from the Company's other assets and liabilities at all times in accordance with the provisions of Takaful Rules, 2012.

I hereby confirm the Statement of Compliance with Shariah Rules and Principles for the year ended 31st December 2022 by the Management of Salaam Takaful Limited.



Syed Rizwan Hussain  
Managing Director & CEO

# SHARIAH ADVISOR'S REPORT

I have reviewed the accompanying financial statements of Salaam Takaful Limited (hereafter referred to as "the Company") for the year ended 31st December, 2022.

I acknowledge that it is the Shariah departments' responsibility to ensure that all financial arrangements, contracts and transactions, undertaken by the Company with its participants and stakeholders, are compliant with the requirements of Shariah rules and principles.

As per the charter of the Company, it is mandatory on the management and employees to ensure application of Shariah guidelines issued by the Shariah Advisor and to ensure shariah compliance in all activities of the Company, the prime responsibility for ensuring shariah compliance thus lies with the management.

To form my opinion as expressed in this report, I reviewed all types of business transactions of the Company during the year 2022. Based on the above, I am of the view that, under Takaful Rule 2012:

- i. The financial arrangements, products and transactions that the Company and the Waqf partook in, for the year ended 31st December, 2022, are in compliance with the requirements of Shariah rules and guidelines as prescribed by the Shariah Advisor.
- ii. During the year, the management consulted with the Shariah Advisor on matters and market practices relating to investment activities. The investment avenues and locations selected by the investment manager were reviewed by the Shariah Department and are found Shariah compliant and in conformity with the Shariah guidelines issued by the Shariah Advisor.
- iii. During the year, the Company put its utmost effort in bringing awareness amongst the masses and extensively participated and sponsored conferences, seminars and trainings in different cities.
- iv. The Shariah Department provided basic Takaful training to newly hired staff of the Company and the mandatory training on Takaful concept and practices was also organized for sales staff.
- v. Another unprecedented event was the calculation, formation and distribution of the surplus, for the year 2020. This was the first time, in the history of Pakistan, where a Takaful company distributed surplus amongst its participants.

Consequently, I have found that, with respect to all transactions, the Company is in accordance with the Shariah principles. May Allah bless us with the best Tawfeeq to achieve these precious tasks and bestow us with success in this world and in the world hereafter and forgive us for our mistakes. Aameen.

**Mufti Sajjad Ashraf Usmani**  
Shariah Advisor



# **INDEPENDENT REASONABLE ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF MANAGEMENT'S ASSESSMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

We were engaged by the Board of Directors of Salaam Takaful Limited (formerly Takaful Pakistan Limited) ("the Company") to report on the management's assessment of compliance of the Takaful operations of the Company, as set out in the annexed statement prepared by the management for the year ended 31st December, 2022, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful operations with the Takaful rules, 2012, in all material respects.

## **Applicable Criteria**

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

## **Responsibilities of the Management**

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

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

## **Our Independence and Quality Control**

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

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

## **Our Responsibilities**

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



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

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

**The procedures performed included:**

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah Advisor's guidelines.
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors.
- Testing a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the regulations relating to Takaful operations as laid down in Takaful rules, 2012.
- Reviewing the statement of management's assessment of compliance of the Takaful transactions during the year ended 31st December, 2022 with the Takaful rules, 2012.

**Conclusion**

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

In our opinion, the annexed statement, for the year ended 31st December, 2022, presents fairly the status of compliance of the Takaful operations with the Takaful rules, 2012, in all material respects.

Date: 27th April 2023

Karachi



**KPMG Taseer Hadi & Co.**

Chartered Accountants

# PERFORMANCE DISCLOSURE FOR SHARIAH COMPLIANCE

	2022	2021
	(Rupees)	
Loans / advances obtained as per Islamic mode	-	-
Shariah compliant bank deposits / balances Shareholder Fund (SHF)	124,819,646	122,562,731
Participant Takaful Fund (PTF)	74,813,274	70,560,994
Profit earned from shariah compliant bank deposits/bank balances		
Shareholder Fund (SHF)	14,867,658	13,342,233
Participant Takaful Fund (PTF)	5,375,191	4,140,653
Revenue earned from a shariah compliant business segment		
Shareholder Fund (SHF) – Wakala fees	1,090,430,093	683,819,956
Participant Takaful Fund (PTF) – Net underwriting income	1,364,486,639	975,368,575
Gain/loss or dividend earned from shariah compliant investments		
Shareholder Fund (SHF)		
- Dividend income	1,662,952	1,382,150
- Income from Sukuk	14,917,552	8,987,514
- Income from deposits	17,663,997	21,118,896
- Capital gain / loss	588,22	1,575,433
Participant Takaful Fund (PTF)		
- Dividend income	2,219,619	1,785,197
- Income from Sukuk	-	-
- Income from deposits	16,750,115	40,858,157
- Capital gain / loss	951,175	7,976,121
Exchange gain earned from actual currency	None	None
Mark up paid on Islamic mode of financing	None	None
Profits earned or interest paid on any conventional loan or advance	None	None

## Relationships with Shariah compliant bank

As per the requirement of Shariah compliance, Company only establishes relations with Shariah compliant bank or Shariah branches of conventional banks. The company has relations with the following banks:

- Al-Baraka Bank Pakistan Limited
- Meezan Bank Limited
- Bank Islami Pakistan Limited
- Dubai Islamic Bank
- UBL Ameen

## Islamic Banking Window

- Habib Bank Limited
- Faysal Bank Limited
- Askari Bank Limited
- Bank Alfalah Limited
- Habib Metropolitan Bank
- National Bank of Pakistan
- Bank of Khyber
- NRSP Microfinance Bank Limited

# STRIVING FOR EXCELLENCE IN CORPORATE REPORTING







# SOLUTIONS FOR AGRICULTURE RESILIENCE

Salaam Takaful's commitment to agriculture resilience reflects its focus on providing innovative and customer-centric insurance solutions. By offering solutions tailored to the needs of farmers and other stakeholders in the agricultural sector, the company can contribute to the sustainability of this vital industry. Through these efforts, Salaam Takaful is striving for excellence in the insurance and takaful industry, while also making a positive impact on society and the environment



## **STATEMENT OF MANAGEMENT AND BOARD OF DIRECTORS' RESPONSIBILITIES TOWARDS THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with the approved accounting policies, which are in accordance and conform in all material respects with International Accounting Standards (IAS), certain International Financial Reporting Standards (IFRS) as applicable in Pakistan, and provisions of and directives issued under the Companies Act 2017, the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012, and Takaful Regulations, 2012. Note 2.2.1 of the accompanying financial statements describes the key accounting policies that management considers are suitable for the Company. The management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards applicable in Pakistan, the requirements of the Insurance Ordinance, 2000, the Companies Act, 2017 (xix of 2017), General Takaful Accounting & Regulation 2019, Islamic Financial Accounting Standards (IFAS) 2019 issued by the Institute of Chartered Accountants of Pakistan, as notified under the Companies Act, 2017 and for the preparation and fair presentation of the financial statements. Management is responsible for assessing the operations' ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management intends to liquidate or cease operations, or has no realistic alternative but to do so. The Board of Directors is in charge of managing the financial reporting process for the activities. The financial statements are duly audited by external auditors of the company, KPMG Taseer Hadi & Co. Chartered Accountants in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. In their opinion the external auditors have confirmed that the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan in the manner so required and respectively gives a true and fair view of the state of operations' affairs as of 31 December 2022. The financial statements of the company have been duly signed, by the Chairman, Managing Director & Chief Executive Officer, Independent Director and Non-Executive director, in confirmation of the above statement.

## **STATEMENT BY MANAGEMENT OF UNRESERVED COMPLIANCE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under company's act, 2017; and
- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Takaful Accounting & Regulation 2019-
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017.



In case requirements differ, the provisions for directives of the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012 shall prevail. With respect to implementation of IFRS 9 'Financial Instruments' (effective for period ending on or after June 30, 2019) which replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement' (already adopted by the Company), the IFRS 4 'Insurance Contracts' provides two alternative options for application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, first is temporary exemption (enables eligible entities to defer the implementation date of IFRS 9) and second is an overlay approach (allows an entity for a limited application of IFRS 9 from the effective date till the effective date of IFRS 17 'Insurance Contract' i.e. December 31, 2023).

As an insurance company the management has opted temporary exemption as allowed by the IASB for entities whose activities are predominantly connected with insurance. This temporary exemption allows the Company to defer the application of IFRS 9 until December 31, 2023, which is the effective date to apply the IFRS 17. To avail the temporary exemption from the application of IFRS 9, additional disclosure, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 has been given in note 3.2 of the accompanying financial statements. Furthermore, note 3.2 to accompanying financial statements specifies few other standards and interpretations which are yet to be effective in Pakistan.

These financial statements have been prepared in accordance with the format issued by the SECP through the insurance rules, 2017, vide SRO 89(i)/2017 dated 09 February 2017.

These 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. (for further details refer our audited financial statements from pg. 287)

## **STATEMENT OF ADHERENCE WITH THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK (IR)**

Our Annual Report 2022 has been prepared in guidelines of the International Integrated Reporting (IR) Framework advocated by the International Integrated Reporting Council (IIRC).

This report provides stakeholders quality, concise and transparent briefing of the Company's ability, position, and expertise to create sustainable value, which is vital for its position, performance, and reporting capabilities, which endorses our commitment to comply with the requirements of International Integrated Reporting Framework.

We are committed towards adoption of the International Integrated Reporting (IR) Framework. Where we have aimed to improve the quality of information available to providers of Capital, promote a more cohesive and efficient approach to corporate reporting, enhance accountability and stewardship for the broad base of capitals and support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium, and long term.

The Company has considered the following content elements of <IR> Framework in this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Sustainability and corporate governance
- Governance
- IT governance and cyber security
- Future Outlook
- Stakeholders Relationship & Engagement
- Financial performance and position
- Business model
- Basis of preparation and presentation
- General reporting guidance

The management firmly believes in adherence to the best corporate governance practices and it's reporting thereof is committed to generate greater value for the organization and its stakeholders

## **IFRS 17 - INSURANCE CONTRACTS**

### **Applicability and scope**

In May 2017, the International Accounting Standards Board (IASB) issued the International Financial Reporting Standard for insurance contracts (IFRS 17). After several rounds of discussions by the Transition Resource Group (TRG) and consultation with various stakeholders, the relevant amendments to IFRS 17 were finalized and released in June 2020. The final standard (together with the amendments) will be applicable internationally for accounting periods beginning on or after January 1, 2023. The applicability shall be retrospective.

However, in Pakistan, IFRS 17 is yet to be notified by the Securities & Exchange Commission of Pakistan. Therefore IFRS 17 is currently not part of the accounting and reporting standards applicable in Pakistan. The Securities & Exchange Commission of Pakistan (SECP) and the Insurance Association of Pakistan (IAP) have assured insurers that the implementation of the International Financial Reporting Standard 17 (IFRS 17) on accounting for insurance contracts will be carried out through a participative and collaborative approach with the industry. In this regard, IAP has held various consultative meetings separately for non-life and life insurance sectors with the Chairman SECP. Salaam Takaful also actively participated in those comprehensive discussions focusing on challenges related to the implementation of IFRS 17.

## IMPLEMENTING THE IFRS 17

We believe that implementing this standard along with IFRS 9 brings the need to make a myriad of technical, operational and financial decisions along the way. This standard is going to bring a new dimension to our business decisions and strategies as well as into our finance and actuarial processes. We are seeing this as an opportunity rather than a challenge to optimize our processes and modernize systems through the implementation of IFRS 17.

## OVERVIEW OF IFRS 17 MODELS



## ACCOUNTING UNDER IFRS 17

A simplified overview of the accounting under IFRS 17 is as below

Identify the contracts and its components in scope	Identify the groups of contracts and its level of aggregation	Allocating them to one of the three accounting models
Identify the contract	Identify the portfolio in which the contract falls (contracts which are subject to similar risks and managed together)	Decide whether the contracts meet the criteria to be measured under the variable fee approach (VFA)
Decide whether it meets the definition of insurance or investment with DPF	Decide on the cohort in which it falls (contracts issued no more than one year apart)	Decide whether the group meets the criteria to be measured under the premium allocation approach (PAA) and whether you want to do so
Decide whether it needs to be combined with others	Ensure separate groups for onerous contracts and those with and without a significant possibility of becoming onerous	Otherwise measure it under the general model
Identify any embedded derivatives and investment components, and then service components that need to be separated out		
Recognize and measure the remaining component(s) under IFRS 17		

Salaam Takaful Limited's insurance contracts are general takaful contracts. Different contract lines have been identified (portfolio of contracts) and grouped together for accounting.

## **PERSPECTIVE ON IFRS 9 SINCE ITS LINKED TO 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).

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 (SPPI) on the principal amount outstanding 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.





# FINANCIAL STATEMENTS (UNCONSOLIDATED)

## CUSTOMER CENTRIC DIGITAL TOUCHPOINTS

Financial statements play a crucial role in assessing the performance and transparency of a company, and Salaam Takaful Limited ensures that its financial statements accurately reflect its operations and financial health. In the digital age, customer-centricity is paramount, and Salaam Takaful leverages various digital touchpoints to enhance policyholder interactions. Through an interactive website, social media platforms, and communication channels like WhatsApp, policyholders can conveniently access information, make inquiries, and engage with Salaam Takaful. This customer-centric approach fosters transparency, trust, and responsiveness, allowing policyholders to stay informed, receive timely assistance, and have a seamless digital experience when interacting with Salaam Takaful.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALAAM TAKAFUL LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

We have audited the annexed financial statements of Salaam Takaful Limited ("the Company"), which comprise the statement of financial position as at 31 December 2022, profit and loss account, the statement of comprehensive income, the statement of changes in equity / fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of changes in equity / fund and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

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

## Emphasis of Matter

We draw attention to the following notes to the consolidated financial statements:

- Notes 21.1.1 to 21.1.2 to the financial statements which describe the 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 describe that based on the legal advice and the management's expectation of favourable outcome, no provision has been recognized.



- Note 21.1.3 to financial statements, which describes that the certain insurance/takaful companies have challenged the scope and applicability of the provincial sales tax on services on the premium/contribution from health insurance/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 opinion is not modified in respect of the above matters.

### **Information other than the financial statements and auditor's report thereon**

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We were provided with the Director's report prior to the date this auditor's report and the remaining parts of the Annual report are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date this auditor's report, we conclude that there is a material misstatement of this Other Information, then we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



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

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

### **Report on Other Legal and Regulatory Requirements**

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

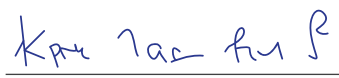
- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017),
- b) the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of changes in equity / fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

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

Date: 27th April 2023

Karachi

UDIN: AR202210106t7rs3BQVx

  
KPMG Taseer Hadi & Co.  
Chartered Accountants

# STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> December 2022

		Operators' Fund		Participants' Takaful Fund	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
ASSETS	Note	----- (Rupees) -----			
Property and equipment	6	93,328,909	125,980,054	-	-
Intangible assets	7	22,275,900	18,000,900	-	-
Investment property	10	272,000,000	-	-	-
Investments					
Debt	8	75,000,000	118,000,000	-	-
Term deposits	9	151,500,000	292,700,000	154,000,000	195,100,000
Equity	11	34,767,063	62,260,412	22,617,137	37,598,293
Long term deposits	12	25,410,786	24,310,806	-	-
Loans, advances and other receivables	13	279,070,075	159,175,759	18,040,434	23,865,134
Takaful / Re-takaful receivables	14	-	-	1,678,591,627	1,039,154,876
Re-takaful recoveries against outstanding claims	24.2	-	-	371,239,651	83,270,644
Salvage recoveries accrued	24.2	-	-	22,895,000	15,694,000
Deferred wakala fees	29	-	-	367,010,265	665,027,460
Deferred commission expense	26	158,037,313	112,754,453	-	-
Deferred taxation	32.2	2,925,205	3,608,144	-	-
Taxation-payment less provisions		-	16,452,174	-	-
Accrued investment income		6,159,862	8,737,945	-	3,753,991
Receivable from participants' takaful fund (PTF)	15	189,746,873	429,415,183	-	-
Prepayments	16	1,551,104	3,205,094	125,226,513	91,017,870
Cash and bank	17	124,819,646	122,562,731	74,813,274	70,560,994
TOTAL ASSETS		1,414,330,582	1,497,163,656	2,834,433,901	2,225,043,261

The annexed notes 1 to 47 form an integral part of these financial statements.

Syed Rizwan Hussain  
Managing Director & CEO

Tamim Shabbir  
Director

Faisal Murad  
Director

Salim Habib Godil  
Chairman

# STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> December 2022

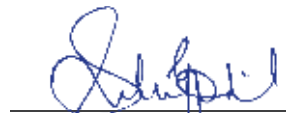
		Operators' Fund		Participants' Takaful Fund	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Note		(Rupees)			
<b>EQUITY AND LIABILITIES</b>					
<b>SHARE CAPITAL AND RESERVES</b>					
<b>ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS</b>					
Issued, subscribed and paid-up share capital	18	1,132,020,019	1,132,020,019	-	-
Discount on issuance of shares		(332,020,019)	(332,020,019)	-	-
Fair value reserve		(1,823,029)	(9,404,357)	-	-
Accumulated profit / (Loss)		104,146,359	(37,727,479)	-	-
-		902,323,330		752,868,163	-
<b>PARTICIPANTS' TAKAFUL FUND (PTF)</b>					
Ceded money		-	-	500,000	500,000
Fair value reserve		-	-	(112,982)	(7,032,188)
Accumulated surplus		-	-	166,784,705	142,980,517
Balance of Participants' Takaful Fund (PTF)		-	-	167,171,723	136,448,329
<b>Underwriting provisions</b>					
Outstanding claims including IBNR	24	-	-	740,780,247	341,383,225
Unearned contribution reserves	22	-	-	1,561,033,084	1,205,566,566
Unearned re-takaful rebate		-	-	28,524,963	19,592,827
Contribution deficiency reserve		-	-	1,105,878	1,277,365
Contributions received in advance		-	-	1,811,546	4,734,487
Takaful / re-takaful payables	19	-	-	90,543,017	29,500,776
Unearned wakala fees		367,010,265	665,027,460	-	-
Accrued expenses		12,069,582	10,453,968	-	-
Payable to staff gratuity fund - defined benefit plan	37	28,953,036	24,226,831	-	-
Payable to shareholder's fund (SHF)	15	-	-	189,746,873	429,415,183
Other creditors and accruals	20	82,295,343	44,587,233	53,716,570	57,124,502
<b>TOTAL LIABILITIES</b>		<b>512,007,251</b>	<b>744,295,492</b>	<b>2,667,262,178</b>	<b>2,088,594,932</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,414,330,582</b>	<b>1,497,163,656</b>	<b>2,834,433,901</b>	<b>2,225,043,261</b>

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Syed Rizwan Hussain  
Managing Director & CEO

  
Tamim Shabbir  
Director

  
Faisal Murad  
Director

  
Salim Habib Godil  
Chairman

# PROFIT AND LOSS ACCOUNT

As at 31<sup>st</sup> December 2022

		Year ended 31 December	
		2022	2021
		----- (Rupees) -----	
<b>PARTICIPANTS' TAKAFUL FUND (PTF)</b>			
	Note		
Contribution earned		1,555,953,247	1,105,071,231
Less: Contribution ceded to retakaful operators		(255,767,972)	(163,272,266)
Net takaful contribution	22	1,300,185,275	941,798,965
Retakaful rebate earned	23	64,301,364	33,569,610
Net underwriting income		1,364,486,639	975,368,575
Net takaful claims expense	24	(1,233,782,864)	(856,812,125)
Incurred But Not Reported (IBNR) claims expense		(26,009,393)	(18,721,181)
Reversal / (change) of contribution deficiency expense		171,487	(1,277,365)
Other direct expenses	25	(72,721,088)	(48,749,052)
Surplus before investment Income		32,144,781	49,808,852
Investment income	30	(7,038,886)	26,003,586
Other income	31	238,531	1,942,215
Profit on bank balances		5,375,191	4,140,653
Mudarib's share of investment income		(2,612,120)	(7,536,060)
Provisions against doubtful contributions (net of wakala fee)	40	(3,532,662)	(6,421,024)
Bank charges		(770,647)	(282,606)
Surplus after taxation		26,032,357	67,655,617
<b>OPERATORS' FUND (OPF)</b>			
Wakala fee	41	1,090,430,093	683,819,956
Commission expense	26	(267,979,424)	(150,698,558)
General, administrative and management expenses	27	697,114,968	(454,179,748)
		(965,094,392)	(604,878,306)
		125,335,701	78,941,650
Mudarib's share of PTF investment income		2,612,120	7,536,060
Investment income	30	7,650,340	29,170,448
Direct expenses	28	(17,095,067)	(11,803,105)
Profit on bank balances		14,867,658	13,342,233
Other income / (loss)	31	9,149,229	(131,493)
Change in fair value of investment property	10	64,844,950	-
Finance cost		(3,486,625)	(5,285,070)
Profit before taxation		203,878,306	111,770,723
Taxation	32	(51,980,905)	(4,235,367)
Profit after taxation attributable to shareholders'		151,897,401	107,535,356
<b>Earnings (after tax) per share</b>	35	1.34	1.24

The annexed notes 1 to 47 form an integral part of these financial statements.

Syed Rizwan Hussain  
Managing Director & CEO

Tamim Shabbir  
Director

Faisal Murad  
Director

Salim Habib Godil  
Chairman

# STATEMENT OF COMPREHENSIVE INCOME

As at 31<sup>st</sup> December 2022

	Year Ended	
	2022	2021
	----- (Rupees) -----	
<b>OPERATORS' Fund (OPF)</b>		
Profit after taxation	151,897,401	107,535,356
<b>Other comprehensive income for the year</b>		
<i>Item that may be reclassified to profit and loss account in subsequent period</i>		
- Net unrealised loss arising during the period on revaluation of available-for-sale investments - Net of Tax	7,581,328	(9,404,357)
<b>Item that will not be reclassified to profit and loss account</b>		
- Actuarial loss on defined benefit plan for the year	(10,023,562)	(2,992,731)
<b>Total comprehensive income for the year</b>	<b>149,455,167</b>	<b>95,138,268</b>
<b>Participant Takaful Fund (PTF)</b>		
Surplus for the year	23,804,188	67,663,223
<b>Other comprehensive income for the year</b>		
<i>Item that may be reclassified to profit and loss account in subsequent period</i>		
- Net unrealised loss arising during the period on revaluation of available-for-sale investments	30,723,394	(7,032,188)
<b>Total comprehensive income for the year</b>	<b>54,527,583</b>	<b>60,631,035</b>

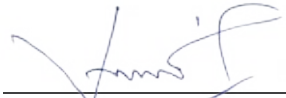
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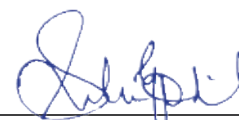
Syed Rizwan Hussain  
Managing Director & CEO



Tamim Shabbir  
Director



Faisal Murad  
Director



Salim Habib Godil  
Chairman



# STATEMENT OF CHANGES IN EQUITY/FUND

As at 31<sup>st</sup> December 2022

	Operators' Fund (OPF)					
	Issued, subscribed and paid up share capital	Discount on issue of shares	Accumulated profit/ (loss)	Fair value reserve	Advance against further issuance of shares	Total
	(Rupees)					
<b>Balance as at 1 January 2021</b>	612,989,050	(112,989,050)	(142,270,104)	-	-	357,729,896
Advance received during the period	-	-	-	-	300,000,000	300,000,000
Shares Issued during the period	519,030,969	(219,030,969)	-	-	(300,000,000)	-
Profit after tax for the year	-	-	107,535,356	-	-	107,535,356
<b>Other comprehensive income</b>	-	-	-	-	-	-
Fair value loss un-realised on the sale of available for sale investment during the year	-	-	-	(9,404,357)	-	(9,404,357)
Actuarial loss on defined benefit plan for the year	-	-	(2,992,731)	-	-	(2,992,731)
Total comprehensive income for the year	-	-	104,542,625	(9,404,357)	-	95,138,268
Balance as at 31 December 2021	1,132,020,019	(332,020,019)	(37,727,479)	(9,404,357)	-	752,868,164
Profit after tax for the year	-	-	115,897,401	-	-	151,897,401
<b>Other comprehensive income</b>	-	-	-	-	-	-
Fair value loss un-realised on the sale of available for sale investment during the year	-	-	-	7,581,328	-	7,581,328
Actuarial loss on defined benefit plan for the year	-	-	(10,023,562)	-	-	10,023,562
Total comprehensive income for the year	-	-	141,873,839	7,581,328	-	149,455,167
<b>Balance as at 31 December 2022</b>	<b>1,132,020,019</b>	<b>(332,020,019)</b>	<b>104,146,359</b>	<b>(1,823,029)</b>	<b>-</b>	<b>902,323,331</b>

## Attributable to Participants' Takaful Fund (PTF)

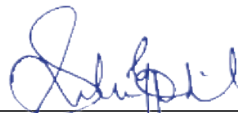
	Ceded money	Accumulated Surplus / (deficit)	Fair value reserve	Total
	(Rupees)			
<b>Balance as at 1 January 2021</b>	500,000	83,035,761	-	83,535,761
Surplus Distribution	-	(7,718,467)	-	(7,718,467)
Surplus for the year	-	67,863,223	-	67,663,223
Fair value loss un-realised on the sale of available for sale investment during the year	-	-	(7,032,188)	(7,032,188)
Balance as at 31 December 2021	500,000	142,980,517	(7,032,188)	136,448,329
Fair value loss un-realised on the sale of available for sale investment during the year	-	-	6,919,206	6,919,206
Surplus for the year	-	23,804,188	-	23,804,188
<b>Balance as at 31 December 2022</b>	<b>500,000</b>	<b>166,784,705</b>	<b>(112,982)</b>	<b>167,171,723</b>

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Syed Rizwan Hussain  
Managing Director & CEO

  
Tamim Shabbir  
Director

  
Faisal Murad  
Director

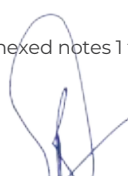
  
Salim Habib Godil  
Chairman

# CASH FLOW STATEMENT

As at 31<sup>st</sup> December 2022


	Operators' Fund		Participants' Takaful Fund	
	31 December		31 December	
	2022	2021	2022	2021
<b>OPERATING ACTIVITIES</b>	Note ----- (Rupees) -----			
<b>Takaful activities</b>				
Contributions received	-	-	2,356,161,438	1,676,653,696
Contributions received	-	-	2,356,161,438	1,676,653,696
Contribution paid	-	-	(518,410,759)	(188,588,515)
Claims paid	-	-	(1,409,924,693)	(964,045,817)
Retakaful and other recoveries received	-	-	335,408,887	88,674,861
Commissions paid	(284,960,014)	(204,311,683)	-	-
Retakaful rebate received	-	-	64,301,365	33,569,610
Wakala fee paid	-	-	(1,037,940,684)	(778,450,001)
Wakala fee received	1,037,940,684	778,450,001	-	-
Surplus Paid	-	-	-	(2,131,009)
Mudarib share paid	-	-	(19,000,000)	-
Mudarib share received	19,000,000	-	-	-
Other takaful receipts / (payments)	33,198,070	(2,301,157)	151,703,959	58,531,953
Net cash flows from takaful activities	805,178,741	571,837,161	(77,700,486)	(75,785,222)
<b>Other operating activities</b>				
Income tax paid	(11,449,437)	(12,832,609)	-	-
Security deposits return / (paid)	(1,099,980)	(13,619,193)	-	-
General administrative and management expenses paid	(599,466,144)	(399,313,416)	-	-
Other operating receipt / (payments)	(212,462,321)	25,459,723	29,382,469	(38,397,404)
Ijarah rentals paid	(48,616,368)	(29,042,316)	-	-
Advances from / to employees and agents received / (paid)	91,686,379	(39,933,172)	-	-
Net cash used in other operating activities	(781,407,872)	(469,280,984)	29,382,469	(38,397,404)
Total cash flows from all operating activities	23,770,869	102,556,177	(48,318,017)	(114,182,626)
<b>Investing Activities</b>				
Profit / return received	89,941,031	44,449,154	1,791,847	38,086,414
Investment made	-	-	-	-
Proceeds from disposal of investments	-	-	-	-
Investment in term deposits	(75,941,653)	(238,108,249)	50,778,450	79,237,331
Proceeds from encashment of term deposits	-	-	-	-
Fixed capital expenditure	(61,813,332)	(106,116,122)	-	-
Proceeds from disposal of property and equipment	26,300,000	756,823	-	-
Total cash (used in) / generated from investing activities	(21,513,954)	(299,018,394)	52,570,297	117,323,745
<b>Financing Activities</b>				
Advance against shares subscription received	-	100,000,000	-	-
Total cash generated from all financing activities	-	100,000,000	-	-
Net cash (used in) / flows from all activities	2,256,915	(96,462,217)	4,252,280	3,141,119
Cash and cash equivalents at the beginning of the year	122,562,731	219,024,947	70,560,994	67,419,876
Cash and cash equivalents at end of the year	124,819,646	122,562,731	74,813,274	70,560,994
Reconciliation to Profit and Loss Account				
Operating cash flows	23,770,869	102,556,177	(48,318,017)	(114,182,626)
Depreciation and amortization	64,472,847	41,613,934	-	-
Gain / (loss) on disposal of fixed assets	7,360,760	(249,249)	-	-
Provision for taxation	(51,980,905)	(4,235,367)	-	-
Provision for staff retirement benefits	(11,702,565)	(9,031,337)	-	-
Increase / (decrease) in assets other than cash	(85,089,989)	208,063,336	650,789,449	1,039,388,796
(Increase) / decrease in liabilities	205,066,385	(231,182,139)	(578,667,244)	(857,542,946)
Profit / surplus after taxation for the year	151,897,401	107,535,356	23,804,188	67,663,224
Attributed to				
Operator's Fund	151,897,401	107,535,356	-	-
Participants' Takaful Fund	-	-	23,804,188	67,663,224
	151,897,401	107,535,356	23,804,188	67,663,224

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

  
**Syed Rizwan Hussain**  
 Managing Director & CEO

  
**Tamim Shabbir**  
 Director

  
**Faisal Murad**  
 Director

  
**Salim Habib Godil**  
 Chairman

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 1. LEGAL STATUS AND NATURE OF BUSINESS

**1.1** Salaam Takaful 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). 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., Shahrah-e-Faisal, Karachi, in the province of Sindh. The Company operates with 10 (31 December 2021: 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 company has the following subsidiaries:

Details of Subsidiaries

Name	Date of incorporation	Country of incorporation	Control
Salaam Properties (Pvt) Limited	20 October 2021	Pakistan	100%
Salaam Family Takaful Limited	02 December 2021	Pakistan	100%

The Company has provided advance against issuance of shares amounting to Rs. 100 million and 114.06 million to Salaam Properties (Pvt) Limited and Salaam Family Takaful Limited respectively. The share capital of these subsidiaries has not been issued as at 31 December 2022. However, subsequent to the year ended, Salaam Properties (Pvt) Limited issued its share capital amounting to Rs. 100 million whereas Salaam Family Takaful Limited is in the process for issuance of its share capital.

## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting 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.

**2.2** These unconsolidated financial statements reflect the financial position and results of operations of both the Operators' Fund and Participants' Takaful Fund in a manner that the assets, liabilities, income

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

and expenses of the Operators' Fund and Participants Takaful Fund remain separately identifiable.

## 2.3 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost model except for available-for-sale investments and investment property which are measured at fair value and the Company's liability under defined plan that is determined based on present value of defined obligation less fair value of assets.

## 2.4 Functional and presentation currency

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

### 3.1 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2022 but are considered not to be relevant or do not have any significant effect on the Company and therefore not detailed in these unconsolidated financial statements.

### 3.2 Standards, Interpretations and Amendments to Approved Accounting Standards that are not effective in current year

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 1 January 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified 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's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

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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:

- 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) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the unconsolidated financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity 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, with earlier application permitted, 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) 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 recognize 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 recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized 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.

"Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend 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.

