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Annual Report 2019





## **TABLE OF CONTENTS**



O2
Organizational
Overview and
External
Environment



102 Sustainability and Corporate Social Responsibility



59 Strategy and Resource Allocation



107
Financial
Performance
and Position



66 Stakeholders' Relationship and Engagement



137
Shariah
Compliance
and Audit



69 Risk and Opportunities



144
Compliance
with the Code
of Corporate
Governance



80 Governance



157
Financial
Statements

| Taka     |  |
|----------|--|
| 20<br>19 |  |
| Report   |  |
| Annual   |  |

|    | RGANIZATIONAL OVERVIEW AND XTERNAL ENVIRONMENT  |     | <ul><li>Details of Foreign Directors</li><li>Details of Board Meetings Held outside</li></ul>                 | 93       |
|----|---|-----|---|----------|
|    | Vision  | 04  | Pakistan during the Year  | 93       |
|    | Mission   | 05  | Analyst Briefings and Share Price Sensitivity Analysis  | 93       |
|    | Code of Conduct, Ethics and Values  | 06  | <ul> <li>Avoiding Actual and Perceived Conflict of Interest</li> </ul>  |          |
|    | Company Information   | 08  | Grievance Function  | 93       |
|    | Profile of the Board of Directors   | 10  | <ul> <li>Policy for Safety Records of the Company</li> </ul>  | 94       |
|    | Role and Responsibilities of Chairman and   | 10  | IT Governance Policy  | 94       |
|    | Chief Executive Officer   | 12  | <ul> <li>Social and Environmental Responsibility Policy</li> </ul>  | 94       |
|    | Board Committees  | 14  | Whistle Blowing Policy  | 95       |
|    | Management Committees   | 15  | Business Continuity Plan  | 95       |
| •  | Management Team   | 16  | <ul> <li>Use of External Search Consultancy in the</li> </ul>   |          |
| •  | Major Events during the Year  | 17  | Appointment of Independent Director   | 95       |
| •  | Company Profile   | 19  | <ul> <li>Chairman's Significant Commitments</li> </ul>  | 96       |
| •  | Takaful Products  | 20  | <ul> <li>The Responsibility of those Charged with</li> </ul>  |          |
| •  | Geographical Presence   | 22  | Governance for Promoting and Enabling Innovation  | 97       |
| •  | Organization Chart  | 24  | Value Creation in the Short, Medium and Long  |          |
| •  | Key Financial Figures   | 26  | Term through Remuneration and incentives of   | 0-       |
| •  | Competitive Landscape and Market Positioning  | 28  | the Board • Related Parties   | 97<br>98 |
| •  | Pestel Analysis   | 30  | r tolated r al ties   | 100      |
| •  | SWOT Analysis   | 32  | <ul><li>Approved Policy for Related Party Transactions</li><li>Statement of Management and Board of</li></ul> | 100      |
| •  | Internal Value Chain Analysis   | 33  | Directors' responsibilities towards the   |          |
| •  | Business Model  | 34  | preparation and presentation of financial   |          |
| •  | Significant Changes from Prior Years  | 37  | statements  | 10C      |
| •  | Chairman's Review Report on Overall   | 7.0 | Management statement of unreserved  |          |
|    | Performance Evaluation of the Board of Directors  | 38  | compliance of international financial   |          |
| •  | Director's Report   | 40  | reporting standards (IFRS) issued by  |          |
| •  | Forward Looking Statement   | 56  | International Accounting Standard Board (IASB)  | 101      |
| _  |   |     | <ul> <li>Statement of Adherence with the International</li> </ul>   |          |
|    | TRATEGY AND RESOURCE ALLOCATION   | 0.0 | Integrated Reporting Framework  | 101      |
| •  | Organization's Resources  | 60  |   |          |
| •  | Key Performance Areas and Objectives  | 62  | SUSTAINABILITY AND CORPORATE SOCIAL   |          |
| •  | Strategy to Overcome Liquidity Problems   | 63  | RESPONSIBILITY  |          |
| •  | Significant Plans and Decisions such as Business Expansion  | 63  | <ul> <li>Highlights on Entities Performance with</li> </ul>   |          |
|    | Significant Changes in Objectives and   | 03  | Aspect to CSR   | 104      |
|    | Strategies from Prior Years   | 63  | Certifications Acquired for Best Sustainability   |          |
|    | Characteristics from the following the first state of the first state | 00  | Practice  | 105      |
| S  | TAKEHOLDERS' RELATIONSHIP AND   |     | FINANCIAL PERFORMANCE AND POSITION  |          |
| El | NGAGEMENT   |     | <ul> <li>6 Years at a Glance</li> </ul>   | 108      |
| •  | Stakeholders' Relationship and Engagement   | 66  | Horizontal Analysis   | 110      |
| •  | Steps Taken by the Management to  |     | Vertical Analysis   | 114      |
|    | Encourage Minority Shareholders to  |     | Summary of Cashflow Statement for the   | 114      |
|    | Attend the General Meetings.  | 67  | Last 6 Years  | 116      |
|    |   |     | Financial Ratios  | 117      |
| R  | ISK AND OPPORTUNITIES   |     | Dupont Analysis   | 118      |
| •  | Risk Management Policy  | 70  | Free Cashflow to the Firm   | 119      |
| •  | Board Effort for Determining Company  |     | Statement of Value Added  | 120      |
|    | Level of Risk   | 71  | <ul> <li>Commentary on Financial Performance</li> </ul>   |          |
| •  | Risk & Opportunity Analysis   | 72  | and Ratios  | 122      |
| •  | Rating Scale  | 78  | • Graphs  | 124      |
| •  | Risk/Opportunity Level  | 78  |   |          |
| •  | Information about Default in Payments   | 79  | SHARIAH COMPLIANCE AND AUDIT  |          |
| •  | Information about Adequacy of Capital Structure   | 79  | <ul> <li>Profile of Shariah Advisor</li> </ul>  | 138      |
|    |   |     | <ul> <li>Management's Statement of Compliance</li> </ul>  |          |
|    | OVERNANCE   |     | with Shariah Rules and Principles   | 139      |
| •  | Salient Features of TORs of Board Committees  | 82  | <ul> <li>Shariah Advisor's Report to the Board of Directors</li> </ul>  | 14C      |
| •  | Board and Committee Meetings Attendance   | 90  | <ul> <li>Report of Shariah Supervisor</li> </ul>  | 141      |
| •  | Statement on How Board Operates   | 90  | <ul> <li>Shariah Auditor's Report</li> </ul>  | 142      |
| •  | Board's Performance Evaluation Carried  | 91  |   |          |
|    | Out by an External Consultant   | 91  | COMPLIANCE WITH THE CODE OF   |          |
| :  | Formal Orientation and Training Program Policy for Remuneration for Non-Executive   | 31  | CORPORATE GOVERNANCE  |          |
|    | Directors   | 91  | <ul> <li>Statement of Compliance with the Code of</li> </ul>  |          |
|    | Policy for Security Clearance for Foreign Directors   | 91  | Corporate Governance  | 146      |
|    | Governance Practice Exceeding Legal   |     | <ul> <li>Auditor's Report on Governance</li> </ul>  | 151      |
|    | Requirements  | 92  | <ul> <li>Report of the Audit Committee</li> </ul>   | 152      |
| •  | Human Resource Management Policies  | 92  |   |          |
| •  | Board's Policy on Diversity   | 92  | FINANCIAL STATEMENTS  |          |
| •  | No. of Companies in which the Executive   |     | <ul> <li>Independent Auditor's Report to the Members</li> </ul>   | 158      |
|    | Director is Serving as Non-Executive Director   | 92  | Financial Statements  | 162      |



Organizational Overview and External Environment







#### **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 for money to our shareholders and make Takaful Pakistan Limited their prized asset.
- To become an ideal organization for our employees that encourages them to achieve self-actualization and growth.



# CODE OF CONDUCT, ETHICS AND VALUES

The Board of Directors have prepared this statement of ethics and business practices to establish a standard of conduct for employees and Directors of Takaful Pakistan 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 and encourage others to practice in a professional and ethical manner.
- Strive to maintain and improve their competence and the competence of others in the profession.
- Use reasonable care and exercise independent professional judgement.
- Refrain from divulging 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:

- Not undertake independent any practice that could result compensation or other benefit in competition with their Company unless they obtain written consent from both Company and the person or entities from which thev 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.

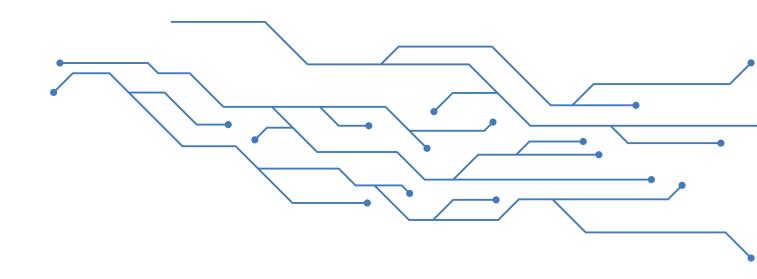
#### Relationship and Responsibilities with Clients and Prospects:

## The Directors and employees of the Company shall:

- Exercise diligence and thoroughness in the performance of their duties, recommendations or in taking actions.
- Have a reasonable and adequate basis, supported by appropriate research and investigation, for such recommendations or actions.

- Make reasonable or diligent efforts to avoid any material misrepresentation.
- Maintain appropriate records to support the reasonableness of such recommendation or action.
- Use reasonable care and judgment to achieve and maintain independence and objectivity in the performance of their job responsibilities.
- Must act for the benefit of the participants and place participants' interests before their own.
- Preserve the confidentiality information communicated by their clients, prospects or employers concerning matters within the scope of client-employee or employeremployee relationships unless the employee receives information concerning illegal activities on the part of the client, prospect or employer.
- Not make any statement, orally or in writing, that misrepresent:
  - The services that they or the Company is capable of performing

- Their qualifications or the qualifications of the Company
- The academic or professional credentials
- Any assurance or guarantees regarding any Takaful coverage except to communicate accurate information regarding the terms of the policy instrument and the issuer's obligations under the said Takaful policy.
- Not make any statement, orally or in writing, that misrepresent the performance that they or their Company has accomplished or can reasonably be expected to achieve.
- Not communicate individual or Company performance information directly or indirectly to the participants, or prospective participants or in a manner intended to be received by participants or prospective participants and shall make reasonable effort to ensure that such information is fair, accurate and a complete presentation of such performance.



### **COMPANY INFORMATION**

**Directors** 

**Managing Director & CEO** 

**Chief Financial Officer** 

**Company Secretary** 

**Shariah Advisor** 

**Shariah Supervisor & Consultant** 

**Statutory Auditor** 

**Internal Auditor** 

**Business Process Consultants** 

**Legal Advisors** 

**Corporate Advisor** 

**Head Office** 

Mr. Salim Habib Godil (Chairman)

Syed Rizwan Hussain

Mr. Ahmed Shuia Kidwai

Mr. Shahzad Salim Godil

Syed Salman Hussain

Mr. Ashraf Ali Velii

Dr. Irum Saba\*

Syed Rizwan Hussain

Muhammad Irfan\*

Ms. Naheed Shiraz Merchant

Mufti Sajjad Ashraf Usmani

Usmani & Co

KPMG Taseer Hadi & Co. Chartered Accountants

EY Ford Rhodes Sidat Hyder and Co. Chartered Accountants

Deloitte Yousuf Adil & Co. Chartered Accountants

Mohsin Tayebaly & Co. Haidermota & Co. Advocates

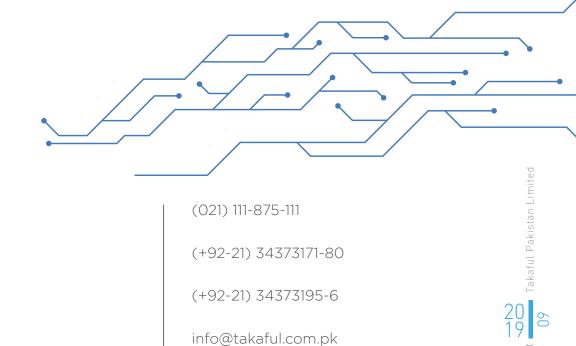
RS Corporate Advisory

6th Floor, Business Centre. Plot No 19-1-A, Block -6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400, Pakistan.

- 1) Dr. Irum Saba appointed as Independent Director on January 28, 2020
- 2) Mr. Muhammad Irfan appointed as Chief Financial Officer on May 05, 2020



<sup>\*</sup>Represents changes during the year 2020.



**BANKERS:** 

UAN:

Tel:

Fax:

E-mail:

Website:

- Meezan Bank Limited
- Bank Islami Pakistan Limited
- Dubai Islamic Bank Limited
- Al Baraka Bank (Pakistan) Limited
- Habib Bank Limited (Islamic Banking Division)
- Faysal Bank Limited (Islamic Banking Division)
- Askari Bank Limited (Islamic Banking Division)

• Bank AlFalah Limited (Islamic Banking Division)

www.takaful.com.pk

- Habib Metropolitan Bank (Islamic Banking Division)
- National Bank of Pakistan (Islamic Banking Division)
- Bank of Khyber (Islamic Banking Division)
- UBL (Islamic Banking Division)
- NRSP Micro Finance Bank Limited (Islamic Banking Division)

# PROFILE OF THE BOARD OF DIRECTORS

## MR. SALIM HABIB GODIL (Chairman)

Mr. Salim Habib Godil is a renowned 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. He is also serving 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 man power business.

## SYED RIZWAN HUSSAIN (Managing Director & CEO)

Mr. Rizwan Hussain is an insurance/Takaful industry stalwart with 25+ years of insightful and successful association with a leading conventional insurance company, as Executive Director, having worked across distinctive organizational functions right from insurance sales, marketing, and customer service to executive level strategy formulation, corporate account management, risk and claims management. Recognized for progressing from being a messenger boy in the company back in 1990, gradually being promoted to several management positions one after the other, courtesy a consistent track record of success, which is markedly unique and unmatched. Alongside his accolades, he is an MBA and a Certified Director.

#### MR. AHMED SHUJA KIDWAI

Mr. Ahmed Shuja Kidwai has extensive experience in senior management positions. He is serving Al Baraka Bank Pakistan Limited as Chief Executive Officer looking after business units including Corporate and Investment, Retail Commercial and Consumer Banking, Treasury and Financial Institution. His track record highlights him as a result oriented professional with strong management, business and financial skills. He carries over thirty nine years of experience in operational banking management.

#### MR. SHAHZAD SALIM GODIL

Mr. Shahzad Salim Godil holds a degree 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.

He is serving as Director in the following 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

Mr. 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. He has been the Director and CEO of one of the largest Vehicle Tracking and Fleet Management Companies of Pakistan. He has an extensive Management Consulting experience with McKinsey Middle East and has consulted various state-owned institutions in Middle East along with private firms across the region, like, McKinsey, International Finance Corporation and World Bank.

He also owns (partly) 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.

#### DR. IRUM SABA

Dr. Irum Saba has more than 15 years of progressive regulatory, research, training and teaching experience with organizations of international repute. Currently, she is on deputation by the State Bank of Pakistan to IBA-Karachi. She is an Assistant Professor in the Department of Finance and Program Director of MS Islamic Banking and Finance at IBA-Karachi Pakistan. She has the honour to be the first Pakistani female to be part of International Shari'ah Advisory Board in South East Asia and Middle East. She is a 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 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. 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 of Commerce (M. Com) degree with distinction and PGD in Islamic Banking and Insurance from Institute of Islamic Banking and Insurance (IIBI), London.

#### MR. ASHRAF ALI VELJI

Mr. Ashraf Ali is a professional and highly experienced banker. He is serving as a Chief Financial Officer for renowned Financial Institution, House Building Finance Company Limited. He holds MBA in Banking and Finance. Ashraf Ali has in-depth exposure working on senior positions with International operations of United Bank Limited. He brings his rich experience and exceptional skills to the Board of Directors of Takaful Pakistan Limited.

### **ROLES AND RESPONSIBILITIES OF CHAIRMAN**

- To act as Chair at meetings and provide leadership to the Board so as to create conditions for overall Board's and individual Director's effectiveness.
- To promote effective relationships and open communication, and create an environment that allows constructive debates and challenges in addition to managing conflict of interest between Executive and Non-Executive Directors.
- · To ensure that the Board as a whole plays full and constructive part in the development and determination of the Company's strategies and policies, and that the Board's decisions taken are in the Company's best interests and fairly reflect Board's consensus.
- · To ensure that the strategies and policies agreed by the Board are effectively implemented by the Chief Executive Officer and the management.
- To set out in consultation with the Chief Executive Officer and the Company Secretary, the Board meeting schedule and agenda, to take full account of the

- important issues facing the Company and the concerns of all Directors, and to ensure that adequate time is available for thorough discussion of critical and strategic issues.
- · To ensure that the Board is properly briefed on issues arising at Board meetings and receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable, to fulfill its duties, such as reports on the Company's performance, the issues, challenges and opportunities facing the Company and matters reserved for it to make decision.
- To ensure that there is effective communication with shareholders, and that each Director develops and maintains an understanding of the stakeholders' views.
- To establish good corporate governance practices and procedures, setting the ethical tone by encouraging the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level.

## ROLES AND RESPONSIBILITIES OF CHIEF EXECUTIVE OFFICER

- · To lead, in conjunction with the Board, the development of the Company's strategy.
- To lead and oversee the implementation of the Company's long and short-term plans in accordance with its strategy.
- To assure that the mission, products and services of the Company are consistently presented in strong positive image to relevant stakeholders.
- · To keep abreast of all material undertakings and activities of the Company

- and all material external factors affecting the Company and to ensure that processes and systems are in place.
- To lead business development resources to ensure achievement of targeted business growth while maintaining Underwriting and Shariah standards.
- To ensure prompt and economic handlings of requests for benefits from the participants.

- 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 monitor submission of statutory and other returns to concerned regulatory authorities.
- To ensure compliance of the regulations and meeting the statutory requirements.
- To provide motivation, encouragement and incentives to the office personnel to acquire professional qualifications and to achieve their individual goals.
- To ensure the Company is appropriately organized and staffed and to have the authority to hire and terminate staff as necessary to enable it to achieve the approved strategy.
- 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 has appropriate systems to enable it to conduct its activities both lawfully and ethically.
- 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, other stakeholders and the public.
- To ensure the integrity of all public disclosure by the Company.
- In concent with the Chairman, to develop Board agendas.
- To request that special meetings of the Board be called when appropriate.
- To sit on committees of the Board and Management (where appropriate) as determined by the Board.
- To abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Company's standards and policies, including its environmental, safety and health policies; and
- In exercise of the powers granted by the Board through Power of Attorney dated 22nd March, 2018, to manage and lead the overall business operations of the Company within the limits agreed to by the Board.

#### **AUDIT COMMITTEE**

- Chairperson Dr. Irum Saba\* (Independent Director)
- Member Salim Habib Godil (Non-Executive Director)
- **Member** Ahmed Shuja Kidwai (Non-Executive Director)
- **Member —** Shahzad Salim Godil (Non-Executive Director)
- Member Syed Salman Hussain (Non-Executive Director)



- Chairman Syed Salman Hussain (Non-Executive Director)
- **Member -** Rizwan Hussain (Managing Director & CEO)
- **Member -** Shahzad Salim Godil (Non-Executive Director)
- Member & Secretary Muhammad Irfan\* (Chief Financial Officer & Chief Investment Officer)

## ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

- Chairman Salim Habib Godil (Non-Executive Director)
- **Member -** Syed Rizwan Hussain (Managing Director & CEO)
- **Member -** Shahzad Salim Godil (Non-Executive Director)
- **Member -** Syed Salman Hussain (Non-Executive Director)



- 1) Dr. Irum Saba appointed as Chairperson Audit Committee on April 15, 2020
- 2) Mr. Muhammad Irfan appointed as Chief Financial Officer on May 05, 2020

## UNDERWRITING AND RETAKAFUL & CO-TAKAFUL COMMITTEE

- Chairman Syed Rizwan Hussain (Managing Director & CEO)
- Member & Secretary Umair Ismail (Executive Vice President, Head of Operation - Non-Motor)
- Member Kamran M. Hanif (Executive Vice President, Head of Operations - Motor)
- Member Muhammad Irfan\* (Chief Financial Officer)
- Member Raheel Shaikh (Head of Health underwriting & Product)

#### BENEFIT (CLAIM) SETTLEMENT COMMITTEE

- Chairman Syed Rizwan Hussain (Managing Director & CEO)
- Member & Secretary Faheem Darss (Head of Claims South Region)
- Member Dr. Omair Saeed (Head of Health- Benefits & Network)
- **Member —** Shoaib Hussain (Manager Claims- Non-Motor)

## RISK MANAGEMENT & COMPLIANCE COMMITTEE

- Chairman Syed Rizwan Hussain (Managing Director & CEO)
- Member Waqas Ahmed (Executive Director Strategy & Planning)
- Member Kamran M. Hanif (Executive Vice President, Head of Operations - Motor)
- Member Umair Ismail (Executive Vice President, Head of Operations- Non-Motor)
- Member Naheed Shiraz Merchant (Head of Legal, Compliance & Company Secretary)
- **Member** Muhammad Irfan\* (Chief Financial Officer)
- **Member & Secretary —** Syed Muhammad Ali Zaidi(Manager,\* Risk Management)



- 1) Mr. Muhammad Irfan appointed as Chief Financial Officer on May 05, 2020
- 2) Mr. Syed Muhammad Ali Zaidi appointed as Manager Risk Management on May 05, 2020



nnual Report



## MANAGEMENT TEAM

|       | Name of team member        | Designation  |
|-------|----------------------------|--|
|       | Syed Rizwan Hussain        | Managing Director & CEO.   |
| 7     | Mufti Sajjad Ashraf Usmani | Shariah Advisor  |
|       | Saqib Zeeshan              | Executive Director - Corporate Innovation  |
| H     | Waqas Ahmed                | Executive Director - Strategy & Planning   |
| 1     | Amir Hassan                | Executive Director - Network Development   |
|       | Kamran M. Hanif            | EVP - Head of Operation (Motor)  |
| 7177  | Umair Ismail               | EVP - Head of Operation (Non-Motor)  |
| 1-1-1 | Muhammad Irfan             | Chief Financial Officer, Chief Investment Officer & Head of Investors' Grievances                            |
|       | Naheed Shiraz Merchant     | Head of Legal, Compliance and Company Secretary  |
|       | Noman Zaidi                | Head of Human Resources and Administration   |
| 1     | Khawaja Ahmed Fraz         | SEVP - Network Development   |
|       | Khawaja Aniq-ur-Rehman     | Head of Internal Audit   |
| 1     | Raheel Sheikh              | Head of Health-underwriting & Products   |
| 1//   | Dr. Omair Saeed            | Head of Health-Benefits & Network  |
|       | Junaid Asghar              | VP - Special Projects  |
|       | Ikram Ullah Khan           | Head of Marine, Fire & Property Underwriting   |
|       | Faheem Darss               | Head of Benefits (Claims) - Motor (South Region)<br>and Head of Policyholders' (Participants')<br>Grievances |
|       | Alisha Fazal               | Head of Benefits (Claims) - Motor (North Region)   |
|       | Syed Muhammad Ali Zaidi    | Head of Risk Management  |

## MAJOR EVENTS DURING THE YEAR

| Event  | Timeline |
|--|----------|
| Corporate Events   |          |
| IHRC Conference  | Feb-19   |
| Power & Energy Forum                                       | Feb-19   |
| World Takaful & Insurtec Conference (Dubai)                | Apr-19   |
| Shariah Scholars & Stakeholders' meetup                    | Apr-19   |
| Strategic Collaboration with Telenor                       | May-19   |
| Islamic Finance Expo & Conference                          | Jul-19   |
| ICAP & ICMAP Best Corporate Report Award                   | Aug-19   |
| IFN Conference   | Aug-19   |
| One Man Show Play Sponsorship                              | Sep-19   |
| Best Sustainable Corporate Report Award, SAFA (Bangladesh) | Oct-19   |
| Financial Crime Summit                                     | Oct -19  |
| Takaful Rendezvous Conference (Malaysia)                   | Oct-19   |
| Takaful & Insurance Conference (Kenya)                     | Nov-19   |
| Brand of the Year Award                                    | Nov-19   |
| AIESEC - National Youth Development Conference             | Dec-19   |
| Company Events   |          |
| Iftaar at Beach luxury                                     | May-19   |
| Capacity Development Program                               | Jul-19   |
| Sales Conference   | Aug-19   |
| Diabetes Camp  | Sep-19   |
| Employees Engagement                                       | Oct-19   |
| Breast Cancer Awareness Session                            | Oct-19   |
| ISO Certification  | Nov-19   |
| Corporate Social Responsibility                            |          |
| Medical Eye Camp   | Jun-19   |
| Blood Donation Camp in collaboration with NIBP             | Jul-19   |
| Blood Donation Camp in collaboration with Indus Hospital   | Nov-19   |





Takaful Pakistan Limited enjoy, A- rating from PACRA, depicting solid financial footings of the company.