	2022				2021			
	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)			
<b>Financial assets - Shareholders' Fund</b>								
Investments - Term deposits *	-	-	151,500,000	-	-	-	292,700,000	-
Investments in debt securities - held to maturity*	-	-	75,000,000	-	-	-	118,000,000	-
Long term deposits	-	-	25,410,786	-	-	-	24,310,806	-
Loans, advances and other receivables *	-	-	37,365,936	-	-	-	159,175,759	-
Accrued investment income *	-	-	6,159,862	-	-	-	8,737,945	-
Receivable from Participant's Takaful Fund (PTF) *	-	-	189,746,873	-	-	-	429,415,184	-
Cash and bank *	-	-	124,709,318	-	-	-	122,537,630	-
	-	-	609,892,775	-	-	-	1,154,877,323	-
<b>Financial assets - Participants' Takaful Fund</b>								
Investments - Term deposits *	-	-	154,000,000	-	-	-	195,100,000	-
Loans, advances and other receivables *	-	-	18,040,434	-	-	-	23,865,134	-
Accrued investment income *	-	-	-	-	-	-	3,753,991	-
Cash and bank *	-	-	73,735,196	-	-	-	70,320,094	-
Takaful / co-takaful receivables*	-	-	1,678,591,627	-	-	-	1,039,154,876	-
Salvage recoveries accrued	-	-	22,895,000	-	-	-	15,694,000	-
Re-takaful recoveries against outstanding claims*	-	-	371,239,651	-	-	-	83,270,644	-
	-	-	2,318,501,908	-	-	-	1,431,158,739	-

	2022						
	Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
<b>Financial assets - Operators' Fund</b>							
Investments - Term deposits *	-	-	90,000,000	61,500,000	-	-	-
Investments in debt securities - held to maturity*	-	-	-	30,000,000	-	-	45,000,000
Long term deposits	-	-	-	-	-	-	25,410,786
Loans, advances and other receivables *	-	-	-	-	-	-	37,365,936
Accrued investment income *	-	-	-	-	-	-	6,159,862
Receivable from Participant's Takaful Fund (PTF) *	-	-	-	-	-	-	189,746,873
Advance against Investment Property	-	-	-	-	-	-	-
Cash and bank *	88,530,668	-	35,667,204	511,446	-	-	-
	88,530,668	-	125,667,204	92,011,446	-	-	303,683,457

	2021						
	Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
<b>Financial assets - Operators' Fund</b>							
Investments - Term deposits *	-	-	197,400,000	95,300,000	-	-	-
Investments in debt securities - held to maturity*	-	-	28,000,000	30,000,000	-	-	60,000,000
Long term deposits	-	-	-	-	-	-	24,310,806
Loans, advances and other receivables *	-	-	-	-	-	-	159,175,759
Accrued investment income *	-	-	-	-	-	-	8,737,945
Receivable from Participant's Takaful Fund (PTF) *	-	-	-	-	-	-	429,415,184
Qard-e-hasna *	-	-	-	-	-	-	-
Cash and bank *	2,248,565	-	120,234,738	54,327	-	-	-
	2,248,565	-	345,634,738	125,354,327	-	-	681,639,694

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

Financial assets - Participants' Takaful Fund	2022 Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
Investments - Term deposits *	-	-	154,000,000	-	-	-	-
Loans, advances and other receivables *	-	-	-	-	-	-	18,040,434
Accrued investment income *	-	-	-	-	-	-	-
Cash and bank *	16,319,538	4,291,234	46,430,883	5,229,471	3,550	-	-
Takaful / co-takaful receivables*	-	-	-	-	-	-	1,678,591,627
Salvage recoveries accrued	-	-	-	-	-	-	22,895,000
Re-takaful recoveries against outstanding claims*	-	-	-	-	-	-	371,239,651
	<u>16,319,538</u>	<u>4,291,234</u>	<u>200,430,883</u>	<u>5,229,471</u>	<u>3,550</u>	<u>-</u>	<u>2,090,766,712</u>

Financial assets - Participants' Takaful Fund	2021 Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
Investments - Term deposits *	-	-	75,000,000	120,100,000	-	-	-
Loans, advances and other receivables *	-	-	-	-	-	-	23,865,134
Accrued investment income *	-	-	-	-	-	-	3,753,991
Cash and bank *	6,920,857	1,932,848	36,172,589	25,278,991	14,809	-	-
Takaful / co-takaful receivables*	-	-	-	-	-	-	1,039,154,876
Salvage recoveries accrued	-	-	-	-	-	-	15,694,000
Re-takaful recoveries against outstanding claims*	-	-	-	-	-	-	83,270,644
	<u>6,920,857</u>	<u>1,932,848</u>	<u>111,172,589</u>	<u>145,378,991</u>	<u>14,809</u>	<u>-</u>	<u>1,165,738,645</u>

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

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the annual financial statements of the Company for the year ended 31 December, 2022.

### 4.1 Takaful Contracts

The takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Company underwrites non-life takaful contracts that can be categorised into following main categories:

#### a) Fire and Property

Fire and property takaful contracts mainly compensate the participants for damage suffered to their properties or for the value of property lost. Participants who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities. These contracts are generally one year contracts.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## b) Marine, aviation and transport

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination. These contracts are generally up to 45 days.

## c) Motor

Motor takaful provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. These contracts are generally one year contracts.

## d) Health

Health takaful contract mainly compensate hospitalisation and outpatient medical coverage to the participant. These contracts are generally one year contracts.

## e) Miscellaneous

Miscellaneous takaful provides cover against burglary, loss of cash in safe and cash in transit, engineering losses, travel and other coverage. These contracts are generally for one year.

These takaful contracts are provided to all types of customers based on assessment of takaful risk by the Company. Normally personal takaful contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, takaful contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

## 4.2 Re-takaful contracts held

These are contracts entered into by the Company with re-takaful operators for compensation of losses suffered on takaful contracts issued. These re-takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these financial statements. The PTF recognise the entitled benefits under the contracts as various re-takaful assets. Re-takaful contribution is recognised as an expense when re-takaful is ceded. Re-takaful assets and liabilities are derecognised when contractual right are extinguished or expired.

The deferred portion of re-takaful contribution is recognized as a prepayment in PTF. The deferred portion of re-takaful contribution ceded is calculated by using the 1/365 method.

Claim recoveries receivables from the re-takaful operates are recognised as an asset at the same time as the claims (which give to the right recoveries) are recognised as a liability and are measured at the amount expected to the recovered, net of impairment losses, if any.

Amounts due from takaful / re-takaful operators are carried at cost less impairment losses, if any. Cost represents the fair value of the consideration to be received / paid in the future for services rendered. Re-takaful assets or liabilities are derecognised with the contractual rights are extinguished or expired.

Rebate income from re-takaful is recognised as revenue in accordance with pattern of the recognition of re-takaful contribution to which it relates.

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

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## Outstanding claims

The amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year.

A liability for outstanding claims (claim incurred) is recognized for all claims incurred which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates while taking into consideration the past claims settlement experience including handling costs and the Company's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

Re-takaful recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

## ***Incurred But Not Reported (IBNR) Claims***

The losses that have incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Company by that end of reporting year, or if reported, complete details are not available to the Company, so as to ascertain the amount of loss for that claim as claims outstanding.

The Company is required, as per SECP circular no. 9 of 2016 dated 09 March 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method ("Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines). The actuarial valuation as at 31 December 2021 has been carried out by independent firm of actuaries for determination of IBNR for each class of business.

## **4.4 Contribution Deficiency reserve**

The Company is required as per Insurance Rules and General Takaful Accounting Regulations 2019, to maintain a provision in respect of contribution deficiency for the classes of business where the unearned contribution reserve is not adequate to meet the expected future liability, after re-takaful recoveries from claims, and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired takaful contracts in that class of business at the reporting date. The movement in the contribution deficiency reserve is recorded as an expense in the profit and loss account.

The Company determines the adequacy of liability of contribution deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last few years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine the ultimate loss ratio to be applied on unearned contribution. The liability of contribution deficiency is calculated in accordance with the advice of the actuary. Currently provision for contribution deficiency is being held for the health business only and no provision for contribution deficiency for the other class of businesses as at the year end is being held as the balance of unearned contribution reserve is considered to be adequate to meet the expected future liability after re-takaful from claims and other expenses, expected to be incurred after the reporting date in respect of policies in force at reporting date.

## **4.5 Takaful Surplus**

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 4.6 Wakala fees

The Company manages the general takaful operations for the participants and charges wakala fee to PTF on gross contributions recognized for each class of business to meet the general and administrative expenses of the Company including commissions to agents.

Wakala fee is recognised as income in Operators' Fund on the same basis on which the related contribution revenue is recognized. Unearned portion of wakala fee is recognised as a liability of Operators' Fund and an asset of the Participants' Takaful Fund (PTF).

## 4.7 Qard-e-Hasna

Qard-e-Hasna is provided by the shareholders fund to the Participants' Takaful Fund in case of deficit or to fulfil the cash flow requirements. Under the Takaful Rules, 2012 in the event of surplus in Participants' Takaful Fund, 'Qard-e-Hasna shall be paid to Shareholders' Fund prior to the distribution of surplus to the Participants. These are stated by the Shareholders Fund at the amount given to PTF net of impairment losses, if any. Impairment testing is carried out atleast on an annual basis.

## 4.8 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, policy stamps, bank balances and the term deposit receipts having a maturity of not more than three months and are subject to insignificant risk of change in value.

## 4.90 Investments

### 4.9.1 Classification and recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to profit and loss account.

These are recognized and classified as follows:

- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

### 4.9.2 Measurement

#### 4.9.2.1 Held to maturity

Investments with fixed determinable payments and fixed maturity, where the Company has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any.

Any premium paid or discount availed is deferred and amortised over the period to maturity of investment using the effective yield.

#### 4.9.2.2 Available for sale

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



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on remeasurement of these investments are recognised in other comprehensive income. However, in case of impairment these are recognised in the profit and loss account and the earlier deficit recognised in 'Other Comprehensive Statement' are transferred to the profit and loss account. In case of the disposal of these assets, the earlier remeasurement gain / loss are also transferred from 'Other Comprehensive Statement' to the profit and loss account.

## 4.9.2.3 Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Sukuk Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Sukuk Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

## 4.9.2.4 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

## 4.9.2.5 Investment Property

Investment property comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment property of the company comprises of building which is valued using the Fair Value model i.e. its initial measurement at cost (expenditure that is directly attributable to the acquisition of the investment property) and subsequently at fair value with any change therein recognized in profit and loss.

The company engages external, independent and qualified valuers to determine the fair value of the investment property at least once every financial year. The gain or loss on disposal of investment property, represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as income or expense in profit and loss.

## 4.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities and certain issues in the tax.

### 4.10.1 Current tax

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income using prevailing tax rates after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

### 4.10.2 Deferred tax

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of the realisation or the settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

The Company recognises deferred tax asset to the extent of taxable timing differences or it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax on items recognized in the other comprehensive income are recognized direct in that account. All other items are regonised in the profit and loss account.

## 4.11 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 6 to these financial statements.

Depreciation on additions is charged from the day from which the assets are available for use, while on disposal, depreciation is charged up to the day of disposal.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized. Depreciation methods, useful lives and residual values that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

Capital work in progress is stated at cost less impairment losses, if any. These includes advances to suppliers if these advances are for additions to the above assets.

### 4.11.2 Right-of-use assets and their related lease liability

#### *Right-of-use assets*

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation and accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

#### *Lease liability against right-of-use assets*

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

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

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

## 4.12 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably. Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset.

These (definite) intangible assets;

- a) are stated at cost less accumulated amortisation and impairment, if any.
- b) are amortised on a straight line basis over its estimated useful life(s).
- c) amortisation on additions is charged from the month in which the asset is put to use, whereas no amortisation is charged from the month the asset is disposed off.

The useful lives and amortisation methods are reviewed and adjusted if appropriate, at each reporting date.

## 4.13 Expenses

Expenses allocated to the takaful business represent only directly attributable expenses. Expenses not directly allocable to takaful business are charged to the operator's fund.

## 4.14 Deferred commission expense / acquisition cost

Commission expense incurred in obtaining the policies is deferred and recognised in Shareholders' Fund as an expense in accordance with pattern of recognition of contribution revenue.

## 4.15 Revenue recognition

### a) Contribution

Contributions under a takaful contract are recognised as written from date of issuance to the date of attachment of risk to the policy / cover note.

Contributions income is determined after taking into account the unearned portion of contributions (using the 1/365 method for all classes of business). The unearned portion of contribution income is recognised as a liability in Participants' Takaful Fund (PTF).

Re - takaful ceded is recognised as expense after taking into account the proportion of deferred re-takaful contribution expense using the same basis as for contribution. The deferred portion of re-takaful contribution expense is recognised as a prepayment.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## b) Re-takaful rebate

Rebate and other forms of revenue (apart from recoveries) from re-takaful companies are deferred and recognised as liability and recognised in the profit and loss account as revenue of PTF in accordance with the pattern of recognition of the re-takaful contributions.

## c) Investment income

- Profit on bank deposits is recognised on a time proportion basis taking into account the effective yield.
- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.
- Gain / loss on sale of investments is included in profit and loss account.

## 4.16 Ijarah

Contributions under a takaful contract are recognised as written from date of issuance to the date of attachment of risk to the policy / cover note.

## 4.17 Financial Instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognized when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account of the period in which financial instrument is derecognised.

## 4.18 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 4.19 Impairment of assets

### *Financial assets*

The carrying amount of assets (including the contribution due but unpaid) are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognised in profit and loss account.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

Impairment is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. However, in case of equity securities classified as available for sale the decrease in impairment loss is not reversed.

## ***Non-financial assets***

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## **4.20 Segment reporting**

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

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the General Takaful Accounting Regulations, 2019. The reported operating segments are also consistent with the internal reporting process of the Operator for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Company's business segments operate in Pakistan only.

Based on its classification of takaful contracts issued, the Company has five primary business segments for reporting purposes namely fire, marine, motor, health and miscellaneous. The nature and business activities of these segments are disclosed in note 4.1.

Assets and liabilities are allocated to particular segments on the basis of contribution earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Management expenses are allocated to a particular segment on the basic of contribution written.

## **4.21 Staff Retirement Benefits**

### **4.21.1 Defined Contribution Plan**

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10 percent of basic salary.

### **4.21.2 Defined Benefit Plan**

The Company operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit Actuarial Cost Method.



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

Actuarial valuations are conducted annually and the latest valuation was conducted at the balance sheet date (31 December 2021). When the calculation results in a potential asset for the company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. Service costs are recognised in profit and loss account in the period in which they occur. Net interest on net defined benefit liability is also recognised in profit and loss. Actuarial gain / loss arising an remeasurement are recognised in statement of comprehensive income.

## 4.22 Appropriations

Appropriations of profit, if any, are recognised in the year in which these are approved.

## 4.23 Provisions

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

## 4.24 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated if there is any potential dilutive effect on the Company's reported net profits.

## 4.25 Share capital

Shares are classified as equity when there is no obligation to transfer cash and other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds (and are separately presented in the Statement of Changes in Equity / Fund).

## 4.26 Mudarib's fee

The Company also manages the participants' investment as Mudarib and charges 25% percent of the investment income earned by the PTF as Mudarib's fee as per the approval of the Shariah advisor. It is recognized on the same basis on which related revenue is recognised.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statement, management has made judgement, estimates and assumptions that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes to the unconsolidated financial statements.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

a) Unearned contribution reserves	Note 21
b) Provision for takaful receivables	Note 13
c) Provision for outstanding claims including IBNR	Note 23
d) Retakaful recoveries outstanding	Note 23
e) Contribution deficiency reserves	Note 4.4
f) Payable to staff gratuity fund - defined benefit plan	Note 36
g) Classification of investments	Note 4.9
h) Useful lives of tangible & right of use assets	Note 6.1 & 6.3
i) Taxation – payments less provision	Note 4.10
j) Contingencies	Note 21

## 6 PROPERTY AND EQUIPMENT - Operators' Fund

		31 December 2022	31 December 2021
	Note	(Rupees)	(Rupees)
Operating assets	6.1	66,121,207	87,798,625
Capital work in progress	6.2	10,731,843	1,755,050
Right of use assets	6.3	16,475,859	36,426,379
		<b>93,328,909</b>	<b>125,980,054</b>

### 6.1 Operating assets

	31 December 2022							
	Cost			Accumulated depreciation		Book value	Depreciation Rate %	
				(Rupees)				
	As at 1 January 2022	Additions / (disposal) during the year	As at 31 December 2022	As at 1 January 2022	Charge for the period / (disposal)	As at 31 December 2022		As at 31 December 2022
Leasehold improvements	48,846,184	-	48,846,184	13,385,181	14,125,105	27,510,286	21,335,898	33.33
Furniture and fixtures	30,911,417	17,000	30,928,417	15,746,158	5,565,984	21,312,142	9,616,275	33.33
Office equipment	30,141,366	2,225,050	32,366,416	9,492,718	5,129,756	14,622,474	17,743,942	20.00
Computers	44,151,983	6,954,520	51,106,503	32,505,114	7,395,384	39,900,498	11,206,005	33.33
Vehicles	6,658,265	21,984,508 19,279,124)	9,363,649	1,781,414	1,588,178 (225,030)	3,144,562	6,219,087	20.00
	160,709,214	31,181,078 (19,279,124)	172,611,169	72,910,585	33,804,407 (225,030)	106,489,962	66,121,207	

	31 December 2021							
	Cost			Accumulated depreciation			Book value	Depreciation Rate %
	As at 1 January 2021	Additions / (disposal) during the year	As at 31 December 2021	As at 1 January 2021	Charge for the year / (disposal)	As at 31 December 2021	As at 31 December 2021	
Leasehold improvements	11,960,161	36,886,023	48,846,184	6,609,287	6,775,894	13,385,181	35,461,003	33.33
Furniture and fixtures	14,944,553	15,966,864	30,911,417	13,526,359	2,219,799	15,746,158	15,165,259	33.33
Office equipment	10,228,758	19,912,608	30,141,366	6,841,944	2,650,774	9,492,718	20,648,648	20.00
Computers	34,523,594	9,628,389	44,151,983	26,023,554	6,481,560	32,505,114	11,646,869	33.33
Vehicles	3,722,896	3,942,159 (1,006,790)	6,658,265	1,605,941	176,192 (719)	1,781,414	4,876,851	20.00
	75,379,962	86,336,043 (1,006,790)	160,709,215	54,607,085	18,304,219 (719)	72,910,585	87,798,630	

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 6.1.1 Disposal of tangible assets

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
Disposal of tangible assets during the year having book value of more than Rs.50,000	(Rupees)						
Vehicle	7,672,733	67,268	7,605,465	10,700,000	3,094,535	Negotiation	New Deen Motors
Vehicle	11,333,775	-	11,333,775	15,600,000	4,266,225	Negotiation	Mr Khurram Anis (Employee)
<b>31 December 2022</b>	<b>19,006,508</b>	<b>67,268</b>	<b>18,939,240</b>	<b>26,300,000</b>	<b>7,360,760</b>		
31 December 2021	1,006,790	719	1,006,071	756,822	(249,249)		

**6.1.2** Cost of assets include cost of tangible assets amounting to Rs. 64.913 (Dec 2021: Rs. 42.502) million having net book value equal to NIL at the reporting date are still in use.

### Cost of Assets Having Nil carrying value but still in use

	31 December 2021	31 December 2021
	(Rupees)	
<b>Tangible assets</b>		
Office equipment	5,672,092	5,611,502
Furniture and Fittings	14,897,553	11,655,621
Computer Accessories	31,948,091	20,450,304
Leasehold Improvements	11,960,161	4,582,141
Vehicles	435,106	202,860
<b>Total</b>	<b>64,913,003</b>	<b>42,502,428</b>

Note

## 6.2 Capital Work in Progress - Shareholders Fund

Civil Works on branches	10,731,843	1,755,050
	<b>10,731,843</b>	<b>1,755,050</b>

## 6.3 Right of use assets

Right of use assets

	31 December 2022							
	Cost			Accumulated depreciation		Carrying Value	Depreciation Rate %	
	(Rupees)							
	As at 1 January 2022	Additions during the year	As at 31 December 2022	As at 1 January 2022	Charge for the year	As at 31 December 2022	As at 31 December 2022	
Buildings	89,698,733	10,717,919	100,416,652	53,272,354	30,668,440	83,940,794	16,475,858	33.33

	31 December 2021							
	Cost			Accumulated depreciation		Carrying Value	Depreciation Rate %	
	(Rupees)							
	As at 1 January 2021	Additions during the year	As at 31 December 2021	As at 1 January 2021	Charge for the year	As at 31 December 2021	As at 31 December 2021	
Buildings	48,483,841	41,214,892	89,698,733	29,962,639	23,309,715	53,272,354	36,426,379	33.33

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 7 INTANGIBLE ASSETS

Intangible assets  
Capital work in progress

Note	31 December 2022	31 December 2021
	(Rupees)	(Rupees)
	-	-
	<b>22,275,900</b>	18,000,900
	<b>22,275,900</b>	18,000,900

Operators' Fund								
31 December 2022								
Cost			Accumulated amortization			Book value	Depreciation	
			(Rupees)				Rate %	
As at 1 January 2022	Additions / (disposal) during the year	As at 31 December 2022	As at 1 January 2022	Charge for the period / (disposal)	As at 31 December 2022	As at 31 December 2022		
Computer software	14,263,181	-	14,263,181	14,263,181	-	14,263,181	-	33.33

Operators' Fund								
31 December 2021								
Cost			Accumulated amortization			Book value	Depreciation	
(Rupees)								
As at 1 January 2021	Additions during the year	As at 31 December 2021	As at 1 January 2021	Charge for the year	As at 31 December 2021	As at 31 December 2021	Rate %	
Computer software	14,263,181	-	14,263,181	14,258,514	4,667	14,263,181	-	33.33

7.1 Cost of above assets include cost of software amounting to Rs. 14.26 million having net book value equal to NIL at the reporting date that are still in use.

### 7.2 Capital Work in Progress Intangible - Operators Fund

Note	31 December 2022	31 December 2021
	(Rupees)	(Rupees)
Advance for software development (Intangible)	<b>22,275,900</b>	18,000,900
	<b>22,275,900</b>	18,000,900

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 8. INVESTMENT IN DEBT SECURITIES - held to maturity

### 8.1 Sukuk Certificates - Operators' Fund

Performing Assets	Note	Number of Certificates	Maturity Date	Effective Yield	Profit Payment	Principal Payment	Market Value	Face Value	31 December 2022	31 December 2021	Security
Dubai Islamic Bank Pakistan Limited	8.1.1	6,000	Perpetual	3 months KIBOR + 175%	Quarterly	Perpetual	31,005,000	30,000,000	30,000,000	30,000,000	Unsecured
Hub Power Company Limited (HUBCO) - listed	8.1.1	300	22-Aug-23	3 months KIBOR + 190%	Quarterly	25% on February 2022 25% on August 2022 25% on February 2023 25% on August 2023	15,175,500	15,000,000	15,000,000	30,000,000	Revolving Cross Corporate Guarantee ("RCCG") from Narowal 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 Gop Guarantee. Subordinate charge over all present and future movable fixed assets of NEL for PKR 9,333.33 million (Issue Amount along with 25% margin). Subordinate charge over all present and future movable fixed assets of HUBCO for PKR 4000 million. Pledge of 100% shares of NEL with a book value of PKR 3,900 million.
Bank Islami Pakistan Ltd	8.1.1	5,600	Perpetual	3 months	Monthly	Perpetual	-	-	-	28,000,000	Unsecured
GOP Ijarah Sukuk	8.1.1 & 8.1.4		30-Apr-25	7%	Semi-annually	30-Apr-25	28,947,000	30,000,000	30,000,000	30,000,000	Unsecured
<b>Non - Performing Asset (fully provided)</b>											
Agritech Limited	8.1.2	3,000	06 August 2019	3 months	Semi-annually	Non performing	-	15,000,000	-	15,873,983	Secured against first pari passu Rs. 1846 billion on all fixed assets of the Company.
Quetta Textile Mills Limited	8.1.3	2,000	26 March 2020	3 months	Quarterly	Non performing	-	10,000,000	3,965,520	3,965,520	
Less: Provision held (against the non-performing sukuk certificates)									19,839,403	19,839,403	
									94,839,403	137,839,403	
									(19,839,403)	(19,839,403)	
									75,000,000	118,000,000	

#### 8.1.1

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).

#### 8.1.2

This represents investments aggregating to Rs. 15 million (31 December 2021: Rs. 15 million) in sukuks 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. During the year in August 2022, Investee company provided the two options to the Company referring SOA (Scheme of Arrangement) sanctioned by the Honorable Lahore High Court (LHC). Following are the two option given by Investee Company:

Option-1: The Company shall apply CFADs (Cash Flow Available for Debt Servicing) upfront to settle outstanding/overdue mark-up of the lenders on pro-rated basis as final settlement for overdue/accrued markup till December 31, 2013  
Option-2: Outstanding/overdue markup shall be converted into a zero coupon TFC payable at the end of FY 2026 as bullet payment. The Company shall apply unutilized CFADs from Option 1 to partially settle principal outstanding of lenders opting for option 2 on pro-rated basis.

Company opt for Option-2 as elaborated above and start receiving the payment of principal outstanding from September 22 quarter. In view of the above restructuring of the SOA, as at 31st December 2022, company has booked income of Rs. 0.4 million against principal outstanding in order to restore the same investment provided earlier as default in the accounts.



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

**8.1.4** These include term deposits of Rs. 30 million (31 December 2021: NIL) deposited with State Bank of Pakistan as statutory reserve in accordance with the requirement laid down in section 29 of the Insurance Ordinance, 2000.

## 9. INVESTMENT IN TERM DEPOSITS

	31 December 2022			31 December 2021		
	Operators' Fund (9.1) & (9.2)	Participants' Takaful Fund (9.3)	Aggregate	Operators' Fund (9.1) & (9.2)	Participants' Takaful Fund	Aggregate
	(Rupees)					
Held to Maturity						
Deposits maturing within 12 months	151,500,000	154,000,000	305,500,000	292,700,000	195,100,000	487,800,000

**9.1** This represents term deposits of Rs. 10 million, Rs. 31.5 million, Rs. 20 million and Rs. 90 million maturing on 15 April 2023, 15 April 2023, 15 April 2023 and 31 March 2023 respectively and carries profit rate at 11.5%, 11.5%, 11.5% and 15% respectively. The deposit is held with Dubai Islamic Pakistan Limited and Bank Islamic Pakistan Limited.

**9.2** These include term deposits of Rs. 61.5 million (31 December 2021: 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.

**9.3** This represents term deposits of Rs. 74 million, Rs.30 million and Rs. 50 million maturing on 31 March 2023, 31 March 2023 and 31 March 2023, respectively and carries profit rate at 15%, 15% and 15% respectively. The deposit is held with Bank Islamic Pakistan Limited.

## 10 INVESTMENT IN PROPERTY- fair value mode

	31 December 2022	31 December 2020
	(Rupees)	
Opening net book value	-	-
Additions and capital improvements	207,155,050	-
Unrealized Fair value gain/(loss)	64,844,950	-
Closing net book value	272,000,000	-

The Fair value of investment property was determined by external, independent property valuer, M/s. K.G Traders (Pvt) Ltd., having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provide the fair value of the company's investment property at least once every financial year.

### Valuation Techniques

The valuers have arranged inquiries and verification from various estate agents, brokers and dealers, the location and condition of the property, size, utilization and current trends in price of real estate including assumptions that ready buyers are available in the current scenario and analyzed through detailed market surveys, the properties that have recently been sold or purchased or offered/quoted for sale into given vicinity to determine the better estimates of the fair value.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 11 INVESTMENT IN EQUITY SECURITIES - available-for-sale

	31 December 2022				31 December 2021			
	Cost	Impairment / provision	Revaluation surplus / (deficit)	Carrying Amount	Cost	Impairment / provision	Revaluation surplus / (deficit)	Carrying Amount
	(Rupees)							
<b>Listed Shares</b>								
Shareholder fund	60,416,411	(24,915,857)	(733,491)	34,767,063	73,008,249	-	(10,747,837)	62,260,412
Participant fund	34,839,049	(12,108,930)	(112,982)	22,617,137	44,630,481	-	(7,032,188)	37,598,293
	<u>95,255,460</u>	<u>(37,024,787)</u>	<u>(846,473)</u>	<u>57,384,200</u>	<u>117,638,730</u>	<u>-</u>	<u>(17,780,025)</u>	<u>99,858,705</u>

## 12 LONG TERM DEPOSITS - Shareholders Fund

	31 December 2022	31 December 2020
	(Rupees)	
Ijarah	21,020,250	20,420,270
Rental	4,390,536	3,890,536
	<u>25,410,786</u>	<u>24,310,806</u>

## 13 LOANS, ADVANCES AND OTHER RECEIVABLES - considered good

		Operators' Fund (OPF)		Participants' Takaful Fund	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
		(Rupees)			
Loans to employees (unsecured and interest free)	13.1	13,293,455	7,579,280	-	-
Receivable from subsidiary		7,736,126	-	-	-
Advance against investment property	13.2	-	100,000,000	-	-
Advance against expenses		7,596,501	6,077,760	-	-
Earnest money receivable		-	-	8,301,751	5,392,738
Service charges receivable from co-takaful entities		-	-	50,557	697,789
Security deposit		8,336,726	5,737,280	2,000,000	1,500,000
Refundable input tax		-	-	7,311,168	15,907,310
Bank profit receivable		1,231,014	20,380	376,958	367,297
Others		6,908,240	308,000	-	-
		<u>45,102,062</u>	<u>119,722,701</u>	<u>18,040,434</u>	<u>23,865,134</u>

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

13.2 It represents the advance amount paid for the acquisition of leasehold building which is intended to be used to earn the rentals.

## 14 TAKAFUL / RETAKAFUL RECEIVABLES - unsecured - Participants' Takaful Fund

		31 December 2022	31 December 2021
		(Rupees)	
Due from takaful participant holders	14.1	1,304,677,427	1,008,654,475
Less: Provision for impairment against balances due from participants	14.2	(6,734,115)	(14,093,476)
		<u>1,297,943,312</u>	<u>994,560,999</u>
Due from other takaful companies	14.4	392,529,968	45,583,507
Less: Provision for impairment against balances due from other takaful companies	14.4	(11,881,653)	(989,630)
		<u>380,648,315</u>	<u>44,593,877</u>
		<u>1,678,591,627</u>	<u>1,039,154,876</u>

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

**14.1** This includes Rs. 66.02 million (2021: Rs. 140.7 million) receivable from related parties. The amount is not considered to be impaired as at 31 December 2022.

**14.2 Movement in provision for impairment  
- balances due from takaful participant holder**

Balance as on 1 January  
Add: Provision made during the year  
Balance on at 31 December

31 December 2022	31 December 2021
(Rupees)	
14,093,476	8,662,082
(7,359,361)	5,431,394
<b>17,626,138</b>	<b>14,093,476</b>

**14.3** The Operator has entered into co-takaful and re-takaful arrangements with various other takaful operators and a local re-takaful operator. In respect of these balances, during the year the Operator has exchanged balance information with them based on the significance of the respective balances. This information corroborates the balance position of the Company in all material respects taking into account the underlying contracts and transactions supported by appropriate evidence. Company is in process of reconciling the balances with them and will finalize the process as advised by Securities and Exchange Commission of Pakistan vide its letter reference No. ID/offsite-I/Misc/2023/631 dated February 09, 2023 written to Insurance Association of Pakistan.

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

Balance as on 1 January  
Charge made during the year  
Balance on at 31 December

31 December 2022	31 December 2021
(Rupees)	
989,630	-
10,892,023	989,630
<b>989,630</b>	<b>989,630</b>

## 15 RECEIVABLE / PAYABLE (Current account between OPF and PTF)

	Operators' Fund (OPF - receivable)		Participants' Takaful Fund - (PTF payable)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Note	(Rupees)			
Wakala fee	188,208,380	433,736,167	188,208,380	433,736,167
Mudarib fee	2,166,864	18,554,744	2,166,864	18,554,744
Other receivable / payable	(628,371)	(22,875,727)	(628,371)	(22,875,727)
15.1	<b>189,746,873</b>	<b>429,415,184</b>	<b>189,746,873</b>	<b>429,415,184</b>

**15.1** This represents payments by OPF on behalf of PTF.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 16 PREPAYMENTS

		Operators' Fund		Participants' Takaful Fund	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
	Note	(Rupees)			
Prepaid re-takaful contribution ceded		-	-	103,968,967	71,924,084
Tracker monitoring fees	6.1	-	-	21,257,546	1,551,104
		1,551,104	3,205,094	-	-
		1,551,104	3,205,094	125,226,513	91,017,870

**16.1** This includes Rs. 5.5 million (2021: Rs. 7.7 million) paid to a related party. Total amount paid during the year was Rs. 12.2 million (2021: Rs. 10.99 million).

## 17 CASH AND BANK

		Operators' Fund		Participants' Takaful Fund	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Note		(Rupees)			
Cash and cash equivalents					
- Cash in hand		110,328	25,101	-	-
- Policy and revenue stamps		-	-	1,078,078	240,900
		110,328	25,101	1,078,078	240,900
Cash and bank					
- Current account		10,921	10,921	325,319	1,843,706
- Savings accounts		124,698,397	122,526,709	73,409,877	68,476,388
17.1		124,819,646	122,562,731	74,813,274	70,560,994

Cash and cash equivalents include the following for the purposes of the cashflows statement:

Cash and other equivalents	110,328	25,101	1,078,078	240,900
Current and other accounts	124,709,318	122,537,630	73,735,196	70,320,094
	124,819,646	122,562,731	74,813,274	70,560,994

**17.1** These represent balances maintained with Islamic banks under profit and loss sharing basis carrying profit rates ranging between 3.0% to 14.5% (2021: 2% to 5.7%) per annum.

## 18 SHARE CAPITAL

### 18.1 Authorized capital

31 December 2022	31 December 2021	31 December 2022	31 December 2021
(Number of shares)		(Rupees)	
150,000,000	150,000,000	1,500,000,000	1,500,000,000

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 18.2 Issued, Subscribed And Paid-Up Share Capital

31 December 2022 (Number of shares)	31 December 2021 (Number of shares)		31 December 2022 (Rupees)	31 December 2021 (Rupees)
<b>113,202,019</b>	113,202,019	Ordinary shares of Rs. 10 each	<b>1,132,020,190</b>	1,132,020,190
<b>Shareholding pattern</b>			<b>Number of shares</b>	<b>Percentage</b>
Hhouse Building Finance Company Limited			8,699,500	7.68%
Al Baraka Bank (Pakistan) Limited			10,435,690	9.22%
Sitara Chemical Industries Limited			2,999,500	2.65%
Mal Al Khaleej Investment LLC			5,218,869	4.61%
Mr. Salim Habib Godil			21,459,992	18.96%
Syed Rizwan Hussain			21,459,990	18.96%
Mr. Shahzad Salim Godil			21,459,990	18.96%
Syed Salman Hussain			21,459,990	18.96%
Others			8,500	0.01%
			<b>113,202,019</b>	<b>100.00%</b>

## 19 TAKAFUL / RE-TAKAFUL PAYABLES

	31 December 2022	31 December 2021
Note	(Rupees)	(Rupees)
Due to other takaful companies	<b>10,168,704</b>	3,165,712
Due to re-takaful operators	<b>80,374,313</b>	26,335,064
	<b>90,543,017</b>	29,500,776

## 20 OTHER CREDITORS AND ACCRUALS

	<b>Operators' Fund (OPF)</b>		<b>Participants' Takaful Fund (PTF)</b>	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Note	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Commission payable to agents	<b>29,204,496</b>	902,226	-	-
Sales Tax Payable	-	-	<b>21,676,861</b>	25,488,946
Federal Takaful fee	-	-	<b>5,638,868</b>	4,180,587
Sales tax deducted at source	<b>1,040,838</b>	1,159,176	<b>1,349,326</b>	1,294,846
Advance Against Share Subscription Money	<b>33,198,070</b>	-	-	-
Lease liabilities	<b>17,129,900</b>	39,359,911	-	-
Tracker installation fee payable	-	-	<b>11,005,032</b>	8,315,822
Other payables	<b>1,722,039</b>	3,165,921	<b>14,046,483</b>	17,844,302
	<b>82,295,343</b>	44,587,233	<b>53,716,570</b>	57,124,502

### 20.1 Maturity analysis of lease liabilities

	<b>31 December 2022</b>			<b>31 December 2021</b>		
	Future minimum Lease Payments	Finance cost related to future periods	Present value of Minimum Lease Payments	Future minimum Lease Payments	Finance cost related to future periods	Present value of Minimum Lease Payments
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Less than one year	<b>17,084,885</b>	<b>2,231,699</b>	<b>14,853,186</b>	31,116,947	3,175,084	27,941,863
Between one and five years	<b>2,413,782</b>	<b>137,068</b>	<b>2,276,714</b>	12,267,169	849,121	11,418,048
More than five years	-	-	-	-	-	-
	<b>19,498,667</b>	<b>2,368,767</b>	<b>17,129,900</b>	43,384,116	4,024,205	39,359,911

The above liability has been discounted at rates varying between 48% to 13.99% per annum.



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

**20.2** This includes Rs. 7.2 million (2021: Rs. 5.6 million) payable to a related party.

**20.3** This includes stale cheques in respect of claims not encashed amounting to Rs. 11.94 million. The ageing of the stale cheques is as follows:

Stale Cheques - Age-Wise Breakup	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	31 December 2022	31 December 2021
	(Rupees)						
Claims not encashed	812,884	7,278,898	3,849,078	1,929,369	3,980,045	17,850,274	7,500,244

**20.4** It includes surplus distribution payable amounting to Rs.5.2 million as of 31 December 2022. During the year 2022, the Company has distributed Rs. 0.4 million. Takaful rules 2012 states that "In case of general takaful operators, the operator shall formulate the surplus distribution mechanism". With the approval of Company's Shariah Advisor in respect of its eligibility, mechanism of Surplus calculation and distribution, the Company recorded the surplus distribution in its books. Company has formulated the channels to disbursed the surplus through various bank payments mode and gradually paying the liability to related participants.

## 21 CONTINGENCIES AND COMMITMENTS

### 21.1 Contingencies

**21.1.1** 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.

**21.1.2** 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 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.

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

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

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 31 December 2021 is Rs. 44.79 million.

**21.1.4** The Company was issued a show-cause notice (SCN) on 25 April 2016 by the Sindh Revenue Board (SRB) alledging 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 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.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

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.

**21.1.5** 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.

**21.1.6** 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.

**21.1.7** The notice was issued to the Company in respect of short payment of SST for the tax periods January 2016 to December 2016 by the officer of SRB dated 2 April 2021. In response, the Company has submitted all the relevant details / justifications to the satisfaction of the officer. . In this regard, no further query / concern has been raised by the officer to date.

**21.1.8** Refer note 32.4 and 32.5 to these financial statements for income tax contingency.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 21.2 Commitments

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

	31 December 2022	31 December 2021
	----- (Rupees)-----	
Not later than one year	43,543,653	38,998,618
Later than one year but not later than five years	59,335,543	63,635,375
	<b>102,879,196</b>	<b>102,633,993</b>

The company has vehicle ijarah financing facility of Rs. 350 million from three Islamic banks named , Meezan bank Limited Dubai Islamic Bank and Bank ALHabib Limited (facilities amount being the cost of vehicles) out of which Rs. 250.06 million had been utilized by the year end. The facilities are valid up to December 2023.

## 22 NET CONTRIBUTION - Participants' Takaful Fund

	31 December 2022	31 December 2021
	----- (Rupees)-----	
<b>Written Gross Contribution</b>		
Less: Wakala Fee	3,001,849,857	2,219,531,165
<b>Contribution Net of Wakala Fee</b>	<b>(1,090,430,093)</b>	<b>(683,819,956)</b>
	<b>1,911,419,764</b>	<b>1,535,711,209</b>
Add: Unearned Contribution reserve opening	1,205,566,567	774,926,588
Less: Unearned Contribution reserve closing	(1,561,033,084)	(1,205,566,566)
<b>Contribution earned</b>	<b>1,555,953,247</b>	<b>1,105,071,231</b>
<b>Retakaful Contribution ceded</b>	<b>287,812,855</b>	<b>167,544,410</b>
Add: Prepaid retakaful contribution opening	71,924,084	67,651,940
Less: Prepaid retakaful contribution closing	(103,968,967)	(71,924,084)
<b>Retakaful Expense</b>	<b>255,767,972</b>	<b>163,272,266</b>
<b>Net Contribution</b>	<b>1,300,185,275</b>	<b>941,798,965</b>

**22.1** This include contribution written to related parties amounting to Rs. 133.85 million (2021 Rs. 199.9 million).

## 23 RETAKAFUL REBATE

Retakaful rebate/commission received	73,233,500	40,349,574
Add: Unearned retakaful rebate / commission opening	19,592,827	12,812,863
Less: Unearned retakaful rebate / commission closing	(28,524,963)	(19,592,827)
Retakaful rebate/commission Income	<b>64,301,364</b>	<b>33,569,610</b>

## 24 TAKAFUL BENEFITS / CLAIMS EXPENSE

<b>Benefits / Claim Paid</b>	24.1	1,408,647,327	964,045,817
Add: Outstanding benefits / claims including IBNR closing		741,886,125	341,383,225
Less: Outstanding benefits / claims including IBNR opening		(341,383,226)	(234,657,638)
<b>Claim Expense</b>		<b>1,809,150,226</b>	<b>1,070,771,404</b>
<b>Retakaful and other recoveries received</b>		<b>254,359,449</b>	<b>201,657,149</b>
Add: Retakaful and other recoveries in respect of			
outstanding claims closing	24.2	394,134,651	98,964,644
Less: Retakaful and other recoveries in respect of			
outstanding claims opening		(98,964,644)	(105,383,695)
<b>Retakaful and other recoveries revenue</b>		<b>549,529,456</b>	<b>195,238,098</b>
<b>Net Claim Expense</b>		<b>1,259,620,770</b>	<b>875,533,306</b>

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

**24.1** This include claims of Rs. 82 million (2021: Rs. 102.44 million) paid to the related parties.

**24.2** The closing balance of Re-takaful and other recoveries in respect of outstanding claims also includes salvage recoveries accrued of Rs.22.9 million (2021: Rs. 15.70 million). The balance excluding the balance of salvage accrued amounts to Rs 371.239 million (2021: 83.270 million).

## 25 OTHER DIRECT EXPENSES - Participant's Takaful Fund

	31 December 2022	31 December 2021
	(Rupees)	
Tracker installation charges	34,492,512	28,660,425
Disallowed input sales tax	34,992,142	16,080,308
Service charges on co-takaful acceptance	2,226,165	3,694,787
Others	1,010,269	313,532
	<b>72,721,088</b>	<b>48,749,052</b>

## 26 COMMISSION EXPENSE

Commission Paid or payable	313,262,284	205,157,645
Add: Deferred commission expense opening	112,754,453	58,295,367
Less: Deferred commission expense closing	(158,037,313)	(112,754,453)
Commission Expense	<b>267,979,424</b>	<b>150,698,558</b>

## 27 GENERAL, ADMINISTRATIVE AND MANAGEMENT EXPENSES - Operators' Fund

Employee benefit cost	27.1	416,040,152	293,642,797
Travelling and entertainment		19,286,221	5,166,803
Advertisement and sales promotions		32,889,280	22,070,595
Printing and stationery		11,086,080	7,485,994
Depreciation	6.1 & 6.3	64,472,847	41,613,210
Rent, rates and taxes		676,834	485,469
Legal and professional charges - business related		33,407,750	13,975,867
Electricity, Gas and Water		10,320,618	7,873,434
Ijarah rentals		48,616,368	29,042,316
Vehicles running expense		18,213,394	8,644,617
Office repairs and maintenance		7,416,183	3,040,553
Bank charges		992,892	215,172
Communications		9,665,133	8,327,173
Takaful contribution		17,323,715	10,024,445
Miscellaneous expenses		6,707,501	2,571,302
		<b>697,114,968</b>	<b>454,179,748</b>

**27.1** These include Rs 12.5 million (2021: Rs 9 million) in respect of employee provident fund and Rs 10.2 million (2021: 8.0 million) in respect of staff retirement gratuity.



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 28 DIRECT EXPENSES - Operators' Fund

		31 December 2022	31 December 2021
	Note	----- (Rupees)-----	
Auditors' Remuneration	28.1	5,479,800	3,532,095
Shariah Advisor Fee		2,115,000	1,560,000
Donation	28.2	975,000	-
Subscription		8,525,267	6,711,010
		<b>17,095,067</b>	<b>11,803,105</b>

### 28.1 Auditors' remuneration

	31 December 2022	31 December 2021
	----- (Rupees)-----	
Audit fee	2,100,000	1,100,000
Half yearly review fee	900,000	700,000
Other certifications / reports under agreed upon procedures	750,000	600,000
Tax advisory services	400,000	400,000
Shariah Audit	250,000	200,000
Out of pocket expenses	1,079,800	532,095
	<b>5,479,800</b>	<b>3,532,095</b>

### 28.2 Donations

None of the directors and their spouse had any interest in the donee fund. Details of the donations given during the year are as follows:

	31 December 2022	31 December 2021
	----- (Rupees)-----	
Parents voice association	100,000	-
Jamia Khair Ul Madaris	100,000	-
Patients welfare association	25,000	-
The arts council of Pakistan	450,000	-
Sind rural support organization	300,000	-
	<b>975,000</b>	<b>-</b>

## 29 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 2022	1 April 2022 to 30 June 2022	1 July 2022 to 30 September 2022	1 October 2022 to 31 December 2022
	----- (Rupees)-----			
Fire and property damage	60.0%	30.0%	30.0%	30.0%
Marine, aviation and transport	40.0%	40.0%	40.0%	40.0%
Motor	85.0%	40.0%	40.0%	40.0%
Health	25.0%	5.0%	5.0%	5.0%
Miscellaneous	40.0%	40.0%	40.0%	40.0%

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 30 INVESTMENT INCOME

	Operators' Fund (SHF)		Participants' Takaful Fund (PTF)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	(Rupees)			
Dividend Income	1,662,952	1,382,150	2,219,619	1,785,197
<b>Income from Debt Securities</b>				
Return on Sukuk	14,917,552	8,781,806	-	-
Amortization of contribution on sukuk	-	205,708	-	-
	14,917,552	8,987,514	-	-
<b>Income from Deposits</b>				
Return on term deposit-held to maturity	15,436,089	17,633,797	1,942,273	16,750,115
Total Investment Income	32,016,593	28,003,461	4,161,892	18,535,312
Less: Investment related expenses	(32,338)	(401,767)	(34,771)	(394,558)
Less: Impairment Loss on Available for Sale Equity Securities	(24,915,857)	-	(12,108,930)	-
Less: Charity on dividend purification	(6,280)	(6,679)	(8,252)	(113,289)
	(24,954,475)	(408,446)	(12,151,953)	(507,847)
<b>Investment income</b>	<b>7,062,118</b>	<b>27,595,015</b>	<b>(7,990,061)</b>	<b>18,027,465</b>
<b>Net realized gains / (losses) on investments - Available for sale</b>				
Realized Gain on equity securities	588,222	1,575,433	951,175	7,976,121
Realized Loss on equity securities	-	-	-	-
	588,222	1,575,433	951,175	7,976,121
<b>Net investment income</b>	<b>7,650,340</b>	<b>29,170,448</b>	<b>(7,038,886)</b>	<b>26,003,586</b>

## 31 OTHER INCOME / ( LOSS )

	Operators' Fund (SHF)		Participants' Takaful Fund (PTF)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	(Rupees)			
Gain / (loss) on sale of fixed asset	7,325,904	(249,249)	-	-
Liabilities written back	-	-	-	-
Service income	-	-	238,531	424,140
Others	21,160,274	117,756	-	1,518,075
	28,486,178	(131,493)	238,531	1,942,215

## 32 TAXATION

		31 December 2022	31 December 2021
	Note	(Rupees)	
Current		35,948,981	9,170,488
Deferred	32.2	16,031,924	(4,935,121)
		32,855,592	4,235,367

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 32.1 Relationship between tax expense and accounting profit:

	31 December 2022	31 December 2021
	(Rupees)	(Rupees)
Profit before taxation	203,878,306	111,770,724
Tax at the applicable tax rate of 30% (2021: 29%)	61,163,492	32,413,510
Permanent difference	1,755,382	-
Less: Prior year excess minimum tax paid	(7,232,369)	-
Prior year losses and credits adjustments	(3,705,600)	(28,178,142)
	51,980,905	4,235,368

## 32.2 Deferred taxation

	2022			
	Opening	(Charge) / reversal to statement of profit or loss	Reversal to statement of comprehensive income	Closing
	(Rupees)			
<b>Taxable temporary differences</b>				
Difference in accounting and tax base of				
- tangible assets	-	-	-	-
Lease liability lease - net	-	-	-	-
Accrued investment Income	-	-	-	-
Investment property	-	(19,453,485)	-	(19,453,485)
<b>Deductible temporary differences</b>				
Operating assets	1,400,424	4,262,971	-	5,663,394
Lease liability - net	864,240	(841,409)	-	22,831
Revaluation of investments	1,343,480	-	(1,089,538)	253,942
	3,608,144	(16,031,924)	(1,089,538)	(13,513,318)
	2021			
	Opening	(Charge) / reversal to statement of profit or loss	Reversal to statement of comprehensive income	Closing
	(Rupees)			
<b>Taxable temporary differences</b>				
Difference in accounting and tax base of				
- tangible assets	-	-	-	-
Lease liability lease - net	(250,347)	250,347	-	-
Accrued investment Income	(3,191,859)	3,191,859	-	-
<b>Deductible temporary differences</b>				
Operating assets	771,749	628,675	-	1,400,424
Lease liability lease - net	-	864,240	-	864,240
Revaluation of investments	-	-	1,343,480	1,343,480
	(5,862,316)	8,126,980	1,343,480	3,608,144

**32.3** The Company's income tax assessments for the tax years upto 2022 (corresponding to the financial year ended 31 December 2021) have been finalized as per the returns filed in terms of the provisions of section 120 of the Income Tax Ordinance, 2001.

**32.4** The Company received a notice under section 161(1A) of the Ordinance dated 9 January 2018 in respect of monitoring proceedings for tax year 2016. The Company submitted all the details to the department. However, due to change in jurisdiction of the case, the similar notice was again received from the department alleging that the Company has not made compliance to the above notice. In response to this, we apprised the fact that the compliance was duly made on time to the predecessor officer and once again provided all the details submitted earlier. However, the officer did not consider the responses and passed an order under section 161 of the Ordinance dated 31 December 2020 (the impugned order) against the Company raising the total demand of Rs. 14,452,627 including default surcharge and penalty.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

**32.5** Subsequent to the year ended 31 December 2020, the Company filed the rectification application under section 221 of the Ordinance against the impugned order which was also not yet decided. The Company also filed an appeal against the impugned order and requested for the stay against the recovery of alleged amount to the Commissioner (Appeals) [CIRA]. The order has been passed under section 129(1) of the Ordinance in favour of the Company by the Commissioner Inland Revenue

**32.6** The notice was issued to the Company in respect of short payment of SST for the tax periods January 2016 to December 2016 by the officer of SRB dated 2 April 2021. In response, the Company has submitted all the relevant details / justifications to the satisfaction of the officer. In this regard, no further query / concern has been raised by the officer to date.

## 33 MUDARIB'S FEE

Mudarib fee is charged at the rate of 25% on investment income and return on bank balance during the year ended 31 December 2022.

## 34 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND OTHER EXECUTIVES

	2022			
	Chief Executive Officer (CEO) (Key management person)	Directors (Key management personnel)	Executives *	Total
	(Rupees)			
Managerial remuneration	24,253,884	-	89,485,933	113,739,817
Directors' fee for attending meetings	-	927,000	-	927,000
Retirement benefits	2,425,391	-	54,438,799	56,864,190
House rent	10,914,251	-	66,566,362	77,480,613
Utilities	2,425,393	-	28,405,562	30,830,955
Medical expenses	360,000	-	4,854,653	5,214,653
Travelling and other allowance	8,168,724	-	39,390,006	47,558,730
	48,547,643	927,000	283,141,315	332,615,958
	(Number)			
Number of persons	1	6	57	64

	2021			
	Chief Executive Officer (CEO) (Key management person)	Directors (Key management personnel)	Executives *	Total
	(Rupees)			
Managerial remuneration	19,978,836	-	58,341,353	78,320,189
Incentive	-	-	-	-
Directors' fee for attending meetings	-	497,000	-	497,000
Retirement benefits	8,657,493	-	23,881,709	32,539,202
House rent	8,990,473	-	41,435,416	50,425,889
Utilities	1,997,891	-	16,875,415	18,873,306
Medical expenses	300,000	-	3,498,553	3,798,553
Travelling and other allowance	8,839,104	-	18,757,533	27,596,637
	48,763,797	497,000	162,789,979	212,050,776
	(Number)			
Number of persons	1	6	57	64

\*Executives are those employees (other than CEO and Directors) whose annual basic salary exceeds Rs. 500,000 in a financial year.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 35 EARNINGS (AFTER TAX) PER SHARE - BASIC

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

		Operators' Fund (OPF)	
		Year ended 31 December	
		2022	2021
Net profit / (loss) after tax for the year - attributable to the ordinary shareholders	Note	(Rupees)	(Rupees)
		151,897,401	107,535,356
Weighted average number of ordinary shares		(Number)	(Number)
		113,202,019	86,672,738
Basic earnings per share		(Rupees)	(Rupees)
		1.34	1.24

- 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

The definition of related parties as given in IAS 24 - Related parties has been followed. 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 financial statements, are as follows:

### Participants' Takaful Fund

Transactions with related parties during the year are as follows:

	Relationship	2022	2021
		(Rupees)	(Rupees)
Contribution written	Associate	133,856,174	199,167,005
Contribution received	Associate	155,025,849	181,199,953
Claims paid	Associate	83,046,883	90,316,400
Profit on bank deposit	Associate	246,972	195,418
Investment income	Associate	-	-
Annual monitoring fee for vehicle tracking devices	Associate	13,723,839	14,383,923
Contribution written	Director	995,146	706,482
Contribution received	Director	629,917	8,258
Claims paid	Director	85,000	13,753

Balances with related parties as at 31 December are as follows:

Contribution receivable	Associate	66,021,345	102,722,611
Claims outstanding	Associate	17,002,502	23,474,959
Annual monitoring fee for vehicle tracking devices	Associate	7,167,950	5,607,091
Bank balances and deposits	Associate	647,525	3,264,470
Accrued investment income	Associate	-	-
Prepaid Tracker Installation Fees	Associate	5,452,877	7,759,316
Contribution receivable	Director	475,956	803,559
Claims outstanding	Director	-	-



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## Operators' Fund

Transactions with related parties during the year are as follows:

	Relationship	2022	2021
		----- (Rupees) -----	
Contribution to provident fund	Associate	-	20,163,256
Contribution to gratuity fund	Associate	17,000,000	3,000,000
Software development fee	Director	11,229,000	9,295,900
Investment income	Associate	-	-
Director's meeting attendance fees	Director	927,000	497,000
Remuneration of key management personnel	Key management personnel	48,547,643	48,763,797

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 STAFF GRATUITY FUND - Operators' Fund

### 37.1 Staff Gratuity Fund

The Company operates an approved funded gratuity scheme for all permanent employees. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2022. Projected credit unit method, using the following significant assumptions, has been used for actual valuation:

	31 December 2022	31 December 2021
	----- (Rate per annum) -----	
Discount rate	14.50%	11.75%
Expected rate of increase in salary of employees	15.75%	10.75%
Expected rate of return on plan assets	15.75%	9.75%
Normal retirement age	60 years	60 years
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1

All employees who have completed a minimum of 2 years of service with the Company in the regular cadre are eligible to receive gratuity at the last drawn basic salary for each year of services upon the termination of their employment for any reason other than misconduct. Gratuity is also payable on both natural and accidental deaths.

**37.1.1** The scheme typically exposes the Company to actuarial risks such as: salary increase risk, discount rate risk, mortality / withdrawal risk and investment risk defined as follow:

#### Salary increase risk

This is the risk that the salary at the time of cessation of service is higher than that assumed. This is a risk to the Company because the benefits are based on the final salary; if the final salary is higher than what we have assumed, the benefits will also be higher.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## Discount rate risk

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

## Mortality / withdrawal risk

This is the risk that the actual mortality/withdrawal experience is different than that assumed by the Company.

## Investment risk

This is the risk that the assets are underperforming and are not sufficient to meet the liabilities.

### 37.1.2 Number of employees under the scheme

The number of employees covered under the scheme is 280 (2021: 241).

### 37.1.3 Details of the actuarial valuation as at 31 December 2022 are as follows:

#### Payable to staff gratuity fund - Defined Benefit Plan

	Note	31 December	
		2022	2021
		----- (Rupees) -----	
Present value of defined benefit obligation	37.1.5	29,961,091	26,726,366
Fair value of plan assets	37.1.6	(1,008,055)	(2,499,535)
Net Liability at the end of the year		<u>28,953,036</u>	<u>24,226,831</u>

### 37.1.4 Movement in Net defined benefit liability during the year

	Note	2022	2021
		----- (Rupees) -----	
Opening balance		24,226,831	15,202,763
Charge to profit and loss account	37.1.7	11,702,546	9,031,337
Contributions to the Fund during the year		17,000,000	3,000,000
Charge to other comprehensive income (actuarial loss) - net	37.1.4.1	10,023,562	2,992,731
Closing balance		<u>28,952,393</u>	<u>24,226,831</u>

#### 37.1.4.1 Details of the net actuarial loss for the year are as follows:

1. Re-measurements: Actuarial loss on defined benefit obligation			
i) Gain/Loss due to change in financial assumptions		-	-
ii) Gain due to change in demographic assumptions		-	-
ii) Gain/Loss due to change in experience adjustments		10,173,339	2,798,834
iii) Total actuarial gain on obligation		<u>10,173,339</u>	<u>2,798,834</u>
2. Re-measurements: Actuarial loss on plan assets			
i) Actual return on plan assets		97,756	72,224
ii) Interest income on plan assets		156,080	266,019
iii) Opening difference		(208,101)	101
iv) Re-measurement loss on plan assets		(149,777)	193,896
3. Total re-measurements loss		<u>10,023,562</u>	<u>2,992,731</u>

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

		31 December		
		2022	2021	
		(Rupees)		
<b>37.1.5</b>	<b>Reconciliation of present value of defined benefit obligation</b>	Note		
	Opening balance of defined benefit obligation		26,726,366	18,232,363
	Current service cost		9,824,009	7,696,404
	Interest cost		2,034,616	1,600,952
	Actuarial loss on defined benefit obligation		10,173,229	2,798,834
	Benefits paid during the year		(18,797,236)	(3,602,188)
	Closing balance of defined benefit obligation		29,960,984	26,726,366
<b>37.1.6</b>	<b>Changes in fair value of plan assets (movement in the fair value of plan assets)</b>			
	Opening balance of fair value of plan assets		2,499,535	3,029,600
	Expected return on plan assets		176,369	266,019
	Contribution received		17,000,000	3,000,000
	Benefits paid during the year		(18,797,236)	(3,602,188)
	Actuarial loss on plan assets		(78,613)	(193,896)
	Closing balance of fair value of plan assets		800,055	2,499,535
<b>37.1.7</b>	<b>Charge to profit and loss account</b>			
	Current service cost		9,824,009	7,696,404
	Interest on obligation		2,034,616	1,600,952
	Expected return on plan assets		(176,369)	(266,019)
			11,682,256	9,031,337
<b>37.1.8</b>	<b>Remeasurements recognized in other comprehensive income for the year</b>			
	Actuarial loss for the year - net	37.1.4.1	10,251,842	2,992,731
	Total gratuity expense r the year		21,934,098	12,024,068
<b>37.1.9</b>	<b>Composition of fair value of plan assets</b>			

	2022		2021	
	Fair Value (Rupees)	Percentage (%)	Fair Value (Rupees)	Percentage (%)
(Rupees)				
Bank Balances	800,055	100.0%	2,499,535	100.0%
	800,055		2,499,535	

## 37.1.10 Comparison for five years

As at 31 December	2021	2020	2019	2018
Fair value of plan assets	2,499,535	3,029,600	5,944,362	5,663,756
Defined benefit obligations	26,726,366	18,232,363	12,536,972	8,193,277
Deficit	(24,226,831)	(15,202,763)	(6,592,610)	(2,529,521)
<b>Experience adjustment</b>	<b>2021 %</b>	<b>2020 %</b>	<b>2019 %</b>	<b>2018 %</b>
Gain / (loss) on plans assets (as percentage of plan assets)	(7.76)	(1.25)	(23.32)	(15.56)
(Gain) / loss on obligations (as percentage of plan obligations)	10.47	11.29	(9.75)	(1.26)

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

		Present value of obligation (Rupees)	% change from base (Percentage)
<b>Base</b>		<b>29,960,984</b>	
Discount rate	Increase by 1%	27,724,518	-7.46%
Decrease by 1%		32,546,246	8.63%
Salary growth rate	Increase by 1%	32,556,938	8.66%
Decrease by 1%		27,678,029	-7.62%

**37.1.12** The estimated gratuity cost for the year ending 31 December 2022 is Rs. 12.031 million (2021: Rs. 9.876 million).

Gratuity cost to the recognized in the profit and loss is not necessarily the amount of the contribution for the year. Decision about the contribution is made by the Company based on the allowability under the Insurance Tax Rules, 2002 and the availability of surplus funds, etc.

Nonetheless, efforts shall be to made reduce the deficit in accordance with the admissibility under the Insurance Tax Rules.

## 38 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

Investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 39 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

### 39.1 Takaful Risk

The risk under any takaful contract is the possibility that the covered event occurs and the uncertainty in the amount of compensation to the participant. The period of the takaful risk are mentioned in note 4.2 to these financial statements.

The Company accepts takaful through issuance of general takaful contracts. For these general takaful contracts the most significant risks arise from fire, atmospheric disturbance, earthquake and other catastrophes. For health takaful contracts, significant risks arise from epidemics.

#### a) Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the takaful events. This has been managed by having in place underwriting strategy, re-takaful arrangements and proactive claim handling procedures.

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

Class	Maximum gross risk exposure	
	2022 ----- (Rupees) -----	2021
Fire and property	9,405,818,271	2,360,000,000
Marine, aviation and transport	2,139,701,872	409,000,000
Motor	66,150,000	25,000,000
Accident and health	1,100,000	1,500,000
Miscellaneous	1,170,000,000	1,000,000,000

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## b) Sources of Uncertainty in the estimation of future claims payments

Claims on general takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contract including the event reported after the expiry of the takaful contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on Company's judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount.

### Key assumptions

The principal assumption underlying the liability estimation of incurred but not recorded (IBNR) and Contribution Deficiency Reserves (CDR) is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

As at 31 December 2021, actuarial valuation is carried out for the determination of provision for IBNR which is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required/ allowed by the circular 9 of 2016 issued by Securities and Exchange Commission of Pakistan (SECP).

Provision for IBNR is determined by using Chain Ladder Method for all class of businesses except Marine for which loss ratio method is used. The claims outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. IBNR triangles are made on a yearly basis for each class of business.

The Company determines adequacy of the liability of contribution deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned contribution. The liability of contribution deficiency in relation to accident and health takaful is calculated in accordance with the advice of the actuary (refer note 4.5) to these financial statements.



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

The assumed net of re-takaful loss ratios for each class of business for estimation of Contribution Deficiency Reserves is as follows:

Class	Assumed net loss ratio	
	2022	2021
	(Rupees)	
Fire and property	33%	10%
Marine, aviation and transport	34%	21%
Motor	32%	27%
Health	72%	81%
Miscellaneous	30%	13%

## Sensitivity Analysis

The takaful claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

## Average claim costs

The maximum exposure to credit risk as at 31 December 2020 was as follows:

		Gross Claim Liabilities	Net Claim Liabilities	Profit before Tax	Net assets
		(Rupees)			
2022	+ 10%	180,692,206	125,739,260	125,739,260	125,739,260
2021	+ 10%	107,077,140	87,553,331	87,553,331	87,553,331

## Re-takaful risk

Re-takaful ceded does not relieve the PTF from its obligation towards participants and, as a result, the PTF remains liable for the portion of outstanding claims covered through re-takaful to the extent that re-takaful operators fails to meet the obligation under the re-takaful agreements.

To minimize its exposure to significant losses from re-takaful operators' insolvencies, the operations obtain re-takaful rating from a number of re-takaful operators, who are dispersed over several geographical regions.