2nd Position for the Best Corporate Annual Report, 2018 awarded by ICAP & ICMAP



Brand of the Year Award, 2019



Consumer Choice Award, 2018

SAFA Certificate of Merit







#### **COMPANY PROFILE**

Takaful Pakistan Limited is an unlisted public limited company incorporated in Pakistan on 2<sup>nd</sup> June 2006 under the Companies Ordinance, 1984. The company commenced commercial operations from 12<sup>th</sup> March 2007. The registered office of the company is at 6th Floor, Business Centre, 19-1-A, Block 6, PECHS, Shahrah-e-Faisal, Karachi.

With a regulatory compliant capital of Rs. 500 million, all fully paid-up, the Company is partly owned by the most reputable institution of Pakistan, House Building Finance Corporation Limited.

In addition, leading financial institutions are also one of the Company's sponsors along with individuals having direct insurance experience of more than 25 years on a senior management level with a reputable track record of running successful business conglomerate of over USD100 million of turnover and interests in automotive retail (Pakistan's Toyota retailer). largest transport (Pakistan's largest private taxi operator), travel (Pakistan's largest travel agency), construction and real estate. Managed by a team of qualified and experienced professionals and supervised by distinguished Shariah Supervisors, Takaful Pakistan Limited has the capacity to underwrite risks in all avenues of General Takaful namely. Property (Fire & Engineering), Marine, Motor, Liabilities, etc.

In addition, the Company has the expertise and arrangements with overseas Retakaful operators enabling it to offer comprehensive coverage for large infra-structure projects, specialized risks and umbrella/ blanket covers

specifically tailored for Islamic banking operations as well as for large corporate groups. With its Head office in Karachi, company currently operates branches in Lahore, Peshawar and Islamabad.

Takaful Pakistan Limited's Shariah compliance function is a key element of structure, carrving company's responsibility of ensuring that products and services offered by Takaful Pakistan Limited are fully compliant with the principles of Shariah law. The Shariah compliance function reviews provides guidelines and approvals for all potential new product offerings. Usmani and Company has been appointed as Shariah Supervisor and Consultant, whose Patron In-chief is Honorable Justice (Retd.) Mufti Muhammad Tagi Usmani & Chairman is Dr. M. Imran Ashraf Usmani. Takaful Pakistan Limited, as a company, feels honored that its Shariah compliance is ensured under the patronage of Justice (Retd.) Mufti Muhammad Tagi Usmani, whose name needs no introduction, with demand for Shariah-compliant Takaful growing at a faster rate, the Shariah compliance function plays a vital role in helping to develop new procedures and products to adapt to industry trends and customer expectations.

Takaful Pakistan Limited prides itself in its long standing relationship with renowned Retakaful operators such as Labuan Re, Saudi Re, Singapore Re, GIC Re, and Pakistan Reinsurance Company Limited.

Above all Takaful Pakistan Limited remains focused on exceeding its participant's expectations in delivering exceptional services and peace of mind.



## **TAKAFUL PRODUCTS**



#### **FIRE & PROPERTY**

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



#### **MARINE**

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



#### **MOTOR**

- Private Cars Comprehensive
- Commercial Vehicle Comprehensive
- Motorcycles Comprehensive
- Private Cars Third Party Liability only



#### **ENGINEERING**

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



#### **HEALTH**

- Comprehensive Dread Disease Expenses Benefit
- Comprehensive Hospitalization **Expenses Benefit**
- Maternity Expenses Benefit Out-Patient Expenses Benefit
- Micro Health
- **Domestic Helper**



#### **SPECIALIZED**

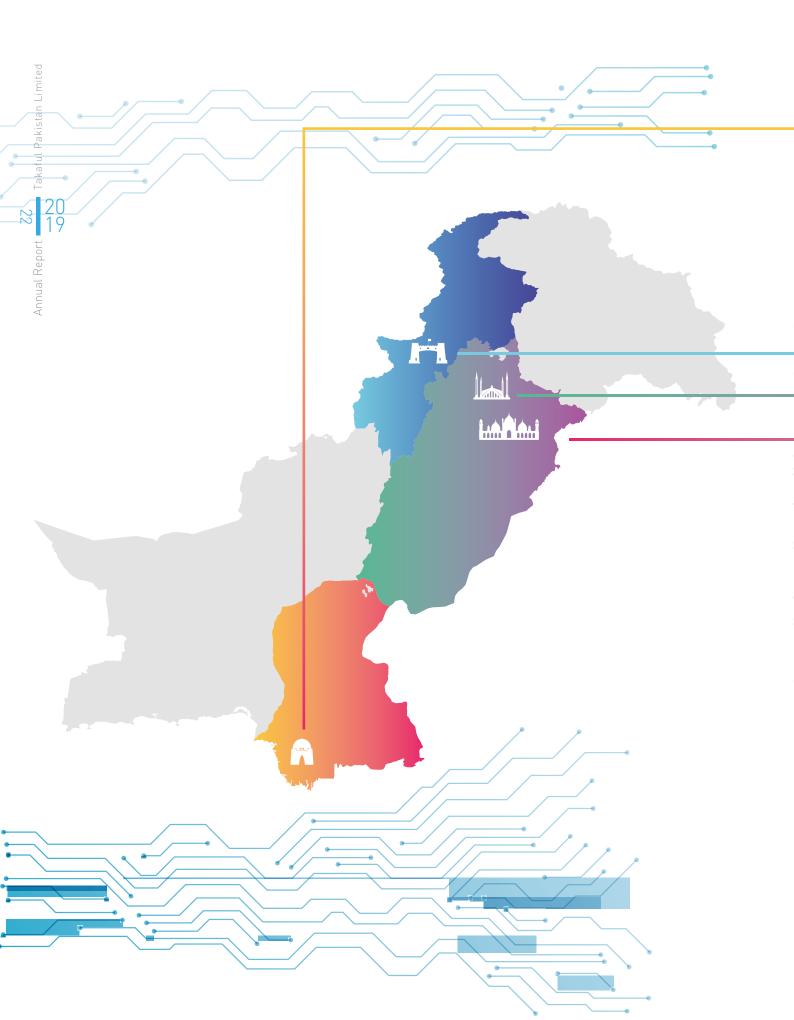
- Bankers' Blanket Bond
- Plastic Card Takaful Coverage
- Safe Deposit Box Takaful Coverage
- Terrorism Takaful Coverage
- Professional Indemnity
- Cyber Risk Takaful
- Computer Crime



#### **MISCELLANEOUS**

- All Risk Contents
- ATM Cash Withdrawal Coverage
- Fidelity Takaful Coverage
- Mobile Phone Takaful Coverage
- Money Takaful Coverage
  - Cash-in-Safe
  - Cash-in-Transit
  - Cash-on-Counter
- 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

## **GEOGRAPHICAL PRESENCE**



#### HEAD OFFICE KARACHI

6th floor, Business Centre, Plot No 19-1-A, Block -6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.

#### **LAHORE**

Al- Hafeez Heights, 65-D/1 Office No. 15 & 16, 12th Floor Sir Road adj Ghalib Road Gulberg - III, Lahore.

# Report Takaful Pakistan Limited







#### **PESHAWAR**

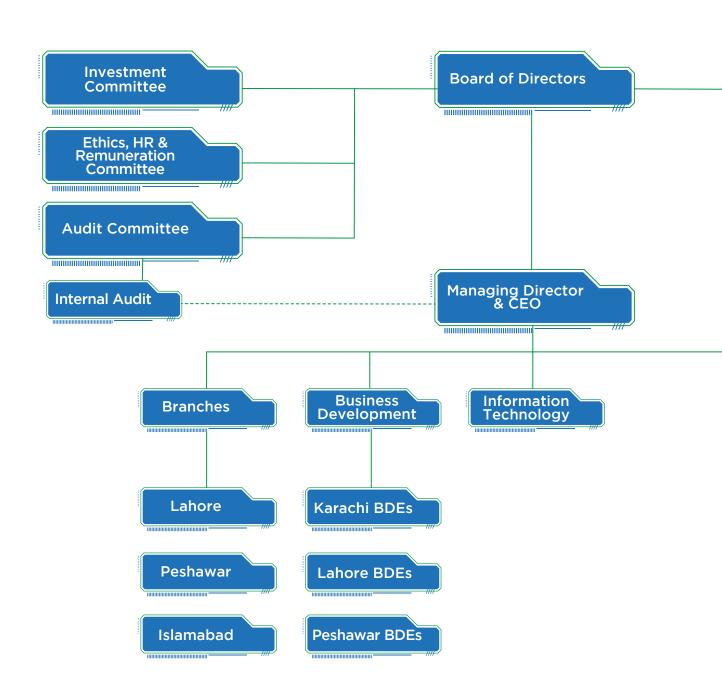
6th Floor, State Life Building 34-The Mall, Peshawar Cantt. Peshawar.



#### **ISLAMABAD**

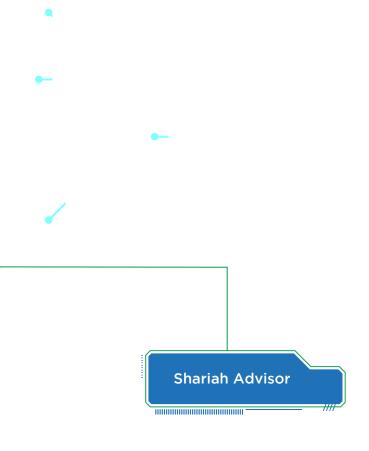
5th Floor, Office # 507, ISE Tower, 55-B, Jinnah Avenue, Blue Area, Islamabad.

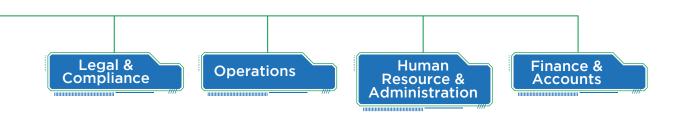
## **ORGANIZATION CHART**



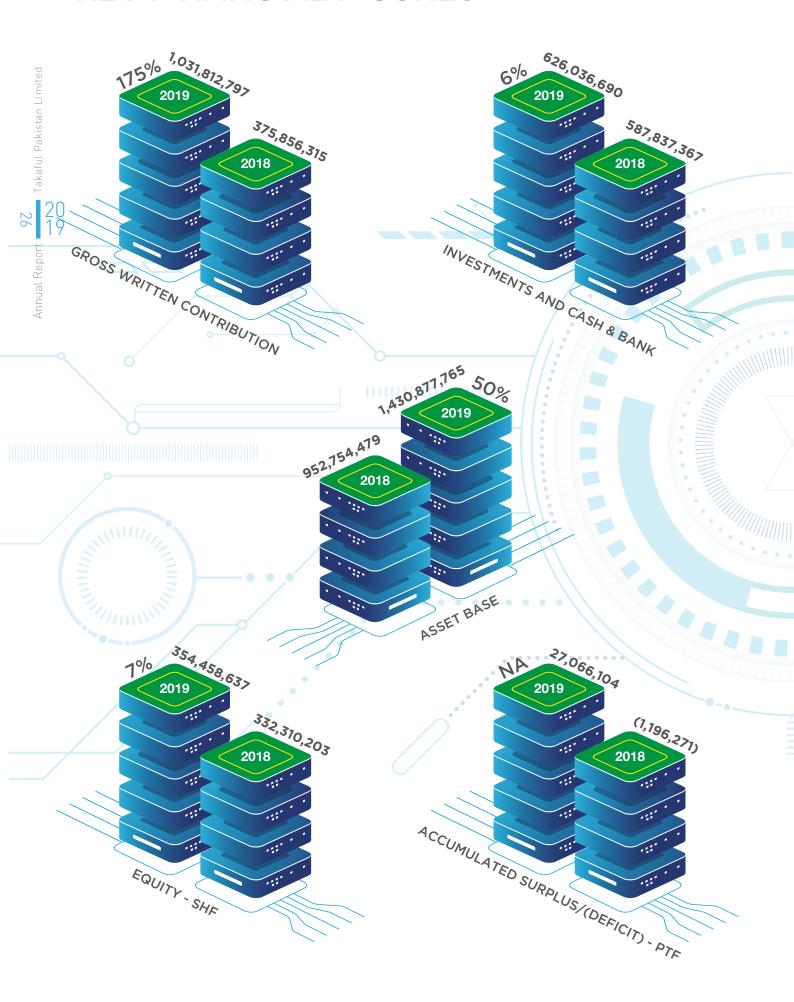
#### Number of persons employed

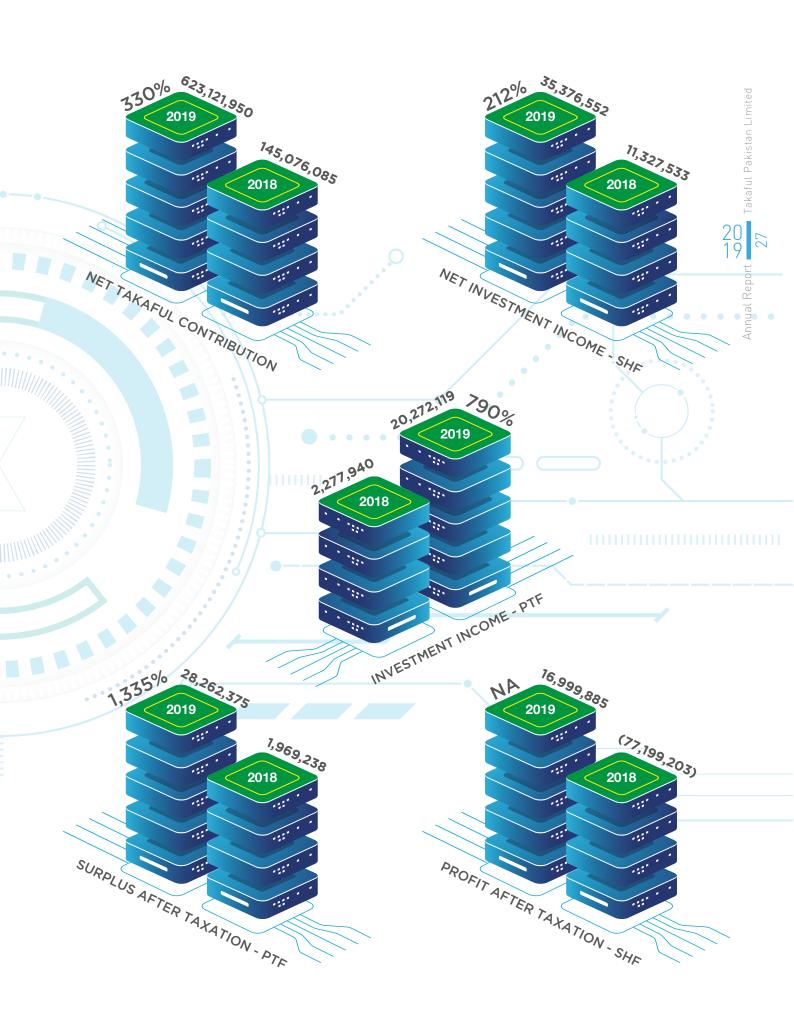
| Financial Year 2019 |     |
|---------------------|-----|
| As at 1st Jan 2019  | 90  |
| As at 31st Dec 2019 | 142 |
| Average for FY 2019 | 117 |





### **KEY FINANCIAL FIGURES**

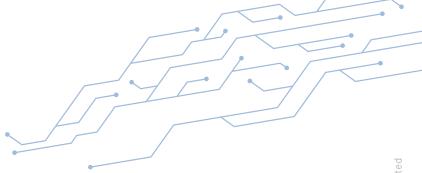




## **COMPETITIVE LANDSCAPE AND** MARKET POSITIONING

We have used "Porter's Five Forces Analysis" which is a framework for analyzing a company's competitive environment. It is considered as a macro tool in business analytics that uses five industry forces to determine the intensity of competition in an industry and its profitability level. This theory is based on the concept that these five forces help determine the competitive intensity and attractiveness of the industry.





#### The threat of new entrants to the industry (Low to Medium)

The ease or difficulty of entry of new/potential entrants will depend on the extent to which there are barriers to entry.

It is difficult for new "start-ups and SMEs" to enter insurance/Takaful industry as a dedicated Takaful company due to initial minimum capital requirement of PKR 500 million. In addition to it the threat of new entrants is further minimized due to robust and close monitoring and supervision by the regulatory authority, such as SECP. The need for the establishment and retention of strong sales and distribution network is also a challenge.

#### The threat of substitute products or services (High)

Industry profitability suffers when there is a high threat of substitutes. Substitute products or services place a ceiling on prices because buyers will switch to the substitute if it offers a better value alternative. Threat of substitution especially for health Takaful/insurance is the emergence with community-based funds for health care, health facilitation discount, online OPD consultations offered by health service providers as well as government health care schemes have presented alternative channel for customers.

## The bargaining power of customers

Customers want better quality services at a comparatively lower price. Satisfying such need may dampen the profitability of company in the industry. The buyers' power (New & Renewal) is significant as policyholders/participants have a wide range of insurance/Takaful coverage providers to choose from.

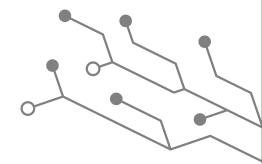
#### The bargaining power of suppliers (Medium to High)

Suppliers' bargaining power is high and they can demand for higher prices if their supply is a key component of the product/service of company. Reinsurance/Retakaful partners play a vital role in the Takaful industry as they have significant power as most of them are highly reputed multinational firms with strong focus on insurer's financial strength and credit rating and providing limited coverage and strict treaty agreements.

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

The intensity of competitive rivalry within an industry will affect the of the industry. profitability competitive industry, firms must compete aggressively for a market share, which results in low profits. Competitive actions might take the form of price competition, advertising battles, sales promotion campaigns, introducing new products for the market, improving or providing sales service quarantees or warranties.

With the emergence of window Takaful operations along with existing established insurance players, the rivalry in the industry has high intensity that makes it difficult to capture new business and retain renewals. The common products/solutions in the market offered by various companies in the industry has resulted in price war, to counter, insurers are now focusing on providing value added features to gain participant loyalty and trust. The rise in Insurtech and Fintech with micro-based products focused on masses does hold the potential opportunity for penetrating in the industry and gaining competitive advantage.



#### **PESTEL ANALYSIS**

PESTEL analysis (Political, Economic, Social, Technological, Environmental and Legal analysis) is a widely used analytical tool to help identify the key external factors that should be considered to analyze changes in business environment and achieve respective organization's objectives.

Each aspect helps the company in identifying the potential opportunities available in the industry from which a company can reap fruitful benefits by coupling its strengths and optimizing its performance. Furthermore, the analysis helps identify the potential threats which are present in the industry which enable the company in foreseeing and overcoming a potential threat.

#### Political

One of the key indicators in assessing the potential implications on industry is indeed, political stability of country. The existence of new Government and accountability of Institutions towards various groups of stakeholders, along with successful military operations which subsequently resulted in curtailment of terrorist activities has led to stability of Country's Law and order situation which has brought relief to businesses.

Government's priority to upgrade economy and enhance international relations has helped the country in climbing up 28 places on the World Bank's (WB)" Ease of Doing Business Index "and securing a place among the top 10 countries with the most improved business climate; a development that will greatly improve country's image internationally in addition to a significant surge in foreign investments' inflows.

Strict imposition and continuous monitoring of Anti-Money Laundering and Counter Financing of Terrorism Regulations as well as adherence by various corporations would also help in elimination of Country from FATF grey list.

There has been a rise in Government initiatives towards promotion of Islamic financing segments which would result in augmented Takaful coverage needs from Islamic banking sectors and industries.

#### **Technological**

"Insurtech" has become an important factor which describes the new technologies' potential to bring innovation to the insurance/takaful sector and its impact on

the regulatory practices of insurance/takaful sector. Advancement in technology has created a positive impact in the industry, where major players have embraced and have utilized the technology and in return have reaped major benefits.

Recently launched Government's initiative, Digital Pakistan is a clear indication of regulatory support for financial technology and innovative initiatives.

#### **Environmental**

Environmental aspect has posed a challenge for the industry with regards to the regards to the global warming. Abrupt weather changes will pose significant

challenges in the International Retakaful market both in terms of pricing and capacity.



#### **Economical**

In its latest Global Economic Prospects report, the IMF projects the Global GDP to drop by 3.0%, with Equity Prices plummeting by 15-20% across the Globe. With the

negative impact that the Pandemic brings, the present Government has also provided relief packages support the underprivileged. Keeping the drawback that the situation has brought, the Local markets and companies have begun Operations once again, from the 3rd of June, 2020.

It is also stated that the key risks to the outlook in South Asia include a sharper-than-expected slowdown in major economies and a reescalation of regional geopolitical tensions.

New government has prioritized to resolve economic issues by curbing imports, significant monetary tightening and hefty PKR devaluation and other major reforms that has helped Country's Current Account deficit being narrowed to \$1.8 billion in the first five months (Jul-Nov) of the year 2019-20 as compared to deficit of \$6.7 billion in the same period, a year ago, showing a massive decline of 73%.

Out of the 54% that Pakistan's service sector contributes to the national GDP, insurance, along with transport, storage, communications and finance occupies almost one-fourth of the sector.

As reported by Pakistan Economy Watch (PEW) the CPEC investment is likely to benefit the insurance/Takaful industry of Pakistan as insured infrastructure products will result in increased business especially in general insurance sector.

Improving foreign relations, macroeconomic indicators and support from international financial institutions FY 2020 and ahead will be an economic turnaround for the country.



Emergence of Digital media and customized products highlighting aspects of security and health preventions has created awareness among the consumers for the need to obtain Takaful/insurance

solutions.

Being an Islamic state, the inclination towards obtaining Takaful coverage has increased over the years where the industry share has increased in the recent years.

The rules and regulations mainly applicable on Company are 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.

Failing to meet all applicable laws and regulations can result in serious consequences, along with altering the company's legal status attached with heavy fines and penalties.

It is anticipated that enhanced regulatory efforts will continue going forward.

#### **SWOT ANALYSIS**

- Dedicated and Pure Takaful Operations.
- "A-" Rating by PACRA
- Brand of the Year, 2019
- Strong capital base and reputable sponsors to meet financial obligations and propel aggressive growth.
- Robust positive trend of Cashflows, high liquidity.
- Matchless service with prompt claim settlement as its utmost priority.
- Visionary and Committed Board.
- Progressive yet cautious underwriting with its rightful share in the Takaful market without compromising its principles on underwriting and claims settlement.
- Professional and Competent Management Team

~

Strong ReTakaful arrangements

**STRENGTHS** 

- Rapid Changes in Laws and Regulations
- · Uncertain Political Situation
- More window Takaful operators' enlistment resulting in cut throat competition.
- Imposition of Additional Taxes

**THREATS** 





#### **OPPORTUNITIES**

- Growing Takaful coverage needs from Islamic banking sectors.
- Government focus on Heath related projects.
- Potential to Partner with Global Takaful operators.
- Increase in Islamic banking shares in banking sector providing growth opportunities for Takaful Operators
- Government initiatives toward promoting Islamic financing segments.
- Strong growth in consumer financing resulting in good opportunity for car financing ljarah and home financing segments.
- Large un-tapped retail market.
- CPEC Projects and new government economic reforms plans.



#### **WEAKNESSES**

- Lack of awareness and understanding on Takaful product among the customer.
- Operations are specific to Pakistan only.

- Corporate Financial reporting as per IFRS issued by IASB Financial Reporting as
- per provision of and . directive issued under the companies act, 2017 and insurance ordinance, 2000, insurance Rules, 2017, insurance accounting regulations, 2017 and takaful rules, 2012
- Islamic financial accounting standards (IFAS) (as a lease) issued by the institute of chartered accountants of Pakistan. as are notified under the
- companies act, 2017 Robust ERP, MIS and Dashboard Reporting

- Sound Internal Controls, Established In-house Internal Audit Department in addition to appointment of Ernst & Young as Internal Auditors Robust In house legal &
- Compliance Department in addition to appointment of Deloitte for policies and procedures development, Mohsin Tayebaly & Co as legal advisor, RS Corporate Advisory as Corporate Advisor and Usmani & Co. as Shariah Supervisor, ensuring full transparency & disclosures and meticulous compliance with applicable laws & regulations
- Operational and Financial risk analysis by inhouse risk management department.

- State of the infrastructu
- Updated FRP and robust network and security
- Latest Computer software and licenses Process
- automation Technology audit by **KPMG**
- Competent and talented workforce Fair recruitment process
- Training and development
- Employee engagement activities Career development,
- organic growth and succession planning Transparent and
- dynamic reward management and appraisal system
- Promoting amicable culture, open environment and decentralized communication

Finance and reporting

Technological developments

Primary activities

Support activities

Underwriting

Claim (benefits)

Investment management

Marketing & Sales distribution network and customer service

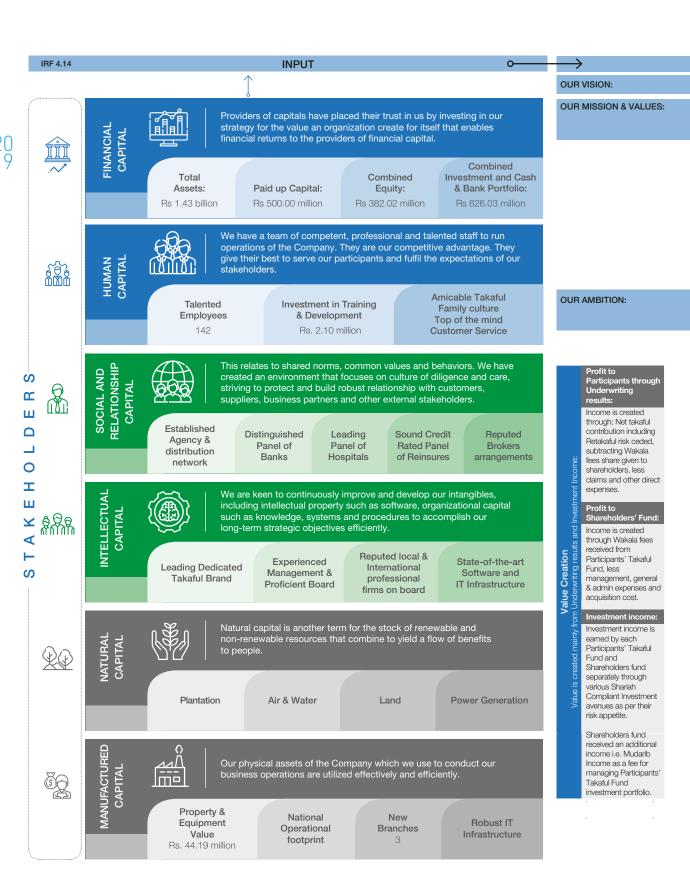
Sustainable Value Creation

- Assessing risk through robust risk analysis methodologies
- Vigilant Client on boarding as per KYC, AML & CFT guidelines
- Technical Pricing Underwriting motor, fire & Eng, Marine, Health, Miscellaneous and Specialized policies and
- coverage. Robust Retakaful arrangements Shariah Compliant
- Product development

- Claim loss analysis Internal & External
- Surveyors
- Wide range network of Workshops
- Client screening as per AML & CFT guidelines
- Diligent and swift claims payments
- Diversified Shariah Investment Portfolio
- Compliance with Investment Policy and Regulations
- Proficient Board Investment Committee
- Generating incremental investment returns
- Extensive financial market research and analysis
- Prudent liquidity management

- **Established**
- Distribution Channel Prominent
- partnerships with reputed corporations, banks
- and brokers. Customer Needs Analysis
- Quality Service provision to Participants
- Brand Building and Awareness strategies





#### **VALUE CREATION PROCESS**

0-

OUTPUT

IRF 4.18

#### /alue Creation

Value is created mainly from Underwriting results and Investment Income:

#### Surplus to Participants through Underwriting results:

To spread takaful benefits beyond borders, beyond time

Income is created through; Net takaful contribution including Retakaful risk ceded, subtracting Wakala fees share given to shareholders, less claims and other direct expenses.

#### Profit to Shareholders' Fund:

Income is created through Wakala fees received from Participants' Takaful Fund, less management, general & admin expenses and business acquisition cost.

#### Investment income:

Investment income is earned by each Participants' Takaful Fund and Shareholders fund separately through various Shariah Compliant Investment avenues as per their risk appetite.

Shareholders fund received an additional income i.e. Mudarib Income as a fee for managing Participants' Takaful Fund investment portfolio

 To be a role model for the contemporary insurance industry and eventually bring it in conformity with the Shariah compliant Takaful mode of insurance

#### **OUR SUSTAINABLE BUSINESS PROCESS**

IRF 4.16

#### **UNDERWRITING**

We have robust and prudent underwriting department comprising of talented individuals, examining the policyholders' risk, determining appropriate and competitive contribution price and ensuring proper on-boarding of clients as per KYC guidelines.

#### RETAKAFUL

We have access to top of the mind and reputed Retakaful operators to protect us against excess risk via arrangements and agreements including but not limited to Facultative arrangement and Treaty arrangement.

#### CLAIM (BENEFITS)

Our claims department ensure efficient and swift claims/benefits payments to our participants by diligent validation, assessment, inspection of claims via in-house claims department, internal surveyors and external reputed surveyors and workshops.

#### INVESTMENT MANAGEMENT

We have sound investment policy in place, supervised meticulously by the Board Investment Committee. We aim to yield incremental investment return considering our appropriate risk tolerance levels and strategically diversify our investment portfolio across various shariah compliant asset classes and securities.

#### PARTICIPANTS' NEED ANALYSIS & QUALITY SERVICE PROVISION

We try our best to identify and understand participants' takaful needs to cater to their demands by providing them with suitable products. We always strive to provide unmatched quality service to our participants and be vigilant to their needs.

#### SALES DISTRIBUTION CHANNELS

The Company has a competent and established distribution channel along with prominent partnerships with reputed Banks, Brokers, Retakaful operators and corporations.

#### **RISK MANAGEMENT & GOVERNANCE**

The Company is keen towards continuous strengthening of the governance structure, risk management and internal controls. The company has taken on board Big 4 Professional firms for Statutory Audit, Shariah Audit, Tax Advisory, Internal Audit function, 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.

#### PRODUCT DEVELOPMENT

The team innovates and contemplates, developing unique products considering participants' Risk assessment, regulatory approvals, financial viability and IT infrastructure.

#### DISASTER RECOVERY MANAGEMENT

The disaster recovery system at Takaful Pakistan Limited is in deed effective and efficient. our very own cloud system insures the Primary recovery site for lost data. We have hired rapid Compute as our I.T partner, who have city wide storage facilities, serving as secondary and Tertiary recovery sites.

#### **PRODUCTS**

(Refer page 22 for detail of products offered)



FIRE & PROPERTY



MARINE



**MOTOR** 



**ENGINEERING** 



**HEALTH** 



**SPECIALIZED** 



#### Value Added Service



Top of the mind customer service



Virtual Clinic facility



Swift & Diligent claims/(benefits) payments



Leading No. of top hospitals network on panel



Leading No. of vehicles workshops

| Takaful I     |  |
|---------------|--|
| ω<br>19       |  |
| Annual Report |  |

|                                  | OUTCOME IRF 4.19/4.20   |  |  |  |  |  |  |
|----------------------------------|---|--|--|--|--|--|--|
|                                  | Outcomes  | Measurement  |  |  |  |  |  |
| FINANCIAL                        | Competent and efficient<br>management and workforce<br>resulted in enhance profitability,<br>investment returns, robust capital<br>and liquidity position   | <ul> <li>Total Assets: Rs. 1.43 billion [2018: Rs. 952.75 million]</li> <li>Combined Equity (SHF + PTF): Rs. 382.02 million [2018: Rs. 310.82 million]</li> <li>Combined Profitability/(Loss) (SHF + PTF): Rs. 45.26 million [2018: (Rs. 75.22) million]</li> <li>Combined Investment Income (SHF + PTF): Rs. 50.58 million [2018: Rs. 13.03 million]</li> <li>Gross Written Contribution: Rs. 1.03 billion [2018: Rs. 375.85 million]</li> <li>(Refer page 157 to 214 for financial results and page 107 to 135 for financial analysis)</li> </ul>  |  |  |  |  |  |
| HUMAN                            | Competent and motivated<br>human resource enables<br>exceptional services delivery to<br>our participants, generates<br>better productivity and reduces<br>employee turnover. This results<br>in pleased and satisfied<br>participants base.  | <ul> <li>Enhanced Employee productivity resulting in:</li> <li>Net takaful contribution per employee: Rs. 5.32 million [2018: Rs. 1.96 million]</li> <li>Combined Profitability/(Loss) (SHF + PTF) per employee: Rs. 0.38 million [2018: (Rs. 1.01) million]</li> <li>Increase in human resource benefits:</li> <li>Advance to employees increased to Rs. 3.53 million [2018: Rs. 1.24 million]</li> <li>Provision of Family as well as Parents takaful coverage to employees.</li> <li>(employee is taken as average no. of employees during the respective year)</li> </ul>  |  |  |  |  |  |
| SOCIAL & RELATIONSHIP<br>CAPITAL | Our vigilant customer services department augments customer satisfaction and retention ratio. Our enthusiastic marketing and sales department ensures increased brand awareness, bolstered local and international corporate relationships and impact positively on community at large. | <ul> <li>Increase in Brand Awareness, Local &amp; International partnerships with reputed corporations, Retakaful operators and academia.</li> <li>Following activities were held during the year 2019:</li> <li>Blood donation camp</li> <li>Sponsorship to "One Man Show"</li> <li>Medical eye camp</li> <li>Winner Best Corporate Annual Report Award</li> <li>Certificate of Merit for best corporate and sustainable report by SAFA</li> <li>Brand of the year Award</li> <li>Breast Cancer Awareness Sessions in Collaboration with Shaukat Khanum Hospital</li> <li>Diabetes Camp in Collaboration with Altamash Hospital</li> <li>Takaful Rendezvous Conference, Malaysia</li> <li>Takaful &amp; Insurance Conference, Kenya</li> <li>Financial Crime Summit 2019</li> <li>IFN conference</li> <li>Aiesec – National Youth Development Program</li> <li>More than 80.00% Customer satisfaction ratio in 2019.</li> </ul>   |  |  |  |  |  |
| INTELLECTUAL CAPITAL             | Our competent workforce, IT infrastructure and software, on boarding reputed has provided us the competitive edge in increasing productivity as well as increasing our participant base.  | <ul> <li>KPMG – Taseer Hadi &amp; 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 been engaged as Management Consultant for 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. The Company has also engaged Usmani &amp; Co, a Shariah Consultant firm working under the guidance of Honorable Justice Retired Mufti Muhammad Tarqi Usmani and the Chairman of Mufti Muhammad Imran Ashraf Usmani. Furthermore, Company has also appointed Mohsin Tayebaly &amp; Co. as its legal advisors.</li> <li>Company has sound and updated IT software and licenses including Microsoft and internally established ERP.</li> <li>Talented employees are members of top professional associations and qualifications ranging from ACII, ACCA, ICMA, CFA, CISCO, ICSI, MBBS and other leading academia.</li> </ul> |  |  |  |  |  |
| NATURAL<br>CAPITAL               | Environment friendly activities<br>and its protection are instilled<br>across the organization ensuring<br>minimal wastage of natural<br>resources.   | Management is passionately working on implementing paper-less environment and establishing a green-environment across the organization.  |  |  |  |  |  |
| MANUFACTURED CAPITAL             | Robust branch and distribution<br>network, enhanced asset base<br>and provision of better working<br>environment are core to the<br>company's values.   | <ul> <li>Branch network has doubled reaching to 6 in 2019 as compared to 3 in 2018.</li> <li>Owing to massive augmentation in company's business (175% YoY increase in gross written contribution and 50% YoY increase in total assets), manufactured capital has increased significantly.</li> <li>Capital Expenditure has increased to Rs. 17.00 million (2018: Rs. 11.35 million)</li> <li>Company has established state of the art Gym facility and virtual clinic adding value to both internal employees and external participants fitness and health condition.</li> </ul>  |  |  |  |  |  |

## SIGNIFICANT CHANGES FROM PRIOR YEARS

2019 had formulated to be a tremendous year for Takaful Pakistan Limited, where adherent leadership and guidance by our Managing Director & CEO, Mr. Rizwan Hussain coupled with the drive to achieve the company's vision, management expertise and untiring efforts of the team has resulted in Takaful Pakistan Limited moving step by step on the path of growth.

By the grace of Allah, Takaful Pakistan Limited ended the year by reaching a milestone in the history of the company by achieving more than 1.03 billion rupee, gross written contribution, which is the highest ever by any dedicated general Takaful operator in Pakistan.

The company as compared to previous years grew twofold vastly investing to build strong human resource in the company by recruiting Executive Director - Corporate Solutions, Executive Director - Service Quality, Executive Director - Network Development and Risk Assessment Manager

The company over the years procured numerous awards and recognitions, starting off by achieving position in last year's corporate report award hosted by ICAP and then being nominated and awarded certificate of merit for the best corporate and sustainability report, 2018 by SAFA.

Takaful Pakistan Limited's management secured ISO certification

9001:2015 after undergoing an extensive company-wide audit that included quality management system development, a management system documentation review, pre-audit, and initial assessment. Takaful Pakistan Limited's Team were audited by Bureau Veritas, who applauded the efforts of Takaful Pakistan Limited in having an overall environment of robust policies and procedures.

## **Service Quality:**

We have taken initiative of establishing service quality and excellence as an independent function in line with our vision of superior customer experience. The aim of Service Quality department is to support the vision of Takaful Pakistan Limited by working on Quality Assurance, Continuous Improvement in the services internally as well as externally and by providing high Customer Satisfaction. Service Quality department is working to identify and improve the services through feedbacks in order to enhance the standards of services by increasing its effectiveness in such a manner which will help the company to grow and to retain its valuable customers. This function starts from identifying and exploring existing customer services and touch points at all levels and for all Line of Businesses across the company at presale, during sales and post-sale levels to take them to next level.



# CHAIRMAN'S REVIEW REPORT ON OVERALL PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS:

The Board Performance Evaluation Report has been prepared prepared myself, in the capacity of the Chairman of the Board of Directors ('Board') of Takaful Pakistan Limited ('Company'), and is reliant on the conclusion drawn from the evaluation conducted of the Board's Annual Performance, which is based on strategies adopted and solutions introduced at times of difficulty faced during the period. The Board Performance Evaluation (attached Form B) is based on the Directors' individual self-assessment (attached Form A) received, instating their awareness regarding their duties as Executives and Non-Executive Directors.

An overview of the overall performance of each individual Directors as per their respective self-assessment forms is quite satisfactory and keeping in view their assessments the overall Annual performance of the Board is "Exceptional".

The annual performance of the Respected Members of the Board of Directors indicates their familiarity with the Company's by-laws and policies. They actively participated in the decision-making of the Company as a Board and brought strategic focus in assessing various situations. Their expertise as Directors is backed by their knowledge of the insurance/takaful sector and the issues faced by it. They were thorough in asking questions/requesting information in order to form informed decisions and balanced judgments. They kept themselves aware of the financial performance and conditions. quality performance and measures, key areas of risk and associated risk mitigation strategies and ensured decisions fell in-line with the risks posed. They have fulfilled their Governance responsibilities within

promised time and have ensured full participation in board meetings and decision-making.

Keeping in view the annual performance of individual Directors, assessment points relating to overall performance of the board are mentioned below:

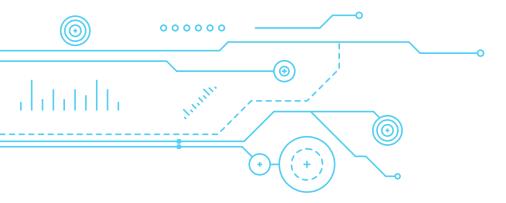
#### a) Board's Performance Objectives:

The Board Evaluates itself on the basis of objectives set out in the beginning of each year and whether or not the Board succeeded in accomplishing these objectives at year-end.

The Board was open to suggestions from the previous year and reviewed risk-rich areas, whereby marking the areas that required improvements. The members of the Board fully recognized the contribution required from them to achieve the best out of their skills and abilities, and therefore worked collaboratively to achieve the shared goals. They delegated tasks to respective teams and were duly reported back to with progress reports, ensuring that the tasks delegated were being followed through.

#### b) Committee Composition

Additionally, the efforts of the Board were also taken into account in sustaining the effectiveness and efficiency of the results attained by the Company. As the Board's Agendas were made and the meeting minutes were recorded; thereby ensuring that all the information regarding the meetings and their objectives were duly recorded. The board also met at an appropriate date to ensure that results were obtained, as information was received



with ample time for preparation and proper consideration. At appropriate intervals, the agendas covering all the matters of importance to the company were discussed with due diligence.

#### c) Target Setting and Achieving Goals

The Board of Directors' understanding of the business and its strategic direction is necessary to meet Company's objectives and goals. All board members possess a thorough understanding of the Company's strategic plan, including the Company's Mission and Vision. This aspect was always reflected in all their decisions. Having current knowledge of the Insurance/takaful Sector and the understanding of the impact, their decisions have on the organization, they

effectively applied their knowledge, experience and expertise to the matters at hand, in order to decide what is best for the company. The trajectory of their decisions was always aligned with the company's pre-set goals.

#### **Conclusion:**

To conclude the report, I would like to thank the Board of Directors for their efforts, time and contributions they made during the year. As the New Management of the Company, we could not have hoped for a better group of experts guiding the Company in the right direction. I am extremely pleased to see the way our Board has performed, and it has been an honor to work with them side by side.

Salim Habib Godil
Chairman of the Board

## **DIRECTORS' REPORT**

The Board of Directors of Takaful Pakistan Limited (herein after referred to as "the Company", are pleased to present its 14th Annual Report and Audited Financial Statements of the Company together with the Auditor's Report thereon, for the year ended 31 December 2019.

### **Company Overview**

Takaful Pakistan Limited is an unlisted public limited company incorporated in Pakistan on 2<sup>nd</sup> June 2006 under the Companies ordinance, 1984. The company commenced commercial operations from 12<sup>th</sup> March 2007. The registered office of the company is at 6<sup>th</sup> Floor, Business Centre, 19-1-A, Block 6 P.E.C.H.S., Shahrah-e-Faisal, Karachi.

Takaful Pakistan Limited has the capacity to underwrite risks in all avenues of General Takaful Business (Classes: Motor, Health. Marine. Fire. Engineering Miscellaneous). In addition, the Company has arrangements with local and foreign Retakaful operators enabling it to offer comprehensive coverage for specialized infrastructure risks. umbrella covers. projects, commercial risk and consumers. We also provide specifically tailored takaful solutions for Islamic banking operations as well as for large corporate groups.

## **Pakistan's Economy**

The COVID-19 pandemic has brought to an Economic Crisis unlike any before as The IMF projects the global real GDP growth in 2020 to fall to -3.0%. This make the coronavirus pandemic lock down the worst recession since the Great Depression of the 1930s and far worse than the Global Financial Crisis of 2008.

The pandemic poses unprecedented health, economic, and financial stability challenges across the globe. Emerging market economies experienced the sharpest reversal of portfolio flows on record. Equity Prices have declined by 15%-20% across the globe and there has been huge capital outflows.

To easy the economic fallout and protect financial stability, Central banks globally have taken pivotal actions by easing monetary policy and providing liquidity to the financial system. Also, the government authorities across the globe have introduced and implemented large and timely fiscal & economic stimulus packages.

Although Pakistan's economy is in better shape than before, nevertheless owing to COVID-19 pandemic, the economic growth is expected to contract sharply, by -1.5% in FY 2020, as the economy is buffeted by demand and supply shocks. Exports and remittances are expected to decline sharply, which together with a temporary loss of market access create an urgent balance of payments need.

The State Bank of Pakistan considering reduction in growth and inflation expectations, cut the policy rate to 9.0%. The SBP Monetary Policy Committee believes that this action would cushion the impact of the Coronavirus shock on growth and employment and help in maintaining financial stability.