An analysis of all retakaful assets recognized by the rating of the re-takaful operator from which it is due is as follows:

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount.

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## Rating

A or above  
B or above

2022		
Amount due from other takaful / re-takaful holders	Re-takaful recoveries against outstanding claims	Total
(Rupees)		
33,470,661	63,639,505	97,110,166
696,790	9,573,261	10,270,051
<b>34,167,451</b>	<b>73,212,766</b>	<b>107,380,217</b>

## Rating

A or above  
B or above

2021		
Amount due from other takaful / re-takaful holders	Re-takaful recoveries against outstanding claims	Total
(Rupees)		
33,470,661	63,639,505	97,110,166
696,790	9,573,261	10,270,051
<b>34,167,451</b>	<b>73,212,766</b>	<b>107,380,217</b>

## Claims development table

The following table shows the development of claims over a period of time on gross basis. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business, the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2021.

## Analysis on gross basis

Accident year	2018	2019	2020	2021	2022
<b>Estimate of ultimate claims cost:</b>	(Rupees)				
At the end of accident year	95,800,001	415,597,671	928,734,516	994,685,725	<b>1,747,067,699</b>
One year later	90,003,796	439,852,892	1,011,607,626	1,064,754,546	<b>Not applicable</b>
Two years later	86,093,083	439,238,599	1,015,802,266	Not applicable	<b>Not applicable</b>
Three years later	87,029,406	439,570,490	Not applicable	Not applicable	<b>Not applicable</b>
Four years later	87,074,121	Not applicable	Not applicable	Not applicable	<b>Not applicable</b>
Current estimate of cumulative claims	87,074,121	439,570,490	1,015,802,266	1,064,754,546	<b>1,747,067,699</b>
Cumulative payments to date	73,773,484	431,346,608	1,000,497,614	1,038,715,206	1,069,225,083
<b>Liability recognized in the statement of financial position</b>	<b>13,300,637</b>	<b>8,223,882</b>	<b>15,304,652</b>	<b>26,039,340</b>	<b>677,842,616</b>

## 39.2 Financial risk management objectives and policies

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. Risk is inherent in the Company's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed based on limits established by the Company's constitutive documents and the regulations and directives of the SECP.

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The audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit.

## 39.2.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest (profit) rate risk, foreign currency risk and other price risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

### 39.2.1.1 Profit rate risk

#### 39.2.1.1.1 Shareholders' Fund (SHF)

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate.

The information about the Company's exposure to profit rate risk based on the earlier of contractual repricing or maturity dates is as follows:

2022							
Effective rate % per annum	Profit bearing			Non profit bearing			Total
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	
	(Rupees)						
<b>Financial assets</b>							
Investments							
Debt securities		75,000,000	75,000,000	-	-	-	75,000,000
Term deposits	7.5 - 10.75.00	151,500,000	151,500,000	-	-	-	151,500,000
Equity Securities		-	-	34,767,063		34,767,063	34,767,063
Long term deposits		-	-		25,410,786	25,410,786	25,410,786
Accrued investment income		-	-	6,159,862		6,159,862	6,159,862
Loans, advances and other receivables		-	-	279,070,075		279,070,075	279,070,075
Cash and bank	2.0 - 9.03	124,698,397	124,698,397	121,249	-	121,249	124,819,646
	276,198,397	75,000,000	351,198,397	25,410,786	345,529,035	696,727,433	
<b>Financial liabilities</b>							
Lease liability		(27,941,863)	(11,418,048)	-	-	-	(39,359,911)
Other creditors and accruals		-	-	(30,526,632)		(30,526,632)	(30,526,632)
<b>Profit (Interest) risk sensitivity gap</b>		248,256,534	63,581,952	289,591,617	25,410,786	315,002,403	626,840,890

2021							
Effective rate % per annum	Profit bearing			Non profit bearing			Total
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	
	(Rupees)						
<b>Financial assets</b>							
Investments							
Debt securities		118,000,000	118,000,000	-	-	-	118,000,000
Term deposits	7.5 - 13.00	292,700,000	292,700,000	-	-	-	292,700,000
Equity Securities		-	-	62,260,412		62,260,412	62,260,412
Long term deposits		-	-		24,310,806	24,310,806	24,310,806
Accrued investment income		-	8,737,945	-	8,737,945	8,737,945	
Loans, advances and other receivables		-	159,175,759	-	159,175,759	159,175,759	
Cash and bank	2.0 - 9.03	122,526,709	122,526,709	36,022		36,022	122,562,731
		415,226,709	118,000,000	230,210,138	24,310,806	254,520,944	787,747,653
<b>Financial liabilities</b>							
Lease liability		(27,941,863)	(11,418,048)	-	-	-	(39,359,911)
Other creditors and accruals		-	-	(4,068,147)	-	(4,068,147)	(4,068,147)
<b>Profit (Interest) risk sensitivity gap</b>		387,284,846	106,581,952	226,141,991	24,310,806	250,452,797	744,319,595

#### 39.2.1.1.2 Participant's Takaful Fund (PTF)

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate.

The information about the Company's exposure to profit rate risk based on the earlier of contractual repricing or maturity dates is as follows:

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2022							
	Profit bearing			Non profit bearing			Total
	Effective rate % per annum	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total
<b>Financial assets</b>							
Investments							
Term Deposit	7.5 - 10.75	154,000,000	-	154,000,000	-	-	-
Equities Securities		-	-	-	22,617,137	-	22,617,137
Takaful / co-takaful receivables		-	-	-	1,678,591,629	-	1,678,591,629
Re-takaful recoveries against outstanding claims		-	-	-	371,239,651	-	371,239,651
Salvage recoveries accrued		-	-	-	22,895,000	-	22,895,000
Accrued investment income		-	-	-	-	-	-
Loan and other receivables		-	-	-	10,729,266	-	10,729,266
Cash and bank	2.0 - 9.03	73,409,877	-	73,409,877	325,319	-	325,319
		<b>73,409,877</b>	<b>-</b>	<b>73,409,877</b>	<b>2,106,398,002</b>	<b>-</b>	<b>2,106,398,002</b>
<b>Financial liabilities</b>							
Outstanding claims including IBNR		-	-	-	(738,552,079)	-	(738,552,079)
Takaful / re-takaful payables		-	-	-	(90,543,017)	-	(90,543,017)
Other creditors and accruals		-	-	-	(25,051,515)	-	(25,051,515)
		<b>-</b>	<b>-</b>	<b>-</b>	<b>(854,146,611)</b>	<b>-</b>	<b>(854,146,611)</b>
<b>Profit (Interest) risk sensitivity gap</b>		<b>73,409,877</b>	<b>-</b>	<b>73,409,877</b>	<b>1,252,251,391</b>	<b>-</b>	<b>1,252,251,391</b>

2021							
	Profit bearing			Non profit bearing			Total
	Effective rate % per annum	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total
<b>Financial assets</b>							
Investments							
Term Deposit	7.5 - 13.00	195,100,000	-	195,100,000	-	-	-
Equities Securities		-	-	-	37,598,293	-	37,598,293
Takaful / co-takaful receivables		-	-	-	1,039,154,876	-	1,039,154,876
Re-takaful recoveries against outstanding claims		-	-	-	83,270,644	-	83,270,644
Salvage recoveries accrued		-	-	-	15,694,000	-	15,694,000
Accrued investment income		-	-	-	3,753,991	-	3,753,991
Loan and other receivables		-	-	-	7,957,824	-	7,957,824
Cash and bank	2.0 - 9.03	68,476,388	-	68,476,388	1,843,706	-	1,843,706
		<b>263,576,388</b>	<b>-</b>	<b>263,576,388</b>	<b>1,189,273,333</b>	<b>-</b>	<b>1,189,273,333</b>
<b>Financial liabilities</b>							
Outstanding claims		-	-	-	(341,383,225)	-	(341,383,225)
Takaful / re-takaful payables		-	-	-	(29,500,776)	-	(29,500,776)
Other creditors and accruals		-	-	-	(26,160,123)	-	(26,160,123)
		<b>-</b>	<b>-</b>	<b>-</b>	<b>(397,044,124)</b>	<b>-</b>	<b>(397,044,124)</b>
<b>Profit (Interest) risk sensitivity gap</b>		<b>263,576,388</b>	<b>-</b>	<b>263,576,388</b>	<b>792,229,209</b>	<b>-</b>	<b>792,229,209</b>

## 39.2.1.2 Sensitivity Analysis

### (a) Sensitivity analysis for variable rate instruments

Presently, the Company hold sukuk certificates issued by Bank Islami Pakistan Limited, Dubai Islamic Bank Pakistan Limited GoP Ijarah and The Hub Power Company Limited Sukuks exposing it to cash flow interest rate risk. In case of 100 basis points increase/decrease in interest yield on 31 December 2022 with all other variables held constant, the net assets of the Shareholders' Fund and profit before tax of the Shareholders' Fund for the year would have been higher/lower by Rs. 0.1 million (2021: Rs. 0.1 million).

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None of the financial instruments of the participants takaful fund are exposed to variable interest rate risk.

## (b) Sensitivity analysis for fixed rate instruments

The increase / decrease of 100 basis point in fixed rate interest (profit):

### Shareholder's Fund

Bank balances  
Investment in term deposits

Participants Takaful Fund  
Bank balances  
Investment in term deposits

### Maximum gross risk exposure

2022	2021
(Rupees)	
148,677	133,422
154,361	176,338
303,037	309,760
53,752	51,538
19,423	408,582
73,176	460,120

## 39.2.1.3 Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present, is not currency risk as majority of the transactions are carried out in Pak Rupees.

## 39.2.1.4 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. However the company is not significantly exposed to other price risk.

## 39.2.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the operation's reputation. The following are the contractual maturities of financial liabilities based on the remaining period at the reporting date to maturity date.

### Financial liabilities

Other creditors and accruals

### Shareholders' Fund With in one year

2022	2021
(Rate per annum)	
(30,526,632)	(4,068,147)

### Financial liabilities

Provision for outstanding claims (including IBNR)  
Takaful / re-takaful payables  
Other creditors and accruals

### Shareholders' Fund With in one year

2022	2021
(Rate per annum)	
738,552,079	341,383,225
90,543,017	29,500,776
53,716,570	57,124,502
882,811,666	428,008,502



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## 39.2.3 Credit risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present, is not currency risk as majority of the transactions are carried out in Pak Rupees.

Credit risk is managed and controlled by the Company in the following manner:

- Where the Company makes in investment decision, the credit rating and credit worthiness of the issuer is taken in to account along with the financial background so as to minimize the risk of default.
- Analyzing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with different brokers, whose credit worthiness is taken into account so as to minimize the risk of default and transactions are settled or paid to only upon delivery.
- Takaful related risk has already been discussed earlier.

## Exposure to credit risk

The maximum exposure to credit risk as at 31 December 2020 was as follows:

	Shareholders' Fund		Participants' Takaful Fund	
	2022 (Maximum Exposure)	2021	2022 (Maximum Exposure)	2021 (Maximum Exposure)
	(Rupees)			
Investments in				
Debt securities	75,000,000	118,000,000	-	-
Term deposits	151,500,000	292,700,000	154,000,000	195,100,000
Equities Securities	34,767,063	62,260,412	22,617,137	37,598,293
Long term deposits	25,410,786	24,310,806	-	-
Loan and other receivables	279,070,075	159,175,759	10,729,266	7,957,824
Takaful / co-takaful receivables	-	-	1,678,591,629	1,039,154,876
Accrued investment income	6,159,862	8,737,945	-	3,753,991
Re- Takaful recoveries against outstanding claims	-	-	394,134,651	98,964,644
Cash and Bank Balance	124,819,646	122,562,731	73,735,196	70,320,094
	<b>696,727,432</b>	<b>787,747,653</b>	<b>2,333,807,879</b>	<b>1,452,849,722</b>

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## 39.23.1 Concentration of credit risk in banks

The bank balances including term deposits represents low credit risk as they are placed with reputed financial institutions with strong credit ratings.

The credit quality of bank balances (including term deposits) can be assessed with reference to external credit ratings as follows:

	Long Term Rating	Rating Agency	2022		2021	
			SHF	PTF	SHF	PTF
			(Rupees)			
Al Baraka Bank (Pakistan) Limited	A+/A-1	VIS	-	647,525	-	3,264,470
Askari Bank Limited (Islamic Banking)	AA+/A1+	PACRA	-	-	-	-
Bank AlFalah Limited (Islamic Banking)	AA+/A1+	PACRA	-	3,822,681	-	713,054
Bank Al Habib Ltd (Islamic Banking)	AAA/A1+	PACRA	87,959,984	301,594	69,585	9,274
Bank Islami Pakistan Limited	A+/A1	PACRA	35,667,204	45,765,456	119,496,518	32,902,392
Dubai Islamic Bank Limited	AA/A1+	VIS	511,446	5,100,635	785,831	24,851,194
Faysal Bank Limited (Islamic Banking)	AA/A-1+	VIS	-	63,977	-	17,362
Habib Bank Limited (Islamic Banking)	AAA/A-1+	VIS	-	291,717	-	291,717
Habib Metropolitan Bank (Islamic Banking)	AA+/A1+	PACRA	-	468,553	-	1,219,793
Meezan Bank Limited	AAA/A-1+	VIS	570,684	#REF!	2,185,696	5,193,643
National Bank of Pakistan (Islamic Banking)	AAA/A-1+	VIS	-	400,508	-	59,671
The Bank of Khyber (Islamic Banking)	A+/A-1	VIS	-	11,936	-	11,472
United Bank Limited (Ameen Islamic Banking)	AAA/A-1+	VIS	-	1,661,875	-	1,366,552
NRSP Microfinance Bank Limited	A/A1	PACRA	-	-	-	-
- (Islamic Banking)			-	3,550	-	3,337
Samba Bank Limited (Islamic Banking)	AA/A-1	VIS	-	64,859	-	410,435
Summit Bank Limited (Islamic Banking)	BBB-	VIS	-	-	-	-
Soneri Bank Limited (Islamic Banking)	A+	PACRA	-	5,966	-	5,728
			124,709,318	#REF!	122,537,630	70,320,094

Sector-wise analysis of gross "Takaful/Co-Takaful Receivables" at the reporting date is as follows:

Industry	2022		2021	
	(Rupees)	%	(Rupees)	%
Banks	816,859,240	48.13%	447,654,374	42.46%
Automobiles	100,536,715	5.92%	92,861,428	8.81%
Takaful	135,282,033	7.97%	39,902,665	3.79%
Pharmaceuticals	88,883,963	5.24%	73,606,470	6.98%
Education	3,077,043	0.18%	19,434,595	1.84%
Textile	21,558,296	1.27%	24,227,151	2.30%
IT Industry	36,860,142	2.17%	39,192,943	3.72%
Engineering	3,126,271	0.18%	12,644,258	1.20%
Hospitals	579,089	0.03%	18,685,650	1.77%
Housing	20,820	0.00%	3,248,694	0.31%
NGO's	741,852	0.04%	4,646,193	0.44%
Food & Allied	5,037,220	0.30%	2,593,134	0.25%
Cement	599,423	0.04%	7,017,343	0.67%
Individual	11,214,687	0.66%	210,328,404	19.95%
Oil mills	2,659,120	0.16%	11,181,117	1.06%
Paper	682,862	0.04%	52,404	0.00%
Chemical & fertilizers	161,543	0.01%	1,194,099	0.11%
Distribution	74,633,929	4.40%	29,735,815	2.82%
Petroleum	-	0.00%	36,013	0.00%
Others	394,693,411	23.26%	15,938,831	1.51%
	1,697,207,657	100%	1,054,181,581	100%

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The management monitors exposure to credit risk through regular review of credit exposure, assessing creditworthiness of counterparties and prudent estimates of provision for doubtful debts.

The credit quality of Company's debt securities can be assessed as follows:

The assumed net of re-takaful loss ratios for each class of business for estimation of Contribution Deficiency Reserves is as follows:

Rating	Held till maturity	
	2022	2021
	(Rupees)	
A or above (The Hub Power Company Limited)	15,000,000	30,000,000
Others - unrated (Dubai Islamic Bank Pakistan Limited, Bank Islami Limited & GoP Ijara)	60,000,000	88,000,000
	<b>75,000,000</b>	<b>118,000,000</b>
<b>Participants' Takaful Fund</b>		
Rating		
A or above	-	-
	<b>-</b>	<b>-</b>

## Past due and impaired status

The Company monitors exposure to credit risk in contribution receivable from participants and amounts due from Co-takaful operators and re-takaful operators through regular review of credit exposure. The age wise analysis of contribution due but unpaid balance at year end, has no balance which is due for more than 1 year.

None of the financial assets of the Company are past due or impaired, other than those which have been provided and disclosed in these financial statements. Based on the past historical expertise and other economic factors, the management consider that no additional provision is required.

## 39.2.3.2 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;

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- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;

## 39.2.3.3 Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital which is the share capital of the Company.

## 40 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.

		2022					
		Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
Note		(Rupees)					
Takaful / re-takaful receivables		227,221,407	74,495,318	1,409,457,841	1,363,197,512	161,119,657	3,235,491,735
Less: Sales Tax Payable		(14,158,465)	(6,775,139)	(162,838,303)	(328,155)	(18,596,715)	(202,696,777)
Federal Takaful Fee		(999,704)	(566,730)	(12,221,327)	(12,013,036)	(1,405,502)	(27,206,299)
Stamp duty		(131,830)	(2,859,452)	(331,180)	(31,600)	(384,770)	(3,738,832)
Gross written contribution		211,931,408	64,293,997	1,234,067,031	1,350,824,721	140,732,670	3,001,849,827
Wakala fee		(49,478,883)	(23,344,494)	(794,177,235)	(179,812,714)	(43,616,767)	(1,090,430,093)
<b>Participants' Takaful Fund - revenue account</b>							
Takaful contribution earned		175,724,394	58,382,221	1,163,922,832	1,114,190,984	134,162,909	2,646,383,340
Takaful contribution ceded expense		(146,073,838)	(18,857,454)	(4,045,400)	-	(86,791,280)	(255,767,972)
Net Takaful contribution	22	(19,828,327)	16,180,273	365,700,197	934,378,270	3,754,862	1,300,185,275
Retakaful rebate earned	23	40,851,719	1,286,213	-	-	22,163,432	64,301,364
Net Underwriting Income		21,023,392	17,466,486	365,700,197	934,378,270	25,918,294	1,364,486,639
Takaful claims		(344,336,848)	(14,067,121)	(561,694,096)	(800,228,923)	(60,585,677)	(1,780,912,665)
Takaful claims recovered from retakaful operators & salvage recoveries		320,776,778	294,583	188,447,439	-	40,010,656	549,529,456
<b>Net Takaful claims expense</b>		(23,560,070)	(13,772,538)	(373,246,657)	(800,228,923)	(20,575,021)	(1,231,383,209)
Incurred But Not Reported (IBNR) claims expense		(24,138,083)	(535,529)	(1,551,686)	(1,604,750)	1,820,655	(26,009,393)
Contribution deficiency expense / (reversal)		-	-	-	-	-	-
Provisions against doubtful contributions - Net of Wakala		(12,215,403)	3,183,952	3,774,856	-	1,723,933	(3,532,662)
Other direct expenses		(1,097,756)	(514,216)	(70,647,486)	(37,295)	(424,335)	(72,721,088)
Investment income	30	79.46%	34.85%	32.18%	71.82%	43.43%	(7,038,886)
Profit on bank balances		(1.19)	0.85	1.02	-	5.48	5,375,191
Less: Mudarib's share							(2,612,120)
Net investment income							(4,275,815)
Other income							238,531
Bank charges							(770,647)
Total surplus - after tax							26,032,357
Segment Assets		534,581,785	20,513,251	691,126,450	1,117,723,851	143,261,900	2,507,207,237
Unallocated Assets							327,226,666
							2,834,433,903
Segment Liabilities		436,088,264	74,239,079	818,774,190	1,010,442,762	155,806,403	2,495,350,698
Unallocated Liabilities							169,683,313
							2,665,034,011

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

		2021					
		Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
Note		(Rupees)					
Takaful / re-takaful receivables		111,026,204	53,229,795	1,141,301,951	1,011,127,973	84,368,147	2,401,054,070
Less: Sales Tax Payable		(11,029,461)	(5,577,677)	(130,608,440)	(82,903)	(9,613,612)	(156,912,093)
Federal Takaful Fee		(781,410)	(432,673)	(9,918,586)	(9,658,178)	(735,419)	(21,526,266)
Stamp duty		(88,380)	(2,777,676)	(175,260)	(30,890)	(12,340)	(3,084,546)
Gross written contribution		<u>99,126,953</u>	<u>44,441,769</u>	<u>1,000,599,665</u>	<u>1,001,356,002</u>	<u>74,006,776</u>	<u>2,219,531,165</u>
Wakala fee		(24,705,595)	(11,883,866)	(527,267,895)	(86,171,526)	(33,791,074)	(683,819,956)
Participants' Takaful Fund - revenue account							
Takaful contribution earned		75,986,643	41,239,963	803,937,126	784,860,759	82,866,695	1,788,891,186
Takaful contribution ceded expense		(60,753,716)	(31,899,614)	(22,449,450)	-	(48,169,487)	(163,272,266)
Net Takaful contribution	22	(9,472,668)	(2,543,517)	254,219,781	698,689,233	906,135	941,798,964
Retakaful rebate earned	23	16,931,037	8,885,680	-	-	7,752,893	33,569,610
Net Underwriting Income		7,458,369	6,342,162	254,219,781	698,689,233	8,659,028	975,368,573
Takaful claims		(8,783,610)	(15,554,128)	(374,288,273)	(637,067,912)	(16,356,300)	(1,052,050,222)
Takaful claims recovered from retakaful operators & salvage recoveries		5,591,208	11,808,981	167,163,841	-	10,674,067	195,238,097
Net Takaful claims expense		(3,192,402)	(3,745,147)	(207,124,432)	(637,067,912)	(5,682,233)	(856,812,125)
Incurred But Not Reported (IBNR) claims expense		(2,252,142)	(69,978)	(3,054,353)	(10,147,628)	(3,197,080)	(18,721,181)
Contribution deficiency expense / (reversal)		-	-	-	-	(1,277,365)	(1,277,365)
Provisions against doubtful contributions (receivables)		1,898,211	(2,025,880)	(399,116)	(1,911,908)	(3,982,331)	(6,421,024)
Other direct expenses		(1,623,525)	(368,298)	(46,653,617)	-	(103,612)	(48,749,052)
Investment income	30						26,003,586
Profit on bank balances							4,140,653
Less: Mudarib's share							(7,536,060)
Net investment income							22,608,180
Other income							1,942,215
Bank charges							(282,606)
Total surplus - after tax							<u>67,655,615</u>
Segment Assets		151,024,634	20,382,555	831,280,119	760,025,044	115,761,587	1,878,473,939
Unallocated Assets							<u>346,569,323</u>
							<u>2,225,043,262</u>
Segment Liabilities		137,196,590	33,350,260	993,718,454	741,527,804	110,349,270	2,016,142,378
Unallocated Liabilities							<u>72,452,554</u>
							<u>2,088,594,932</u>

## 41 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.

		2022					
		Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
Note		(Rupees)					
Wakala fee		49,478,883	23,344,494	794,177,235	179,812,714	43,616,767	1,090,430,093
Less: Commission expense		(27,463,704)	(9,602,922)	(165,692,447)	(47,185,553)	(18,034,798)	(267,979,424)
Management expense		-	-	-	-	-	(695,664,355)
		<u>22,015,179</u>	<u>13,741,572</u>	<u>628,484,788</u>	<u>132,627,161</u>	<u>25,581,969</u>	<u>126,786,314</u>
Mudarib share of PTF investment income							2,612,120
Investment Income							7,650,340
Other charges / income							26,658,769
Profit before taxation							163,707,543
Finance Cost							(3,486,625)
<b>Profit before taxation</b>							<b>160,220,918</b>
Taxation							(32,855,592)
<b>Profit after taxation</b>							<b>127,365,326</b>
Corporate segment assets		13,618,122	46,271,015	141,869,634	99,156,774	45,330,148	346,245,693
Corporate unallocated assets		-	-	-	-	-	1,090,347,043
Total assets							<u>1,436,592,736</u>
Corporate segment liabilities		28,314,784	6,443,803	278,336,906	60,288,628	22,830,640	396,214,761
Corporate unallocated liabilities		-	-	-	-	-	63,682,551
Total Liabilities							<u>459,897,312</u>

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

	2021					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
	(Rupees)					
Wakala fees	24,705,595	11,883,866	527,267,895	86,171,526	33,791,074	683,819,956
Less: Commission expense	(9,086,979)	(7,152,070)	(99,044,564)	(31,337,761)	(4,077,183)	(150,698,557)
Management expenses	-	-	-	-	-	(454,179,748)
	<u>15,618,616</u>	<u>4,731,797</u>	<u>428,223,331</u>	<u>54,833,765</u>	<u>29,713,891</u>	<u>78,941,651</u>
Investment Income						7,536,060
Mudarib share of PTF investment income						29,170,448
Profit on Bank Balance						-
Other charges / income						<u>1,407,635</u>
						117,055,794
Finance Cost						(5,285,070)
Profit before taxation						111,770,724
Taxation						<u>(4,235,367)</u>
Profit after taxation						<u>107,535,357</u>
Corporate segment assets						546,490,620
Corporate unallocated assets						950,673,036
Total assets						1,497,163,656
Corporate segment liabilities						681,980,380
Corporate unallocated liabilities						62,315,112
Total Liabilities						744,295,492

## 42 MOVEMENT IN INVESTMENTS -SHAREHOLDERS' FUND (SHF)

### Balance as of 1 January 2020

Additions	405,500,000
Disposals (sale and redemptions)	(370,400,000)
<b>Balance as of 31 December 2021</b>	<b>292,700,000</b>

Additions	481,500,000
Disposals (sale and redemptions)	(622,700,000)
<b>Balance as of 31 December 2022</b>	<b>151,500,000</b>

### MOVEMENT IN INVESTMENTS -PARTICIPANTS' TAKAFUL FUND (PTF)

#### Balance as of 1 January 2021

Additions	616,100,000
Disposals (sale and redemptions)	(747,000,000)
<b>Balance as of 31 December 2021</b>	<b>195,100,000</b>

Additions	165,100,000
Disposals (sale and redemptions)	(206,200,000)
<b>Balance as of 31 December 2022</b>	<b>154,000,000</b>

2021		
Held to Maturity	Available for Sale	Total
(Rupees)		
257,600,000	-	257,600,000
405,500,000 (370,400,000)	81,493,571 (19,233,159)	486,993,571 (389,633,159)
<b>292,700,000</b>	<b>62,260,412</b>	<b>354,960,412</b>
<b>481,500,000 (622,700,000)</b>	<b>- (27,493,349)</b>	<b>481,500,000 (650,193,349)</b>
<b>151,500,000</b>	<b>34,767,063</b>	<b>186,267,063</b>
326,000,000	-	326,000,000
616,100,000 (747,000,000)	80,224,941 (42,626,648)	696,324,941 (789,626,648)
<b>195,100,000</b>	<b>37,598,293</b>	<b>232,698,293</b>
<b>165,100,000 (206,200,000)</b>	<b>5,942,440 (20,923,596)</b>	<b>171,042,440 (227,123,596)</b>
<b>154,000,000</b>	<b>22,617,137</b>	<b>176,617,137</b>



# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 43 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).

### 43.1 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.

2022										
	Carrying amount					Fair value measurement using				
	Available -for-sale	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>										
Investments	-	-	-	-	-	-	-	-	-	-
Debt security	-	75,000,000	-	-	-	75,000,000	-	75,127,500	-	75,127,500
Term deposits *	-	151,500,000	-	-	-	151,500,000	-	-	-	-
Equity Securities *	34,767,063	-	-	-	-	34,767,063	34,767,063	-	-	-
Long term deposits *	-	-	-	25,410,786	-	25,410,786	-	-	-	-
Accrued investment income *	-	-	6,159,862	-	-	6,159,862	-	-	-	-
Loans, advances and other receivables *	-	-	279,070,075	-	-	279,070,075	-	-	-	-
Cash and bank *	-	-	-	124,709,318	-	124,709,318	-	-	-	-
	34,767,063	226,500,000	285,229,937	150,120,104	-	696,617,104	34,767,063	75,127,500	-	75,127,500
<b>Financial liabilities not measured at fair value</b>										
Lease liability *	-	-	-	-	(39,359,911)	(39,359,911)	-	-	-	-
Other creditors and accruals *	-	-	-	-	(30,526,632)	(30,526,632)	-	-	-	-
	34,767,063	226,500,000	285,229,937	150,120,104	(69,886,543)	626,730,561	34,767,063	75,127,500	-	75,127,500
2021										
	Carrying amount					Fair value measurement using				
	Available -for-sale	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>										
Investments	-	-	-	-	-	-	-	-	-	-
Debt security	-	118,000,000	-	-	-	118,000,000	-	91,036,380	-	91,036,380
Term deposits *	-	292,700,000	-	-	-	292,700,000	-	-	-	-
Equity Securities *	62,260,412	-	-	-	-	62,260,412	62,260,412	-	-	-
Long term deposits *	-	-	-	24,310,806	-	24,310,806	-	-	-	-
Accrued investment income *	-	-	8,737,945	-	-	8,737,945	-	-	-	-
Loans, advances and other receivables *	-	-	159,175,759	-	-	159,175,759	-	-	-	-
Cash and bank *	-	-	-	122,537,630	-	122,537,630	-	-	-	-
	62,260,412	410,700,000	167,913,704	146,848,436	-	787,722,552	62,260,412	91,036,380	-	91,036,380
<b>Financial liabilities not measured at fair value</b>										
Lease liability *	-	-	-	(39,359,911)	(39,359,911)	-	-	-	-	-
Other creditors and accruals *	-	-	-	(4,068,147)	(4,068,147)	(4,068,147)	-	-	-	-
	62,260,412	410,700,000	167,913,704	146,848,436	(43,428,058)	744,294,494	62,260,412	91,036,380	-	91,036,380

# NOTES TO AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 43.2 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:

	2022					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
<b>Financial assets</b>						
Investments*	(Rupees)					
Term Deposit *	-	154,000,000	-	-	-	154,000,000
Equities Securities	22,617,137	-	-	-	-	22,617,137
Takaful / co-takaful receivables *	-	-	1,678,591,629	-	-	1,678,591,629
Re-takaful recoveries against outstanding claims *	-	-	371,239,651	-	-	371,239,651
Salvage recoveries accrued *	-	-	-	22,895,000	-	22,895,000
Accrued investment income *	-	-	-	-	-	-
Loan and other receivables *	-	-	10,729,266	-	-	10,729,266
Cash and bank *	-	-	-	72,657,118	-	72,657,118
	22,617,137	-	2,060,560,546	95,552,118	-	2,178,729,801
<b>Financial liabilities not measured at fair value</b>						
Outstanding claims including IBNR *	-	-	-	-	(738,552,079)	(738,552,079)
Takaful / re-takaful payables *	-	-	-	-	(90,543,017)	(90,543,017)
Other creditors and accruals *	-	-	-	-	(25,051,515)	(25,051,515)
	-	-	-	-	(854,146,611)	(854,146,611)
	22,617,137	-	2,060,560,546	95,552,118	(854,146,611)	1,324,583,190

	2021					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
<b>Financial assets</b>						
Investmentss *	(Rupees)					
Term Deposit *	-	195,100,000	-	-	-	195,100,000
Equities Securities	-	37,598,293	-	-	-	37,598,293
Takaful / co-takaful receivables*	-	-	1,039,154,876	-	-	1,039,154,876
Re-takaful recoveries against outstanding claims*	-	-	83,270,644	-	-	83,270,644
Salvage recoveries accrued*	-	-	-	15,694,000	-	15,694,000
Accrued investment income*	-	-	3,753,991	-	-	3,753,991
Loan and other receivables*	-	-	7,957,824	-	-	7,957,824
Cash and bank*	-	-	-	70,320,094	-	70,320,094
	-	232,698,293	1,134,137,335	86,014,094	-	1,452,849,722
<b>Financial liabilities not measured at fair value</b>						
Outstanding claims *	-	-	-	-	(341,383,225)	(341,383,225)
Amounts due to takaful / re-takaful payables *	-	-	-	-	(29,500,776)	(29,500,776)
Other creditors and accruals *	-	-	-	-	(26,160,123)	(26,160,123)
	-	-	-	-	(397,044,124)	(397,044,124)
	-	232,698,293	1,134,137,335	86,014,094	(397,044,124)	1,055,805,598

\* 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 AND FORMATING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 44 CORRESPONDING FIGURES

The General Takaful Accounting Regulations 2019 have introduced certain presentation and classification requirements for the elements of the financial statements. Accordingly, the following corresponding figures have been rearranged and reclassified to comply with the requirement of these regulations. Besides these certain other reclassifications have also been made for better presentation, where impact is not material

Reclassified from	Reclassified to	SHF	PTF
Loans and other receivables	Investment in subsidiaries	39,453,059	-

## 45 NUMBER OF EMPLOYEES

	2022 (Number)	2021
As at 31 December	<u>300</u>	<u>241</u>
Average Number of Employees during the year	<u>271</u>	<u>209</u>

## 46 GENERAL

46.1 Figures have been rounded off to nearest Rupee unless otherwise mentioned.

## 47 DATE OF AUTHORIZATION


These financial statements were approved by the Board of Directors in their meeting held on 28 April 2023.