The government also introduced a massive Rs. 1.2 trillion relief packages aimed at supporting the underprivileged as well as bolstering sectors of the economy that have been battered by the pandemic.

The IMF Executive Board also approved a US\$1.386 Billion disbursement to Pakistan to address the pandemic.

Going forward, there could be a sizeable rebound and recovery across the globe as pandemic subsides though clouded by uncertainty, the priority action for the government is to contain the spread of the



virus, minimize the economic loss and protect the vulnerable and the poorest.

## Business Challenges and Opportunities

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

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

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

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

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

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

## Governance Framework of the Company

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 been engaged as Management Consultant for

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.

The Company has also engaged Usmani & Co, a Shariah Consultant firm working under the guidance of Honorable Justice Retired Mufti Muhammad Taqi Usmani and the Chairman Mufti Muhammad Imran Ashraf Usmani. Furthermore, Company has also appointed Mohsin Tayebaly & Co. as its legal advisors.

## **Pattern of Shareholding**

| Number of    | Shareh    | oldings    | Shares Held  |
|--------------|-----------|------------|--------------|
| shareholders | From      | То         | Sildres neiu |
| 0            | 1         | 100        | -            |
| 9            | 101       | 5,000      | 8,500        |
| 2            | 5,001     | 3,000,000  | 5,549,500    |
| 1            | 3,000,001 | 5,100,000  | 5,099,000    |
| 1            | 5,100,001 | 9,300,000  | 8,699,500    |
| 4            | 9,300,001 | 11,400,000 | 41,942,404   |

| Categories of shareholders  | Shareholders | Shares held              | Percentage %  |
|---|--------------|--------------------------|---------------|
| Associated Companies, Undertaking and Relate  | d Parties    |                          |               |
| House Building Finance Company Limited Al Baraka Bank Pakistan Limited                |              | 8,699,500<br>5,099,000   | 14.2%<br>8.3% |
| Sitara Chemical Industries Limited  |              | 2,999,500                | 4.9%          |
|   | 3            | 16,798,000               | 27.4%         |
| <b>Directors</b> Mr. Salim Habib Godil  |              | 10,485,602               |               |
| Syed Rizwan Hussain   |              | 10,485,601               |               |
| Mr. Shahzad Salim Godil<br>Syed Salman Hussain  |              | 10,485,601<br>10,485,601 |               |
| Mr. Ahmed Shuja Kidwai  |              | 500                      |               |
|   | 5            | 41,943,405               | 68.40%        |
| Joint Stock Company   | 1            | 4,500                    | 0.01%         |
| Foreign Investors Mal Alkhaleej Investments LLC                                       | 1            | 2,550,000                | 4.2%          |
| Individuals/Others  | 7            | 3,500                    | 0.01%         |
| Total   | ,<br>17      | 61,298,905               | 100%          |
| Total   | 17           | 01,230,303               | 100%          |
| Shareholders holding 5% or more voting interes House Building Finance Company Limited | t            | 8,699,500                |               |
| Al Baraka Bank Pakistan Limited   |              | 5,099,000                |               |
| Mr. Salim Habib Godil<br>Syed Rizwan Hussain  |              | 10,485,602<br>10,485,601 |               |
| Mr. Shahzad Salim Godil   |              | 10,485,601               |               |
| Syed Salman Hussain   |              | 10,485,601               |               |
|   |              | 55,740,905               |               |

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## **Performance Review of the Company**

The top line of the Company Financials is 'Gross Written Contribution' which shows the overall business underwritten by the Company throughout the year.

### **Gross Written Contribution Over the Period**

| Class         | 2010          | 2010        | 2017        | 2016        | 2015        | Rupees      |
|---------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Class         | 2019          | 2018        | 2017        | 2016        | 2015        | 2014        |
| Fire & Eng.   | 25,858,816    | 27,084,556  | 24,634,314  | 30,637,261  | 27,845,965  | 44,315,432  |
| Marine        | 25,545,139    | 24,657,084  | 23,072,993  | 24,115,802  | 22,545,934  | 18,922,771  |
| Motor         | 574,720,232   | 301,533,584 | 63,667,166  | 126,220,676 | 222,562,542 | 158,144,216 |
| Health        | 246,316,626   | 9,247,091   | 37,648,404  | 37,703,812  | 52,806,644  | 51,632,641  |
| Miscellaneous | 159,371,984   | 13,334,000  | 758,842     | 779,713     | 806,858     | 1,335,421   |
| Total         | 1,031,812,796 | 375,856,315 | 149,781,719 | 219,457,264 | 326,567,943 | 274,350,481 |

During the year 2019, The Company enormously performed to escalate its topline by 174.5% as compared to previous year 2018. Motor Class is being the strongest contributor in the business this year which accounts for 56% of the total written contribution. The Company

has emphasized on business from non-motor classes as well. This is evident from the tremendous rise of 2,563.7% in Health class and 1,095.2% in Miscellaneous class as compared to previous year 2018.

## **Claims Expense Over the Period**

Rupees

| Class         | Claim Expense |            |             | t Takaful<br>n Expense |  |
|---------------|---------------|------------|-------------|------------------------|--|
|               |               | 2018       |             |                        |  |
| Fire & Eng.   | 26,244,424    | 15,621,132 | 10,323,292  | 65,214                 |  |
| Marine        | 4,880,119     | 5,472,135  | (592,016)   | (307,719)              |  |
| Motor         | 225,676,809   | 59,882,831 | 165,793,978 | 59,697,552             |  |
| Health        | 111,877,855   | -          | 111,877,855 | 2,946,410              |  |
| Miscellaneous | 44,020,710    | 15,167,263 | 28,853,447  | 15,229,234             |  |
| Total         | 412,699,917   | 96,143,361 | 316,556,556 | 77,630,691             |  |

Major cost of any Insurance / Takaful Company is its claims but we, as a dedicated Shariah compliant company, consider it as benefits for the Participants. It is a sharing of risk among participants on

the basis of brotherhood. Net claims for the year 2019 increased by 307.8% as compared to previous year, because of Increase in business mainly attributable to Motor, Health and Miscellaneous. Takaful Pakistan Limited

port //

For the Year ended 31 December 2019

#### **Particulars**

Annual

#### PARTICIPANTS' TAKAFUL FUND (PTF):

**Gross Written Contribution** 

#### Net takaful contribution

Net claims Contribution Deficiency Expense Wakala fee ReTakaful rebate earned Direct expenses

Net underwriting results Investment income Impairment on Equity Securities Return on bank balances Mudarib's share

#### Net investment income

Other income Bank charges Surplus for the year before taxation Provision for taxation - current

Total surplus transferred to balance of Participants' Takaful Fund

#### SHAREHOLDERS' FUND (SHF):

Wakala fee

Commission expense Management expenses

Mudarib's share of PTF investment income Investment income Impairment on Equity Securities Return on bank balances Other income

#### Profit/(Loss) before taxation

Finance Cost

Provision for taxation - Current

Profit/(Loss) after taxation

Earnings/(Loss) after tax per share

The Company showed enormous growth in written contribution by 174.5% registering it to Rs. 1,031.8 million (2018: Rs. 375.8 million), while net contribution recorded at Rs. 623.1 million (2018: Rs. 145.1 million) depicting an increase of 329.5%.

#### **Audited**

| 2019<br>Rupees  | 2018<br>Rupees   |
|---|--|
| 1,031,812,796   | 375,856,315  |
| 623,121,949   | 145,076,085  |
| (316,556,556)<br>937,986<br>(310,068,297)<br>14,986,149<br>19,840,727 | (77,630,691)<br>(937,986)<br>(70,353,840)<br>10,897,817<br>(5,178,974) |
| (630,541,445)   | (143,203,674)  |
| (7,419,435)   | 1,872,411  |
| 17 // 21 // 78  | 6 812 527  |

6,812,527 13,421,478 (6,555,012)6,850,641 2,020,425 (5,068,030)15,204,090 20,673,051 (195,270)28,262,375

28,262,375

310,068,297

(63,918,818) (261,626,829) (325,545,647) (15,477,350)

5,068,030

34,390,316 986,236 299,368 40,743,950 (2,820,233)

(5,446,482)16,999,885

0.334

(569,485)1,708,455 119,595 (131,653)3,568,808 (1,599,570)1,969,238 70,353,840 (25,853,126)(133,638,981) (159,492,107) (89,138,267) 569,485

> 8,179,167 (2,760,316)5,908,683 921,469 (76,319,780)(879,423)(77,199,203) (1.52)

Total Net Investment income recorded at Rs. 55.6 million (2018: Rs. 13.6 million) depicting a hefty increase of 309.0% YoY. Company's investment strategy of allocating majority of the portfolio in Bank Deposits owing to rising discount rates trend and risk-free nature emanated rise in investment income

due to increased cashflows resulting from substantial rise in business underwritten in 2019. Furthermore, the buoyant trend of Stock market index during last quarter of year 2019 helped Company's Investment Portfolio to recover significantly thus avoiding impairment loss on equity investments.

The Shareholders' Fund topline income is derived from the wakala fees earned. During the year 2019, the Company

managed to earn wakala fees of Rs. 310.1 million (2018: Rs. 70.3 million), a healthy increase of 340.7% over same period last year. The year 2019 registered a net profit after tax of Rs. 16.9 million (2018: loss of Rs. 77.1 million). Improving Shareholders' Fund profitability resulted due to rise in Wakala fees owing to substantial increase in business and efficient control of Management, General & Admin and Commission expense.

## **Key Operating and Financial Data of Six Years at a Glance**

The key operational and financial data for six years are as follows:

Rupees

| Statement of Financial Position             | 2019          | 2018          | 2017         | 2016          | 2015          | 2014          |
|---|---------------|---------------|--------------|---------------|---------------|---------------|
| Paid up capital                             | 612,989,050   | 612,989,050   | 300,000,000  | 300,000,000   | 300,000,000   | 300,000,000   |
|   | ' '           |               |              |               |               |               |
| Accumulated Loss                            | (145,541,636) | (161,051,131) | (83,329,984) | (85,630,515)  | (107,391,175) | (136,877,696) |
| Shareholders' Equity (SHF)                  | 354,458,637   | 332,310,203   | 212,173,847  | 216,032,763   | 192,608,825   | 163,122,304   |
| Balance of Participants' Takaful Fund (PTF) | 27,566,104    | (21,484,824)  | (6,540,227)  | (15,677,552)  | (20,238,961)  | (11,211,134)  |
| Qard-e-Hasana Payable by PTF                | 91,479,565    | 109,479,565   | 40,479,565   | 34,835,319    | 20,238,961    | 11,211,134    |
| Total Assets (SHF & PTF)                    | 1,430,877,766 | 952,754,479   | 478,961,709  | 621,377,207   | 597,681,636   | 588,386,928   |
| Total Liabilities (SHF & PTF)               | 957,373,460   | 641,929,100   | 273,328,089  | 421,021,996   | 425,311,772   | 436,475,758   |
| Cash and Bank Balances (SHF & PTF)          | 24,836,690    | 88,305,476    | 26,891,146   | 25,022,974    | 22,144,458    | 35,780,259    |
| Investments (SHF & PTF)                     | 601,200,000   | 499,531,891   | 298,203,237  | 355,531,618   | 373,579,401   | 287,025,121   |
|   |               |               |              |               |               |               |
| Profit & Loss Account                       |               |               |              |               |               |               |
| Gross Contribution Revenue                  | 1,031,812,796 | 375,856,315   | 149,781,719  | 219,457,264   | 333,567,943   | 274,350,481   |
| Net Contribution Revenue                    | 623,121,949   | 145,076,085   | 137,706,994  | 239,063,088   | 262,209,880   | 169,408,132   |
| Net Claims                                  | (316,556,556) | (77,630,691)  | (55,243,649) | (128,690,132) | (134,055,900) | (93,986,199)  |
| Earned Wakala Fee                           | 310,068,297   | (70,353,840)  | (73,569,678) | (115,760,205) | (131,098,929) | (93,529,417)  |
| Underwriting Result - PTF                   | (7,419,495)   | 1,872,411     | 11,544,101   | (23,001,075)  | (27,162,564)  | (27,769,199)  |
| Surplus/(Deficit) - PTF                     | 27,066,104    | 1,969,238     | 14,965,262   | (14,096,358)  | (9,027,827)   | 16,225,949    |
| Investment Income - PTF (Net)               | 20,272,120    | 1,708,455     | 6,675,644    | 8,889,780     | 9,970,314     | 11,548,635    |
| Investment Income - SHF                     | 35,376,552    | 11,327,533    | 11,440,512   | 9,196,273     | 10,450,111    | 4,765,515     |
| Profit / (Loss) Profit before Tax           | 22,446,367    | (76,319,780)  | 3,829,681    | 24,092,311    | 33,703,958    | 10,970,252    |
| Profit / (Loss) Profit after Tax            | 16,999,885    | (77,199,203)  | 3,132,250    | 21,198,306    | 30,426,485    | 8,632,017     |
| Earnings / (Loss) Per Share                 | 0.33          | (1.52)        | 0.10         | 0.71          | 1.01          | 0.29          |
| 3., (,                                      | 0.00          | ()            |              |               |               |               |

## **Insurer Financial Strength Rating**

During the year, The Pakistan Credit Rating Agency Limited (PACRA) has maintained the Insurer Financial Strength (IFS) rating of the Company as "A-" (Single A minus) with Stable Outlook.

#### ISO 9001:2015 Certification

We have successfully achieved Certification of ISO 9001:2015 in December 2019. This certification demonstrates our commitment for continuous improvement of shariah compliant risk solutions and services and adherence to internationally established standards for quality management system.

To become ISO 9001:2015 compliant, Company's management underwent an extensive company-wide audit that included quality management system development, a management system documentation review, pre-audit, and initial assessment. Takaful Pakistan Limited were audited by Bureau Veritas. The Auditors of Bureau Veritas applauded the efforts of the company in having an overall environment of robust policies and procedures.

We are committed towards enhancing and delivering quality services and ensure compliance going across the company at all levels in addition to seeking continual improvement of our Quality Management System.

## **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:

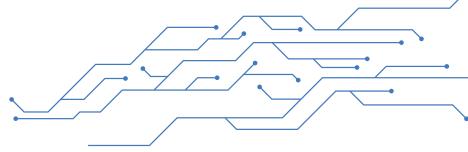
a. The Financial Statements prepared by

- the Company, fairly present it's 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;
- 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.

## **Board and Committee Meetings**

In the year 2019, five Board meetings, four Audit Committee meetings and four investment Committee meetings were held.

|   |               |       | Meetings A         | Attendance              |                 |
|---|---------------|-------|--------------------|-------------------------|-----------------|
| Name of Director  | Status        | Board | Audit<br>Committee | Investment<br>Committee | HR<br>Committee |
| Mr. Salim Habib Godil                                   | Non-Executive | 3     | 3                  | -                       | -               |
| Syed Rizwan Hussain                                     | Executive     | 5     | -                  | 4                       | -               |
| Mr. Shahzad Salim Godil                                 | Non-Executive | 5     | 4                  | 3                       | -               |
| Syed Salman Hussain                                     | Non-Executive | 5     | 4                  | 4                       | -               |
| Mr. Ahmed Shuja Kidwai                                  | Non-Executive | 3     | 3                  | -                       | -               |
| Mr. Ashraf Ali Velji                                    | Non-Executive | 5     | 4                  | 2                       | -               |
| Syed Tariq Husain<br>(resigned on 5th<br>November 2019) | Non-Executive | 2     | -                  | -                       | -               |



#### **Auditors**

The present statutory auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants expressed their consent to be reappointed as statutory auditors for the year-ending 31st December 2020. The Board Audit Committee recommended reappointment of the M/s KPMG Taseer Hadi & Co. Chartered Accountants, to act as statutory auditors for the ensuing year ending 31st December 2020.

## **Provident Fund and Gratuity Scheme**

The Company provides multiple retirement benefits to its employees. These include a non- contributory defined benefit Gratuity Scheme and contributory provident fund for all employees. Both plans are funded schemes recognized by tax authorities.

The values of the Provident Fund and the Gratuity Scheme at the year-end were Rs. 17.2 million and Rs. 12.5 million.

## **Contribution to National Exchequer**

Contribution to the national exchequer by the Company by way of direct taxes of Rs. 13.1 million during the year. Furthermore, an additional amount of Rs. 111.9 million was deducted/collected by the Company on account of withholding taxes and sales tax on services paid to the Government of Pakistan.

#### General

- i. The Company did not declare any dividend and bonus shares during the year.
- ii. 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 Statements

### **Outlook:**

The Company is now set on the path of success with resilient initiatives by the present management team of qualified, skillful and experienced individuals having the right vision to provide oversight and new opportunities to the Company that will achieve further positive results.

We are optimistic to continue the gross written contribution growth momentum and improve our profitability. The Company intends to capture the large retail market un-tapped through digitalization and customized customer portals. Moreover, through efficient robust underwriting, Retakaful arrangements and competent workforce, our Company also aims to advantage from available opportunities and progress rapidly.

## **Acknowledgment**

The Board wishes to extend their sincere appreciation to the Company's shareholders for their continued confidence in the Company and its management team.

They also like to express their gratitude to the Securities and Exchange Commission of Pakistan, the Re Takaful operators and all the Participants for their continued guidance and support.

In addition, they wish to place on record their sincere appreciation and gratitude for the commitment, dedication and innovative thinking put in by every member of our Takaful family, with full confidence that they will continue to do so in the future.

On behalf of the Board of Directors

**Rizwan Hussain** 

Managing Director & CEO

**Shahzad Salim Godil** 

Director





## قومی خزانے میں کمپنی کی حصہ داری

گزشتہ سال 2019کے دوران قومی خزانے میں بطور براہ راست ٹیکس کمپینی کی شر اکت داری 13.1 ملین روپے تھی۔ علاوہ ازیں، اپنی سر وسز پر ود ہولڈنگ ٹیکس اور سیلز ٹیکس کی مد میں سمپینی نے 111.2 ملین روپے جمع کرکے حکومت پاکستان کوادا کیے۔

## عمومي نقاط

ا) دوران سال ممپنی نے ڈویڈنڈ کا اعلان کیا ہے اور نہ ہی کوئی بونس شیر جاری کیے ہیں۔

ب) کمپنی کے ذیحے کوئی بھی سر کاری و قانونی واجبات، ٹیکس، ڈیوٹی، لیوی، جرمانہ وغیرہ واجب الا دانہیں ہے سوائے ان ٹیکس اور ڈاپوٹی کے جو کہ روز مرہ کے کاروباری امور میس واجب الا دا ہوتے میں اور وہ تقعیم شد مالیاتی گوشواروں میں ظاہر کیے جانچکے ہیں۔

## پیش بینی

کمپنی کا موجودہ انتظامی عملہ ماہر، تجربہ کار اور مستقبل کے رجحانات کو مد نظر رکھتے ہوئے کمپنی کے لئے نفع بخش مواقع تلاش کرنے کی صلاحیت کے حامل افراد پر مشتمل ہے۔ان کی انتھک کاوشوں کے طفیل کمپنی تر قی کی راہ پر گامزن ہے۔

ہم مجموعی تحریری شراکت میں اضافے کی رفتار کو جاری رکھنے اور اپنے منافع میں اضافے کیلئے پرامید ہیں۔

کمپنی ڈیجیشلائزیشن اور کسٹمائز ڈیورٹل کی مد د سے وسیع ریٹیل مارکیٹ جس پر اب تک کام نہیں ہوا ہے میں بھی نفوز کا ارادہ رکھتی ہے۔ مزید ہر آس کمپنی موثر طریقے سے واجبات کا ذمہ قبول کر کے سخت ریاضت سے کیے گئے تکافل کے انتظامات اور لائق افرادی قوت کے استعال کے ذریعے موجو دہ مواقع کافائدہ اٹھاتے ہوئے مزید ترقی کے لیے پرعزم ہے۔

### بياس

بورڈ کمپنی میں حصہ داروں اور منتظمین کے اعتاد کو سراہتا ہے۔ سیکورٹیز اینڈ ایکچینج کمیشن آف پاکستان، ری تکافل آپریٹرز اور تمام شرکاء کی رہنمائی اور مدد کے لئے بورڈ تہہ دل سے شکر گزار ہے ہے۔ مزید ہر آل بورڈ تکافل کے عملے کے عزم لگن اور حدت پینداندروش پران کوخراج تحسین پیش کرتے ہوئے اس سلسلے کے یونہی جاری وساری رہنے کی امید کا اظہار کرتا

بورڈ آف ڈائر کیٹرِز کی جانبسے

سپ**در سوان ..ن** مینیحنگ ڈائر یکٹر وسیا ای او

مر المراد سليم كوفيل شهزاد سليم كوفيل

## ادارے اور مالیاتی رپورٹنگ کے فریم ورکسے متعلق بیان

کوڈ آف کارپوریٹ گورننس کے تحت کارپوریٹ اینڈ فنانس رپورٹنگ سے متعلق اپنی ذمہ داریوں کی تعمیل کرتے ہوئے ڈائر کیٹر آئ<sup>ی کمپ</sup>نی اس بات کی تصدیق کرتے ہیں کہ

- ا) کمپنی کی طرف سے مہیا کر دہ مالیاتی گوشوارے ، اس کے معاملات کی صور تحال ، کاروباری مہمات کے نتائج ، نقذی کی نقل پذیری اور اکویٹی میں کسی قشم کی تنبریلی کو صحیح طور پر واضح کرتے ہیں۔
  - ب) کمپنی نے حساب کتاب کے کھاتوں کو مناسب انداز میں محفوظ رکھاہے۔
- ج) ان گوشواروں کی تنجمیل میں مناسب حسابی حکمت مکملیاں اختیار کی گئی ہیں سوائے ان صور توں کے جن کو محاسب شدہ کھاتوں میں ممکنہ طور پر واضح کر دیا گیا ہے اور کھاتے داریوں کے تخمینے محقول اور مختاط اندازوں پر مبنی ہیں۔
- ) ان مالیاتی گوشواروں کی تنجمیل میں پاکستان میں نافذ العمل مین الا قوامی حسابی معیارات سے مد دلی گئی ہے اور کسی ممکنہ صورت میں ان معیارات کے بر خلاف حسابات کو مناسب انداز میں واضح کر دیا گیاہے۔
- ) اندرونی اختیاری نظام اپنی ساخت میں مناسب ہے اور موٹر انداز میں اس کی تنفیذ اور نگرانی کی جار ہی ہے۔
- و) کمپنی کی بقا اور اس کے کاروباری معاملات کے جاری وساری رہنے کے حوالے سے کوئی قابل ذکر شکوک وشیہات موجو د نہیں ہیں۔
- ) منتظم طریقہ حکومت کے بہترین طور طریقوں کے بر خلاف کوئی طرز عمل اختیار نہیں کیا گیا۔

## بورڈ اور کیٹیوں کے مشاور اتی اجلاس کی تفصیلات

2019 کے دوران بورڈ کے پانچ، محاسبہ کمیٹی کے چار اور سرمایہ کاری سے متعلق کمیٹی کے چارمشاورتی اجلاس منعقد ہوئے۔

|   |               |       | Meetings A         | Attendance              |                 |
|---|---------------|-------|--------------------|-------------------------|-----------------|
| Name of Director  | Status        | Board | Audit<br>Committee | Investment<br>Committee | HR<br>Committee |
| Mr. Salim Habib Godil                                   | Non-Executive | 3     | 3                  | -                       | -               |
| Syed Rizwan Hussain                                     | Executive     | 5     | -                  | 4                       | -               |
| Mr. Shahzad Salim Godil                                 | Non-Executive | 5     | 4                  | 3                       | -               |
| Syed Salman Hussain                                     | Non-Executive | 5     | 4                  | 4                       | -               |
| Mr. Ahmed Shuja Kidwai                                  | Non-Executive | 3     | 3                  | -                       | -               |
| Mr. Ashraf Ali Velji                                    | Non-Executive | 5     | 4                  | 2                       | -               |
| Syed Tariq Husain<br>(resigned on 5th<br>November 2019) | Non-Executive | 2     | -                  | -                       | -               |

## پراویڈنٹ فنڈ اور گریجو پٹی سکیم

## محاسبان

موجودہ قانونی محاسبان میسرز کے پی ایم جی - تاثیر بادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹش نے 31 دسمبر 2020 سال کے اختتام تک کے لیے بحیثیت قانونی محاسب دوبارہ تقرری کے لئے رضامندی ظاہر کی ہے۔ بورڈ محاسبہ سمیٹی میسرز کی پی ایم جی تاثیر ہادی اینڈ سمپنی، چارٹرڈ اکاؤنٹنٹس کو 31 دسمبر 2020سال کے اختتام تک کے لیے بحیثیت قانونی محاسب دوبارہ تقرری کے لئے نامز دکرتی ہے۔

کمپنی اپنے ملاز مین کو ملاز مت سے سبکدوشی پر متفرق فوائد سے نوازتی ہے جو کہ غیر شراکت دارانہ گریجو یٹی سکیم کے متعین شدہ فوائداور شراکت داری پر مبنی پراویڈٹ فنڈ پر مشتمل ہیں۔ دونوں منصوبے فنڈ ڈسکیمز ہیں اور ٹیکس نافذ کرنے والے اداروں سے منظور شدہ ہیں۔ پراویڈنٹ فنڈ اور گریجو یٹی اسکیم کی قدر سال کے آخر میں 17.2 اور 12.5 ملین روپے تھی۔

شیئر ہولڈرز کے فنڈ کی بنیادی آمدنی و کالہ فیس سے حاصل ہوتی ہے۔2019 میں سمپنی نے وکالہ فیس کی مدمیں 310.1 ملین روپے کمائے اور 2018 کے 70.3 ملین روپے کے مقابلے میں 340.7 فیصد کا اضافہ ظاہر کیا۔2019 میں شکس کاٹنے کے بعد خالص منافع کا اندراج 16.9 ملین روپے کیا گیا۔اس کے مقابلے میں 2018 میں نالص نقصان 77.1 ملین روپے

تھا۔ شیئر ہولڈرز کے فنڈ کے زیادہ منافع کی وجہ بنیادی طور پر وکالہ کی فیسوں میں اضافہ ہے جس نے کاروبار میں خاطر خواہ اضافہ کیاہے جو کہ انتظامیہ کے موثر کنٹر ول عمومی، انتظامی اور کمیش کے اخراجات میں کمی کے طفیل عمل میں آیا۔

## چے سال کے کلیدی آپریٹنگ اور مالی اعدادو شار پر ایک نظر

چھ سال کے کلیدی آپریٹنگ اور مالی اعدا دوشار مندر جہ ذبیل ہیں

#### Rupees

|   |               |               |              |               |               | rapees        |
|---|---------------|---------------|--------------|---------------|---------------|---------------|
| Statement of Financial Position             | 2019          | 2018          | 2017         | 2016          | 2015          | 2014          |
| Paid up capital                             | 612,989,050   | 612,989,050   | 300,000,000  | 300,000,000   | 300,000,000   | 300,000,000   |
| Accumulated Loss                            | (145,541,636) | (161,051,131) | (83,329,984) | (85,630,515)  | (107,391,175) | (136,877,696) |
| Shareholders' Equity (SHF)                  | 354,458,637   | 332,310,203   | 212,173,847  | 216,032,763   | 192,608,825   | 163,122,304   |
| Balance of Participants' Takaful Fund (PTF) | 27,566,104    | (21,484,824)  | (6,540,227)  | (15,677,552)  | (20,238,961)  | (11,211,134)  |
| Qard-e-Hasana Payable by PTF                | 91,479,565    | 109,479,565   | 40,479,565   | 34,835,319    | 20,238,961    | 11,211,134    |
| Total Assets (SHF & PTF)                    | 1,430,877,766 | 952,754,479   | 478,961,709  | 621,377,207   | 597,681,636   | 588,386,928   |
| Total Liabilities (SHF & PTF)               | 957,373,460   | 641,929,100   | 273,328,089  | 421,021,996   | 425,311,772   | 436,475,758   |
| Cash and Bank Balances (SHF & PTF)          | 24,836,690    | 88,305,476    | 26,891,146   | 25,022,974    | 22,144,458    | 35,780,259    |
| Investments (SHF & PTF)                     | 601,200,000   | 499,531,891   | 298,203,237  | 355,531,618   | 373,579,401   | 287,025,121   |
|   |               |               |              |               |               |               |
| Profit & Loss Account                       |               |               |              |               |               |               |
| Gross Contribution Revenue                  | 1,031,812,796 | 375,856,315   | 149,781,719  | 219,457,264   | 333,567,943   | 274,350,481   |
| Net Contribution Revenue                    | 623,121,949   | 145,076,085   | 137,706,994  | 239,063,088   | 262,209,880   | 169,408,132   |
| Net Claims                                  | (316,556,556) | (77,630,691)  | (55,243,649) | (128,690,132) | (134,055,900) | (93,986,199)  |
| Earned Wakala Fee                           | 310,068,297   | (70,353,840)  | (73,569,678) | (115,760,205) | (131,098,929) | (93,529,417)  |
| Underwriting Result - PTF                   | (7,419,495)   | 1,872,411     | 11,544,101   | (23,001,075)  | (27,162,564)  | (27,769,199)  |
| Surplus/(Deficit) - PTF                     | 27,066,104    | 1,969,238     | 14,965,262   | (14,096,358)  | (9,027,827)   | 16,225,949    |
| Investment Income - PTF (Net)               | 20,272,120    | 1,708,455     | 6,675,644    | 8,889,780     | 9,970,314     | 11,548,635    |
| Investment Income - SHF                     | 35,376,552    | 11,327,533    | 11,440,512   | 9,196,273     | 10,450,111    | 4,765,515     |
| Profit / (Loss) Profit before Tax           | 22,446,367    | (76,319,780)  | 3,829,681    | 24,092,311    | 33,703,958    | 10,970,252    |
| Profit / (Loss) Profit after Tax            | 16,999,885    | (77,199,203)  | 3,132,250    | 21,198,306    | 30,426,485    | 8,632,017     |
| Earnings / (Loss) Per Share                 | 0.33          | (1.52)        | 0.10         | 0.71          | 1.01          | 0.29          |

## انشورر کی مالیاتی قوت کی درجه بندی

2019میں پاکتان کریڈٹ ریٹنگ ایجنسی لمیٹٹ (پی اے ی آر اے) نے انشورر کی مالیاتی قوت کی درجہ بندی کو ہر قرار رکھتے ہوئے اے منفی اکا درجہ دیاہے اور کمپنی کے مستقبل کو منظم قرار دیاہے۔

## ىر ئىفىكىشن ISO9001:2015

ہم نے دسمبر 2019 میں کامیابی کے ساتھ ساتھ آئی ایس او 2015: 9001 سرشیفیکیشن حاصل کرلی ہے۔ بیسنداس بات کی گواہ ہے کہ جاری کمپنی ناصرف شرعی قوانین کوید نظر

رکھتے ہوئے خطرات کے سدباب کے لیے مسلسل سر گرم رہتی ہے بلکہ بین الاقوامی سطح پر قائم کیے گئے معیاری وانتظامی نظام پر بھی عمل پیراہے۔

آئی ایس او 9001:2015 کی مطبع کمپنی بننے کی خاطر کمپنی کی انتظامیہ نے وسیع پیانے پر کمپنی کا انتظامیہ نے وسیع پیانے پر کمپنی کا محاسبہ کرایا جس میں معیاری انتظامی نظام کی تفکیل، انتظامی نظام کی دستاویزات کا جائزہ، ما قبل محاسبہ اور ابتدائی جانج پڑتال شامل تھی۔ تکافل پاکستان کمپیٹز کے محاسبہ بیوروویر پیٹیز نے کہا ۔ بیوروویر پیٹیز کے محاسبان نے قوی حکمت عملیوں اور طریقہ کارپر مشتمل ماحول برقر اررکھنے کی کمپنی کی کاوشوں کو سراہا۔

ہم آئندہ بھی معیاری خدمات سرانجام دینے اور ہر مرحلے پر تعمیلی عمل کو آگے بڑھانے اور معیاری انتظامی نظام میں بہتری کی کوشش کرنے کے لئے پرعزم ہیں۔

#### **Profit & Loss Account**

For the Year ended 31 December 2019

#### PARTICIPANTS' TAKAFUL FUND (PTF):

**Gross Written Contribution** 

#### **Net Takaful contribution**

Net claims Contribution Deficiency Expense Wakala fee ReTakaful rebate earned Direct expenses

Net underwriting results Investment income Impairment on Equity Securities Return on bank balances Mudarib's share

#### Net investment income

Other income
Bank charges
Surplus for the year before taxation
Provision for taxation - current

Total surplus transferred to balance of Participants' Takaful Fund

#### SHAREHOLDERS' FUND (SHF):

Wakala fee

Commission expense Management expenses

Mudarib's share of PTF investment income Investment income Impairment on Equity Securities Return on bank balances Other income

#### Profit/(Loss) before taxation

Finance Cost

Provision for taxation - Current

Profit/(Loss) after taxation

Earnings/(Loss) after tax per share

میں سال بہ سال 3.9 فیصد کا اضافہ دیکھتے میں آیا ہے۔ کپنیوں کی سرمایہ کاری کی حکمت عملی اپنے مضبوط اپورٹ فولیو، بڑھتی ہوئی رعایتی شرح اور خطرے سے پاک سرمایہ کاری کار جمان ہے۔ جس کی وجہ سے 2018 کے مقابلے میں سرمایہ کاری سے آمدنی میں خاطر خواہ اضافہ ہوا ہے۔ مزید برآں 2019 کی آخری سہ ماہی کے دوران اسٹاک مارکیٹ انڈیکس کے مثبت رجحان نے ممپئی کی سرمایہ کاری کے پورٹ فولیو کو مشخکم ہونے میں مدد کی جس سے ایکویٹی کا نقصان معدوم ہوگیا۔

#### **Audited**

2018

2019

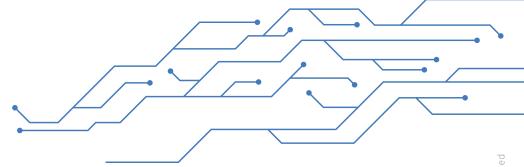
| Rupees                     | Rupees                        |
|----------------------------|-------------------------------|
| 1,031,812,796              | 375,856,315                   |
| 623,121,949                | 145,076,085                   |
| (316,556,556)              | (77,630,691)                  |
| 937,986                    | (937,986)                     |
| (310,068,297)              | (70,353,840)                  |
| 14,986,149                 | 10,897,817                    |
| 19,840,727                 | (5,178,974)                   |
| (630,541,445)              | (143,203,674)                 |
| (7,419,435)                | 1,872,411                     |
| 13,421,478                 | 6,812,527                     |
|                            | (6,555,012)                   |
| 6,850,641                  | 2,020,425                     |
| (5,068,030)                | (569,485)                     |
| 15,204,090                 | 1,708,455                     |
| 20,673,051                 | 119,595                       |
| (195,270)                  | (131,653)<br><b>3,568,808</b> |
| 28,262,375                 | (1,599,570)                   |
|                            | (1,555,570)                   |
|                            |                               |
| 28,262,375                 | 1,969,238                     |
|                            |                               |
| 310,068,297                | 70,353,840                    |
| (63,918,818)               | (25,853,126)                  |
| (261,626,829)              | (133,638,981)                 |
| (325,545,647)              | (159,492,107)                 |
| (15,477,350)               | (89,138,267)                  |
| 5,068,030                  | 569,485                       |
| 34,390,316                 | 8,179,167                     |
| -                          | (2,760,316)                   |
| 986,236                    | 5,908,683                     |
| 299,368                    | 921,469                       |
| 40,743,950                 | (76,319,780)                  |
| (2,820,233)<br>(5,446,482) | (879,423)                     |
| 16,999,885                 | (77,199,203)                  |
| .0,000,000                 | (77,133,203)                  |

سمپنی نے تحریری کنٹریبیوش میں 174.5 فیصد کا اضافہ ظاہر کیا جس میں 2018 کے 375.8 ملین روپے کے مقابلے میں 1031.8 ملین روپے کا فرق صاف ظاہر ہے جب کہ خالص کنٹریبیوشن کی ہالیت 1.1 623 ملین روپے ہے جو کہ 2018 میں محض 145.1 ملین روپے تھی اور اس میں 329.5 فیصد کا اضافہ دیکھنے میں آیا ہے۔

(1.52)

0.334

سرمایہ کاری کی کل آمدنی 55.6 ملین رویے ہے جو کہ 2018میں 13.6 ملین رویے تھی اور اس



## سمینی کی کار کردگی کاجائزه

کمپنی کے مالیاتی امور میں سب سے اہم امر مجموعی تحریری کنٹریبیوشن کے اعدادو ثنار ہیں جن سے یہ اندازہ ہو تاہے کہ کمپنی نے پورے سال میں کتنے واجبات کاذمہ لیا ہے۔

## مجوعي تحريري كنثرى بيوش

| Total         | 1,031,812,796 | 375,856,315 | 149,781,719 | 219,457,264 | 326,567,943 | 274,350,481           |
|---------------|---------------|-------------|-------------|-------------|-------------|-----------------------|
| Miscellaneous | 159,371,984   | 13,334,000  | 758,842     | 779,713     | 806,858     | 1,335,421             |
| Health        | 246,316,626   | 9,247,091   | 37,648,404  | 37,703,812  | 52,806,644  | 51,632,641            |
| Motor         | 574,720,232   | 301,533,584 | 63,667,166  | 126,220,676 | 222,562,542 | 158,144,216           |
| Marine        | 25,545,139    | 24,657,084  | 23,072,993  | 24,115,802  | 22,545,934  | 18,922,771            |
| Fire & Eng.   | 25,858,816    | 27,084,556  | 24,634,314  | 30,637,261  | 27,845,965  | 44,315,432            |
| Class         | 2019          | 2018        | 2017        | 2016        | 2015        | Rupees<br><b>2014</b> |

سال 2019 کے دوران کمپنی نے غیر معمولی کار کر دگی کا مظاہرہ کرتے ہوئے اپنے منافع کو سال گزشتہ (2018) کے مقابلے میں 174.5 فیصد کی سطح تک پہنچادیا۔۔ موڑکے کاروبار کا حصہ گزشتہ سال 2019 میں سب سے زیادہ رہااور مجموعی تحریری کنٹریبیوشن کا 56 فیصد موٹر کے کاروبارسے حاصل ہوا۔

کمپنی نے موٹر کے علاوہ دیگر کار وبار پر بھی زور دیاہے جو کہ پچھلے سال 2018 کے مقابلے میں صحت کے شعبے میں 2563.7 فیصد اور متفرق شعبہ جات میں 1095.2 فیصد کے زبر دست اضافے سے واضح ہے۔

## دوران مرت کلیمز کے اخراجات

#### Rupees

| Class         | Claim Expense | Retakaful and<br>Recoveries Revenue |             | akaful<br>Expense |
|---------------|---------------|-------------------------------------|-------------|-------------------|
|               |               | 2018                                |             |                   |
| Fire & Eng.   | 26,244,424    | 15,621,132                          | 10,323,292  | 65,214            |
| Marine        | 4,880,119     | 5,472,135                           | (592,016)   | (307,719)         |
| Motor         | 225,676,809   | 59,882,831                          | 165,793,978 | 59,697,552        |
| Health        | 111,877,855   | -                                   | 111,877,855 | 2,946,410         |
| Miscellaneous | 44,020,710    | 15,167,263                          | 28,853,447  | 15,229,234        |
| Total         | 412,699,917   | 96,143,361                          | 316,556,556 | 77,630,691        |

کسی بھی بیمہ سمپنی کے اکثر اخر اجات کا تعلق کلیم کی ادائیگی سے ہو تا ہے لیکن ہماری سمپنی مکمل طور پر شریعت کی تابع ہونے کے باعث ان اخراجات کو شرکاء کو فراہم کر دہ فوائد تسلیم کرتی ہے۔شرکاء کے در میان رسک کی تقتیم اسلامی بھائی چارے کے اصولوں پر مبنی

ہے۔ کاروبار میں ترقی کے باعث بچھلے سال کے مقابلے میں 2019 کے خالص کلیم 307.8 فیصد بڑھ چکے ہیں۔ اندرونی اختیارات کی مغنوطی کے لیے مسلسل کوشاں ہے۔ کے پی ایم جی- تأثیر ہادی اینڈ کمپنی قانونی محاسب، شریعت محاسب اور ٹیکس مثیر ہیں جبکہ ای وائی فورڈ رھوڈس اندرون خانہ محاسب کے علاوہ حسابات کی جائج پڑتال کے فرائض انجام دیتی ہے۔

ڈی لوائیٹ بحیثیت انظامی مثیر موجو دہ حکت عملیوں کو تازہ دم کرنے، نئی حکمت عملیوں کو تازہ دم کرنے، نئی حکمت عملیوں کو تشکیل دینے اور مختلف ضوابط و حکمت عملی کے ڈھانچوں پر مشاورت کے لیے کوشاں ہے۔ نہ کورہ بالا تمام پیشہ ورانہ فرمز کا تعلق ایس ای سی بی نے پینل آف آڈیٹر زکی 'اے 'کینٹیگر ہے ہے اور وہ متابی وہین الا قوامی سطح پر بگ فور آڈٹ فرموں میں شامل ہیں۔ کمپنی نے عثانی اینڈ کمپنی کو بھی ایپ ساتھ شامل کیا ہے۔ یہ ایک شرعی مشاورتی کمپنی ہے جو کہ معزز جسٹس (ریٹائرڈ) مفتی حجمہ لقی عثانی اور چیئر میں مقان قرید کی رہنمائی میں کام کرتی ہے۔ مزید پر آل کمپنی نے مشل طیب علی اینڈ کمپنی کو اپنا قانونی مشیر مقرر کیا ہے۔

یہ وقت انفرادی طور پر ، کنبوں کے لیے بلکہ بلاشیہ تمام معاشر وں اور معیشتوں کے لیے ہی انتہائی مشکل ہے۔ ہم بہترین قیادت تلے منہک افرادی قوت کے ساتھ شر کاء اور معاشرے کی خدمت کے لیے انتھک محنت کر رہے ہیں اور ان کو اس بحر ان سے سنجھلنے میں مدد کرنے کے لئے بھر پور طریقے سے کوشاں ہیں۔

## سميني كاانظامي لاتحه عمل

بورڈ کی تشکیل میں بشہول صنف، بنیادی قابلیت اور تنوع کو مد نظر رکھا جاتا ہے۔ بورڈ کے ہر رکن کی سالانہ بنیاد پر خود تشخیصی مشق ہوتی ہے علاوہ ازیں بورڈ کی مجموع کی کار کردگی کا بھی جائزہ لیا جاتا ہے۔ یہ امر سمپنی کے مضبوط انتظامی لاتحہ عمل کی جانب اشارہ کر تاہے۔ کمپنی انتظامی لاتحہ عمل اور

## شيئر ہولڈنگ کانمونہ

| Number of    | Shareholdii | Shares Held |              |
|--------------|-------------|-------------|--------------|
| shareholders | From        | То          | Sildres neiu |
| Ο            | 1           | 100         | -            |
| 9            | 101         | 5,000       | 8,500        |
| 2            | 5,001       | 3,000,000   | 5,549,500    |
| 1            | 3,000,001   | 5,100,000   | 5,099,000    |
| 1            | 5,100,001   | 9,300,000   | 8,699,500    |
| 4            | 9.300.001   | 11.400.000  | 41.942.404   |

| Categories of shareholders   | Shareholders | Shares held   | Percentage %          |
|--|--------------|---|-----------------------|
| Associated Companies, Undertaking and Relate<br>House Building Finance Company Limited<br>Al Baraka Bank Pakistan Limited<br>Sitara Chemical Industries Limited  | ed Parties   | 8,699,500<br>5,099,000<br>2,999,500<br><b>16,798,000</b>  | 14.2%<br>8.3%<br>4.9% |
| Directors Mr. Salim Habib Godil Syed Rizwan Hussain Mr. Shahzad Salim Godil Syed Salman Hussain Mr. Ahmed Shuja Kidwai   |              | 10,485,602<br>10,485,601<br>10,485,601<br>10,485,601<br>500   |                       |
|  | 5            | 41,943,405  | 68.40%                |
| Joint Stock Company  | 1            | 4,500   | 0.01%                 |
| <b>Foreign Investors</b><br>Mal Alkhaleej Investments LLC  | 1            | 2,550,000   | 4.2%                  |
| Individuals/Others   | 7            | 3,500   | 0.01%                 |
| Total  | 17           | 61,298,905  | 100%                  |
| Shareholders holding 5% or more voting interest<br>House Building Finance Company Limited<br>Al Baraka Bank Pakistan Limited<br>Mr. Salim Habib Godil<br>Syed Rizwan Hussain<br>Mr. Shahzad Salim Godil<br>Syed Salman Hussain | s <b>t</b>   | 8,699,500<br>5,099,000<br>10,485,602<br>10,485,601<br>10,485,601<br>10,485,601<br><b>55,740,905</b> |                       |

## ڈائر یکٹر زربورٹ

تکافل پاکستان لمیٹڈ کا بورڈ آف ڈائر میٹر ز (جو کہ اس دستاویز میں آئندہ لفظ بورڈ سے منسوب ہوں گے ) 31 دسمبر 2019 کے اختتام پر سمپنی کی چود ھویں سالانہ رپورٹ اور جانچ پڑتال شدہ حتم مالیاتی گوشوارے بشمول محاسب کی رپورٹ بیش کرتے ہوئے مسرت کا ظہار کرتا ہے۔