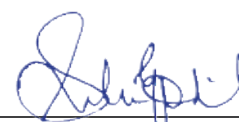
Syed Rizwan Hussain  
Managing Director & CEO



Tamim Shabbir  
Director



Faisal Murad  
Director



Salim Habib Godil  
Chairman





# FINANCIAL STATEMENTS (CONSOLIDATED)

## CUSTOMER CENTRIC DIGITAL TOUCHPOINTS

Financial statements play a crucial role in assessing the performance and transparency of a company, and Salaam Takaful Limited ensures that its financial statements accurately reflect its operations and financial health. In the digital age, customer-centricity is paramount, and Salaam Takaful leverages various digital touchpoints to enhance policyholder interactions. Through an interactive website, social media platforms, and communication channels like WhatsApp, policyholders can conveniently access information, make inquiries, and engage with Salaam Takaful. This customer-centric approach fosters transparency, trust, and responsiveness, allowing policyholders to stay informed, receive timely assistance, and have a seamless digital experience when interacting with Salaam Takaful.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALAAM TAKAFUL LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

We have audited the annexed consolidated financial statements of Salaam Takaful Limited and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity/fund and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated statement of financial position, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity/fund and the consolidated cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Group's affairs as at 31 December 2022 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

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

## Emphasis of Matter

We draw attention to the following notes to the consolidated financial statements:

- Notes 21.1.1 to 21.1.2 to the consolidated financial statements which describe the status of legal matters relating to dispute with Travel Agents Association of Pakistan and Holding Company's appeal against penalty imposed by the Securities and Exchange Commission of Pakistan has been explained. The aforementioned notes also describe that based on the legal advice and the management's expectation of favourable outcome, no provision has been recognized.



- Note 21.1.3 to consolidated financial statements, which describes that the certain insurance/takaful companies have challenged the scope and applicability of the provincial sales tax on services on the premium/contribution from health insurance/takaful business in a provincial High Court. The hearing of the petition is currently in progress. The Holding 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 Holding Company based on legal opinion.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the Other Information. The Other Information comprises the information included in the Group's Annual Report but does not include the consolidated financial statements and our auditor's report thereon. We were provided with the Director's report prior to the date this auditor's report and the remaining parts of the Annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date this auditor's report, we conclude that there is a material misstatement of this Other Information, then we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

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

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

The Board of directors is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

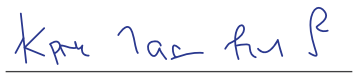
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Date: 27th April 2023

Karachi

UDIN: AR202210106f8aRloiWO

  
KPMG Taseer Hadi & Co.  
Chartered Accountants

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> December 2022


		Operators' Fund		Participants' Takaful Fund	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
<b>ASSETS</b>	Note	(Rupees)			
Property and equipment	6	93,328,909	125,980,054	-	-
Intangible assets	7	22,275,900	18,000,900	-	-
Investment property	10	1,164,500,000	-	-	-
<b>Investments</b>					
Debt	8	75,000,000	118,000,000	-	-
Term deposits	9	151,500,000	292,700,000	154,000,000	195,100,000
Equity	11	34,767,063	62,260,412	22,617,137	37,598,293
Long term deposits	12	25,410,786	24,310,806	-	-
Loans and other receivables	13	37,365,936	159,175,759	18,040,434	23,865,134
Takaful / Re-takaful receivables	14	-	-	1,678,591,627	1,039,154,876
Re-takaful recoveries against outstanding claims	24.2	-	-	371,239,651	83,270,644
Salvage recoveries accrued	24.2	-	-	22,895,000	15,694,000
Deferred wakala fees	29	-	-	367,010,265	665,027,460
Deferred commission expense	26	158,037,313	112,754,453	-	-
Deferred taxation	32.2	-	3,608,144	-	-
Taxation - payment less provisions			16,452,174	-	-
Accrued investment income		6,159,862	8,737,945	-	3,753,991
Receivable from participants' takaful fund (PTF)	15	189,746,873	429,415,184	-	-
Prepayments	16	1,551,104	3,205,094	125,226,513	91,017,870
Cash and bank	17	131,574,345	122,562,731	74,813,274	70,560,994
<b>TOTAL ASSETS</b>		<b>2,091,218,091</b>	<b>1,497,163,656</b>	<b>2,834,433,901</b>	<b>2,225,043,261</b>

The annexed notes 1 to 47 form an integral part of these Consolidated financial statements.

  
**Syed Rizwan Hussain**  
 Managing Director & CEO

  
**Tamim Shabbir**  
 Director

  
**Faisal Murad**  
 Director

  
**Salim Habib Godil**  
 Chairman

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> December 2022

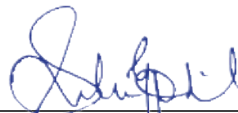
		Operators' Fund		Participants' Takaful Fund	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
<b>EQUITY AND LIABILITIES</b>		Note ----- (Rupees) -----			
<b>SHARE CAPITAL AND RESERVES</b>					
<b>ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS</b>					
Issued, subscribed and paid-up share capital	18	1,132,020,019	1,132,020,019	-	-
Discount on issuance of shares		(332,020,019)	(332,020,019)	-	-
Fair value reserve		(1,823,029)	(9,404,357)	-	-
Accumulated loss		(22,958,666)	(37,727,479)	-	-
		<b>775,218,306</b>	<b>752,868,164</b>	<b>-</b>	<b>-</b>
<b>PARTICIPANTS' TAKAFUL FUND (PTF)</b>					
Ceded money		-	-	500,000	500,000
Fair value reserve		-	-	(112,982)	(7,032,188)
Accumulated surplus		-	-	166,784,705	142,980,517
Balance of Participants' Takaful Fund (PTF)		-	-	167,171,723	136,448,329
<b>Liabilities</b>					
<b>PTF Underwriting provisions</b>					
Outstanding claims including IBNR		-	-	740,780,247	341,383,225
Unearned contribution reserves	22	-	-	1,561,033,084	1,205,566,566
Unearned re-takaful rebate	23	-	-	28,524,963	19,592,827
Contribution deficiency reserve		-	-	1,105,878	1,277,365
Contributions received in advance		-	-	1,811,546	4,734,487
Takaful / Re-takaful payables	19	-	-	90,543,017	29,500,776
Unearned wakala fees		367,010,265	665,027,460	-	-
Accrued expenses		14,069,582	10,453,968	-	-
Payable to staff gratuity fund - defined benefit plan	37	28,953,036	24,226,831	-	-
Payable to shareholder's fund (OPF)	15	-	-	189,746,873	429,415,184
Deferred taxation	32.2	41,164,366	-	-	-
Taxation-payment less provisions		8,005,275	-	-	-
Long term financing		680,000,000	-	-	-
Other creditors and accruals	20	176,797,261	44,587,233	53,716,570	57,124,502
<b>TOTAL LIABILITIES</b>		<b>1,315,999,785</b>	<b>744,295,492</b>	<b>2,667,262,178</b>	<b>2,088,594,932</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,091,218,091</b>	<b>1,497,163,656</b>	<b>2,834,433,901</b>	<b>2,225,043,261</b>
<b>Contingencies and Commitments</b>	21				

The annexed notes 1 to 47 form an integral part of these Consolidated financial statements.

  
Syed Rizwan Hussain  
Managing Director & CEO

  
Tamim Shabbir  
Director

  
Faisal Murad  
Director

  
Salim Habib Godil  
Chairman

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

As at 31<sup>st</sup> December 2022

		31 December 2022	31 December 2021
	Note	----- (Rupees)-----	
<b>PARTICIPANTS' TAKAFUL FUND (PTF)</b>			
Contribution earned		1,555,953,247	1,105,071,231
Less: Contribution ceded to retakaful		(255,767,972)	(163,272,266)
Net contribution revenue	22	1,300,185,275	941,798,965
Retakaful rebate earned	23	64,301,364	33,569,610
Net underwriting income		1,364,486,639	975,368,575
Net claims - reported / settled		(1,233,782,864)	(856,812,125)
Incurred But Not Reported (IBNR) claims expense		(26,009,393)	(18,721,181)
Charge / Reversal of contribution deficiency expense	24	171,487	(1,277,365)
		(1,259,620,770)	(876,810,671)
Other direct expenses	25	(72,721,088)	(48,749,052)
Surplus before investment Income		32,144,781	49,808,852
Investment income	30	(7,038,886)	26,003,586
Other income	31	238,531	1,942,215
Profit on bank balances		5,375,191	4,140,653
Less: Mudarib's share of investment income		(2,612,120)	(7,536,060)
Provisions doubtful contributions (net of wakala fee)	40	(3,532,662)	(6,421,024)
Bank charges		(770,647)	(274,999)
Surplus transferred to accumulated surplus		23,804,188	67,663,223
<b>OPERATORS' FUND (OPF)</b>			
Wakala fee	41	1,090,430,093	683,819,956
Commission expense	26	(267,979,424)	(150,698,558)
General, administrative and management expenses	27	(806,353,787)	(454,179,748)
		(1,074,333,211)	(604,878,306)
		16,096,882	78,941,650
Mudarib's share of PTF investment income		2,612,120	7,536,060
Investment income	30	7,650,340	29,170,448
Direct expenses	28	(28,273,607)	(11,803,105)
Profit on bank balances		15,937,205	13,342,233
Other income / (loss)	31	9,149,229	(131,493)
Change in fair value of investment property	10	160,193,389	-
Finance cost		(78,941,229)	(5,285,070)
Profit before taxation		104,424,328	111,770,723
Taxation	32	(79,631,953)	(4,235,367)
Profit after taxation attributable to Operators'		24,792,375	107,535,356
Earnings (after tax) per share	35	0.22	1.24

The annexed notes 1 to 47 form an integral part of these Consolidated financial statements.

Syed Rizwan Hussain  
Managing Director & CEO

Tamim Shabbir  
Director

Faisal Murad  
Director

Salim Habib Godil  
Chairman



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31<sup>st</sup> December 2022

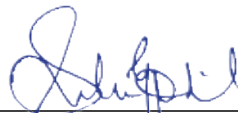
	31 December 2022	31 December 2021
	(Rupees)-----	
<b>OPERATORS' FUND (OPF)</b>		
Profit after taxation	24,792,375	107,535,356
<b>Other comprehensive income for the year</b>		
<i>Item that may be reclassified to profit and loss account in subsequent period</i>		
- Net unrealised loss arising during the period on revaluation of available-for-sale investments - net of tax	7,581,329	(9,404,357)
<b>Item that will not be reclassified to profit and loss account</b>		
- Actuarial loss on defined benefit plan for the year	(10,023,562)	(2,992,731)
<b>Total comprehensive income for the year</b>	<b>22,350,142</b>	<b>95,138,268</b>
<b>Participant Takaful Fund (PTF)</b>		
Surplus for the year	23,804,188	67,663,223
<b>Other comprehensive income for the year</b>		
<i>Item that may be reclassified to profit and loss account in subsequent period</i>		
- Net unrealised loss arising during the period on revaluation of available-for-sale investments	6,919,206	(7,032,188)
<b>Total comprehensive income for the year</b>	<b>30,723,394</b>	<b>60,631,035</b>

The annexed notes 1 to 47 form an integral part of these Consolidated financial statements.

  
**Syed Rizwan Hussain**  
 Managing Director & CEO

  
**Tamim Shabbir**  
 Director

  
**Faisal Murad**  
 Director

  
**Salim Habib Godil**  
 Chairman

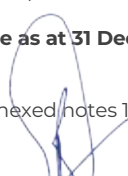
# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND PARTICIPANTS' TAKAFUL FUND


As at 31<sup>st</sup> December 2022

	Attributable To share holders of the Company					Total
	Issued, subscribed and paid up share capital	Discount on issue of shares	Accumulated loss	Fair value reserve	Advance against further issuance of shares	
	(Rupees)					
<b>Balance as at 01 January 2021</b>	612,989,050	(112,989,050)	(142,270,104)	-	-	357,729,896
Advance received during the year	-	-	-	-	300,000,000	300,000,000
Shares Issued during the year	519,030,969	(219,030,969)	-	-	(300,000,000)	-
Profit after taxation for the year	-	-	107,535,356	-	-	107,535,356
<b>Other comprehensive income</b>						
Fair value loss un-realised on the sale of available for sale investment during the year net of tax	-	-	-	(9,404,357)	-	(9,404,357)
Actuarial loss on defined benefit plan for the year	-	-	(2,992,731)	-	-	(2,992,731)
Total comprehensive income for the year	-	-	104,542,625	(9,404,357)	-	95,138,268
Balance as at 31 December 2021	1,132,020,019	(332,020,019)	(37,727,479)	(9,404,357)	-	752,868,164
<b>Balance as at 01 January 2022</b>	<b>1,132,020,019</b>	<b>(332,020,019)</b>	<b>(37,727,479)</b>	<b>(9,404,357)</b>	<b>-</b>	<b>752,868,164</b>
Profit after taxation for the year	-	-	24,792,375	-	-	24,792,375
<b>Other comprehensive income</b>						
Fair value loss un-realised on the sale of available for sale investment during the year -net of tax	-	-	-	7,581,329	-	7,581,329
Actuarial loss on defined benefit plan for the year	-	-	(10,023,562)	-	-	(10,023,562)
Total comprehensive income for the year	-	-	14,768,813	7,581,329	-	22,350,142
Balance as at 31 December 2022	1,132,020,019	(332,020,019)	(22,958,666)	(1,823,029)	-	775,218,306


	Attributable to participants' of the PTF			Total
	Ceded money	Accumulated Surplus	Fair value reserve	
	(Rupees)			
Balance as at 01 January 2021	500,000	83,035,761	-	83,535,761
Surplus distribution	-	(7,718,467)	-	(7,718,467)
Fair value loss un-realised on the sale of available for sale investment during the year	-	-	(7,032,188)	(7,032,188)
Surplus for the year	-	67,663,223	-	67,663,223
Total comprehensive income for the year	-	67,663,223	(7,032,188)	60,631,035
Balance as at 31 December 2021	500,000	142,980,517	(7,032,188)	136,448,329
<b>Balance as at 01 January 2022</b>	<b>500,000</b>	<b>142,980,517</b>	<b>(7,032,188)</b>	<b>136,448,329</b>
Fair value loss un-realised on the sale of available for sale investment during the year	-	-	6,919,206	6,919,206
Surplus for the year	-	23,804,188	-	23,804,188
Total comprehensive income for the year	-	23,804,188	6,919,206	30,723,394
<b>Balance as at 31 December 2022</b>	<b>500,000</b>	<b>166,784,705</b>	<b>(112,982)</b>	<b>167,171,723</b>

The annexed notes 1 to 47 form an integral part of these Consolidated financial statements.

  
**Syed Rizwan Hussain**  
 Managing Director & CEO

  
**Tamim Shabbir**  
 Director

  
**Faisal Murad**  
 Director

  
**Salim Habib Godil**  
 Chairman

# CONSOLIDATED CASH FLOW STATEMENT

As at 31<sup>st</sup> December 2022

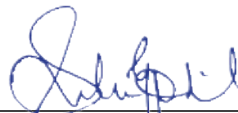
	Operators' Fund		Participants' Fund	
	31 December 2022	2021	31 December 2022	2021
<b>OPERATING CASH FLOW</b>				
	(Rupees)			
<b>a) Takaful activities</b>				
Contributions received	-	-	2,356,161,438	1,676,653,697
Contribution paid	-	-	(518,410,759)	(188,588,515)
Claims paid	-	-	(1,409,924,693)	(964,045,817)
Retakaful and other recoveries received	-	-	335,408,887	88,674,861
Commissions paid	(284,960,014)	(204,311,683)	-	-
Retakaful rebate received	-	-	64,301,365	33,569,610
Wakala fee paid	-	-	(1,037,940,684)	(778,450,000)
Wakala fee received	1,037,940,684	778,450,000	-	-
Surplus Paid	-	-	-	(2,131,009)
Mudarib share paid	-	-	(19,000,000)	-
Mudarib share received	19,000,000	-	-	-
Other takaful receipts / (payments)	33,198,070	(2,301,157)	151,703,959	58,531,953
Net cash flows from takaful activities	805,178,741	571,837,160	(77,700,486)	(75,785,220)
<b>b) Other operating activities</b>				
Income tax paid	(11,449,437)	(12,832,609)	-	-
Security deposits return / (paid)	(1,099,980)	(13,619,193)	-	-
General administrative and management expenses paid	(600,447,571)	(399,313,415)	-	-
Other operating receipt / (payments)	(204,726,195)	25,459,723	29,382,469	(38,397,404)
Ijarah rentals paid	(48,616,368)	(29,042,316)	-	-
Advances from / to employees and agents received / (paid)	91,686,379	(39,933,172)	-	-
Net cash used in other operating activities	(774,653,173)	(469,280,982)	29,382,469	(38,397,404)
<b>Total cash flows from all operating activities</b>	30,525,568	102,556,177	(48,318,017)	(114,182,624)
<b>c) INVESTING ACTIVITIES</b>				
Profit / return received	89,941,031	44,449,154	1,791,847	38,086,412
Investment in term deposits	(75,941,653)	(238,108,249)	50,778,450	79,237,331
Fixed capital expenditure	(61,813,332)	(106,116,122)	-	-
Proceeds from disposal of property and equipment	26,300,000	756,822	-	-
<b>Total cash (used in) / generated from investing activities</b>	(21,513,954)	(299,018,395)	52,570,297	117,323,743
<b>FINANCING ACTIVITIES</b>				
Advance against share subscription received	-	100,000,000	-	-
<b>Total cash generated from all financing activities</b>	-	100,000,000	-	-
<b>Net cash (used in) / flows from all activities</b>	9,011,614	(96,462,217)	4,252,280	3,141,119
Cash and cash equivalents at the beginning of the year	122,562,731	219,024,948	70,560,994	67,419,876
<b>Cash and cash equivalents at end of the year</b>	131,574,345	122,562,731	74,813,274	70,560,994
<b>Reconciliation to Profit and Loss Account</b>				
Operating cash flows	30,525,568	102,556,177	(48,318,017)	(114,182,624)
Depreciation and amortization	64,472,847	41,613,934	-	-
Gain / (loss) on disposal of fixed assets	7,360,760	(249,249)	-	-
Provision for taxation	(51,980,905)	(4,235,367)	-	-
Provision for staff retirement benefits	(11,702,565)	(9,031,337)	-	-
Increase / (decrease) in assets other than cash	(85,089,989)	208,063,336	650,789,449	1,039,388,796
(Increase) / decrease in liabilities	71,206,660	(231,182,138)	(578,667,244)	(857,542,949)
<b>Profit / surplus after taxation for the year</b>	24,792,375	107,535,356	23,804,188	67,663,223
<b>Attributed to</b>				
Operator's Fund	24,792,375	107,535,356	-	-
Participants' Takaful Fund	-	-	23,804,188	67,663,223
	24,792,375	107,535,356	23,804,188	67,663,223

The annexed notes 1 to 47 form an integral part of these Consolidated financial statements.

  
Syed Rizwan Hussain  
Managing Director & CEO

  
Tamim Shabbir  
Director

  
Faisal Murad  
Director

  
Salim Habib Godil  
Chairman

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Salaam Takaful Limited ("the Holding Company") is an unlisted public limited company incorporated in Pakistan on 02 June 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). On 22 February 2022, Holding Company changed its name from Takaful Pakistan Limited to Salaam Takaful Limited. The Holding 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 Holding Company commenced commercial operations from 12 March 2007. The registered office of the Holding Company is at 6th Floor, Business Centre, 19-1-A, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, in the province of Sindh. The Holding Company operates with 10 (31 December 2022: 4) branches in Pakistan.
- 1.2** For the purpose of carrying on the takaful business, the Holding 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 Holding 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 Holding Company in a manner that the assets and liabilities of the Waqf remain separately identifiable. These consolidated financial statements have been prepared such that the financial position and results of operations of the Waqf and the Holding 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 Operators' funds (SHF) approved by the Shariah Advisor of the Group.

### 1.3 Composition of the Group

The Group comprises of the Holding Company and the following subsidiary companies that have been consolidated in these consolidated financial statements on a line by line basis. All material inter company balances, transactions and resulting unrealised profits / losses have been eliminated:

Name	Date of incorporation	Country of incorporation	Control
Salaam Properties (Pvt) Limited	20 October 2021	Pakistan	100%
Salaam Family Takaful Limited	02 December 2021	Pakistan	100%

The Holding Company has provided advance against issuance of shares amounting to Rs. 100 million and 114.06 million to Salaam Properties (Pvt) Limited and Salaam Family Takaful Limited respectively. The share capital of these subsidiaries has not been issued as at 31 December 2022. However, subsequent to the year end, Salaam Properties (Pvt) Limited issued its share capital amounting to Rs. 100 million whereas 'Salaam Family Takaful Limited is in the process for issuance of its share capital. Based on the control established over subsidiary companies, these companies have been consolidated in these consolidated financial statements.

#### Salaam Properties (Pvt) Limited

Salaam Properties (Pvt) Limited (SPPL) was incorporated in Pakistan on 20 October 2021 as a private Limited Company under the the Companies Act, 2017. The SPPL's registered office situated in the Province of Sindh at 6th Floor, Business Centre, 19-1-A, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, Pakistan.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

The principal activity of the SPPL is to purchase, invest, develop and build real estate and to sell, rent out or otehrwise dispose off in any manner the real estate including commercial and resedential buildings, houses shops, plots and other premises.

## **Salaam Family Takaful Limited**

Salaam Family Takaful Limited (SFTL) was incorporated in Pakistan on 02 December 2021 as a public unlisted Company under the the Companies Act, 2017. The SFTL`s registered office situated in the Province of Sindh at 6th Floor, Business Centre, 19-1-A, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, Pakistan.

The SFTL is incorporated as a public unlisted Company and is currently in the process of obtaining registration as a Family Takaful (Life Insurer) as per the requirment of the Insurance Ordinance, 2000.

## **2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

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

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

**2.2** TThese consolidated financial statements reflect the financial position and results of operations of both the Operators' Fund and Participants' Takaful Fund in a manner that the assets, liabilities, income and expenses of the Operators' Fund and Participants Takaful Fund remain separately identifiable.

### **2.3 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost model except for available-for-sale investments and investment property which are measured at fair value and the Group's liability under defined plan that is determined based on present value of defined obligation less fair value of assets.

### **2.4 Functional and presentation currency**

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

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

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

### 3.1 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 01 January 2022 but are considered not to be relevant or do not have any significant effect on the Group and therefore not detailed in these consolidated financial statements.

### 3.2 Standards, Interpretations and Amendments to Approved Accounting Standards that are not effective in current year

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 1 January 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified 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's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a group must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the Group must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).
- 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:
  - 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



# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Group's consolidated 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) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the consolidated financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity 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, with earlier application permitted, 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 group applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) 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 recognize 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 recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized 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.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend 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.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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## 3.2.1 Temporary exemption from application of IFRS-09

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Company doesn't engage in significant activities unconnected with insurance based on historical available information. Additional disclosures, as required by IFRS 09 are given.

	2022				2021			
	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 year	Fair value	Change in unrealized gain or loss during the year	Fair value	Change in unrealized gain or loss during the year	Fair value	Change in unrealized gain or loss during the year
	(Rupees)				(Rupees)			
<b>Financial assets - Operators' Fund</b>								
Investments - Term deposits *	-	-	151,500,000	-	-	-	292,700,000	-
Investments in debt securities - held to maturity*	-	-	75,000,000	-	-	-	118,000,000	-
Long term deposits	-	-	25,410,786	-	-	-	24,310,806	-
Loans, advances and other receivables *	-	-	37,365,936	-	-	-	159,175,759	-
Accrued investment income *	-	-	6,159,862	-	-	-	8,737,945	-
Receivable from Participant's Takaful Fund (PTF) *	-	-	189,746,873	-	-	-	429,415,184	-
Cash and bank *	-	-	131,464,017	-	-	-	122,537,630	-
	-	-	616,647,474	-	-	-	1,154,877,323	-
<b>Financial assets - Operators' Fund</b>								
Investments - Term deposits *	-	-	154,000,000	-	-	-	195,100,000	-
Loans, advances and other receivables *	-	-	18,040,434	-	-	-	23,865,134	-
Accrued investment income *	-	-	-	-	-	-	3,753,991	-
Cash and bank *	-	-	73,735,196	-	-	-	70,320,094	-
Takaful / co-takaful receivables*	-	-	1,678,591,627	-	-	-	1,039,154,876	-
Salvage recoveries accrued	-	-	22,895,000	-	-	-	15,694,000	-
Re-takaful recoveries against outstanding claims*	-	-	371,239,651	-	-	-	83,270,644	-
	-	-	2,318,501,908	-	-	-	1,431,158,739	-

	2022						
	Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
<b>Financial assets - Operators' Fund</b>							
Investments - Term deposits *	-	-	90,000,000	61,500,000	-	-	-
Investments in debt securities - held to maturity*	-	-	-	30,000,000	-	-	45,000,000
Long term deposits	-	-	-	-	-	-	25,410,786
Loans, advances and other receivables *	-	-	-	-	-	-	37,365,936
Accrued investment income *	-	-	-	-	-	-	6,159,862
Receivable from Participant's Takaful Fund (PTF) *	-	-	-	-	-	-	189,746,873
Advance against Investment Property	-	-	-	-	-	-	-
Cash and bank *	88,530,668	-	35,667,204	511,446	-	-	-
	88,530,668	-	125,667,204	92,011,446	-	-	303,683,457

	2021						
	Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
<b>Financial assets - Operators' Fund</b>							
Investments - Term deposits *	-	-	197,400,000	95,300,000	-	-	-
Investments in debt securities - held to maturity*	-	-	28,000,000	30,000,000	-	-	60,000,000
Long term deposits	-	-	-	-	-	-	24,310,806
Loans, advances and other receivables *	-	-	-	-	-	-	159,175,759
Accrued investment income *	-	-	-	-	-	-	8,737,945
Receivable from Participant's Takaful Fund (PTF) *	-	-	-	-	-	-	429,415,184
Qard-e-hasna *	-	-	-	-	-	-	-
Cash and bank *	2,248,565	-	120,234,738	54,327	-	-	-
	2,248,565	-	345,634,738	125,354,327	-	-	681,639,694

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

Financial assets - Participants' Takaful Fund	2022 Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
Investments - Term deposits *	-	-	154,000,000	-	-	-	-
Loans, advances and other receivables *	-	-	-	-	-	-	18,040,434
Accrued investment income *	-	-	-	-	-	-	-
Cash and bank *	16,319,538	4,291,234	46,430,883	5,229,471	3,550	-	-
Takaful / co-takaful receivables*	-	-	-	-	-	-	1,678,591,627
Salvage recoveries accrued	-	-	-	-	-	-	22,895,000
Re-takaful recoveries against outstanding claims*	-	-	-	-	-	-	371,239,651
	16,319,538	4,291,234	200,430,883	5,229,471	3,550	-	2,090,766,712

Financial assets - Participants' Takaful Fund	2021 Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
Investments - Term deposits *	-	-	75,000,000	120,100,000	-	-	-
Loans, advances and other receivables *	-	-	-	-	-	-	23,865,134
Accrued investment income *	-	-	-	-	-	-	3,753,991
Cash and bank *	6,920,857	1,932,848	36,172,589	25,278,991	14,809	-	-
Takaful / co-takaful receivables*	-	-	-	-	-	-	1,039,154,876
Salvage recoveries accrued	-	-	-	-	-	-	15,694,000
Re-takaful recoveries against outstanding claims*	-	-	-	-	-	-	83,270,644
	6,920,857	1,932,848	111,172,589	145,378,991	14,809	-	1,165,738,645

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

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Holding Company for the year ended 31 December 2021.

### 4.1 Takaful Contracts

The takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Holding company underwrites non-life takaful contracts that can be categorised into following main categories:

#### a) Fire and Property

Fire and property takaful contracts mainly compensate the participants for damage suffered to their properties or for the value of property lost. Participants who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities. These contracts are generally one year contracts.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## b) Marine, aviation and transport

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination. These contracts are generally up to 45 days.

## c) Motor

Motor takaful provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. These contracts are generally one year contracts.

## d) Health

Health takaful contract mainly compensate hospitalisation and outpatient medical coverage to the participant. These contracts are generally one year contracts.

## e) Miscellaneous

Miscellaneous takaful provides cover against burglary, loss of cash in safe and cash in transit, engineering losses, travel and other coverage. These contracts are generally for one year.

These takaful contracts are provided to all types of customers based on assessment of takaful risk by the Holding Company. Normally personal takaful contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, takaful contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

## 4.2 Re-takaful contracts held

These are contracts entered into by the Holding company with re-takaful operators for compensation of losses suffered on takaful contracts issued. These re-takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these consolidated financial statements. The PTF recognise the entitled benefits under the contracts as various re-takaful assets. Re-takaful contribution is recognised as an expense when re-takaful is ceded. Re-takaful assets and liabilities are derecognised when contractual right are extinguished or expired.

The deferred portion of re-takaful contribution is recognized as a prepayment in PTF. The deferred portion of re-takaful contribution ceded is calculated by using the 1/365 method.

Claim recoveries receivables from the re-takaful operates are recognised as an asset at the same time as the claims (which give to the right recoveries) are recognised as a liability and are measured at the amount expected to the recovered, net of impairment losses, if any.

Amounts due from takaful / re-takaful operators are carried at cost less impairment losses, if any. Cost represents the fair value of the consideration to be received / paid in the future for services rendered. Re-takaful assets or liabilities are derecognised with the contractual rights are extinguished or expired.

Rebate income from re-takaful is recognised as revenue in accordance with pattern of the recognition of re-takaful contribution to which it relates.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

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

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

### *Outstanding claims*

The amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year.

A liability for outstanding claims (claim incurred) is recognized for all claims incurred which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates while taking into consideration the past claims settlement experience including handling costs and the Holding company's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

Re-takaful recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

### *Incurred But Not Reported (IBNR) Claims*

The losses that have incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Holding Company by that end of reporting year, or if reported, complete details are not available to the Holding Company, so as to ascertain the amount of loss for that claim as claims outstanding.

The Holding Company is required, as per SECP circular no. 9 of 2016 dated 09 March 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method ("Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines). The actuarial valuation as at 31 December 2021 has been carried out by independent firm of actuaries for determination of IBNR for each class of business.

## 4.4 Contribution deficiency reserve

The Holding Company is required as per Insurance Rules and General Takaful Accounting Regulations 2019, to maintain a provision in respect of contribution deficiency for the classes of business where the unearned contribution reserve is not adequate to meet the expected future liability, after re-takaful recoveries from claims, and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired takaful contracts in that class of business at the reporting date. The movement in the contribution deficiency reserve is recorded as an expense in the profit and loss account.

The Holding Company determines the adequacy of liability of contribution deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last few years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine the ultimate loss ratio to be applied on unearned contribution. The liability of contribution deficiency is calculated in accordance with the advice of the actuary. Currently provision for contribution deficiency is being held for the health business only and no provision for contribution deficiency for the other class of businesses as at the year end is being held as the balance of unearned contribution reserve is considered to be adequate to meet the expected future liability after re-takaful from claims and other expenses, expected to be incurred after the reporting date in respect of policies in force at reporting date.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 4.5 Takaful Surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

## 4.6 Wakala fees

The Holding Company manages the general takaful operations for the participants and charges wakala fee to PTF on gross contributions recognized for each class of business to meet the general and administrative expenses of the Company including commissions to agents.