## مستمينى كالمخضر تعارف

کافل پاکتان کمیٹٹہ (جو کہ اس دستاویز ممیں آئندہ لفظ سمپنی سے منسوب ہو گی ایک غیر اندراج شدہ پبلک کمیٹئہ سمپنی ہے جو پاکستان ممیں جون2006کو کمپنیز آرڈیننس1984 کے تحت تشکیل پائی۔ سمپنی کے کاروباری معاملات کا آغاز 12 مارچ2007سے ہوا۔

کمپنی کا اندراج شدہ آفس چھٹی منزل بزنس سینٹر اے1-19 بلاک 6 پی ای سی ان کا ایس شاہراہ فیصل کراچی میں واقع ہے۔

کمپنی عمومی تکافل کی سہولیات مہیا کرتی ہے جن میں موٹر، صحت، بحری، آتشزدگی اور انجینئرنگ وغیرہ کے شعبہ عبات شامل ہیں اور کمپنی ان شعبہ عبات سے متعلق ہر نوعیت کے خطروں کے امکانات کا ذمہ لینے کی صلاحت کی حامل ہے۔علاوہ ازیں کمپنی کے مقامی اور بین الاقوامی ربی تکافل آپریٹرز کے ساتھ انظامات طے شدہ ہیں جس کی بنا پر کمپنی اسپیشلائزڈ رسک،امبریلاکورز، بنیاد کی ڈھانچے سے منسلک پر وجیکٹس،کاروباری خطرات اور صارفین کے لئے ہمہ گیر کورتے مہیا کرتی ہے۔مزید ہر آل کمپنی اسلامی - بینکاری اور بڑے کاروباری گر دوبوں کو خصوصی طور پر تشکیل دیے گئے تکافل سلیوش تھی مہیا کرتی ہے۔

## بإكستاني معيشت

نئے کروناوائرس کی وباء کے باعث دنیاا یک بے نظیر معاشی بحران سے گزر رہی ہے۔ آئی ایم ایف کی پیش اندازی کے مطابق دنیا کی اصل جی ڈی پی کی شرح ٪3.0- تک گر جائے گی جس کی وجہ سے نئے کروناوائرس کی روک تھام کے لیے نافذ کیے گئے لاک ڈاؤن کو جو کہ 2008 کے عالمگیر مالی بحران کے مقابلے میں خاصا ابتر ہے 1930کے گریٹ ڈپریشن کے بعد کی بدترین کساد بازاری قرار دیاجارہاہے۔

اس عالمی وباء کی وجہ سے دنیا کو بے نظیر صحت، معیشت اور مالی استحکام کے مسائل کا سامنا در پیش ہے۔ ابھرتی ہوئی مارکیٹ معیشت نے پورٹ فولیو فلوز میں اب تک کی سب سے تیز تقلیب کا سامنا کیا ہے۔ عالمگیر سطح پر ایکوٹی قعیمتوں میں 15سے ×20کازوال آیاہے اور کیپیٹل آؤٹ فلوز میں شدت دیکھی گئی ہے۔

معاشی بحران پر قابوپانے اور مالی استحکام کی حفاظت کی خاطر دنیا بھر کے سنٹرل بینکوں نے مانیٹری پالیسی ممیں نرمی برتے ہوئے مالیاتی نظام میں لکویڈیٹی فراہم کرنے کے لئے اہم اقدامات اٹھائے ہیں۔

مزید بر آن یہ کہ دنیا بھر کی حکومتوں نے بروفت اور بڑے پیانے پر مالی اور معاشی اسٹیمیولس پیکیجز متعارف اور لا گو کیے ہیں۔

پاکتان کی معاشی حالت جو پہلے کے مقابلے میں قدرے بہتر ہوگئ تھی مگر کروناوائرس کے عالمی وہا کی وجہ ہے معیشت میں طلب اور رسد کے جھٹکوں کے باعث معاشی افزائش میں تیزی ہے کی واقع ہو گئ جس کا تخمینہ 2020کے مالی سال میں ×1.5 و گایا گیاہے۔ ایکسپورٹ اور تر سلات زر میں تیزی ہے کمی واقع ہونے کا اندیشہ ہے جو مارکیٹ تک رسائی کے عارضی نقصان کے ساتھ مل کر فوری سیلنس آف بے منٹ کی ضرورت کونا گزیر کر دے گا۔

اسٹیٹ مبیک آف پاکستان نے افزائش اور اقتصادیات کی توقعات میں کی پر غور کرتے ہوئے پالیسی کی شرح کو 9 فیصد تک کم کر دیاہے۔اسٹیٹ بینک مانیڑی پالیسی کمیٹئی کامانناہے کہ یہ قدم اشخانے سے کروناوائزس کے افزائش وروزگار پر پڑنے والے منفی اثرات زائل ہونگے اور مالی استحکام کوبر قرار رکھنے میں آسانی پیداہوگی۔

حکومت نے بڑے پیانے پر 12 کھرب روپے کے ریلیف پیکیج بھی متعارف کروائے جن کا مقصد پسماندہ طبقات کی مد د کرنے کے ساتھ معیشت کے مستکم شعبوں کی حمایت کرناہے جو کروناوائزس کی وباء سے بحران کا شکار ہیں۔

آئی ایم ایف ایگر یکٹوز بورڈ نے کروناوائرس کی وباسے نمٹنے کے لیے پاکستان کو بھیجنے کے لیے 1.386 اربڈالر کی منظوری دے دی ہے۔

آگے چل کر اس عالمی وبامیں کمی واقع ہونے کے ساتھ عالمگیر سطیر بحالی متوقع ہے۔ دنیااس وقت امید و بیم کی سیفیت سے دوچار ہے۔ بہر حال حکومت کے لیے فی الحال پہلی ترجیح کر وناوائز س کی وبا کے پھیلاؤ کورو کنا، معاثی نقصان قابوپانا، متاثرین وباءاور غریب طبقے کی مقاظت کرناہے۔

## كاروباري چيلنجزاورمواقع

کروناوائرس کی وباء معیشت، صارفین کی طلب اور رویه، بر آمد کنندگان، کاروبار اور صنعتوں کو متاثر کر رہی ہے۔ معاثی تباہ حالی مکند طور پر کاروباری سرگر میوں پر اثر انداز ہوگی جس کے متاثر کر رہی ہے۔ معاشی تباہ حالی مکند طور پر کاروباروں پر فرق پڑے گا۔ مزید یہ کہ افزاکش اور دویگر کاروباروں پر فرق پڑے گا۔ مزید یہ کہ افزاکش اور روز گار پر کروناوائرس کی وباء کے اثر کوزاکل کرنے کی خاطر سنٹرل بینک کی طرف سے مانیٹری پالیسی میں گئی نرمی کی وجہ سے پالیسی کی شرح میں گراوٹ کے نتیج میں اجارہ اور صارفین کو قرض دینے والے کاروبار جو موٹر سیکسٹ کے لیے سازگار ثابت ہو گئے ہیں میں اضافیہ ممکن ہے مگر کروناوائرس کی وباء سے متاثرہ کاروباروں کے صارفین کی افراجات اور آمدنی کی سطح میں خلل اندازی اس پر بھی حاوی ہو سکتی ہے۔ مزید بر آل، مقررہ آمدنی کی پیداوار پیداوار میں کی اور عالمی سطح پرایو ٹی مارک کی پیداوار پر بھی مناق اثر اس پڑنے کے امکانات ہیں۔

معاثی دھچکے کی شدت اور اس کی مدت کے بارے میں بے یقینی کی فضاء ہے اور سماتی فاصلول اور علیمی فلسلے کی دھناء ہے اور سماتی انجام دینے میں اور علیمہ گل سے متعلق پالیسیوں کی وجہ سے متحرک کاروباری سرگر میاں انجام دینے میں مشکلات کاسامنا ہے۔ اس طرح کی کساد بازاری میں اکثر کم آمد ٹی رکھنے والے افراد کو نقصان اٹھانا پڑتا ہے جس نے کی وجہ سے غربت اور عدم مساوات کی شرح میں اضافہ ہو تا ہے۔ کاروبار تباہ ہونے اور بیروز گاری میں ممکنہ اضافے سے اگلی پر یمیم اوائیگیوں میں کی کا امکان بڑھ جاتا ہے جس سے مالی شخفط کی ضرورت بڑھ جاتا ہے۔

حکومت نے معیشت کو تقویت دینے اور کمزور شعبہ جات کی مد د کے لئے بروقت اور بڑے مالی سٹیمیولس پیکجز متعارف کرائے ہیں۔ حکومت کی اولین ترجیح کر وناوائر س کی وباء کے پھیلاؤ پر قابوپانا، او گوں کی حفاظت کرنااور معاثی نقصان کو محدود کرناہے۔

کر دنا دائر س کی وباء کی وجہ سے لوگ اپنی انفرادی صحت کے لیے بیمہ کی ضرورت کو مد نظر رکھیں گے۔ مزید یہ کہ اس کے نتیجے میں تنظیمیں تیزی سے تکنیکی ترقی کی راہ پر گامزن ہوتے ہوئے مزید مستعد، منسوب وہ اثریذ پر ہونے کی کوشش کریں گی۔

کوروناوائرس کی وباء کے بیش نظر پیدا ہونے والے ساجی فاصلے کو پاٹیے ہوئے سرور تک رسائی حاصل کرنے اور فاصلے سے بات چیت کرنے کے لیے ڈیجیٹل انقلاب جو کہ سسٹم، سرور اور افرادی قوت کوضم کرے ناگزیرہے۔

## FORWARD LOOKING STATEMENT

### **Company's Outlook:**

We remain focused on exceeding our customer expectations in delivering exceptional services and peace of mind, by providing quality services on time, and work with honesty, diligence and responsibility.

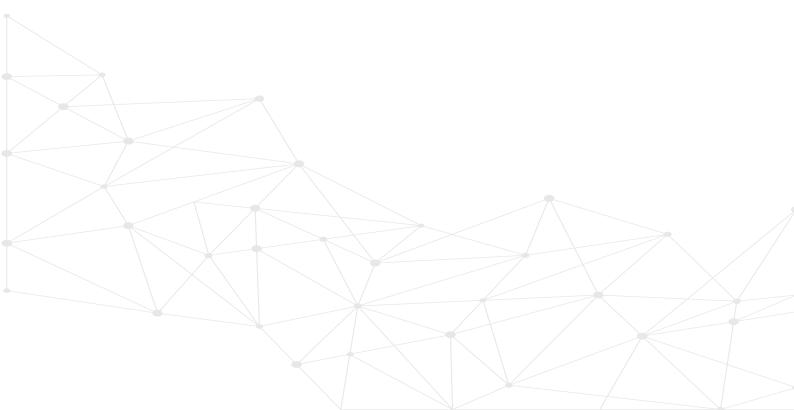
We plan on creating a robust product team, which will recognize, research and execute new products. Our product aspirations include new and improved index-based approaches towards the agriculture and crop Takaful market, allowing us to efficiently calculate and effectively deliver in the market.

Furthermore, we plan on expansion based on the Alternative Distributions as well. We have partnered with aggregators to penetrate and diversify its distribution strategy, which aims to formulate strategic alliance with other channels which includes online aggregators, payment partners and collectors for COD enablement, which would promote and penetrate the Takaful services among masses.

We plan to penetrate in the Student academia. This aims at educating the students, creating awareness amongst the masses about Takaful to encourage students and related parties to partake actively in the process, both as Recruits and as individuals trying to protect their assets and themselves.

With our competitive strategies and services, we aim at vigorously expanding our Takaful Business and capturing a larger market share.

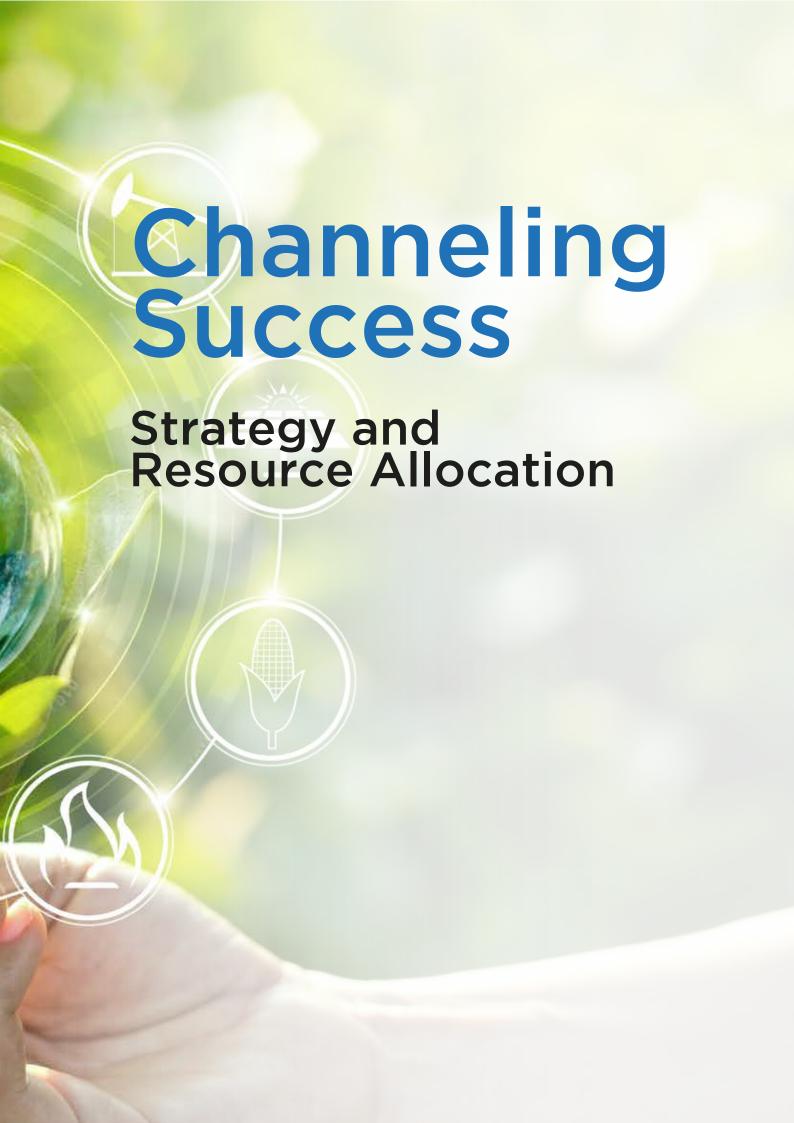
We strive to be the top of the mind Takaful Brand for our participants in all spheres including but not limited to competitiveness, service standards and business ethics - we also aspire to grow beyond borders and become a global Takaful operator.



## **Performance of Company and Status of Projects against** Disclosures Made in the Forward-looking Statement of Previous Year:

| Forward Looking Statement made in 2018   | Performance made in 2019  |  |  |
|--|---|--|--|
| Enhancement of penetration in Car Ijarah<br>Finance Market                       | We have achieved a healthy growth of 90.6% YoY in business underwritten in motor class.   |  |  |
| SME focused Takaful Solutions around<br>Marine, Property, Engineering and Health | 80% of our newly acquired portfolio of 2019 centered around the provision of Marine, Property, Engineering and Health Takaful Solutions to our SME customers.   |  |  |
| Initiation of Travel Takaful Program   | Our "Salam Journey" Travel Takaful<br>Program has been initiated and will<br>successfully be launched by mid-2020.  |  |  |
| Initiation of Agri Takaful Program   | Our "Zarai Salamti" Agri Takaful Program has been initiated and will successfully be launched by mid-2020.  |  |  |
| Augmentation of Agency Channels to boost growth                                  | We have established agency network and business development department, bringing in new resources and increased number of brokers on board.   |  |  |
| Development of Alternate distribution channels                                   | We have established relationships with various partners such as Daraz, Telemart, and Telenor Bank to ensure penetration and promotion of our products to various mediums such as online, franchise and e-wallets. |  |  |
| Digitalization of Takaful Solutions and processes                                | Online applications for various services have been established and are ready to be launched.  |  |  |





## ORGANIZATION'S RESOURCES

The Company uses different resources to accomplish its strategic objectives. Through following integrated reporting methods which focus on concept of value by various forms of capitals that are defined as under:

### **Financial Capital:**

Financial Capital relates to the pool of funds that is available to an organization for use in the production of goods or the provision of services obtained through financing or generated through operations or investments. All the financial resources of the Company are utilized effectively and efficiently under the policies and guidelines framed by the Board of Directors. Following are the brief description of major financial resources and their management by the Company:

## **Cash Management:**

The Company actively manages liquidity risk to ensure adequacy of cash flows to meet the policyholders' obligation. Cash and liquidity management is responsibility of Finance Department wherein experienced and competent staff responsible for monitoring managing the liquidity on a regular basis under the supervision and guidance of the Chief Financial Officer.

During the year Rs. 339.8 million (2018: Rs. 79.6 million) cash outflows have been made on account of payments of claims to policyholders.

Currently, the Company has maintained current ratio of 148.4% (2018: 154.5%) and Cash & Bank Deposits balances of Rs. 538.1 million (2018: Rs. 283.8 million) which accounts for 38% of the total assets as of December 31, 2019 (2018: 30% of total assets).

### **Investment Management:**

There is a separate function for investment management where competent experienced staff manages the investments efficiently and effectively staying abreast with the stock and money market of the country and exploring other investment avenues to earn higher investment yield. The Investments Manager is responsible for the investment function and reports to the Managing Director & CEO. The investment function has been segregated into Front, Middle and Back Office to ensure compliance with the requirement of Code of Corporate Governance.

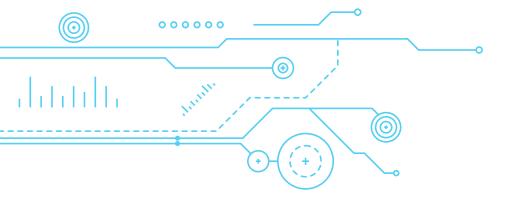
Investment position performance is also reviewed timely by the Investment Committee of the Board.

## **Human Capital:**

Human Capital relates People's to competencies, capabilities and experiences, and their motivations to innovate. There is a team of competent, professional and talented staff in their respective fields to run of the Company. operations management is keen in development of the Human Resource via timely trainings, motivating staff, and creating a friendly environment across the organization.

## **Manufactured Capital:**

Manufactured Capital relates to physical objects that are available to an organization for use in the production of goods or the



provision of services. The physical assets of the Company are utilized effectively and efficiently for business purposes. The Assets of the Company are adequately covered against any internal and external threat via insurance/takaful and other internal care. Access to the Company's premises is monitored and controlled using Biometric machines. Assets are properly tagged and recorded in Fixed Assets Register.

### **Intellectual Capital:**

Intellectual Capital relates to intangibles, including intellectual property such as software, organizational capital such as knowledge, systems and procedures. The company is keen to develop this capital as it enables the organization to accomplish its objectives effectively. Knowledge is shared and developed among the employees via trainings and is augmented via educational support to employees for professional qualifications, confidential information is handled with care, software is developed

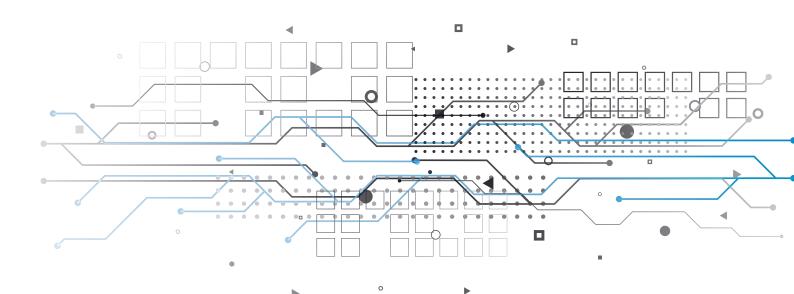
internally by team of IT experts and are secured and protected against any cyber-attacks.

## Social and Relationship Capital:

Social and Relationship Capital relates to Shared norms, common values and behaviors. Organization has created an environment that focuses on culture of diligence and care, striving to protect and build robust relationship with customers, suppliers, business partners and other external stakeholders.

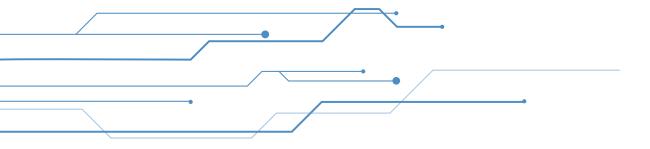
### **Natural Capital:**

Natural capital is another term for the stock of renewable and non-renewable resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people. Management is passionately working on implementing paper-less environment and establishing a green-environment across the organization.



## **KEY PERFORMANCE AREAS AND OBJECTIVES (KPA)**

|            |          | KPA                   | Objective 2019   | Measure   |
|------------|----------|-----------------------|--|---|
|            | EXTERNAL | Distribution Channels | To increase penetration deeper into consumer mindset to ensure penetration into untapped resources | <ul><li>Increasing sales<br/>team</li><li>Increasing sales<br/>penetration</li></ul>  |
| RM         | EX.      | Customer Services     | To ease Customer services and ensure customer trust  | <ul><li>Customer services</li><li>Customer awareness</li></ul>  |
| SHORT TERM | 'n       | Trainings             | Increase employees<br>capabilities to better<br>suit Takaful Pakistan<br>Limited's needs           | <ul><li>Increasing sales<br/>team</li><li>Increasing sales<br/>penetration</li></ul>  |
|            | INTERNAL | Human Capital         | Organizing Human Capital to assist the company in achieving its goals and objectives               | <ul> <li>Performance<br/>Enhancements</li> <li>Performance Based<br/>Approvals</li> <li>Succession Planning</li> <li>Employee Motivation</li> </ul> |
|            | EXTERNAL | Collaborations        | Penetrating the untapped markets and increasing Takaful Pakistan Limited's reach                   | <ul><li>Student based<br/>collaborations</li><li>Academic/University<br/>Collaborations</li></ul>   |
| ITERM      | EXTE     | Customer Excellence   | To ensure customer long-term satisfaction and help Takaful achieve Brand status                    | <ul><li>Customer<br/>satisfaction</li><li>Customer Surveys</li></ul>  |
| MEDIUM TE  | NAL      | Product Development   | Increasing line of<br>Businesses to ensure a<br>better competitive<br>advantage                    | <ul><li>Hiring Product Development Executives</li><li>Marketing</li></ul>   |
|            | INTERNAL | I.T                   | To incorporate top of<br>the line I.T systems and<br>ensure International<br>level incorporation   | <ul><li>Updating systems</li><li>Incorporation of international systems</li></ul>   |
|            |          | LONG TERM             | To become the hub of Tal   | kaful in Pakistan   |



## Strategy to Overcome **Liquidity Problems**

Liquidity measures the ability of an institution to meet its short-term funds obligations. It measures the ability of a company to pay off its short-term liabilities when they fall due. This is achieved by comparing a company's most liquid assets, those that are easily converted to cash, with its short-term liabilities.

The company has maintained optimum investments and amp; robust cash flows ensuring timely payments of claims and other payables. The cash balances are placed in High Rated Banks at higher profit rates to achieve optimum investment yield. The cash balances including bank deposits are around Rs. 538 million (2018: Rs. 284 million).

All long and amp; short-term liquidity requirements are kept in consideration while formulating investment strategies. Moreover, appropriate levels of liquid securities are also held for compliance with statutory requirements. The liquidity management is closely monitored under supervision of Chief Financial Officer.

## Significant Plans and **Decisions such as Business** Expansion

Considering Business expansion, Takaful Pakistan Limited foresees immense potential in the travel segment and is currently in the process to develop a product aimed at the Hajj and Umrah travelers. We are also planning to venture into the Agri-market as there is no Takaful product currently available in the market for this avenue. With strong support increased sponsor and synergies with associated companies, Takful Pakistan Limited expects to increase its presence within insurance/takaful industry of Pakistan. Furthermore, Company plans to expand its branch network coverage.

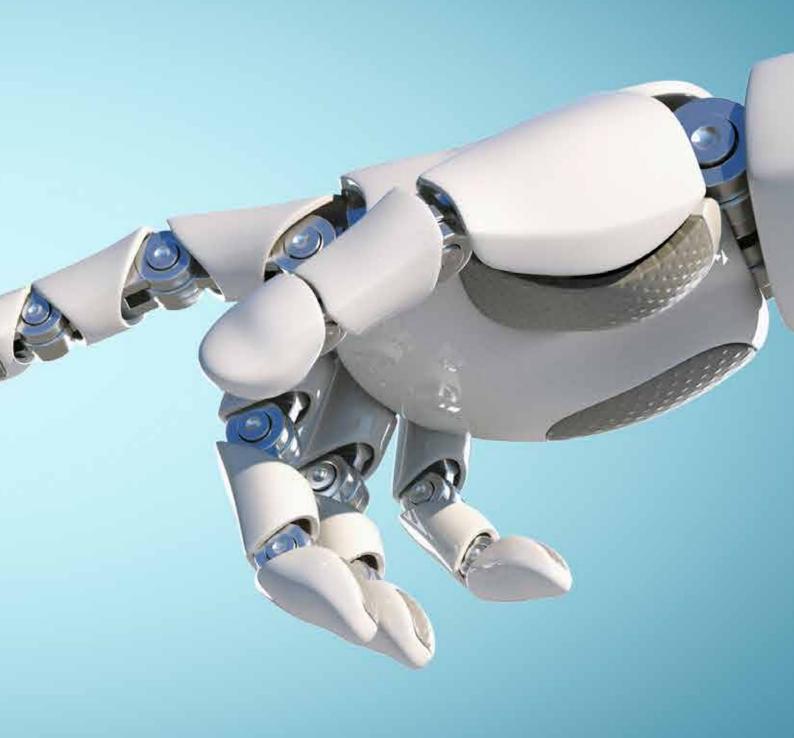
## Significant Changes in **Objectives and Strategies** From Prior Years

Management is keen to augment non-motor businesses such as Health, micro Aari and focused businesses in addition to continuing its growth momentum in motor segment.

# Connecting Horizons



## Stakeholders' Relationship and Engagement



## STAKEHOLDERS' RELATIONSHIP AND ENGAGEMENT

Stakeholder engagement has always been crucial to an organization's performance. Takaful Pakistan Limited engages with various kinds of Stakeholders, we have

identified and explained below the types of Stakeholders with their importance, their nature of engagement and frequency of interaction.

| Stakeholders      | Mapping   | Why they are important   | Nature of engagement   | Frequency   |
|-------------------|-----------|--|--|---|
| Shareholders      | Connected | They are the owners of the company. They expect a return on their investment. Decisions are made in line with increasing shareholders' value.                              | <ol> <li>AGM</li> <li>EOGM's</li> <li>Interim reports</li> <li>Annual reports</li> </ol>   | <ol> <li>Annually</li> <li>When required</li> <li>Quarterly</li> <li>Annually &amp; available<br/>at Investor Relations<br/>on Website</li> </ol> |
| Customers         | Connected | They are our business partners. They buy our policies which in turn drives our contributions. They expect quality and drive demand for our policies through word of mouth. | <ol> <li>Direct<br/>relationships</li> <li>Websites/<br/>Social Media</li> </ol>   | <ol> <li>Continuous<br/>gatherings</li> <li>Continuous<br/>availability</li> </ol>  |
| Employees         | Internal  | They are the backbone of our success and lifeblood for our Business. Company could not achieve success or be able to endlessly grow without its employees.                 | <ol> <li>Interaction with<br/>management</li> <li>Appraisals</li> <li>Employee<br/>events</li> <li>Website/Social<br/>Media</li> <li>Newsletter</li> </ol> | <ol> <li>Daily</li> <li>Annually/Semi annually</li> <li>Frequently</li> <li>Continuous availability</li> <li>Quarterly</li> </ol>                 |
| Government bodies | External  | Determine policies that could positively or negatively impact organization.  | <ol> <li>Specific         Queries</li> <li>Submission of         statutory         returns</li> </ol>  | <ol> <li>As required</li> <li>As required</li> </ol>  |
| Banks             | Connected | Provision of Finance,<br>Business, Investment<br>Avenues.  | <ol> <li>Direct<br/>relationships</li> <li>Meetings</li> <li>Financial<br/>Information</li> <li>Website /<br/>Social media</li> </ol>                      | <ol> <li>Frequently</li> <li>As needed</li> <li>As needed</li> <li>Continuous<br/>availability</li> </ol>   |
| Media             | External  | Ability to influence brand awareness and perception.   | <ol> <li>Advertising campaigns</li> <li>Press releases</li> <li>Interviews</li> </ol>  | <ol> <li>Periodic</li> <li>Periodic</li> <li>Periodic</li> </ol>  |

| Stakeholders | Mapping  | Why they are important   | Nature of engagement                       | Frequency  |
|--------------|----------|--|--|--|
| Communities  | External | From Community, business is closely integrated, organization draws their resources from it, their impact drives company's performance. | 1. Events to support various Communities . | <ol> <li>Blood donation camp</li> <li>Sponsorship to "One Man Show"</li> <li>Medical eye camp</li> <li>Winner Best         Corporate Annual         Report Award</li> <li>Certificate of Merit         for best corporate         and sustainable         report by SAFA</li> <li>Brand of the year         Award</li> <li>Breast Cancer         Awareness Sessions         in Collaboration with         Shaukat Khanum         Hospital</li> <li>Diabetes Camp in         Collaboration with         Altamash Hospital</li> <li>Takaful Rendezvous         Conference,         Malaysia</li> <li>Takaful &amp; Insurance         Conference, Kenya</li> <li>Financial Crime         Summit 2019</li> <li>Financial Crime         Summit 2019</li> <li>IFN conference</li> <li>Aiesec – National         Youth Development         Program</li> </ol> |

## Steps Taken by the Management to Encourage Minority Shareholders to Attend the General Meetings.

The Company strived best to encourage minority shareholders to attend general meeting by providing them all pre-meeting material including annual reports, working notes, decision related issues along with drafts of resolutions to be pass at the meeting and information on the appointment of proxy and voting procedures. This was done to provide opportunity to the shareholders including minority shareholders to read keep parts of the report and working notes and

formulate questions (if any) to be raised with the management and seek clarity on the state of facts. The company duly provided opportunity for inspection of company documents, corporate registers and minutes book with an objective to encourage shareholders to take keen interest in the business prospects and progress of the company besides providing active discussion forum during the meeting to analyze past performances and evaluate future business policies.





#### **RISK MANAGEMENT POLICY**

The Board of Directors of Takaful Pakistan Limited meets frequently throughout the vear to discharge its oversight responsibility related to risk management practices of the Company. The Board has approved risk management policies and risk appetite of the Company and meets frequently to review the periodic risk management reports and ensure appropriate actions are taken when risks faced by the Company exceed the risk appetite. The Board also reviews the risk management policies and systems periodically to ensure that the policies reflect changes in market conditions and the Company's activities.

The Board has delegated certain risk management responsibilities to the Risk Management and amp; Compliance Committee as a means to facilitate a more streamlined operation since many of the risk management activities have accelerated timing. The Board also conducts and encourages discussions between its members and the RMCC regarding the operations and risk management objectives, processes and risk exposures.

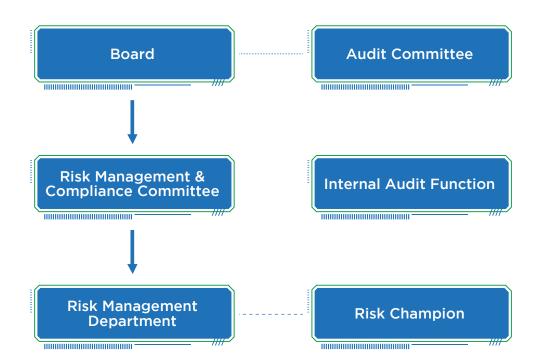
## BOARD EFFORTS FOR DETERMINING COMPANY LEVEL OF RISK

The Company's risk management architecture is overseen by the Board of Directors (BOD) and policies to manage risks are approved by the Board.

Boards' Responsibilities regarding risk management including but not limited to are as follows:

- Ensure that the organization has proper risk management framework.
- Define the risk strategy and risk appetite for the company.

- Approve various risk management policies.
- Ensure that senior management takes necessary steps to identify, measure, monitor and control risks faced by the Company.
- Obtain feedback from Risk Management and Compliance Committee over the significant risks faced by the Company.



# Takaful Pak

|         | INTERNAL &<br>EXTERNAL                         | Δ <u></u>           | CE (IF RED) (IF TY IS RED)   |           | CTUA<br>RISK<br>ATIN |        | <u>`</u> }<br>z⊑.   |            | SIDI<br>RISK<br>ATIN |        | Σ   |
|---------|--|---------------------|--|-----------|----------------------|--------|---|------------|----------------------|--------|---|
| Sr. No. | ISSUES/<br>NEEDS/<br>EXPECTA-<br>TIONS         | RISK /<br>OPPORTUNI | CONSEQUENC<br>RISK IS<br>ENCOUNTER<br>/BENEFIT<br>OPPORTUNI  | ПКЕЦІНООБ | IMPACT               | RATING | MITIGATIOI<br>OPPORTUN<br>PURSUIT<br>PLAN   | LIKELIHOOD | IMPACT               | RATING | REVIEW<br>MECHANISM   |
| 1       | Participants'<br>Expecting<br>Quality          | Opportunity         | Participants' expectations of Quality services will foster innovations in service.   | 3         | 4                    | 1 2    | Company is focused on the Participants' satisfaction; Company is further innovating in technologies for all its Participants.                                   | 4          | 4                    | 1 6    | Participants'<br>Feedback is<br>obtained by<br>the Customer<br>Support<br>Department.                 |
| 2       | On Time Claim<br>Process/<br>payment           | Risk                | The Participants of takaful want their claims payment set as highest priority, but possible delays owing to external/internal factors may result in customer dissatisfaction.  | 2         | 4                    | 8      | Customer Support department makes frequent follow up calls to ensure that participants are satisfied and guides them accordingly regarding the status of claim. | 1          | 4                    | 4      | Follow up<br>calls and<br>customer<br>feedback<br>form from the<br>Customer<br>Support<br>Department. |
| 3       | Participant<br>could refer new<br>Participants | Opportunity         | Participant associated with the company may refer the company to others on the basis of quality services.  | 2         | 3                    | 6      | Customer Support Department to calls for customer feedback along with information calls after intimation of claims by participant.                              | 3          | 3                    | 9      | -   |
| 4       | Retakaful and<br>Co-Takaful<br>Risk            | Mixed               | Company is exposed to the credit risk with its Co-takaful parties and Retakaful operators it may be possible that the other parties and operators might be unable to discharge their liabilities and exposes company for complete liability. | 1         | 4                    | 4      | The company deals with A rated Retakaful and Co-Takaful parties with strong financial strength rating to mitigate these risks.                                  | 1          | 2                    | 2      | Control Agreement is signed between the company Retakaful and Co-Takaful agent.                       |

**RISK AND OPPORTUNITY ANALYSIS** 

|   | (0)                                  | )<br> <br> -<br> <br> |   |   |   |     |                              | ) | п | · · · · |                               | <b>~</b> ° |
|---|--------------------------------------|-----------------------|---|---|---|-----|------------------------------|---|---|---------|-------------------------------|------------|
| 5 | Appropriate Training and Development | portunity             | Appropriate training to employees helps | 3 | 4 | 1 2 | Company provides appropriate | 4 | 4 | 1 6     | Training planning and records |            |

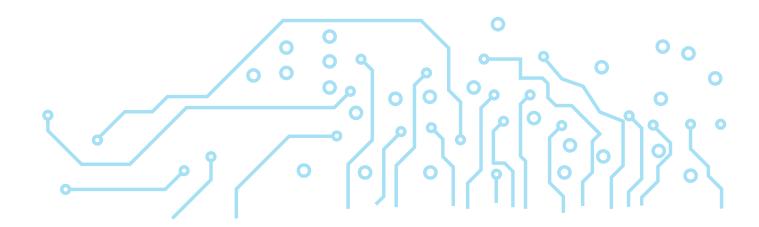
| 5 | Appropriate<br>Training and<br>Development<br>of Employees   | Opportunity | Appropriate<br>training to<br>employees helps<br>employees to<br>deliver work in an<br>efficient manner<br>for the company.  | 3 | 4 | 1 2 | Company provides appropriate training to its employees on need basis, along with support to its employees for achieving their academic targets.                           | 4 | 4 | 1 6 | Training planning and records maintenance for the employee.   |
|---|--|-------------|--|---|---|-----|---|---|---|-----|---|
| 6 | Employees Job<br>Security and<br>Healthy Work<br>Environment | Risk        | Employees are more productive when they do not fear losing their jobs as this stress may affect the quality of work performance.   | 2 | 3 | 6   | Company arranges official annual picnics and has a Human Resource department which takes appropriate actions for providing healthy and safe environment to its employees. | 1 | 2 | 2   | Job<br>confirmation<br>letters and<br>employee<br>performance<br>evaluation are<br>based on the<br>annual<br>performance. |
| 7 | Reward and<br>Recognition of<br>their efforts                | Risk        | Lack of rewards<br>and recognition of<br>employee's work<br>may<br>cause<br>dissatisfaction<br>in the employees.   | 3 | 2 | 6   | Annual appraisal/ promotions are provided to employees based on their performance.  | 2 | 1 | 2   | Annual Employee performance evaluation is performed based on their work recognition.                                      |
| 8 | Regulatory<br>Body<br>Requirements                           | Risk        | In case of failure for meeting up any regulatory requirement of regulator the company may end up in penalties, show cause notice and any other extreme measure from the regulator. | 3 | 4 | 1 2 | The Company has a designated legal and compliance department which actively monitors all regulatory requirements of the company.  | 2 | 2 | 4   | Compliance<br>report traces<br>the quarterly<br>number of<br>non-complian<br>ces for the<br>company.                      |
| 9 | Competitors of<br>the Company                                | Risk        | There are various Takaful providing competitors in the market to whom the company may lose business if it lags behind in any sector.   | 2 | 4 | 8   | Every Department of Takaful Pakistan Limited is keen to provide quality and up to the mark services to its customers.   | 2 | 3 | 6   | Review of<br>Audit report<br>of different<br>service<br>providers in<br>the country.                                      |

| 15 | Know your<br>customer<br>(KYC) and<br>customer<br>verification | Risk | Participants' details are verified by different means for performing KYC. Any lacking in verification of data may expose Takaful Pakistan Limited to the perils of providing coverage to unidentified high-risk a participants. | 2 | 3 | 6 | Complete file is formed at the time of issuing of policy and Maker-checker principal is in place.  | 1 | 2 | 2 | Every file is signed by Head of Operations before initiating the policy.   |
|----|--|------|---|---|---|---|--|---|---|---|--|
| 16 | Investment Risk/<br>Market Risk                                | Risk | It is a measure of the level of uncertainty of achieving the returns as per the expectations of the investor. The uncertainty occurs due to fluctuations in stock market and interest rates because of Macroeconomic factors.   | 3 | 3 | 9 | Takaful Pakistan Limited has a robust investment and risk management department in place which made investment decision after analysing multiple factors. The company observes a prudent policy to minimize this risk through diversification of its portfolio and continuously monitor & explore Shariah Compliant fixed income, equity shares, mutual funds and other avenues. | 2 | 3 | 6 | Board Investment Committee comprising of directors and senior management approves the securities & financial instruments, asset allocation and amount of investment after prudent and detailed contemplation . |



| 17 | Liquidity Risk    | Risk | The company may not be able to meet its financial obligations when it falls due, such as failure to entertain claims payments etc.   | 2 | 4 | 8 | The company efficiently manages its liquidity by sustaining strong cashflow position through bank balances & deposits, while monitoring of maturity of investments & liabilities over different periods.   | 1 | 3 | 3 | Investments and Cash & Bank Balances are strategically placed in different financial instruments and asset allocation, which are continuously being monitored from CFO and CIO and ensuring reporting of liquidity schedules to CEO and Board Investment  |
|----|-------------------|------|--|---|---|---|--|---|---|---|---|
| 18 | Reputational Risk | Risk | Reputational risk is the risk potential negative public opinion and the perceptions of the other stakeholder which may arises due to situations, events or series of event, which occurred due to the direct company's actions or through the action of employees. | 2 | 3 | 6 | Company devises strategy and planning to determine relevant reputational attributes within the organization, understand all actions that may affect public perception, focus on positive image and communication by astounding customer service, transparency and good governance. | 1 | 3 | 3 | The Company is complied with the ISO 9001:2015 quality management System from reputed Bureau Veritas S. A International, which endorses company's commitment to providing 'top of mind' services to all the stake holders. Besides this, the Company has outsourced the Internal Audit function to Ernst & Young in addition to in-house internal audit function and has also on board Deloitte for Policies, Procedures & Process Development, |

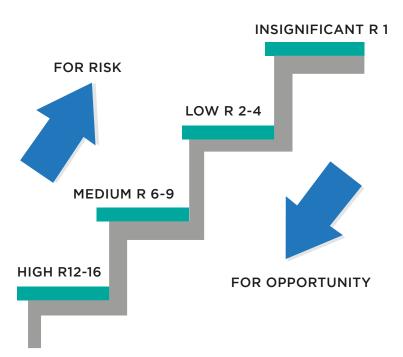
|    |                                    |      |  |   |   |   |  |   |   |   | KPMG as external auditors, MTC as legal consultants, keeping on board top reputed professional firms would contribute towards minimizing probabilities of reputational risk.  |
|----|------------------------------------|------|--|---|---|---|--|---|---|---|---|
| 19 | Shariah<br>Non-complian<br>ce Risk | Risk | It is the risk that any operational activity may not be in line with Shariah principles. | 2 | 3 | 6 | The Company has Strong vigilance on Shariah Compliance and has appointed Usmani & Co. as Shariah Consultant & Supervisor. Furthermore, timely trainings are given to staff to keep them abreast with Shariah guidelines. | 2 | 2 | 4 | In addition to in house Shariah Dept. comprising of qualified Shariah Officer and Shariah Advisor, The Company has taken on board reputed Shariah Supervisor i.e. Usmani & Co which is under the leadership of Mufti Muhammad Taqi Usmani to ensure robust monitoring and compliance with Shariah principles. |



#### **RATING SCALE**

|             | LIKELIHOOD                        |                                      |                          |  |  |  |  |  |  |  |
|-------------|-----------------------------------|--------------------------------------|--------------------------|--|--|--|--|--|--|--|
| IMPACT      | Very Often<br>1xDaily /<br>Weekly | Often<br>Once Every<br>Quarter/Month | Rarely<br>Once in a Year | Unlikely<br>Once Every 10<br>or more Years |  |  |  |  |  |  |
|             | (4)                               | (3)                                  | (2)                      | (1)  |  |  |  |  |  |  |
| High (4)    | R/O16                             | R/O12                                | R/O8                     | R/O4                                       |  |  |  |  |  |  |
|             | High                              | High                                 | Medium                   | Low  |  |  |  |  |  |  |
| Medium (3)  | R/O12                             | R/O9                                 | R/O6                     | R/O3                                       |  |  |  |  |  |  |
|             | High                              | Medium                               | Medium                   | Low  |  |  |  |  |  |  |
| Average (2) | R/O8                              | R/O6                                 | R/O4                     | R/O2                                       |  |  |  |  |  |  |
|             | Medium                            | Medium                               | Low                      | Low  |  |  |  |  |  |  |
| Low (1)     | R/O4                              | R/O3                                 | R/O2                     | R/O1                                       |  |  |  |  |  |  |
|             | Low                               | Low                                  | Low                      | Insignificant                              |  |  |  |  |  |  |

#### RISK/OPPORTUNITY LEVEL



#### **Information About Default in Payments**

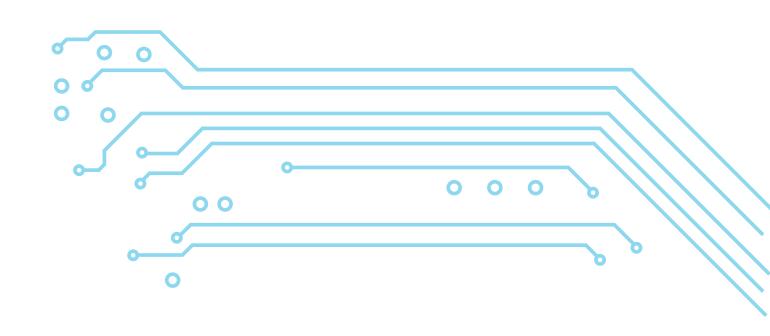
maintained robust Company has cashflows throughout the year 2019 and has Rs. 538.1 million (2018: Rs. 283.8

million) in bank deposits and cash balances. Furthermore, there has been no default in payments in 2019.

#### **Information About Adequacy of Capital Structure**

Rupees

| SHARE CAPITAL AND RESERVES   | 2019          | 2018          | 2017         |
|--|---------------|---------------|--------------|
| Authorized share capital 70,000,000 ordinary shares of Rs. 10 each | 700,000,000   | 700,000,000   | 700,000,000  |
| Issued, subscribed and paid-up share capital                       | 612,989,050   | 612,989,050   | 300,000,000  |
| Discount on issuance of shares                                     | (112,989,050) | (112,989,050) | -            |
| Fair value reserve   | -             | (6,638,666)   | (4,496,169)  |
| Accumulated losses   | (145,541,363) | (161,051,131) | (83,329,984) |
| Total  | 354,458,637   | 332,310,203   | 212,173,847  |



# Powering Integrity

Governance



## SALIENT FEATURES OF TORS OF BOARD COMMITTEES

#### **Audit Committee**

The Audit Committee (hereinafter referred to as "the Committee") is constituted by the Board of Directors (hereinafter referred to as "the Board") of Takaful Pakistan Limited (hereinafter referred to as "the Company") in accordance with requirements set out in the Code of Corporate Governance (COCG) for Insurers, 2016.

#### **Role of Committee**

- The role of the Committee is to assist the Board in meeting its oversight responsibilities related to financial reporting, internal control and risk management systems, internal and external audit functions.
- The Committee shall also be responsible for the monitoring of anti-fraud policy and procedures.