Wakala fee is recognised as income in Operators' Fund on the same basis on which the related contribution revenue is recognized. Unearned portion of wakala fee is recognised as a liability of Operators' Fund and an asset of the Participants' Takaful Fund (PTF).

## 4.7 Qard-e-Hasna

Qard-e-Hasna is provided by the shareholders fund to the Participants' Takaful Fund in case of deficit or to fulfil the cash flow requirements. Under the Takaful Rules, 2012 in the event of surplus in Participants' Takaful Fund, 'Qard-e-Hasna shall be paid to Operators' Fund prior to the distribution of surplus to the Participants. These are stated by the Shareholders Fund at the amount given to PTF net of impairment losses, if any. Impairment testing is carried out atleast on an annual basis.

## 4.8 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, policy stamps, bank balances and the term deposit receipts having a maturity of not more than three months and are subject to insignificant risk of change in value.

## 4.9 Investments

### 4.9.1 Classification and recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to profit and loss account.

These are recognized and classified as follows

- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

### 4.9.2 Measurement

#### 4.9.2.1 Held to maturity

Investments with fixed determinable payments and fixed maturity, where the Group has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any.

Any premium paid or discount availed is deferred and amortised over the period to maturity of investment using the effective yield.



# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 4.9.2.2 Available for sale

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

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on remeasurement of these investments are recognised in other comprehensive income. However, in case of impairment these are recognised in the profit and loss account and the earlier deficit recognised in 'Other Comprehensive Statement' are transferred to the profit and loss account. In case of the disposal of these assets, the earlier remeasurement gain / loss are also transferred from 'Other Comprehensive Statement' to the profit and loss account.

## 4.9.2.3 Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Sukuk Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Sukuk Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

## 4.9.2.4 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

## 4.9.2.5 Investment Property

Investment property comprising of land and buildings, is held for long term rental yields / capital appreciation or both. The investment property of the group comprises of building which is valued using the Fair Value model i.e. its initial measurement at cost (expenditure that is directly attributable to the acquisition of the investment property) and subsequently at fair value with any change therein recognized in profit and loss.

The group engages external, independent and qualified valuers to determine the fair value of the investment property at least once every financial year. The gain or loss on disposal of investment property, represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as income or expense in profit and loss.

## 4.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly In other comprehensive income, in which case it is recognised in other comprehensive income. In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities and certain issues in the tax.

### 4.10.1 Current tax

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income using prevailing tax rates after taking into account available tax credits and rebates, if any. The charge for current tax Includes adjustments to charge for prior years, if any.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 4.10.2 Deferred tax

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of the realisation or the settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Group recognises deferred tax asset to the extent of taxable timing differences or it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax on items recognised in the other comprehensive income are recognized direct in that account. All other items are recognised in the consolidated statement of profit and loss account.

## 4.11 Property and equipment

### 4.11.1 Tangible

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 6 to these consolidated financial statements.

Depreciation on additions is charged from the day from which the assets are available for use, while on disposal, depreciation is charged up to the day of disposal.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized. Depreciation methods, useful lives and residual values that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

Capital work in progress is stated at cost less impairment losses, if any. These includes advances to suppliers if these advances are for additions to the above assets.

### 4.11.2 Right-of-use assets and their related lease liability

#### *Right-of-use assets*

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation and accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

## *Lease liability against right-of-use assets*

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

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

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

## **4.12 Intangible assets**

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably. Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset.

These (definite) intangible assets;

- a) are stated at cost less accumulated amortisation and impairment, if any.
- b) are amortised on a straight line basis over its estimated useful life(s).
- c) amortisation on additions is charged from the month in which the asset is put to use, whereas no amortisation is charged from the month the asset is disposed off.

The useful lives and amortisation methods are reviewed and adjusted if appropriate, at each reporting date.

## **4.13 Expenses**

Expenses allocated to the takaful business represent only directly attributable expenses. Expenses not directly allocable to takaful business are charged to the Operators' Fund.

## **4.14 Deferred commission expense / acquisition cost**

Commission expense incurred in obtaining the policies is deferred and recognised in Operators' Fund as an expense in accordance with pattern of recognition of contribution revenue.

## **4.15 Revenue recognition**

### **a) Contribution**

Contributions under a takaful contract are recognised as written from date of issuance to the date of attachment of risk to the policy / cover note.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

Contributions income is determined after taking into account the unearned portion of contributions (using the 1/365 method for all classes of business). The unearned portion of contribution income is recognised as a liability in Participants' Takaful Fund (PTF).

Re - takaful ceded is recognised as expense after taking into account the proportion of deferred re-takaful contribution expense using the same basis as for contribution. The deferred portion of re-takaful contribution expense is recognised as a prepayment.

## **b) Re-takaful rebate**

Rebate and other forms of revenue (apart from recoveries) from re-takaful companies are deferred and recognised as liability and recognised in the consolidated statement of profit and loss account as revenue of PTF in accordance with the pattern of recognition of the re-takaful contributions.

## **c) Investment income**

- Profit on bank deposits is recognised on a time proportion basis taking into account the effective yield.
- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.
- Gain / loss on sale of investments is included in consolidated statement of profit and loss account.

## **4.16 Ijarah**

Ijarah rentals are recognised as an expense on a time proportion basis.

## **4.17 Financial Instruments**

All the financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and are derecognized when the Group loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to consolidated statement of profit and loss account of the period in which financial instrument is derecognised.

## **4.18 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amount and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **4.19 Impairment of assets**

*Financial assets*

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

The carrying amount of assets (including the contribution due but unpaid) are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognised in consolidated statement of profit and loss account.

Impairment is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. However, in case of equity securities classified as available for sale the decrease in impairment loss is not reversed.

## *Non-financial assets*

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the consolidated statement of profit and loss account, at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## **4.20 Segment reporting**

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

The Group presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the General Takaful Accounting Regulations, 2019. The reported operating segments are also consistent with the internal reporting process of the Operator for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Group's business segments operate in Pakistan only.

Based on its classification of takaful contracts issued, the Group has five primary business segments for reporting purposes namely fire, marine, motor, health and miscellaneous. The nature and business activities of these segments are disclosed in note 4.1.

Assets and liabilities are allocated to particular segments on the basis of contribution earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Management expenses are allocated to a particular segment on the basic of contribution written.

## **4.21 Staff Retirement Benefits**

### **4.21.1 Defined Contribution Plan**

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

The Group contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Group and the employees to the fund at the rate of 10 percent of basic salary.

## 4.21.2 Defined Benefit Plan

The Group operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit Actuarial Cost Method.

Actuarial valuations are conducted annually and the latest valuation was conducted at the balance sheet date (31 December 2022). When the calculation results in a potential asset for the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. Service costs are recognised in profit and loss account in the period in which they occur. Net interest on net defined benefit liability is also recognised in consolidated statement of profit and loss. Actuarial gain / loss arising an remeasurement are recognised in consolidated statement of comprehensive income.

## 4.22 Appropriations

Appropriations of profit, if any, are recognised in the year in which these are approved.

## 4.23 Provisions

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

## 4.24 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated if there is any potential dilutive effect on the Group's reported net profits.

## 4.25 Share capital

Shares are classified as equity when there is no obligation to transfer cash and other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds (and are separately presented in the Statement of Changes in Equity / Fund).

## 4.26 Mudarib's fee

The Group also manages the participants' investment as Mudarib and charges 25% percent of the investment income earned by the PTF as Mudarib's fee as per the approval of the Shariah advisor. It is recognized on the same basis on which related revenue is recognised.



# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statement, management has made judgement, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the consolidated financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes to the consolidated financial statements.

a) Unearned contribution reserves	Note 22
b) Provision for takaful receivables	Note 14
c) Provision for outstanding claims including IBNR	Note 24
d) Retakaful recoveries outstanding	Note 24
e) Contribution deficiency reserves	Note 4.4
f) Payable to staff gratuity fund - defined benefit plan	Note 37
g) Classification of investments	Note 4.9
h) Useful lives of tangible & right of use assets	Note 6.1 & 6.3
i) Taxation – payments less provision	Note 4.10
j) Contingencies	Note 21

## 6 PROPERTY AND EQUIPMENT - Operators' Fund

		31 December 2022	31 December 2021
	Note	----- (Rupees) -----	
Operating assets	6.1	<b>66,121,207</b>	87,798,625
Capital work in progress	6.2	<b>10,731,843</b>	1,755,050
Right of use assets	6.3	<b>16,475,859</b>	36,426,379
		<b>93,328,909</b>	125,980,054

### 6.1 Operating assets

	31 December 2022							
	Cost		Accumulated depreciation		Book value		Depreciation Rate %	
	As at 1 January 2022	Additions / (disposal) during the year	As at 31 December 2022	As at 1 January 2022	Charge for the period / (disposal)	As at 31 December 2022	As at 31 December 2022	
Leasehold improvements	48,846,184	-	48,846,184	13,385,181	14,125,105	27,510,286	21,335,898	33.33
Furniture and fixtures	30,911,417	17,000	30,928,417	15,746,158	5,565,984	21,312,142	9,616,275	33.33
Office equipment	30,141,366	2,225,050	32,366,416	9,492,718	5,129,756	14,622,474	17,743,942	20.00
Computers	44,151,983	6,954,520	51,106,503	32,505,114	7,395,384	39,900,498	11,206,005	33.33
Vehicles	6,658,265	21,984,508 (19,279,124)	9,363,649	1,781,414	1,588,178 (225,030)	3,144,562	6,219,087	20.00
	<b>160,709,215</b>	<b>31,181,078 (19,279,124)</b>	<b>172,611,169</b>	<b>72,910,585</b>	<b>33,804,407 (225,030)</b>	<b>106,489,962</b>	<b>66,121,207</b>	

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

	31 December 2021							
	Cost		Accumulated depreciation		Book value		Depreciation Rate %	
	As at 1 January 2021	Additions / (disposal) during the year	As at 31 December 2021	As at 1 January 2021	Charge for the year / (disposal)	As at 31 December 2021	As at 31 December 2021	
				(Rupees)				
Leasehold improvements	11,960,161	36,886,023	48,846,184	6,609,287	6,775,894	13,385,181	35,461,003	33.33
Furniture and fixtures	14,944,553	15,966,864	30,911,417	13,526,359	2,219,799	15,746,158	15,165,259	33.33
Office equipment	10,228,758	19,912,608	30,141,366	6,841,944	2,650,774	9,492,718	20,648,648	20.00
Computers	34,523,594	9,628,389	44,151,983	26,023,554	6,481,560	32,505,114	11,646,869	33.33
Vehicles	3,722,896	3,942,159 (1,006,790)	6,658,265	1,605,941	176,192 (719)	1,781,414	4,876,851	20.00
	75,379,962	86,336,043 (1,006,790)	160,709,215	54,607,085	18,304,219 (719)	72,910,585	87,798,630	

## 6.1.1 Disposal of tangible assets

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) disposal	Mode of disposal	Particulars of buyers
(Rupees)							
Disposal of tangible assets during the year having book value of more than Rs.50,000							
Vehicle	7,672,733	67,268	7,605,465	10,700,000	3,094,535	Negotiation	New Deen Motors
Vehicle	11,333,775	-	11,333,775	15,600,000	4,266,225	Negotiation	Mr Khurram Anis (Employee)
<b>31 December 2022</b>	<b>19,006,508</b>	<b>67,268</b>	<b>18,939,240</b>	<b>26,300,000</b>	<b>7,360,760</b>		
31 December 2021	1,006,790	719	1,006,071	756,822	(249,249)		

**6.1.2** Cost of assets include cost of tangible assets amounting to Rs. 64.913 (31 December 2021: Rs. 42.502) million having net book value equal to NIL at the reporting date are still in use.

### Cost of Assets Having Nil carrying value but still in use

	31 December 2022	31 December 2021
<b>Tangible assets</b>		
	(Rupees)	
Office equipment	5,672,092	5,611,502
Furniture and Fittings	14,897,553	11,655,621
Computer Accessories	31,948,091	20,450,304
Leasehold Improvements	11,960,161	4,582,141
Vehicles	435,106	202,860
<b>Total</b>	<b>64,913,003</b>	<b>42,502,428</b>

## 6.2 Capital Work in Progress - Operators' Fund

Civil Works on branches	10,731,843	1,755,050
	<b>10,731,843</b>	<b>1,755,050</b>

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 6.3 Right of use assets

Right of use assets

31 December 2022								
Cost			Accumulated depreciation			Carrying Value	Depreciation Rate %	
(Rupees)								
As at 1 January 2022	Additions during the year	As at 31 December 2022	As at 1 January 2022	Charge for the year	As at 31 December 2022	As at 31 December 2022		
Buildings	89,698,733	10,717,920	100,416,653	53,272,354	30,668,440	83,940,794	16,475,859	33.33

31 December 2021								
Cost			Accumulated depreciation			Carrying Value	Depreciation Rate %	
(Rupees)								
As at 1 January 2021	Additions during the year	As at 31 December 2021	As at 1 January 2021	Charge for the year	As at 31 December 2021	As at 31 December 2021		
Buildings	48,483,841	41,214,892	89,698,733	29,962,639	23,309,715	53,272,354	36,426,379	33.33

## 7 INTANGIBLE ASSETS

Intangible assets  
Capital work in progress

	31 December 2022	31 December 2021
	(Rupees)	(Rupees)
Note	-	-
	22,275,900	18,000,900
	22,275,900	18,000,900

		Operators' Fund 31 December 2022						
		Cost		Accumulated depreciation			Book value	Amortization
		(Rupees)						
	As at 1 January 2022	Additions / (disposal) during the year	As at 31 December 2022	As at 1 January 2022	Charge for the period / (disposal)	As at 31 December 2022	As at 31 December 2022	Rate %
Computer software	14,263,181	-	14,263,181	14,263,181	-	14,263,181	-	33.33

		Operators' Fund 31 December 2021						
		Cost		Accumulated depreciation			Book value	Amortization
		(Rupees)						
	As at 1 January 2021	Additions / (disposal) during the year	As at 31 December 2021	As at 1 January 2021	Charge for the year / (disposal)	As at 31 December 2021	As at 31 December 2021	Rate %
Computer software	14,263,181	-	14,263,181	14,263,181	-	14,263,181	-	33.33

**7.1** Cost of above assets include cost of software amounting to Rs. 14.26 million having net book value equal to NIL at the reporting date that are still in use.

## 7.2 Capital Work in Progress Intangible - Operators Fund

Advance for software development (Intangible)

	31 December 2022	31 December 2021
	(Rupees)	(Rupees)
Note	-	-
	22,275,900	18,000,900
	22,275,900	18,000,900

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## As at 31<sup>st</sup> December 2022

### 8 INVESTMENT IN DEBT SECURITIES - held to maturity

#### 8.1 Sukuk Certificates - Operators' Fund

Performing Assets	Note	Number of Certificates	Maturity Date	Effective Yield	Profit Payment	Principal Payment	Market Value	Face Value	31 December 2022	31 December 2021	Security
Dubai Islamic Bank Pakistan Limited	8.1.1	6,000	Perpetual	3 months KIBOR + 1.75%	Quarterly	Perpetual	31,005,000	30,000,000	30,000,000	30,000,000	Unsecured
Hub Power Company Limited (HUBCO) - listed	8.1.1	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	15,175,500	15,000,000	15,000,000	30,000,000	Revolving Cross Corporate Guarantee ("RCCG") from Narwal 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 COP Guarantee. Subordinate charge over all present and future movable fixed assets of NEL for PKR 9333.33 million (Issue Amount along with 25% margin). Subordinate charge over all present and future movable fixed assets of HUBCO for PKR 4,000 million. Pledge of 100% shares of NEL with a book value of PKR 3900 million.
Bank Islami Pakistan Ltd (Un-listed)	8.1.1	5,600	Perpetual	3 months KIBOR + 2.75%	Monthly	Perpetual	-	-	-	28,000,000	Unsecured
GOP Ijarah Sukuk	8.1.1 & 8.1.4		30-Apr-25	7%	Semi-annually	30-Apr-25	28,965,000	8.1.3	30,000,000	30,000,000	Unsecured
<b>Non - Performing Assets (fully provided)</b>											
Agritech Limited	8.1.2	3,000	06 August 2019	3 months	Semi-annually	Non performing	-	15,000,000	15,873,883	15,873,883	Secured against pari passu change over property, plant and equipment of the Company.
Quetta Textile Mills Limited	8.1.3	2,000	26 March 2020	KIBOR + 2% 3 months KIBOR + 1.75%	Quarterly	Non performing	-	10,000,000	3,965,520	3,965,520	
Less: Provision held (against the non-performing sukuk certificates)									19,839,403	19,839,403	
									94,839,403	137,839,403	
									(19,839,403)	(19,839,403)	
									75,000,000	118,000,000	

**8.1.1** 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)

**8.1.2** This represents investments aggregating to Rs. 15 million (31 December 2021: Rs. 15 million) in sukks issued by Agritech Limited (the investee company) against which the investee company had not made payments on the contractual dates. In 2021, 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. During the year in August 2022, Investee company provided the two options to the Holding Company referring SOA (Scheme of Arrangement) sanctioned by the Honorable Lahore High Court (LHC). Following are the two option given by Investee Company:

Option-1: The Holding Company shall apply CFADs (Cash Flow Available for Debt Servicing) upfront to settle outstanding/overdue mark-up of the lenders on pro-rated basis as final settlement for overdue/accrued markup till December 31, 2023.

Option-2: Outstanding/overdue markup shall be converted into a zero coupon TFC payable at the end of FY 2026 as bullet payment. The Holding Company shall apply unutilized CFADs from Option 1 to partially settle principal outstanding of lenders opting for option 2 on pro-rated basis.

Holding Company opt for Option-2 as elaborated above and start receiving the payment of principal outstanding from September 22 quarter. In view of the above restructuring of the SOA, as at 31st December 2022, company has booked income of Rs. 0.4 million against principal outstanding in order to restore the same investment provided earlier as default in the accounts

**8.1.3** An agreement for the restructuring of these sukks was executed between the investment Agent of these sukks 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 Holding Company over a period of 7 years till 26 March 2020 in twenty nine quarterly instalments whereas the profit shall be received by the Holding 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.

**8.1.4** These include term deposits of Rs. 30 million (31 December 2021: NIL) deposited with State Bank of Pakistan as statutory reserve in accordance with the requirement laid down in section 29 of the Insurance Ordinance, 2000

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 9 INVESTMENT IN TERM DEPOSITS

	31 December 2022			31 December 2021		
	Operators' Fund (9.1) & (9.2)	Participants' Takaful Fund (9.3)	Aggregate	Operators' Fund (9.1) & (9.2)	Participants' Takaful Fund (9.3)	Aggregate
Held to Maturity						
	(Rupees)					
Deposits maturing within 12 months	151,500,000	154,000,000	305,500,000	292,700,000	195,100,000	487,800,000

- 9.1** This represents term deposits of Rs. 10 million, Rs. 31.5 million, Rs. 20 million and Rs. 90 million maturing on 15 April 2023, 15 April 2023, 15 April 2023 and 31 March 2023 respectively and carries profit rate at 11.5%, 11.5%, 11.5% and 15% respectively. The deposit is held with Dubai Islamic Pakistan Limited and Bank Islamic Pakistan Limited.
- 9.2** These include term deposits of Rs. 61.5 million (31 December 2021: 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.
- 9.3** This represents term deposits of Rs. 74 million, Rs.30 million and Rs. 50 million maturing on 31 March 2023 and carries profit rate at 15%. The deposit is held with Bank Islamic Pakistan Limited.

## 10 INVESTMENT IN PROPERTY- fair value mode

	31 December 2022	31 December 2021
	(Rupees)	
Opening net book value	-	-
Additions and capital improvements	1,004,306,611	-
Unrealized Fair value gain/(loss)	160,193,389	-
Closing net book value	1,164,500,000	-

The fair value of investment property was determined by external, independent property valuer, M/s. K.G Traders (Pvt) Ltd., having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provide the fair value of the company's investment property at least once every financial year.

### Valuation Techniques

The valuers have arranged inquiries and verification from various estate agents, brokers and dealers, the location and condition of the property, size, utilization and current trends in price of real estate including assumptions that ready buyers are available in the current scenario and analyzed through detailed market surveys, the properties that have recently been sold or purchased or offered/quoted for sale into given vicinity to determine the better estimates of the fair value.

The fair value of the investment properties has been categorized as a Level 3 fair value (based on the inputs to the valuation techniques used).

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 11 INVESTMENT IN EQUITY SECURITIES - available-for-sale

	31 December 2022				31 December 2021			
	Cost	Impairment / provision	Revaluation surplus / (deficit)	Carrying Amount	Cost	Impairment / provision	Revaluation surplus / (deficit)	Carrying Amount
	(Rupees)							
<b>Listed Shares</b>								
Shareholder fund	60,416,411	(24,915,857)	(733,491)	34,767,063	73,008,249	-	(10,747,837)	62,260,412
Participant fund	34,839,049	(12,108,930)	(112,982)	22,617,137	44,630,481	-	(7,032,188)	37,598,293
	<u>95,255,460</u>	<u>(37,024,787)</u>	<u>(846,473)</u>	<u>57,384,200</u>	<u>117,638,730</u>	<u>-</u>	<u>(17,780,025)</u>	<u>99,858,705</u>

## 12 LONG TERM DEPOSITS - Operators Fund

	31 December 2022	31 December 2021
	(Rupees)	
Ijarah	21,020,250	20,420,270
Rental	4,390,536	3,890,536
	<u>25,410,786</u>	<u>24,310,806</u>

## 13 LOANS, ADVANCES AND OTHER RECEIVABLES - considered good

		OPERATORS' FUND (OPF)		Participants' Takaful Fund (PTF)	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
		(Rupees)			
Loans to employees (unsecured and interest free)	13.1	13,293,455	7,579,280	-	-
Advance against investment property	13.2	-	100,000,000	-	-
Advance against expenses		7,596,501	6,077,760	-	-
Earnest money receivable		-	-	8,301,751	5,392,738
Service charges receivable from co-takaful entities		-	-	50,557	697,789
Security deposit		8,336,726	5,737,280	2,000,000	1,500,000
Refundable input tax		-	-	7,311,168	15,907,310
Bank profit receivable		1,231,014	20,380	376,958	367,297
Others		6,908,240	39,761,058	-	-
		<u>37,365,936</u>	<u>159,175,759</u>	<u>18,040,434</u>	<u>23,865,134</u>

**13.1** The eligible employees are entitled to loans against salaries repayable within one to two years. The fair value adjustment arising in respect of these loans is not considered material in the overall context of these unconsolidated financial statements and hence not recognized.

**13.2** It represents the advance amount paid for the acquisition of leasehold building which is intended to be used to earn the rentals.

## 14 TAKAFUL / RETAKAFUL RECEIVABLES - unsecured - Participants' Takaful Fund

		31 December 2022
		(Rupees)
Due from takaful participant holders	14.1	1,304,677,427
Less: Provision for impairment against balances due from participants	14.2	(6,734,115)
		<u>1,297,943,312</u>
Due from other takaful companies	14.3	392,529,968
Less: Provision for impairment against balances due from other takaful companies	14.4	(11,881,653)
		<u>380,648,315</u>
		<u>1,678,591,627</u>



# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

**14.1** This includes Rs. 66.02 million (2021: Rs. 140.7 million) receivable from related parties. The amount is not considered to be impaired as at 31 December 2022.

## **14.2 Movement in provision for impairment - balances due from takaful participant holders**

	<b>31 December 2022</b>
	----- (Rupees) -----
Balance as on 1 January	<b>14,093,476</b>
Reversal during the year	<b>(7,359,361)</b>
Balance on at 31 December	<b>6,734,115</b>

**14.3** The Operator has entered into co-takaful and re-takaful arrangements with various other takaful operators and a local re-takaful operator. In respect of these balances, during the year the Operator has exchanged balance information with them based on the significance of the respective balances. This information corroborates the balance position of the Holding Company in all material respects taking into account the underlying contracts and transactions supported by appropriate evidence. Holding Company is in process of reconciling the balances with them and will finalize the process as advised by Securities and Exchange Commission of Pakistan vide its letter reference No. ID/offsite-I/Misc/2023/631 dated February 09, 2023 written to Insurance Association of Pakistan.

## **14.4 Movement in provision for impairment - balances due from other takaful companies**

	<b>31 December 2022</b>
	----- (Rupees) -----
Balance as on 1 January	<b>989,630</b>
Charge made during the year	<b>10,892,023</b>
Balance on at 31 December	<b>11,881,653</b>

## **15 RECEIVABLE / PAYABLE (Current account between OPF and PTF)**

	<b>Operators' Fund (OPF - receivable) 31 December 2022</b>	<b>Participants' Takaful Fund (PTF - payable) 31 December 2022</b>
	----- (Rupees) -----	----- (Rupees) -----
Wakala fee	<b>188,208,380</b>	188,208,380
Mudarib fee	<b>2,166,864</b>	2,166,864
Other receivable / payable	<b>(628,371)</b>	(628,371)
	<b>189,746,873</b>	189,746,873

**15.1** This represents payments by OPF on behalf of PTF.

## **16 PREPAYMENTS**

	<b>16.1</b>	<b>103,968,967</b>
Prepaid re-takaful contribution ceded	-	21,257,546
Tracker monitoring fees	-	-
Others	<b>1,551,104</b>	<b>125,226,513</b>
	<b>1,551,104</b>	<b>125,226,513</b>

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

**16.1** This includes Rs. 5.5 million paid to a related party. Total amount paid during the year was Rs. 12.2 million.

## 17 CASH AND BANK

	Operators' Fund 31 December 2022	Participants' Takaful Fund 31 December 2022
	(Rupees)	
Cash and cash equivalents	110,328	-
- Cash in hand	-	1,078,078
- Policy and revenue stamps	110,328	1,078,078
Cash and bank	510,921	325,319
- Current account	130,953,096	73,409,877
- Savings accounts	131,574,345	74,813,274

17.1

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

Cash and other equivalents	110,328	1,078,078
Current and other accounts	124,709,318	73,735,196
	124,819,646	74,813,274

**17.1** These represent balances maintained with Islamic banks under profit and loss sharing basis carrying profit rates ranging between 3.0% to 14.5% per annum.

## 18 SHARE CAPITAL

### 18.1 Authorized capital

31 December 2022 (Number of shares)	31 December 2022 (Rupees)
150,000,000	1,500,000,000

### 18.2 Issued, Subscribed And Paid-Up Share Capital

31 December 2022 (Number of shares)	31 December 2022 (Rupees)
113,202,019	1,132,020,190

Ordinary shares of Rs. 10 each

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## Shareholding pattern

	Number of shares	Percentage
House Building Finance Company Limited	8,699,500	7.68%
Al Baraka Bank (Pakistan) Limited	10,435,690	9.22%
Sitara Chemical Industries Limited	2,999,500	2.65%
Mal Al Khaleej Investment LLC	5,218,869	4.60%
Mr. Salim Habib Godil	21,459,990	18.96%
Syed Rizwan Hussain	21,459,990	18.96%
Mr. Shahzad Salim Godil	21,459,990	18.96%
Syed Salman Hussain	21,459,990	18.96%
Others	8,500	0.01%
	<b>113,202,019</b>	<b>100.00%</b>

31  
December  
2022

----- (Rupees) -----

Due to takaful participants / Re-takaful payable  
Due to re-takaful operators

**10,168,704**  
**80,374,313**  
**90,543,017**

## 20 OTHER CREDITORS AND ACCRUALS

	Operators' Fund (OPF) 31 December 2022	Participants' Takaful Fund (PTF) 31 December 2022
	----- (Rupees) -----	
Commission payable to agents	<b>29,204,496</b>	-
Sales Tax Payable	-	21,676,861
Federal Takaful fee	-	5,638,868
Sales tax deducted at source	<b>1,040,838</b>	1,349,326
Rent Payable	<b>23,501,918</b>	-
Payable to Builder	<b>71,000,000</b>	-
Advance Against Share Subscription Money	<b>33,198,070</b>	-
Lease liabilities	<b>17,129,900</b>	-
Tracker installation fee payable	-	11,005,032
Other payables	<b>1,722,039</b>	14,046,483
	<b>176,797,261</b>	<b>53,716,570</b>

### 20.1 Maturity analysis of lease liabilities

	Future minimum Lease Payments	Finance cost related to future periods	Present value of Minimum Lease Payments
Less than one year	<b>17,084,885</b>	<b>2,231,699</b>	<b>14,853,186</b>
Between one and five years	<b>2,413,782</b>	<b>137,068</b>	<b>2,276,714</b>
More than five years	-	-	-
	<b>19,498,667</b>	<b>2,368,767</b>	<b>17,129,900</b>

The above liability has been discounted at rates varying between 48% to 13.99% per annum.

**20.2** This includes Rs. 7.2 million payable to a related party.

**20.3** It includes surplus distribution payable amounting to Rs.5.2 million as of 31 December 2022. During the year 2022, the Holding Company has distributed Rs. 0.4 million. Takaful rules 2012 states that "In case of general takaful operators, the operator shall formulate the surplus distribution mechanism". With the approval of Group's Shariah Advisor in respect of its eligibility, mechanism of Surplus calculation and distribution, the Holding Company recorded the surplus distribution in its books. Holding Company has formulated the channels to disburse the surplus through various bank payments mode and gradually paying the liability to related participants.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 21 CONTINGENCIES AND COMMITMENTS

### 21.1 Contingencies - Holding Company

**21.1.1** Travel Agents Association of Pakistan (TAAP) had filed a case against the Holding Company on 10 October 2012 in the Takaful Tribunal of Sindh for the recovery of Rs. 546.534 million (31 December 2021 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 Holding Company has reasonable defense in the case and as such no loss is likely to arise from this litigation and accordingly, no provision has been made in these consolidated financial statements. The legal advisor has opined that the Holding Company has a reasonable defense in this matter and there is less likelihood of any potential loss being suffered by the Holding Company, however, final outcome would depend on the conclusion of the evidence led by the respective parties in support of their case.

**21.1.2** 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 Holding Company and Rs. 100,000 on each of the directors of Holding Company. The Holding 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. Holding Company's legal advisor has opined that the Holding Company has a good arguable case and there is no likelihood of an unfavorable outcome, however, if the appeal fails the Holding Company would have an opportunity to file before the High Court. Nonetheless the Holding Company's management is hoping that since now the Holding Company has met the minimum paid up capital requirement, the Commission may take a lenient view.

**21.1.3** 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 Holding Company sought a legal opinion from their legal advisor, who confirmed the Holding 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 Holding 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 Honorable Lahore High Court (LHC) in the month of September 2019. The Honorable 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 Holding 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 Holding Company and the Government.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

The hearing of the petition is currently in progress. In view of the pending adjudication, the Holding Company, has not charged PST to its clients, nor recognized the contingent amount of PST liability in the consolidated financial statements as the management is confident that the final outcome will be in favour of the Holding 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 Holding Company is not charging sales tax on contribution written in the province of Punjab, nor has recognised the liability for PST in the consolidated financial statements. The amount involved as of 31 December 2022 is 50.292 million (31 December 2021: Rs. 44.79 million).

**21.1.4** The Holding Company was issued a show-cause notice (SCN) on 25 April 2016 by the Sindh Revenue Board (SRB) alleging that the Holding 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 Holding Company to show cause as to why tax of Rs. 31.561 million should not be levied and recovered from the Holding Company (apart from the default surcharge and penalty). Based on the SCN, the Holding Company had filed a stay application and obtained a stay order at the Honorable 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 Holding Company has withdrawn the suit (earlier filed). The Holding 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 Holding 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 Holding 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 Holding 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 Holding Company's management is of the view that an insurance Holding Company on issuing policy and receiving contribution, charges sales tax on the ultimate user. The same risk is transferred / shared by an insurance Holding 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 Holding 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

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

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 intention 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 consolidated financial statements.

- 21.1.5** Sindh Revenue Board (SRB) issued notice dated 16 October 2020 contending that the Holding 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 Holding 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 Holding Company contended that it 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 Holding Company claimed that the services highlighted in the notice are directly attributable to the taxable services provided by the Holding 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.
- 21.1.6** 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 Holding Company is still in the process of submitting required information on a piecemeal basis.
- 21.1.7** The notice was issued to the Holding Company in respect of short payment of SST for the tax periods January 2016 to December 2016 by the officer of SRB dated 2 April 2021. In response, the Holding Company has submitted all the relevant details / justifications to the satisfaction of the officer. In this regard, no further query / concern has been raised by the officer to date.
- 21.1.8** Refer note 32.4 and 32.5 to these consolidated financial statements for income tax contingencies.

## 21.2 Commitments - Holding Company

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

	31 December 2022	31 December 2021
	(Rupees)	
Not later than one year	43,543,653	38,998,618
Later than one year but not later than five years	59,335,543	63,635,375
	<u>102,879,196</u>	<u>102,633,993</u>

The Holding Company has vehicle ijarah financing facility of Rs. 350 million from three Islamic banks named , Meezan bank Limited Dubai Islamic Bank and Bank AL Habib Limited (facilities amount being the cost of vehicles) out of which Rs. 250.06 million had been utilized by the year end. The facilities are valid up to December 2023.



# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 22 NET CONTRIBUTION - Participants' Takaful Fund

		31 December 2022	31 December 2021
	Note	(Rupees)	(Rupees)
<b>Written Gross Contribution</b>	22.1	<b>3,001,849,857</b>	2,219,531,165
Less: Wakala Fee		<b>(1,090,430,093)</b>	(683,819,956)
<b>Contribution Net of Wakala Fee</b>		<b>1,911,419,764</b>	1,535,711,209
Add: Unearned Contribution reserve opening		<b>1,205,566,567</b>	774,926,588
Less: Unearned Contribution reserve closing		<b>(1,561,033,084)</b>	(1,205,566,566)
<b>Contribution earned</b>		<b>1,555,953,247</b>	1,105,071,231
<b>Retakaful Contribution ceded</b>		<b>287,812,855</b>	167,544,410
Add: Prepaid retakaful contribution opening		<b>71,924,084</b>	67,651,940
Less: Prepaid retakaful contribution closing		<b>(103,968,967)</b>	(71,924,084)
<b>Retakaful Expense</b>		<b>255,767,972</b>	163,272,266
<b>Net Contribution</b>		<b>1,300,185,275</b>	941,798,965

**22.1** This include contribution written to related parties amounting to Rs. 133.85 million (31 December 2021 Rs. 199.9 million).

## 23 RETAKAFUL REBATE

		31 December 2022	31 December 2021
	Note	(Rupees)	(Rupees)
Retakaful rebate/commission received		<b>73,233,500</b>	40,349,574
Add: Unearned retakaful rebate / commission opening		<b>19,592,827</b>	12,812,863
Less: Unearned retakaful rebate / commission closing		<b>(28,524,963)</b>	(19,592,827)
Retakaful rebate/commission Income		<b>64,301,364</b>	33,569,610

## 24 TAKAFUL BENEFITS / CLAIMS EXPENSE

<b>Benefits / Claim Paid</b>	24.1	<b>1,408,647,327</b>	964,045,817
Add: Outstanding benefits / claims including IBNR closing		<b>741,886,125</b>	341,383,225
Less: Outstanding benefits / claims including IBNR opening		<b>(341,383,226)</b>	(234,657,638)
<b>Claim Expense</b>		<b>1,809,150,226</b>	1,070,771,404
<b>Retakaful and other recoveries received</b>		<b>254,359,449</b>	201,657,149
Add: Retakaful and other recoveries in respect of outstanding claims closing	24.2	<b>394,134,651</b>	98,964,644
Less: Retakaful and other recoveries in respect of outstanding claims opening		<b>(98,964,644)</b>	(105,383,695)
<b>Retakaful and other recoveries revenue</b>		<b>549,529,456</b>	195,238,098
<b>Net Claim Expense</b>		<b>1,259,620,770</b>	875,533,306

**24.1** This include claims of Rs. 82 million (31 December 2021: Rs. 102.44 million) paid to the related parties.

**24.2** The closing balance of Re-takaful and other recoveries in respect of outstanding claims also includes salvage recoveries accrued of Rs.22.9 million (31 December 2021: Rs. 15.70 million). The balance excluding the balance of salvage accrued amounts to Rs 371.239 million (31 December 2021: 83.270 million).

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 25 OTHER DIRECT EXPENSES - Participant's Takaful Fund

	31 December 2022	31 December 2021
	(Rupees)	
Tracker installation charges	34,492,512	28,660,425
Disallowed input sales tax	34,992,142	16,080,308
Service charges on co-takaful acceptance	2,226,165	3,694,787
Others	1,010,269	313,532
	<b>72,721,088</b>	<b>48,749,052</b>

## 26 COMMISSION EXPENSE

Commission Paid or payable	313,262,284	205,157,645
Add: Deferred commission expense opening	112,754,453	58,295,367
Less: Deferred commission expense closing	(158,037,313)	(112,754,453)
Commission Expense	<b>267,979,424</b>	<b>150,698,558</b>

## 27 GENERAL, ADMINISTRATIVE AND MANAGEMENT EXPENSES

Employee benefit cost	501,756,944	293,642,797
Travelling and entertainment	19,659,238	5,166,803
Advertisement and sales promotions	32,889,280	22,070,595
Printing and stationery	11,191,768	7,485,994
Depreciation	68,958,446	41,613,210
Rent, rates and taxes	676,834	485,469
Legal and professional charges - business related	33,407,750	13,975,867
Electricity, gas and water	11,464,634	7,873,434
Ijarah rentals	57,722,331	29,042,316
Vehicles running expense	22,245,340	8,644,617
Office repairs and maintenance	7,416,183	3,040,553
Bank charges	992,892	215,172
Communications	10,246,068	8,327,173
Takaful contribution	21,018,578	10,024,445
Miscellaneous expenses	6,707,501	2,571,302
	<b>806,353,787</b>	<b>454,179,748</b>

27.1 These include Rs 12.5 million (31 December 2021: Rs 9 million) in respect of employee provident fund and Rs 10.2 million (31 December 2021: 8.0 million) in respect of staff retirement gratuity.

## 28 DIRECT EXPENSES - Operators' Fund

	31 December 2022	31 December 2021
	(Rupees)	
Auditors' Remuneration	7,479,800	3,532,095
Shariah Advisor Fee	2,115,000	1,560,000
Donation	975,000	-
Subscription	17,703,807	6,711,010
	<b>28,273,607</b>	<b>11,803,105</b>

### 28.1 Auditors' remuneration

Audit fee	4,100,000	1,100,000
Half yearly review fee	900,000	700,000
Other certifications / reports under agreed upon procedures	750,000	600,000
Tax advisory services	400,000	400,000
Shariah Audit	250,000	200,000
Out of pocket expenses	1,079,800	532,095
	<b>7,479,800</b>	<b>3,532,095</b>

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 28.2 Donations

None of the directors and their spouse had any interest in the done fund. Details of the donations given during the year are as follows:

	31 December 2022	31 December 2021
	(Rupees)	
Parents voice association	100,000	-
Jamia Khair Ul Madaris	100,000	-
Patients welfare association	25,000	-
The arts council of Pakistan	450,000	-
Sind rural support organization	300,000	-
	<b>975,000</b>	-

## 29 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 2022 to 31 March 2022	1 April 2022 to 30 June 2022	1 July 2022 to 30 September 2022	1 October 2022 to 31 December 2022
	(Rupees)			
Fire and property damage	60.0%	30.0%	30.0%	30.0%
Marine, aviation and transport	40.0%	40.0%	40.0%	40.0%
Motor	85.0%	40.0%	40.0%	40.0%
Health	25.0%	5.0%	5.0%	5.0%
Miscellaneous	40.0%	40.0%	40.0%	40.0%

## 30 INVESTMENT INCOME

	Operators' Fund (OPF)		Participants' Takaful Fund (PTF)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	(Rupees)			
Dividend Income	1,662,952	1,382,150	2,219,619	1,785,197
<b>Income from Debt Securities</b>				
Return on Sukuk	14,917,552	8,781,806	-	-
Amortization of contribution on sukuk	-	205,708	-	-
Gain on Disposal of Sukuk	14,917,552	8,987,514	-	-
<b>Income from Deposits</b>				
Return on term deposit-held to maturity	15,436,089	17,633,797	1,942,273	16,750,115
<b>Total Investment Income</b>	<b>32,016,593</b>	<b>28,003,461</b>	<b>4,161,892</b>	<b>18,535,312</b>
Less: Investment related expenses	(32,338)	(401,767)	(34,771)	(394,558)
Less: Impairment Loss on Available for Sale Equity Securities	(24,915,857)	(6,679)	(12,108,930)	(113,289)
Less: Charity on dividend purification	(6,280)	(408,446)	(8,252)	(507,847)
	<b>(24,954,475)</b>	<b>(408,446)</b>	<b>(12,151,953)</b>	<b>(507,847)</b>
<b>Investment income</b>	<b>7,062,118</b>	<b>27,595,015</b>	<b>(7,990,061)</b>	<b>18,027,465</b>
<b>Net realized gains / (losses) on investments</b>				
- Available for sale				
Realized Gain on equity securities	588,222	1,575,433	951,175	7,976,121
Realized Loss on equity securities	-	-	-	-
	<b>588,222</b>	<b>1,575,433</b>	<b>951,175</b>	<b>7,976,121</b>
<b>Net investment income</b>	<b>7,650,340</b>	<b>29,170,448</b>	<b>(7,038,886)</b>	<b>26,003,586</b>

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 31 OTHER INCOME / ( LOSS )

	Operators' Fund (OPF)		Participants' Takaful Fund (PTF)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	(Rupees)			
Gain / (loss) on sale of fixed asset	7,360,760	(249,249)	-	-
Service income	-	-	238,531	424,140
Others	1,788,469	117,756	-	1,518,075
	<b>9,149,229</b>	<b>(131,493)</b>	<b>238,531</b>	<b>1,942,215</b>

## 32 TAXATION

		31 December 2022	31 December 2021
	Note	(Rupees)	
Current		35,948,981	9,170,488
Deferred	32.2	43,682,972	(4,935,121)
		<b>79,631,953</b>	<b>4,235,367</b>

### 32.1 Relationship between tax expense and accounting profit:

	31 December 2022	31 December 2021
	(Rupees)	
Profit before taxation	104,424,328	111,770,724
Tax at the applicable tax rate of 30% (2021: 29%)	31,327,298	32,413,510
Permanent difference	1,755,382	-
Less: Prior year excess minimum tax paid	(7,232,369)	-
Prior year losses and credits adjustments	(3,705,600)	(28,178,142)
Deferred tax for the year not recognized on losses	57,487,242	-
	<b>79,631,953</b>	<b>4,235,368</b>

### 32.2 Deferred taxation

	2022			
	Opening	(Charge) / reversal to statement of profit or loss	Reversal to statement of comprehensive income	Closing
	(Rupees)			
<b>Taxable temporary differences</b>				
Investment property	-	(47,104,533)	-	(47,104,533)
<b>Deductible temporary differences</b>				
Operating assets	1,400,424	4,262,971	-	5,663,394
Lease liability - net	864,240	(841,409)	-	22,831
Revaluation of investments	1,343,480	-	(1,089,538)	253,942
	<b>3,608,144</b>	<b>(43,682,972)</b>	<b>(1,089,538)</b>	<b>(41,164,366)</b>
	2021			
	Opening	(Charge) / reversal to statement of profit or loss	Reversal to statement of comprehensive income	Closing
	(Rupees)			
<b>Taxable temporary differences</b>				
Difference in accounting and tax base of - tangible assets	-	-	-	-
Lease liability lease - net	(250,347)	250,347	-	-
Accrued investment Income	(3,191,859)	3,191,859	-	-
<b>Deductible temporary differences</b>				
Operating assets	771,749	628,675	-	1,400,424
Lease liability lease - net	-	864,240	-	864,240
Revaluation of investments	-	-	1,343,480	1,343,480
	<b>(5,862,316)</b>	<b>8,126,980</b>	<b>1,343,480</b>	<b>3,608,144</b>

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

- 32.3** The Holding Company's income tax assessments for the tax years upto 2022 (corresponding to the financial year ended 31 December 2021) have been finalized as per the returns filed in terms of the provisions of section 120 of the Income Tax Ordinance, 2001.
- 32.4** The Holding Company received a notice under section 161(1A) of the Ordinance dated 9 January 2018 in respect of monitoring proceedings for tax year 2016. The Holding Company submitted all the details to the department. However, due to change in jurisdiction of the case, the similar notice was again received from the department alleging that the Holding Company has not made compliance to the above notice. In response to this, we apprised the fact that the compliance was duly made on time to the predecessor officer and once again provided all the details submitted earlier. However, the officer did not consider the responses and passed an order under section 161 of the Ordinance dated 31 December 2020 (the impugned order) against the Holding Company raising the total demand of Rs. 14,452,627 including default surcharge and penalty.
- 32.5** During the year 31 December 2021, the Holding Company filed the rectification application under section 221 of the Ordinance against the impugned order which was also not yet decided. The Holding Company also filed an appeal against the impugned order and requested for the stay against the recovery of alleged amount to the Commissioner (Appeals) [CIRA]. The order has been passed under section 129(1) of the Ordinance in favour of the Holding Company by the Commissioner Inland Revenue.
- 32.6** The notice was issued to the Company in respect of short payment of SST for the tax periods January 2016 to December 2016 by the officer of SRB dated 2 April 2021. In response, the Company has submitted all the relevant details / justifications to the satisfaction of the officer. In this regard, no further query / concern has been raised by the officer to date.

## 33 MUDARIB'S FEE

Mudarib fee is charged at the rate of 25% on investment income and return on bank balance during the year ended 31 December 2022.

## 34 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND OTHER EXECUTIVES

	2022			
	Chief Executive Officer (CEO) (Key management person)	Directors (Key management personnel)	Executives *	Total
	(Rupees)			
Managerial remuneration	27,891,967	-	106,237,252	134,129,219
Directors' fee for attending meetings	-	927,000	-	927,000
Retirement benefits	2,789,200	-	56,068,878	58,858,078
House rent	12,551,389	-	82,932,712	95,484,101
Utilities	2,789,202	-	36,501,244	39,290,446
Medical expenses	414,000	-	5,465,152	5,879,152
Travelling and other allowance	9,712,924	-	51,592,185	61,305,109
	<b>56,148,682</b>	<b>927,000</b>	<b>338,797,423</b>	<b>395,873,105</b>
	(Rupees)			
Number of persons	<b>1</b>	<b>6</b>	<b>70</b>	<b>77</b>

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

	2021			
	Chief Executive Officer (CEO) (Key management person)	Directors (Key management personnel)	Executives *	Total
	(Rupees)			
Managerial remuneration	19,978,836	-	58,341,353	78,320,189
Incentive	-	-	-	-
Directors' fee for attending meetings	-	497,000	-	497,000
Retirement benefits	8,657,493	-	23,881,709	32,539,202
House rent	8,990,473	-	41,435,416	50,425,889
Utilities	1,997,891	-	16,875,415	18,873,306
Medical expenses	300,000	-	3,498,553	3,798,553
Travelling and other allowance	8,839,104	-	18,757,533	27,596,637
	<u>48,763,797</u>	<u>497,000</u>	<u>162,789,979</u>	<u>212,050,776</u>
	(Rupees)			
Number of persons	<u>1</u>	<u>6</u>	<u>57</u>	<u>64</u>

\* Executives are those employees (other than CEO and Directors) whose annual basic salary exceeds Rs. 500,000 in a financial year.

## 35 EARNINGS (AFTER TAX) PER SHARE - BASIC

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

	Operators' Fund (OPF) Year ended 31 December	
	2022	2021
	(Rupees)	
Net profit / (loss) after tax for the year - attributable to the ordinary shareholders	<u>24,792,375</u>	<u>107,535,356</u>
Weighted average number of ordinary shares	<u>113,202,019</u>	<u>86,672,738</u>
Basic earnings per share	<u>0.22</u>	<u>1.24</u>

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

## 36 RELATED PARTIES TRANSACTIONS AND BALANCES

The definition of related parties as given in IAS 24 - Related parties has been followed. 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 consolidated financial statements, are as follows:



# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## Participants' Takaful Fund

Transactions with related parties during the year are as follows:

	Relationship	2022	2021
----- (Rupees) -----			
Contribution written	Associate	133,856,174	199,167,005
Contribution received	Associate	155,025,849	181,199,953
Claims paid	Associate	83,046,883	90,316,400
Profit on bank deposit	Associate	246,972	195,418
Investment income	Associate	-	-
Annual monitoring fee for vehicle tracking devices	Associate	13,723,839	14,383,923
Contribution written	Director	995,146	706,482
Contribution received	Director	629,917	8,258
Claims paid	Director	85,000	13,753

Balances with related parties as at 31 December are as follows:

Contribution receivable	Associate	66,021,345	102,722,611
Claims outstanding	Associate	17,002,502	23,474,959
Annual monitoring fee for vehicle tracking devices	Associate	7,167,950	5,607,091
Bank balances and deposits	Associate	647,525	3,264,470
Accrued investment income	Associate	-	-
Prepaid Tracker Installation Fees	Associate	5,452,877	7,759,316
Contribution receivable	Director	475,956	803,559
Claims outstanding	Director	-	-

## Operators' Fund

Transactions with related parties during the year are as follows:

Contribution to provident fund	Associate	-	20,163,256
Contribution to gratuity fund	Associate	17,000,000	3,000,000
Software development fee	Director	11,229,000	9,295,900
Investment income	Associate	-	-
Director's meeting attendance fees	Director	927,000	497,000
Remuneration of key management personnel	Key management personnel	48,547,643	48,763,797

**Balances with related parties as at 31 December are as follows:**

Payable to gratuity fund	Associate	28,952,939	24,226,831
--------------------------	-----------	------------	------------

Contribution to the defined contribution plan of Holding Company (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.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 37 STAFF GRATUITY FUND - Operators' Fund

### 37.1 Staff Gratuity Fund

The Company operates an approved funded gratuity scheme for all permanent employees. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2022. Projected credit unit method, using the following significant assumptions, has been used for actual valuation:

	31 December 2022	31 December 2021
	(Rate per annum)	
Discount rate	14.50%	11.75%
Expected rate of increase in salary of employees	13.50%	10.75%
Expected rate of return on plan assets	15.75%	9.75%
Normal retirement age	60 years	60 years
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1

All employees who have completed a minimum of 2 years of service with the Holding Company in the regular cadre are eligible to receive gratuity at the last drawn basic salary for each year of services upon the termination of their employment for any reason other than misconduct. Gratuity is also payable on both natural and accidental deaths.

- 37.1.1** The scheme typically exposes the Holding Company to actuarial risks such as: salary increase risk, discount rate risk, mortality / withdrawal risk and investment risk defined as follow:

#### Salary increase risk

This is the risk that the salary at the time of cessation of service is higher than that assumed. This is a risk to the Holding Company because the benefits are based on the final salary; if the final salary is higher than what we have assumed, the benefits will also be higher.

#### Discount rate risk

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

#### Mortality / withdrawal risk

This is the risk that the actual mortality/withdrawal experience is different than that assumed by the Holding Company.

#### Investment risk

This is the risk that the assets are underperforming and are not sufficient to meet the liabilities.

### 37.1.2 Number of employees under the scheme

The number of employees covered under the scheme is 280 (2021: 241).

### 37.1.3 Details of the actuarial valuation as at 31 December 2022 are as follows:

#### Payable to staff gratuity fund - Defined Benefit Plan

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

	31 December	
	2022	2021
Note	(Rupees)	
Present value of defined benefit obligation	37.1.5 <b>29,960,984</b>	26,726,366
Fair value of plan assets	37.1.6 <b>(800,055)</b>	(2,499,535)
Net Liability at the end of the year	<b>29,160,929</b>	24,226,831

## 37.1.4 Movement in Net defined benefit liability during the year

Opening balance	37.1.7 <b>24,226,831</b>	15,202,763
Charge to profit and loss account	<b>11,702,546</b>	9,031,337
Contributions to the Fund during the year	<b>17,000,000</b>	3,000,000
Charge to other comprehensive income (actuarial loss) - net	37.1.4.1 <b>10,023,562</b>	2,992,731
Closing balance	<b>28,952,939</b>	24,226,831

### 37.1.4.1 Details of the net actuarial loss for the year are as follows:

1. Re-measurements: Actuarial loss on defined benefit obligation		
i) Gain/Loss due to change in financial assumptions	-	-
ii) Gain due to change in demographic assumptions	-	-
ii) Gain/Loss due to change in experience adjustments	<b>10,173,339</b>	2,798,834
iii) Total actuarial gain on obligation	<b>10,173,339</b>	2,798,834
2. Re-measurements: Actuarial loss on plan assets		
i) Actual return on plan assets	<b>97,756</b>	72,224
ii) Interest income on plan assets	<b>156,080</b>	266,019
iii) Opening difference	<b>(208,101)</b>	101
iv) Re-measurement loss on plan assets	<b>(149,777)</b>	193,896
3. Total re-measurements loss	<b>10,023,562</b>	2,992,731

## 37.1.5 Reconciliation of present value of defined benefit obligation

Opening balance of defined benefit obligation	<b>26,726,363</b>	18,232,360
Current service cost	<b>9,824,009</b>	7,696,404
Interest cost	<b>2,034,616</b>	1,600,952
Actuarial loss on defined benefit obligation	<b>10,173,339</b>	2,798,834
Benefits paid during the year	<b>(18,797,236)</b>	(3,602,188)
Closing balance of defined benefit obligation	<b>29,961,091</b>	26,726,363

## 37.1.6 Changes in fair value of plan assets (movement in the fair value of plan assets)

Opening balance of fair value of plan assets	<b>2,499,434</b>	3,029,499
Expected return on plan assets	<b>156,080</b>	266,019
Contribution received	<b>17,000,000</b>	3,000,000
Benefits paid during the year	<b>(18,797,236)</b>	(3,602,188)
Actuarial loss on plan assets	<b>149,777</b>	(193,896)
Closing balance of fair value of plan assets	<b>1,008,055</b>	2,499,434

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

37.1.7 Charge to profit and loss account	Note	31 December	
		2022	2021
		(Rupees)	
Current service cost		9,824,009	7,696,404
Interest on obligation		2,034,616	1,600,952
Expected return on plan assets		(156,080)	(266,019)
		<b>11,702,545</b>	<b>9,031,337</b>

## 37.1.8 Remeasurements recognized in other comprehensive income for the year

Actuarial loss for the year - net	37.1.4.1	10,023,562	2,992,731
Total gratuity expense for the year		<b>21,726,107</b>	<b>12,024,068</b>

## 37.1.9 Composition of fair value of plan assets

	2022		2021	
	Fair Value (Rupees)	Percentage (%)	Fair Value (Rupees)	Percentage (%)
	(Rupees)			
Bank Balances	1,008,055	100.0%	2,499,434	100.0%
	<b>1,008,055</b>		<b>2,499,434</b>	

## 37.1.10 Comparison for five years

As at 31 December	2022	2021	2020	2019	2018
	(Rupees)				
Fair value of plan assets	1,008,055	2,499,434	3,029,600	5,944,362	5,663,756
Defined benefit obligations	29,961,091	26,726,363	18,232,363	12,536,972	8,193,277
Deficit	<b>(28,953,036)</b>	<b>(24,226,929)</b>	<b>(15,202,763)</b>	<b>(6,592,610)</b>	<b>(2,529,521)</b>
Experience adjustment	2022 %	2021 %	2020 %	2019 %	2018 %
*Gain / (loss) on plans assets (as percentage of plan assets)	14.86	(7.76)	(8.91)	(1.25)	(23.32)
*(Gain) / loss on obligations (as percentage of plan obligations)	33.96	10.47	(8.86)	(11.29)	(9.75)

## 37.1.11 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Present value of obligation (Rupees)	% change from base (Percentage)
<b>Base</b>		<b>29,960,984</b>	
Discount rate	Increase by 1%	27,724,518	-7.46%
	Decrease by 1%	32,546,246	8.63%
Salary growth rate	Increase by 1%	32,556,938	8.66%
	Decrease by 1%	27,678,029	-7.62%

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 37.1.12 Sensitivity analysis

The estimated gratuity cost for the year ending 31 December 2022 is Rs. 12.031 million (2021: Rs. 9.876 million).

Gratuity cost to the recognized in the profit and loss is not necessarily the amount of the contribution for the year. Decision about the contribution is made by the Company based on the allowability under the Insurance Tax Rules, 2002 and the availability of surplus funds, etc.

Nonetheless, efforts shall be to made reduce the deficit in accordance with the admissibility under the Insurance Tax Rules.

## 38 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

Investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 39 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

### 39.1 TAKAFUL RISK

The risk under any takaful contract is the possibility that the covered event occurs and the uncertainty in the amount of compensation to the participant. The period of the takaful risk are mentioned in note 4.2 to these consolidated financial statements.

The Holding Company accepts takaful through issuance of general takaful contracts. For these general takaful contracts the most significant risks arise from fire, atmospheric disturbance, earthquake and other catastrophes. For health takaful contracts, significant risks arise from epidemics.

#### a) Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the takaful events. This has been managed by having in place underwriting strategy, re-takaful arrangements and proactive claim handling procedures.

The Holding Company's class wise major risk exposure is as follows:

Class	Maximum gross risk exposure	
	2022	2021
	(Rupees)	
Fire and property	9,405,818,271	2,360,000,000
Marine, aviation and transport	2,139,701,872	409,000,000
Motor	66,150,000	25,000,000
Accident and health	1,100,000	1,500,000
Miscellaneous	1,170,000,000	1,000,000,000

#### b) Sources of Uncertainty in the estimation of future claims payments

Claims on general takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contract including the event reported after the expiry of the takaful contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Holding Company. The estimation of the amount is based on Holding Company's judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Holding Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## Key assumptions

The principal assumption underlying the liability estimation of incurred but not recorded (IBNR) and Contribution Deficiency Reserves (CDR) is that the Holding Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

As at 31 December 2022, actuarial valuation is carried out for the determination of provision for IBNR which is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required/ allowed by the circular 9 of 2016 issued by Securities and Exchange Commission of Pakistan (SECP).

Provision for IBNR is determined by using Chain Ladder Method for all class of businesses except Marine for which loss ratio method is used. The claims outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. IBNR triangles are made on a yearly basis for each class of business.

The Holding Company determines adequacy of the liability of contribution deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned contribution. The liability of contribution deficiency in relation to accident and health takaful is calculated in accordance with the advice of the actuary (refer note 4.4) to these consolidated financial statements.

The assumed net of re-takaful loss ratios for each class of business for estimation of Contribution Deficiency Reserves is as follows:

Class	Assumed net loss ratio	
	2022	2021
Fire and property	33%	10%
Marine, aviation and transport	34%	21%
Motor	32%	27%
Health	72%	81%
Miscellaneous	30%	13%

## Sensitivity Analysis

The takaful claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

## Average claim costs

		Gross Claim Liabilities	Net Claim Liabilities	Profit before Tax	Net assets
		(Rupees)			
2022	± 10%	180,915,023	125,962,077	125,962,077	125,962,077
2021	± 10%	107,077,140	87,553,331	87,553,331	87,553,331

## Re-takaful risk

Re-takaful ceded does not relieve the PTF from its obligation towards participants and, as a result, the PTF remains liable for the portion of outstanding claims covered through re-takaful to the extent that re-takaful operators fails to meet the obligation under the re-takaful agreements.

To minimize its exposure to significant losses from re-takaful operators' insolvencies, the operations obtain re-takaful rating from a number of re-takaful operators, who are dispersed over several geographical regions.



# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

An analysis of all retakaful assets recognized by the rating of the re-takaful operator from which it is due is as follows:

Rating	2022		
	Amount due from other takaful / re-takaful holders	Re-takaful recoveries against outstanding claims	Total
	(Rupees)		
A or above	381,013,387	42,517,335	423,530,722
B or above	11,516,581	10,513,254	22,029,835
	<b>392,529,968</b>	<b>53,030,589</b>	<b>445,560,557</b>

Rating	2021		
	Amount due from other takaful / re-takaful holders	Re-takaful recoveries against outstanding claims	Total
	(Rupees)		
A or above	33,470,661	63,639,505	97,110,166
B or above	696,790	9,573,261	10,270,051
	<b>34,167,451</b>	<b>73,212,766</b>	<b>107,380,217</b>

## Claims development table

The following table shows the development of claims over a period of time on gross basis. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business, the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2022.

## Analysis on gross basis

Accident year	2018	2019	2020	2021	2022
<b>Estimate of ultimate claims cost:</b>	(Rupees)				
At the end of accident year	95,800,001	415,597,671	928,734,516	994,685,725	<b>1,747,067,699</b>
One year later	90,003,796	439,852,892	1,011,607,626	1,064,754,546	<b>Not applicable</b>
Two years later	86,093,083	439,238,599	1,015,802,266	Not applicable	<b>Not applicable</b>
Three years later	87,029,406	439,570,490	Not applicable	Not applicable	<b>Not applicable</b>
Four years later	87,074,121	Not applicable	Not applicable	Not applicable	<b>Not applicable</b>
Current estimate of cumulative claims	87,074,121	439,570,490	1,015,802,266	1,064,754,546	<b>1,747,067,699</b>
Cumulative payments to date	73,773,484	431,346,608	1,000,497,614	1,038,715,206	1,069,225,083
<b>Liability recognized in the statement of financial position</b>	<b>13,300,637</b>	<b>8,223,882</b>	<b>15,304,652</b>	<b>26,039,340</b>	<b>677,842,616</b>

## 39.2 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

The Board of Directors of the Group has the overall responsibility for the establishment and oversight of the Group's risk management framework. Risk is inherent in the Group's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed based on limits established by the Group's constitutive documents and the regulations and directives of the SECP.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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The audit committee oversees how management monitors compliance with the Holding Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Holding Company. The audit committee is assisted in its oversight role by internal audit.

## 39.2.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest (profit) rate risk, foreign currency risk and other price risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

### 39.2.1.1 Profit rate risk

#### 39.2.1.1.1 Operators' Fund OPF

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate

The information about the Company's exposure to profit rate risk based on the earlier of contractual repricing or maturity dates is as follows:

2022								
	Profit bearing			Non profit bearing			Total	
	Effective rate % per annum	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year		Sub Total
Financial assets								
Investments								
Debt securities		-	75,000,000	75,000,000	-	-	-	75,000,000
Term deposits	7.5 - 10.75.00	292,700,000	-	292,700,000	-	-	-	292,700,000
Equity Securities		-	-	-	34,767,063	-	34,767,063	34,767,063
Long term deposits		-	-	-	-	25,410,786	25,410,786	25,410,786
Accrued investment income		-	-	-	6,159,862	-	6,159,862	6,159,862
Loans, advances and other receivables		-	-	-	37,365,936	-	37,365,936	37,365,936
Cash and bank	2.0 - 9.03	130,953,096	-	130,953,096	621,249	-	621,249	131,574,345
		423,653,096	75,000,000	498,653,096	78,914,110	25,410,786	104,324,896	602,977,992
Financial liabilities								
Lease liability		(14,853,186)	(2,276,714)	(17,129,900)	-	-	-	(17,129,900)
Other creditors and accruals		-	-	-	(64,124,605)	-	(64,124,605)	(64,124,605)
Profit (Interest) risk sensitivity gap		408,799,909	72,723,286	481,523,196	14,789,505	25,410,786	40,200,291	521,723,487

2021								
	Profit bearing			Non profit bearing			Total	
	Effective rate % per annum	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year		Sub Total
Financial assets								
Investments								
Debt securities		-	118,000,000	118,000,000	-	-	-	118,000,000
Term deposits	7.5 - 13.00	292,700,000	-	292,700,000	-	-	-	292,700,000
Equity Securities		-	-	-	62,260,412	-	62,260,412	62,260,412
Long term deposits		-	-	-	-	24,310,806	24,310,806	24,310,806
Accrued investment income		-	-	-	8,737,945	-	8,737,945	8,737,945
Loans, advances and other receivables		-	-	-	159,175,759	-	159,175,759	159,175,759
Cash and bank	2.0 - 9.03	122,526,709	-	122,526,709	36,022	-	36,022	122,562,731
		415,226,709	118,000,000	533,226,709	230,210,138	24,310,806	254,520,944	787,747,653
Financial liabilities								
Lease liability		(27,941,863)	(11,418,048)	(39,359,911)	-	-	-	(39,359,911)
Other creditors and accruals		-	-	-	(4,068,147)	-	(4,068,147)	(4,068,147)
Profit (Interest) risk sensitivity gap		387,284,846	106,581,952	493,866,798	226,141,991	24,310,806	250,452,797	744,319,595

#### 39.2.1.1.2 Participant's Takaful Fund (PTF)

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate.

The information about the Company's exposure to profit rate risk based on the earlier of contractual repricing or maturity dates is as follows:

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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2022

	Profit bearing			Non profit bearing			Total
	Effective rate % per annum	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total
<b>Financial assets</b>							
Investments							
Term Deposit	7.5 - 10.75	195,100,000	-	195,100,000	-	-	195,100,000
Equities Securities		-	-	-	22,617,137	-	22,617,137
Takaful / co-takaful receivables		-	-	-	1,678,591,627	-	1,678,591,627
Re-takaful recoveries against outstanding claims		-	-	-	371,239,651	-	371,239,651
Salvage recoveries accrued		-	-	-	22,895,000	-	22,895,000
Accrued investment income		-	-	-	-	-	-
Loan and other receivables		-	-	-	10,729,266	-	10,729,266
Cash and bank	2.0 - 9.03	73,409,877	-	73,409,877	325,319	-	73,735,196
		<u>73,409,877</u>	<u>-</u>	<u>73,409,877</u>	<u>2,106,398,000</u>	<u>-</u>	<u>2,374,907,877</u>
<b>Financial liabilities</b>							
Outstanding claims including IBNR		-	-	-	(740,780,247)	-	(740,780,247)
Takaful / re-takaful payables		-	-	-	(90,543,017)	-	(90,543,017)
Other creditors and accruals		-	-	-	(25,051,515)	-	(25,051,515)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(856,374,779)</u>	<u>-</u>	<u>(856,374,779)</u>
<b>Profit (Interest) risk sensitivity gap</b>		<u>73,409,877</u>	<u>-</u>	<u>73,409,877</u>	<u>1,250,023,221</u>	<u>-</u>	<u>1,518,533,098</u>

2021

	Profit bearing			Non profit bearing			Total
	Effective rate % per annum	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total
<b>Financial assets</b>							
Investments							
Term Deposit	7.5 - 13.00	195,100,000	-	195,100,000	-	-	195,100,000
Equities Securities		-	-	-	37,598,293	-	37,598,293
Takaful / co-takaful receivables		-	-	-	1,039,154,876	-	1,039,154,876
Re-takaful recoveries against outstanding claims		-	-	-	83,270,644	-	83,270,644
Salvage recoveries accrued		-	-	-	15,694,000	-	15,694,000
Accrued investment income		-	-	-	3,753,991	-	3,753,991
Loan and other receivables		-	-	-	7,957,824	-	7,957,824
Cash and bank	2.0 - 9.03	68,476,388	-	68,476,388	1,843,706	-	70,320,094
		<u>263,576,388</u>	<u>-</u>	<u>263,576,388</u>	<u>1,189,273,333</u>	<u>-</u>	<u>1,452,849,722</u>
<b>Financial liabilities</b>							
Outstanding claims		-	-	-	(341,383,225)	-	(341,383,225)
Takaful / re-takaful payables		-	-	-	(29,500,776)	-	(29,500,776)
Other creditors and accruals		-	-	-	(26,160,123)	-	(26,160,123)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(397,044,124)</u>	<u>-</u>	<u>(397,044,124)</u>
<b>Profit (Interest) risk sensitivity gap</b>		<u>263,576,388</u>	<u>-</u>	<u>263,576,388</u>	<u>792,229,209</u>	<u>-</u>	<u>1,055,805,598</u>

## 39.2.1.2 Sensitivity Analysis

### (a) Sensitivity analysis for variable rate instruments

Presently, the Group hold sukuk certificates issued by Bank Islami Pakistan Limited, Dubai Islamic Bank Pakistan Limited CoP Ijarah and The Hub Power Holding Company Limited Sukuks exposing it to cash flow interest rate risk. In case of 100 basis points increase/decrease in interest yield on 31 December 2022 with all other variables held constant, the net assets of the Operators' Fund and profit before tax of the Operators' Fund for the year would have been higher/lower by Rs. 0.1 million (2021: Rs. 0.1 million).

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None of the financial instruments of the participants takaful fund are exposed to variable interest rate risk.

## (b) Sensitivity analysis for fixed rate instruments

The increase / decrease of 100 basis point in fixed rate interest (profit):

### Shareholder's Fund

Bank balances

Investment in term deposits

### Participants Takaful Fund

Bank balances

Investment in term deposits

2022

2021

----- (Rupees) -----

148,677

133,422

154,361

176,338

303,037

309,760

53,752

41,407

19,423

167,501

73,176

208,909

## 39.2.1.3 Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group, at present, is not expose to currency risk as majority of the transactions are carried out in Pak Rupees.

## 39.2.1.4 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. However the Group is not significantly exposed to other price risk

## 39.2.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the operation's reputation. The following are the contractual maturities of financial liabilities based on the remaining period at the reporting date to maturity date.

### Financial liabilities

Other creditors and accruals

### Operators' Fund With in one year

2022

2021

----- (Rupees) -----

(64,124,605)

(4,068,147)

### Participant's Takaful Fund With in one year

2022

2021

----- (Rupees) -----

740,780,247

341,383,225

90,543,017

29,500,776

53,716,570

57,124,502

885,039,834

428,008,502

### Financial liabilities

Provision for outstanding claims (including IBNR)

Takaful / re-takaful payables

Other creditors and accruals

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## 39.2.3 Credit

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

Credit risk is managed and controlled by the Group in the following manner:

- Where the Group makes in investment decision, the credit rating and credit worthiness of the issuer is taken in to account along with the financial background so as to minimize the risk of default.
- Analyzing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Group is mitigated by a periodic review of the credit ratings and consolidated financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with different brokers, whose credit worthiness is taken into account so as to minimize the risk of default and transactions are settled or paid to only upon delivery.
- Takaful related risk has already been discussed earlier.

## Exposure to credit risk

The maximum exposure to credit risk as at 31 December 2022 was as follows:

	<b>Operators' Fund</b>		<b>Participant's Takaful Fund</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(Maximum Exposure)</b>		<b>(Maximum Exposure)</b>	
	(Rupees)			
Investments in				
Debt securities	<b>75,000,000</b>	118,000,000	-	-
Term deposits	<b>151,500,000</b>	292,700,000	<b>195,100,000</b>	195,100,000
Equities Securities	<b>34,767,063</b>	62,260,412	<b>22,617,137</b>	37,598,293
Long term deposits	<b>25,410,786</b>	24,310,806	-	-
Loan and other receivables	<b>37,365,936</b>	159,175,759	<b>10,729,266</b>	7,957,824
Takaful / co-takaful receivables	-	-	<b>1,678,591,627</b>	1,039,154,876
Accrued investment income	<b>6,159,862</b>	8,737,945	-	3,753,991
Re- Takaful recoveries against outstanding claims	-	-	<b>394,134,651</b>	98,964,644
Cash and Bank Balance	<b>131,574,345</b>	122,562,731	<b>73,735,196</b>	70,320,094
	<b>461,777,992</b>	787,747,653	<b>2,374,907,877</b>	1,452,849,722

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## 39.23.1 Concentration of credit risk in banks

The bank balances including term deposits represents low credit risk as they are placed with reputed financial institutions with strong credit ratings.

The credit quality of bank balances (including term deposits) can be assessed with reference to external credit ratings as follows:

Bank	Long Term Rating	Rating Agency	2022		2021	
			SHF	PTF	SHF	PTF
			(Rupees)			
Al Baraka Bank (Pakistan) Limited	A+/A-1	VIS	-	647,525	-	3,264,470
Askari Bank Limited (Islamic Banking)	AA+/A1+	PACRA	-	-	-	-
Bank Alfalah Limited (Islamic Banking)	AA+/A1+	PACRA	-	3,822,681	-	713,054
Bank Al Habib Ltd (Islamic Banking)	AAA/A1+	PACRA	94,714,683	1,762,114	69,585	9,274
Bank Islami Pakistan Limited	A+/A1	PACRA	35,667,204	45,765,456	119,496,518	32,902,392
Dubai Islamic Bank Limited	AA/A1+	VIS	511,446	5,100,635	785,831	24,851,194
Faysal Bank Limited (Islamic Banking)	AA/A-1+	VIS	-	63,977	-	17,362
Habib Bank Limited (Islamic Banking)	AAA/A-1+	VIS	-	291,717	-	291,717
Habib Metropolitan Bank (Islamic Banking)	AA+/A1+	PACRA	-	468,553	-	1,219,793
Meezan Bank Limited	AAA/A-1+	VIS	570,684	13,663,844	2,185,696	5,193,643
National Bank of Pakistan (Islamic Banking)	AAA/A-1+	VIS	-	400,508	-	59,671
The Bank of Khyber (Islamic Banking)	A+/A-1	VIS	-	11,936	-	11,472
United Bank Limited (Ameen Islamic Banking)	AAA/A-1+	VIS	-	1,661,875	-	1,366,552
NRSP Microfinance Bank Limited	A/A1	PACRA	-	-	-	-
- (Islamic Banking)			-	3,550	-	3,337
Samba Bank Limited (Islamic Banking)	AA/A-1	VIS	-	64,859	-	410,435
Summit Bank Limited (Islamic Banking)	BBB-	VIS	-	-	-	-
Soneri Bank Limited (Islamic Banking)	A+	PACRA	-	5,966	-	5,728
			131,464,017	73,735,196	122,537,630	70,320,094

Sector-wise analysis of gross "Takaful/Co-Takaful Receivables" at the reporting date is as follows:

	2022		2021	
	(Rupees)	%	(Rupees)	%
Banks	816,859,240	48.13%	447,654,374	42.46%
Automobiles	100,536,715	5.92%	92,861,428	8.81%
Takaful	135,282,033	7.97%	39,902,665	3.79%
Pharmaceuticals	88,883,963	5.24%	73,606,470	6.98%
Education	3,077,043	0.18%	19,434,595	1.84%
Textile	21,558,296	1.27%	24,227,151	2.30%
IT Industry	36,860,142	2.17%	39,192,943	3.72%
Engineering	3,126,271	0.18%	12,644,258	1.20%
Hospitals	579,089	0.03%	18,685,650	1.77%
Housing	20,820	0.00%	3,248,694	0.31%
NGO's	741,852	0.04%	4,646,193	0.44%
Food & Allied	5,037,220	0.30%	2,593,134	0.25%
Cement	599,423	0.04%	7,017,343	0.67%
Individual	11,214,687	0.66%	210,328,404	19.95%
Oil mills	2,659,120	0.16%	11,181,117	1.06%
Paper	682,862	0.04%	52,404	0.00%
Chemical & fertilizers	161,543	0.01%	1,194,099	0.11%
Distribution	74,633,929	4.40%	29,735,815	2.82%
Petroleum	-	0.00%	36,013	0.00%
Others	394,693,411	23.26%	15,938,831	1.51%
	1,697,207,657	100%	1,054,181,581	100%



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The management monitors exposure to credit risk through regular review of credit exposure, assessing creditworthiness of counterparties and prudent estimates of provision for doubtful debts.

The credit quality of Group's debt securities can be assessed as follows:

## Participants' Takaful Fund

### Rating

A or above (The Hub Power Company Limited)  
Others - unrated (Dubai Islamic Bank Pakistan Limited, Bank Islami Limited & GoP Ijara)

## Participants' Takaful Fund

### Rating

A or above

Held till maturity	
2022	2021
(Rupees)	
15,000,000	30,000,000
60,000,000	88,000,000
<b>75,000,000</b>	<b>118,000,000</b>
-	-
-	-

## Past due and impaired status

The Company monitors exposure to credit risk in contribution receivable from participants and amounts due from Co-takaful operators and re-takaful operators through regular review of credit exposure. The age wise analysis of contribution due but unpaid balance at year end, has no balance which is due for more than 1 year.

None of the financial assets of the Company are past due or impaired, other than those which have been provided and disclosed in these financial statements. Based on the past historical expertise and other economic factors, the management consider that no additional provision is required.

## 39.2.3.2 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's operations either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

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- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;

## 39.2.3.3 Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital which is the share capital of the Group.

## 40 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.

		2022					
		Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
Note		(Rupees)					
Takaful / re-takaful receivables		227,221,407	74,495,318	1,409,457,841	1,363,197,512	161,119,657	3,235,491,735
Less: Sales Tax Payable		(14,158,465)	(6,775,139)	(162,838,303)	(328,155)	(18,596,715)	(202,696,777)
Federal Takaful Fee		(999,704)	(566,730)	(12,221,327)	(12,013,036)	(1,405,502)	(27,206,299)
Stamp duty		(131,830)	(2,859,452)	(331,180)	(31,600)	(384,770)	(3,738,832)
Gross written contribution		211,931,408	64,293,997	1,234,067,031	1,350,824,721	140,732,670	3,001,849,827
Wakala fee		(49,478,883)	(23,344,494)	(794,177,235)	(179,812,714)	(43,616,767)	(1,090,430,093)
<b>Participants' Takaful Fund - revenue account</b>							
Takaful contribution earned		175,724,394	58,382,221	1,163,922,832	1,114,190,984	134,162,909	2,646,383,340
Takaful contribution ceded expense		(146,073,838)	(18,857,454)	(4,045,400)	-	(86,791,280)	(255,767,972)
Net Takaful contribution	22	(19,828,327)	16,180,273	365,700,197	934,378,270	3,754,862	1,300,185,275
Retakaful rebate earned	23	40,851,719	1,286,213	-	-	22,163,432	64,301,364
<b>Net Underwriting Income</b>		21,023,392	17,466,486	365,700,197	934,378,270	25,918,294	1,364,486,639
Takaful claims		(344,336,848)	(14,067,121)	(561,694,096)	(802,457,091)	(60,757,164)	(1,783,312,320)
Takaful claims recovered from retakaful operators & salvage recoveries		320,776,778	294,583	188,447,439	-	40,010,656	549,529,456
Net Takaful claims expense		(23,560,070)	(13,772,538)	(373,246,657)	(802,457,091)	(20,746,508)	(1,233,782,864)
Incurred But Not Reported (IBNR) claims expense		(24,138,083)	(535,529)	(1,551,686)	(1,604,750)	1,820,655	(26,009,393)
Contribution deficiency expense / (reversal)		-	-	-	-	171,487	171,487
Provisions against doubtful contributions - Net of Wakala		(12,215,403)	3,183,952	3,774,856	-	1,723,933	(3,532,662)
Other direct expenses		(1,097,756)	(514,216)	(70,647,486)	(37,295)	(424,335)	(72,721,088)
Investment income	30						(7,038,886)
Profit on bank balances							5,375,191
Less: Mudarib's share							(2,612,120)
Net investment income							(4,275,815)
Other income							238,531
Bank charges							(770,647)
Total surplus - after tax							23,804,189
Segment Assets		534,581,785	20,513,251	691,126,450	1,117,723,851	143,261,900	2,507,207,237
Unallocated Assets							368,326,664
							2,875,533,901
Segment Liabilities		436,088,264	74,239,079	818,774,190	1,012,670,930	155,806,403	2,497,578,866
Unallocated Liabilities							169,683,312
							2,667,262,178

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		2021					
	Note	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
(Rupees)							
Takaful / re-takaful receivables		111,026,204	53,229,795	1,141,301,951	1,011,127,973	84,368,147	2,401,054,070
Less: Sales Tax Payable		(11,029,461)	(5,577,677)	(130,608,440)	(82,903)	(9,613,612)	(156,912,093)
Federal Takaful Fee		(781,410)	(432,673)	(9,918,586)	(9,658,178)	(735,419)	(21,526,266)
Stamp duty		(88,380)	(2,777,676)	(175,260)	(30,890)	(12,340)	(3,084,546)
Tracker charges recovered		-	-	-	-	-	-
Gross written contribution		<u>99,126,953</u>	<u>44,441,769</u>	<u>1,000,599,665</u>	<u>1,001,356,002</u>	<u>74,006,776</u>	<u>2,219,531,165</u>
Wakala fee		(24,705,595)	(11,883,866)	(527,267,895)	(86,171,526)	(33,791,074)	(683,819,956)
Participants' Takaful Fund - revenue account							
Takaful contribution earned		75,986,643	41,239,963	803,937,126	784,860,759	82,866,695	1,788,891,186
Takaful contribution ceded expense		(60,753,716)	(31,899,614)	(22,449,450)	-	(48,169,487)	(163,272,266)
Net Takaful contribution	22	<u>(9,472,668)</u>	<u>(2,543,517)</u>	<u>254,219,781</u>	<u>698,689,233</u>	<u>906,135</u>	<u>941,798,964</u>
Retakaful rebate earned	23	16,931,037	8,885,680	-	-	7,752,893	33,569,610
Net Underwriting Income		<u>7,458,369</u>	<u>6,342,162</u>	<u>254,219,781</u>	<u>698,689,233</u>	<u>8,659,028</u>	<u>975,368,573</u>
Takaful claims		(8,783,610)	(15,554,128)	(374,288,273)	(637,067,912)	(16,356,300)	(1,052,050,222)
Takaful claims recovered from retakaful operators & salvage recoveries		5,591,208	11,808,981	167,163,841	-	10,674,067	195,238,097
Net Takaful claims expense		(3,192,402)	(3,745,147)	(207,124,432)	(637,067,912)	(5,682,233)	(856,812,125)
Incurred But Not Reported (IBNR) claims expense		(2,252,142)	(69,978)	(3,054,353)	(10,147,628)	(3,197,080)	(18,721,181)
Contribution deficiency expense / (reversal)		-	-	-	-	(1,277,365)	(1,277,365)
Provisions against doubtful contributions (receivables)		1,898,211	(2,025,880)	(399,116)	(1,911,908)	(3,982,331)	(6,421,024)
Other direct expenses		(1,623,525)	(368,298)	(46,653,617)	-	(103,612)	(48,749,052)
Underwriting results		<u>2,288,511</u>	<u>132,859</u>	<u>(3,011,737)</u>	<u>49,561,785</u>	<u>(4,306,228)</u>	<u>43,387,826</u>
Investment income	30						26,003,586
Profit on bank balances							4,140,653
Less: Mudarib's share							(7,536,060)
Net investment income							<u>22,608,180</u>
Other income							1,942,215
Bank charges							(274,999)
Total surplus - before tax							67,663,222
Provision for taxation - current							-
Total surplus - after tax							<u>67,663,223</u>
Segment Assets		151,024,634	20,382,555	831,280,119	760,025,044	115,761,587	1,878,473,939
Unallocated Assets							346,569,323
							<u>2,225,043,262</u>
Segment Liabilities		137,196,590	33,350,260	993,718,454	741,527,804	110,349,270	2,016,142,378
Unallocated Liabilities							72,452,554
							<u>2,088,594,932</u>

## 41 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.

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

		2022					
		Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
Note		(Rupees)					
	Wakala fee	49,478,883	23,344,494	794,177,235	179,812,714	43,616,767	1,090,430,093
	Less: Commission expense	(27,463,704)	(9,602,922)	(165,692,447)	(47,185,553)	(18,034,798)	(267,979,424)
	Management expense	-	-	-	-	-	(806,353,787)
		<u>22,015,179</u>	<u>13,741,572</u>	<u>628,484,788</u>	<u>132,627,161</u>	<u>25,581,969</u>	<u>16,096,882</u>
	Mudarib share of PTF investment income					-	2,612,120
	Investment Income					-	7,650,340
	Direct expenses						(28,273,607)
	Profit on bank balance						15,937,205
	Other income						9,149,229
	Change in fair value of investment property						160,193,389
	Profit before taxation						183,365,557
	Finance Cost						(78,941,229)
	<b>Profit before taxation</b>						<b>104,424,328</b>
	Taxation	-	-	-	-	-	(79,631,953)
	<b>Profit after taxation</b>						<b>24,792,375</b>
	Corporate segment assets	13,618,122	46,271,015	141,869,634	99,156,774	45,330,148	346,245,693
	Corporate unallocated assets	-	-	-	-	-	1,744,972,398
	Total assets						2,091,218,091
	Corporate segment liabilities	28,314,784	6,443,803	278,336,906	60,288,628	22,830,640	396,214,761
	Corporate unallocated liabilities	-	-	-	-	-	919,785,024
	Total Liabilities						1,315,999,785

	2021					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
	(Rupees)					
Wakala fees	24,705,595	11,883,866	527,267,895	86,171,526	33,791,074	683,819,956
Less: Commission expense	(9,086,979)	(7,152,070)	(99,044,564)	(31,337,761)	(4,077,183)	(150,698,557)
Management expenses	-	-	-	-	-	(454,179,748)
	<u>15,618,616</u>	<u>4,731,797</u>	<u>428,223,331</u>	<u>54,833,765</u>	<u>29,713,891</u>	<u>78,941,651</u>
Investment Income						7,536,060
Mudarib share of PTF investment income	-	-	-	-	-	29,170,448
Profit on Bank Balance						-
Other charges / income	-	-	-	-	-	1,407,635
						117,055,794
Finance Cost						(5,285,070)
Profit before taxation						111,770,724
Taxation	-	-	-	-	-	(4,235,367)
<b>Profit after taxation</b>	-	-	-	-	-	<u>107,535,357</u>
Corporate segment assets	59,937,528	19,625,113	366,737,432	57,226,438	42,964,109	546,490,620
Corporate unallocated assets						950,673,036
Total assets						1,497,163,656
Corporate segment liabilities	33,541,165	2,794,486	495,802,797	128,964,401	20,877,531	681,980,380
Corporate unallocated liabilities						62,315,112
Total Liabilities						744,295,493

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 42 MOVEMENT IN INVESTMENTS -OPERATORS' FUND (OPF)

Balance as of 1 January 2021

Additions

Disposals (sale and redemptions)

**Balance as of 31 December 2021**

Additions

Disposals (sale and redemptions)

**Balance as of 31 December 2022**

### **MOVEMENT IN INVESTMENTS -PARTICIPANTS' TAKAFUL FUND (PTF)**

Balance as of 1 January 2021

Additions

Disposals (sale and redemptions)

**Balance as of 31 December 2021**

Additions

Disposals (sale and redemptions)

**Balance as of 31 December 2022**

	2021	
	Held to Maturity	Available for Sale
	(Rupees)	
		Total
Balance as of 1 January 2021	257,600,000	257,600,000
Additions	405,500,000	81,493,571
Disposals (sale and redemptions)	(370,400,000)	(19,233,159)
<b>Balance as of 31 December 2021</b>	<b>292,700,000</b>	<b>62,260,412</b>
<b>Balance as of 31 December 2021</b>	<b>292,700,000</b>	<b>62,260,412</b>
Additions	481,500,000	-
Disposals (sale and redemptions)	(622,700,000)	(27,493,349)
<b>Balance as of 31 December 2022</b>	<b>151,500,000</b>	<b>34,767,063</b>
<b>Balance as of 31 December 2022</b>	<b>151,500,000</b>	<b>34,767,063</b>
Balance as of 1 January 2021	326,000,000	326,000,000
Additions	616,100,000	80,224,941
Disposals (sale and redemptions)	(747,000,000)	(42,626,648)
<b>Balance as of 31 December 2021</b>	<b>195,100,000</b>	<b>37,598,293</b>
<b>Balance as of 31 December 2021</b>	<b>195,100,000</b>	<b>37,598,293</b>
Additions	165,100,000	5,942,440
Disposals (sale and redemptions)	(206,200,000)	(20,923,596)
<b>Balance as of 31 December 2022</b>	<b>154,000,000</b>	<b>22,617,137</b>
<b>Balance as of 31 December 2022</b>	<b>154,000,000</b>	<b>22,617,137</b>

## 43 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).

### 43.1 Operators' Fund (OPF)

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

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

2022							
	Carrying amount				Fair value measurement using		
	Available -for-sale	Held to maturity	Maturity after one year	Other financial assets	Level 01	Level 02	Level 3
(Rupees)							
<b>Financial assets not measured at fair value</b>							
Investments							
Debt security	-	75,000,000	-	-	-	75,000,000	-
Term deposits *	-	292,700,000	-	-	-	-	-
Equity Securities	34,767,063	-	-	-	#REF!	-	-
<b>Long term deposits *</b>				25,410,786			
Accrued investment income *	-	-	6,159,862	-	-	-	-
Loans, advances and other receivables *	-	-	37,365,936	-	-	-	-
Cash and bank *	-	-	-	131,464,017	-	-	-
	34,767,063	367,700,000	43,525,798	156,874,803	#REF!	75,000,000	-
<b>Financial liabilities not measured at fair value Lease liability *</b>							
Other creditors and accruals *	-	-	-	-	-	-	-
	34,767,063	367,700,000	43,525,798	156,874,803	#REF!	75,000,000	-

2021							
	Carrying amount				Fair value measurement using		
	Available -for-sale	Held to maturity	Maturity after one year	Other financial assets	Level 01	Level 02	Level 3
(Rupees)							
<b>Financial assets not measured at fair value</b>							
Investments							
Debt security	-	118,000,000	-	-	-	91,036,380	-
Term deposits *	-	292,700,000	-	-	-	-	-
Equity Securities	62,260,412	-	-	-	62,260,412	-	-
Long term deposits *	-	-	-	24,310,806	-	-	-
Accrued investment income *	-	-	8,737,945	-	-	-	-
Loans, advances and other receivables *	-	-	159,175,759	-	-	-	-
Cash and bank *	-	-	-	122,537,630	-	-	-
	62,260,412	410,700,000	167,913,704	146,848,436	62,260,412	91,036,380	-
<b>Financial liabilities not measured at fair value</b>							
Lease liability *	-	-	-	-	-	-	-
Other creditors and accruals *	-	-	-	-	-	-	-
	62,260,412	410,700,000	167,913,704	146,848,436	62,260,412	91,036,380	-

## 43.2 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:

2022					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous
	(Rupees)				
<b>Financial assets</b>					
Investments*					
Term Deposit *	-	195,100,000	-	-	-
Equities Securities	22,617,137	-	-	-	-
Takaful / co-takaful receivables *	-	-	1,678,591,627	-	-
Re-takaful recoveries against outstanding claims *	-	-	371,239,651	-	-
Salvage recoveries accrued *	-	-	-	22,895,000	-
Accrued investment income *	-	-	-	-	-
Loan and other receivables *	-	-	10,729,266	-	-
Cash and bank *	-	-	-	72,657,118	-
	22,617,137	195,100,000	2,060,560,544	95,552,118	-
<b>Financial liabilities not measured at fair value</b>					
Outstanding claims including IBNR *	-	-	-	-	(740,780,247)
Takaful / re-takaful payables *	-	-	-	-	(90,543,017)
Other creditors and accruals *	-	-	-	-	(25,051,515)
	-	-	-	-	(856,374,779)
	22,617,137	195,100,000	2,060,560,544	95,552,118	(856,374,779)
					1,322,355,020



# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

	2021					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate
	(Rupees)					
<b>Financial assets</b>						
Investments *	-	195,100,000	-	-	-	195,100,000
Term Deposit *	-	-	-	-	-	-
Equities Securities	37,598,293	-	-	-	-	37,598,293
Takaful / co-takaful receivables*	-	-	1,039,154,876	-	-	1,039,154,876
Re-takaful recoveries against outstanding claims*	-	-	83,270,644	-	-	83,270,644
Salvage recoveries accrued*	-	-	-	15,694,000	-	15,694,000
ccrued investment income*	-	-	3,753,991	-	-	3,753,991
Loan and other receivables*	-	-	7,957,824	-	-	7,957,824
Cash and bank*	-	-	-	70,320,094	-	70,320,094
	37,598,293	195,100,000	1,134,137,335	86,014,094	-	1,452,849,722
<b>Financial liabilities not measured at fair value</b>						
Outstanding claims *	-	-	-	-	(341,383,225)	(341,383,225)
Amounts due to takaful / re-takaful payables *	-	-	-	-	(29,500,776)	(29,500,776)
Other creditors and accruals *	-	-	-	-	(26,160,123)	(26,160,123)
	-	-	-	-	(397,044,124)	(397,044,124)
	37,598,293	195,100,000	1,134,137,335	86,014,094	(397,044,124)	1,055,805,598

\*The Group 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.

## 44 CORRESPONDING FIGURES

The General Takaful Accounting Regulations 2019 have introduced certain presentation and classification requirements for the elements of the consolidated financial statements. Accordingly, the following corresponding figures have been rearranged and reclassified to comply with the requirement of these regulations.

## 45 NUMBER OF EMPLOYEES

(Number)

As at 31 December

Average Number of Employees during the year

2022

2021

300

241

271

209

# NOTES TO AND FORMATING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2022

## 46 GENERAL

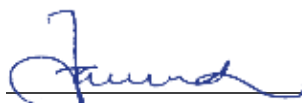
46.1 Figures have been rounded off to nearest Rupee unless otherwise mentioned.

## 47 DATE OF AUTHORIZATION

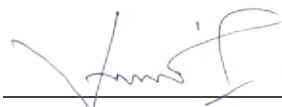
These financial statements were approved by the Board of Directors in their meeting held on 28 April 2023.



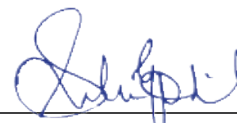
Syed Rizwan Hussain  
Managing Director & CEO



Tamim Shabbir  
Director



Faisal Murad  
Director



Salim Habib Godil  
Chairman

# SALAAM APP

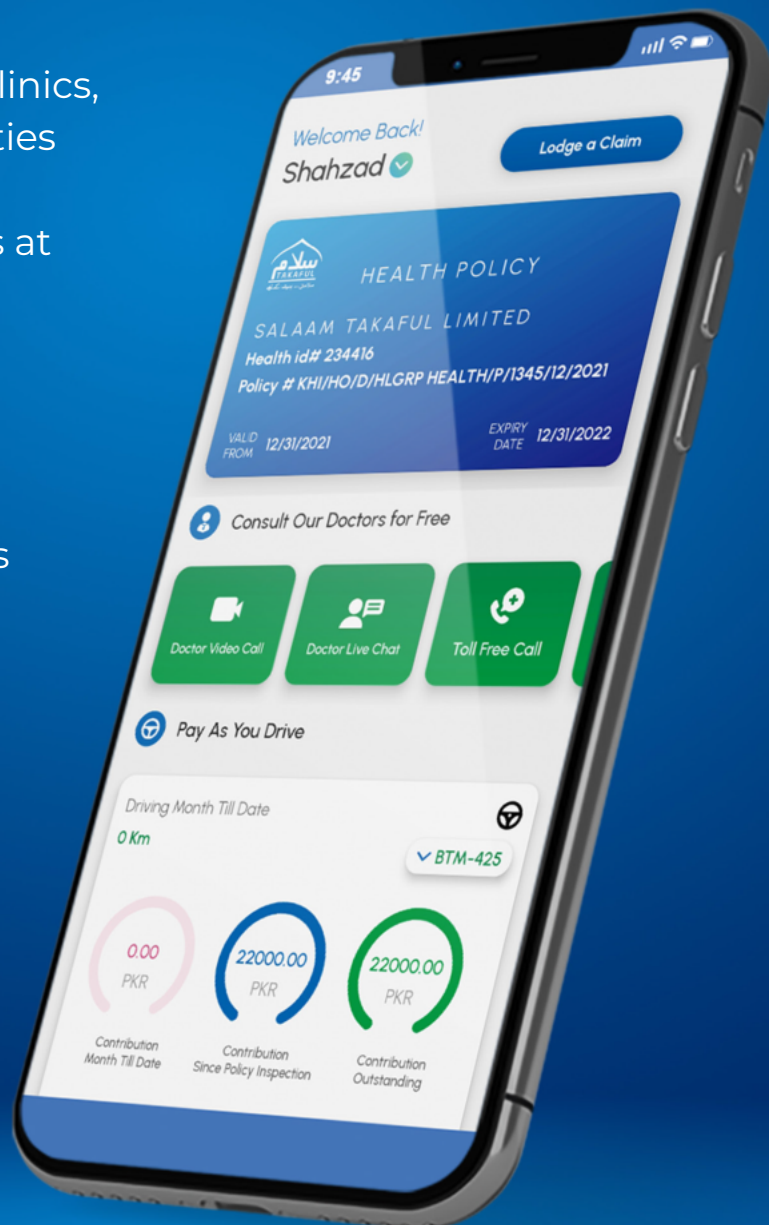
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