### Responsibilities and Duties of the Committee

1) The Committee shall perform all the functions necessary to fulfil its role as stated above, including but not limited to the following:

#### **Financial Reporting**

- Review the quarterly, half-yearly and annual reports prior to their approval from the Board, focusing on:
  - Areas of major concern;
  - Significant adjustments resulting from the audit:

- The going concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards
- Compliance with statutory and regulatory requirements
- Review of preliminary announcements of results prior to publication.
- Discussion with management and the external auditor to ensure that the underlying accounting policies, disclosures and key estimates and judgements are considered to be the most appropriate in the circumstances.
- Approve the related party transaction and where appropriate send to Board for final approval.
- Facilitate the external audit and discuss with external auditors any major observations or areas of concern arising from interim and final audit and any matter that the auditors wish to highlight.
- Monitor the Company's compliance with the best corporate governance practices, recent changes in applicable financial reporting framework, understand their impact on the financial statements and any non-compliance or inconsistencies thereof.
- Perform other responsibilities as assigned by the Board, the Commission or any other relevant regulatory authority.

#### **Internal Control**

• Determine appropriate measures to safeguard the Company's assets.



- Review the Company's statement on internal control systems prior to endorsement by the Board.
- · Consider the effectiveness of the company's internal control system over financial reporting, including information technology security and control.

#### **External Audit**

- Recommend to the Board the appointment of external auditors, their removal, audit fees, provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements.
- Review the Management letter issued by external auditors and responses of the management thereof.
- · Meet with the external auditors once in a year without CFO and the Head of Internal Audit being present.

#### **Internal Audit**

- Approve the Internal Audit Charter of Internal Audit Function.
- Recommend to the Board decisions regarding the appointment and removal of the Head of Internal Audit. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit.
- Approve the annual internal audit plan and all major changes thereof.
- · Review the internal audit activity's performance relative to its plan.

- · Review, assess and evaluate the performance of the Head of Internal Audit and Internal Audit function as appointed and approved by the Board and the Committee.
- Review the scope of internal audit function and ensure that the Internal Audit function has sufficient resources.
- · Review internal audit reports and oversee corrective action deficiencies noted by the internal audit function.
- Ensure co-ordination between the internal and external auditors of the Company.
- · Meet with the Head of Internal Audit and other members of the internal audit function once in a year without the CFO and the external auditors being present.

#### **Anti-Fraud**

- Review and approve the Company's Anti-Fraud policy.
- Review the result of fraud risk assessment.
- Assess the strength of the Company's internal control and the potential for fraudulent financial reporting using information received from the independent auditors.
- · Review all the complaints relating to suspected fraud with reasonable evidence and subsequent action taken by the Company.
- Ensure Anti-Fraud policy and culture is implemented and communicated effectively to both internal and external stakeholders.

 Review fraud investigation reports and oversee corrective action for deficiencies noted.

#### **Investment Committee**

The Investment Committee (hereinafter referred to as "the Committee") is constituted by the Board

of Directors (hereinafter referred to as "the Board") of Takaful Pakistan Limited (hereinafter referred

to as "the Company") in accordance with the requirements set out in the Code of Corporate

Governance for Insurers, 2016 and is reportable to the Board.

#### **Role of the Committee**

- The role of the Committee is to assist the Board in overseeing all investment activities of the Company by establishing a formal prudent and effective process for the management of Company's investment portfolio in order to meet investment objectives of the Company.
- The Committee is also responsible for reviewing the effectiveness of investment policy and to ensure that all investments made by the Company are in compliance with the approved investment policy and the applicable laws, rules and regulations.

### Responsibilities and Duties of the Committee

1) The Committee shall perform all the functions necessary to fulfil its role as

- stated above, including but not limited to the following:
- Formulate a sound investment policy for approval by the Board and ensure its implementation. The policy shall comply with the provisions of the Insurance Ordinance, 2000 and it shall contain, at minimum, the particulars prescribed in the Code of Corporate Governance for Insurers, 2016.
- Review the investment policy in the light of risk management policy, evolving market conditions and any guidelines/directions received from the SECP and recommend to the Board for approval. The policy shall be reviewed and updated on annual basis or at such short intervals as the Board may decide.
- Review the exposure limits for investment of funds in various asset classes and in a single entity including investments in related parties.
- Review the minimum rating requirement for rated instruments as well as other criterion for non-rated instrument.
- Monitor the investment portfolio by reviewing the capital structure, capital adequacy, asset class mix of the fund and evaluate the performance of the portfolio on quarterly basis for reporting to the Board regarding investment activities and funds' performance.
- Address issues related to liquidity, exposure limits, stop loss limits, securities trading, management of assets and liabilities, investment statistics and internal controls of investment operations.
- Ensure that the returns on participant's funds and shareholders' fund are adequate and consistent with the protection, safety and liquidity of such funds.



- Review the solvency statement on quarterly basis to ensure that the minimum solvency requirement as laid down in Insurance Ordinance, 2000 and applicable rules and regulations is met at all the times for the funds.
- Oversee the adoption of appropriate risk management policies and procedures to manage, to the extent possible, market, liquidity, operational, credit, and other investment and asset management risks.
- Review and consider any major investment and divestment proposals and approve the same as per investment approval limits. Where Board approval is required, make recommendations to the Board in relation to each such proposal.
- Ensure that the possible effects, of any event which could have adverse impact on the investment portfolio with regards to the Solvency position of the Company and security of policyholders' benefits or expectations are timely reported to SECP.
- Ensure proper internal control of investment management function by having segregation of roles and responsibilities in the settlement of transaction, i.e. segregation between front, middle and back office functions.
- Review the adequacy and effectiveness of the investment procedures and processes on annual basis and update the Board on the recommendations and action plans for identified weaknesses.

### Ethics, Human Resource and Remuneration Committee

Human The Ethics. Resource Remuneration Committee (hereinafter referred "Committee") to as constituted by the Board of Directors (hereinafter referred to as "Board") of Takaful Pakistan Limited (hereinafter referred to as "Company") in accordance with the requirements set out in the Code of Corporate Governance (COCG) for Insurers, 2016 and is reportable to the Board. In addition, the Board has assigned the responsibility of Nomination Committee to the Ethics. Human Resource and Remuneration Committee through the resolution passed as on September 28, 2018.

#### **Role of Committee**

- The role of the Committee is to assist the Board in meeting its governance responsibility related to the Ethics, Remuneration and Human Resource Management.
- The Committee is also responsible for recommending to the Board the remuneration and HR policies of the Company and selection, evaluation of Chief Executive Officer (CEO), and key officers, who report directly to the CEO and the following:
  - Chief Financial Officer
  - · Head of Compliance
  - Company Secretary
- The Committee reviews the structure, size and composition of the Board and the appointment of members to Board Committees.

## Responsibilities and Duties of the Committee

1) The Committee shall perform all the functions necessary to fulfil its role as stated above, including but not limited to the following:

**Human Resource Management** 

- Review and recommend to the Board the remuneration policy of directors and first layer of senior management who reports to the Chief Executive Officer (CEO).
- Review and recommend to the Board the human resource management policies of the Company.
- Recommend to the Board the selection, performance evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- Recommend to the Board the selection and performance evaluation of Chief Financial Officer (CFO), and Head of Legal, Compliance & Company Secretary.
- Consider and approve on recommendation of CEO the selection and performance evaluation of first layer of senior management who reports to the CEO.
- Prepare remuneration reports or other required or voluntary disclosure on compensation practices, on an annual basis but at least prior to the convening of the annual general meeting for the immediate preceding year.
- Review and recommend to the Board regarding the remuneration of Board members, the CEO, CFO, Head of Legal

Compliance and Company Secretary and Head of Internal Audit, but it shall be consistent with the remuneration and performance evaluation framework of the Company.

#### **Ethics**

- Review and recommend to the Board the Code of Ethics and Business Conduct of the Company.
- Review and recommend to the Board the Whistle Blowing Policy except for the matters related to fraud.
- Review all whistleblowing complaints other than matters related to fraud and action taken thereof by the Company.

#### **Nomination**

- Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- Review the succession planning for directors and other senior executives of the Company, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board and senior executive's level for handling those challenges and opportunities.
- Fill the Board and Board Committee's vacancies by evaluating the existing balance of skills, knowledge, experience and diversity on the Board and Board Committees. Based on the evaluation, identify and nominate the appropriate candidates to the Board.

- Ensure that the proposed appointee, prior to his/her appointment as a director, shall disclose any other business interests that may result in a conflict of interest and shall report any future business interests that could result in a conflict of interest.
- Review the results of the Board performance evaluation process that relate to the effectiveness of the Board as a whole as well as the contribution of individual Board members.
- Review the reappointment of any non-executive director at the conclusion of their specified term of office by considering their performance and ability to contribute to the Board in the light of knowledge, skills and experience required.
- Recommend to the Board with respect to dismissal and retirement of members of the Board, CEO and senior executives of the Company.
- Ensure proper orientation of Board members in respect of their responsibilities.
- Ensure that all directors receive appropriate training as required for them to fulfil their role.
- 2) The Committee shall have access to sufficient resources of the Company in order to carry out its stated duties.

## Risk Management and Compliance Committee

The Risk Management & Compliance Committee (hereinafter referred to as "Committee") is constituted by the Board of Directors (hereinafter

referred to as "Board") of Takaful Pakistan Limited (hereinafter referred to as "Company") and is reportable to the Board.

The Board has delegated the oversight responsibility of risk management and compliance functions to this Committee in accordance with requirements set out in the Code of Corporate Governance for Insurers, 2016.

#### **Role of Committee**

- 1) The role of the Committee is to assist the Board in meeting its oversight responsibility related to risk management system of the Company by monitoring the effectiveness of 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.
- 2) The Committee is also responsible reviewing the compliance policies and procedures and its implementation in order to assess the extent to which the Company is ensurina compliances applicable laws and regulations, and procedures, agreements and to recommend any significant non-compliances. necessary changes for improvements to the Board.

## Responsibilities and Duties of the Committee

1) The Committee shall perform all the functions necessary to fulfil its role as stated above, including but not limited to the following:

Annual Report Takaful Pakistan Limited

#### **Risk Management**

- · Review the Company's risk strategy and its risk appetite including but not limited to the capital, liquidity, Takaful and operational risks and recommend to the Board for approval.
- Review the risk management framework. related policies and procedures and recommend to the Board for approval. At a minimum, the management framework policies shall be reviewed and updated at least annually.
- · Review and monitor risk profile of the Company on a quarterly basis and in particular focusing on those risks that would threaten its business model, solvency and liquidity.
- Review the quarterly risk management reports for evaluating the performance of the risk management function in terms of its coverage and effectiveness of risk identification, quantification, timely communication, and mitigations.
- Review business contingency continuity plan for risks to which the Company may be exposed to and recommend to the Board for approval. Thereupon, communicate the same to the relevant staff to ensure continuity of business operations in the presence of those acceptable risks.
- Review the risks associated with significant transactions including but not restricted to transactions giving rise to changes in the capital and financing structure of the Company or as requested from time to time by any director in consultation with the Chairman of the Committee.
- · Review the adequacy and effectiveness of the risk management system on a

periodic basis and update the Board on the recommendations and action plans for identified weaknesses.

#### Compliance

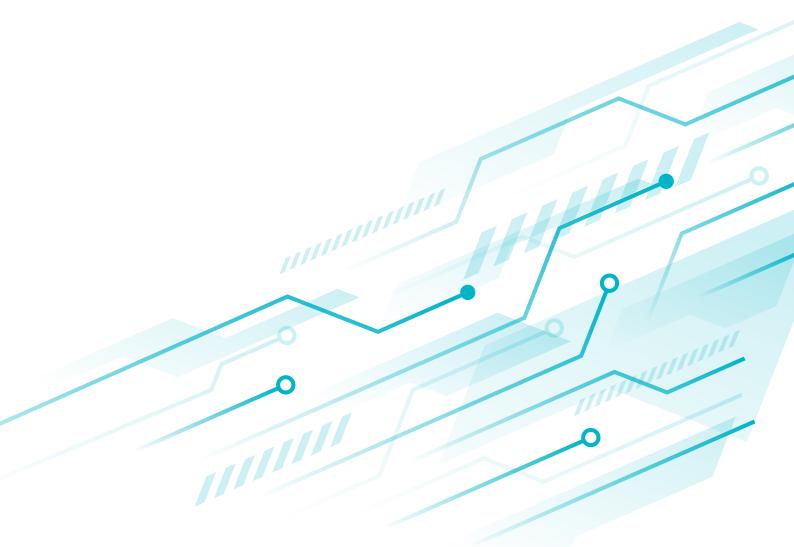
- Review the adequacy and effectiveness of the Company's compliance program and ensure that all operations of the Company are carried out in accordance the applicable laws regulations.
- Review quarterly reports relating to significant breaches or breaches of laws and regulations and recommended steps to ensure that the underlying root causes of any regulatory control failures are being addressed.
- Review progress reports on litigation cases to assess contingent liabilities and possible outcomes and devise a way forward strategies for mitigating liabilities to an acceptable risk level.
- Review the adequacy and effectiveness of the compliance function on a periodic basis.
- Review the Company's Anti Money Laundering, Know Your Customer and Customer Due Diligence and other compliance / Risk policies and recommend to the Board for approval.
- Review and accept/reject all customers with High Money Laundering risks and provide guidance on Anti-Money Laundering practices of the Company.
- Review on quarterly basis, the status of Suspicious Transaction Reporting (STR) and Currency Transaction Reports (CTR) filled by the Head of Compliance to the Financial Monitoring Unit (FMU) of Ministry of Finance, Government of Pakistan.

 Review regular reports from the Head of Compliance on the adequacy and effectiveness of the Company's anti-money laundering systems and controls.

#### **Other Responsibilities**

- Conduct or arrange studies, researches or analyses with respect to any or all of the components of the risk management system of the Company.
- Review and confirm that all responsibilities outlined in the TOR have been carried out.

- Conduct an annual performance assessment relative to the Committee's purpose, duties, and responsibilities; consider a mix of self and peer evaluation, supplemented by evaluations facilitated by external experts.
- To consider the adequacy of the resources within the risk management and compliance function.



## BOARD AND COMMITTEE MEETINGS ATTENDANCE:

|                            |                   | Meetings Attendance |                    |                         |                 |  |  |  |  |
|----------------------------|-------------------|---------------------|--------------------|-------------------------|-----------------|--|--|--|--|
| Name of<br>Director        | Status            | Board               | Audit<br>Committee | Investment<br>Committee | HR<br>Committee |  |  |  |  |
| Mr. Salim Habib<br>Godil   | Non-<br>Executive | 3                   | 3                  | -                       | -               |  |  |  |  |
| Syed Rizwan<br>Hussain     | Executive         | 5                   | -                  | 4                       | -               |  |  |  |  |
| Mr. Shahzad<br>Salim Godil | Non-<br>Executive | 5                   | 4                  | 3                       | -               |  |  |  |  |
| Syed Salman<br>Hussain     | Non-<br>Executive | 5                   | 4                  | 4                       | -               |  |  |  |  |
| Mr. Ahmed<br>Shuja Kidwai  | Non-<br>Executive | 3                   | 3                  | -                       | -               |  |  |  |  |
| Mr. Ashraf Ali<br>Velji    | Non-<br>Executive | 5                   | 4                  | 2                       | -               |  |  |  |  |
| Syed Tariq<br>Husain*      | Non-<br>Executive | 2                   | -                  | -                       | -               |  |  |  |  |

<sup>\*(</sup>resigned on 5th November 2019)

#### **Statement on how Board Operates**

The Board of Directors play an active role in the decision-making process. The entire decision-making process is governed by the "Delegation of Financial Authority Matrix"; a document approved by the Board defining the ambit of authority to be exercised by and also delegation of authority to the CEO and then to CEO's direct reports.

The general principles of the Delegation of Financial Authority Matrix are summarized below:

- All delegated authority must be subject to review at least on an annual basis, immediately upon any change of an employee's role.
- Authority is delegated with the provision that there must be full compliance with Takaful Pakistan Limited Policy Statements and with all relevant laws and regulations.

- Any proposed transaction or arrangement that is significant enough to constitute a change to strategy must be referred to CEO and Takaful Pakistan Limited's Board, regardless of whether it would otherwise appear to fall within an individual's delegated authority.
- Those delegating authority must ensure that there are adequate reporting and monitoring processes to allow them to exercise appropriate oversight and control over the actions of those to whom authority has been delegated.
- Delegated authorities are to be adhered to at all times. Any contravention thereto, will be treated as a serious breach of discipline for a Takaful Pakistan Limited's employee.

#### Board's Performance Evaluation Carried out by an External Consultant

During the year company has not utilized any services of External consultant for Board performance evaluation.

#### Formal Orientation and Training Program

The Code of Corporate Governance for Insurer, 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 Five (05)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.

#### Policy for Remuneration for 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 Security Clearance for Foreign Directors

In accordance with the regulatory requirements, the Company undertakes all necessary steps regarding the appointment of Foreign Directors on the board including but not limited to prior security clearance from competent authority.

#### **Governance Practice Exceeding Legal Requirements**

As far as implementation of applicable laws and prevalent regulatory directives is concerned, the Company is striving hard to become a trend setter and a benchmark for the industry by ensuring timely compliances and taking steps forward in implementing governance practices exceeding legal requirements.

Arrangement of comprehensive Directors' Training Programme (DTP) for the board members despite of the legal requirement of orientation courses is an example of the implementation drive adopted by the Company and assures for many such examples to share in the years to come.

#### **Human Resource Management Policies**

#### **Succession Plan:**

Maintaining leadership bench requires highlighting key positions and their successors, this is most critical for long term sustainability of any good organization.

We focus on identifying and developing talented people with the potential to fill key business leadership positions. This is a continuous process that involves identification, assessment and development of talent, which in terms ensures business continuity in case of attrition and change of responsibility.

#### **HR Policies:**

Good HR Policies are critical to an employee-oriented, productive work place in which employees are energized and engaged. We are equal opportunity employer and are committed in development of talent by performance management, succession planning, career paths, training and other aspects of talent management.

HR relies heavily on managers and executes staff to help plan and execute the strategies.

#### **Board's Policy on Diversity**

The Board of Takaful Pakistan Limited strives to keep all recruitment processes free of any bias and assumes equal opportunity to be given to all, as such the policy remains clear of any and all discriminations. The company strives to maintain a healthy gender ratio, as all genders and races receive an equal chance of employment.

## No. of Companies in which the Executive Directors are Serving as Non Executive Director

At present, there is only one Executive Director, namely Syed Rizwan Hussain who holds the position of Managing Director & CEO. He is

serving as Independent Non-Executive Director on the Board of Amana Takaful PLC and Amana Takaful Life PLC.

#### **Details of Foreign Directors**

At Present, there is no Foreign Director associated with the Company.

#### Details of Board Meetings held outside Pakistan During the year

During the year 2019, none of the Board meetings were held outside Pakistan.

#### **Analyst Briefings and Share Price Sensitivity Analysis**

Takaful Pakistan Limited is registered as an Unlisted Public Limited Company, hence no Analyst Briefings were held during the year. Furthermore, The Share Price Sensitivity Analysis is not valid for the Company.

#### **Avoiding Actual and Perceived Conflict of Interest**

Takaful Pakistan Limited ensures highest ethical and business code of conduct and each member of the Board signs a statement as acknowledgement of his/her understanding and acceptance of the standard of conduct which makes him/her responsible to avoid any conflict of interest arising during the course of

business and disclose to the Company all matters whether actual or perceived conflicts, including beneficial ownership of securities or other investments that could reasonably be expected to interfere with their duties or ability to make unbiased and objective recommendations.

#### **Grievance Function**

In consonance with the applicable laws, the Company has formed Grievance Function. The responsibilities of the Grievance Function are looked after by the Benefits (Claims) Settlement Committee. The Function so formed 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 the website of the Company. Following details are placed on the website: www.takaful.com.pk

| For Investors' Grievances  | For Policyholders' (Participants') Grievances:  |
|--|---|
| Mr. Muhammad Irfan<br>Chief Financial Officer<br>Email: m.irfan@takaful.com.pk<br>UAN: 111-875-111 (Ext: 134)<br>Cell: 0332-3537435<br>Fax: 021-34373195 | Mr. Faheem Darss Head of Benefits (Claims) - Motor (South Region) & Head of Policyholders' (Participants') Grievances Email: faheem.darss@takaful.com.pk UAN: 111-875-111 (Ext: 111) Cell: 0301-8236633 |

#### Policy for Safety Records of the Company

Takaful Pakistan 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 and 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 moves all the data to the Backup server and in case of insufficient space, hard drives 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.

#### **IT Governance Policy**

IT governance is a process to align business goals with IT infrastructure and operations. We have a mechanism in place and also tools implemented which support IT governance framework.

Takaful Pakistan Limited's IT governance policy is based on the following objectives:

Alignment of IT with company objectives

and its realization with the benefits that are to be achieved.

- Gain maximum benefit from company's IT system.
- Use of IT resources with responsibility.
- IT Risk Management and timely response to IT related risks.

#### **Social and Environmental Responsibility Policy**

Environment responsibility has become a global phenomenon due to which corporations around the world now heavily focus on saving the environment. To protect the environment which is a global cause, the

Company follows the practice of Saving Paper which in-turn contributes towards green environment. The Company strongly discourages unnecessary use of paper and encourages re-cycling of paper for internal

office use. For the upcoming year 2020, The company has plans to do more under this cause, involving expanding plantation of green environment, more usage of recycled products and establishment of paper less environment.

#### **Whistle Blowing Policy**

The objective of the policy is to address and resolve complaints to prevent improper activities for safe guarding the interest and reputation of the company. However, to ensure confidentiality and to encourage employees, the management also affirms that the informant shall be protected from unfair termination and any other unfair prejudicial employment practices, which they may face from any quarters within the Company due to the act of whistleblowing.

#### **Business Continuity Plan**

Business Continuity planning (BCP) is the process whereby Company ensures maintenance or recovery operations. including services to when confronted with customers. adverse events such as natural disasters, technological failures, human errors, or terrorism. In order to challenge, Takaful Pakistan Limited has internally designed Business Continuity Plan to provide guidelines to be followed in case of occurrence of any disaster. To test the preparedness for dealing with the disaster, a successful mock fire drill was conducted at the Head Office of Takaful Pakistan Limited.

The objectives of a Business Continuity Plan (BCP) of Takaful Pakistan Limited is to:

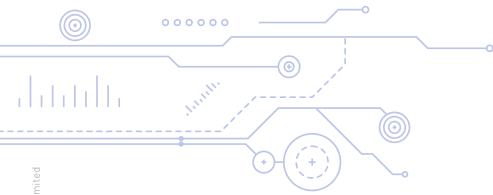
- Ensure protection of lives of staff and participants;
- Provide uninterrupted Takaful services to participants; and
- Mitigate the negative effects disruptions can have on an institution's strategic plans, reputation, operations, liquidity, credit quality, market position, and ability to remain in compliance with applicable laws and regulations.
- The disaster recovery system at Takaful Pakistan Limited is in deed effective and efficient. our very own cloud system insures the Primary recovery site for lost data. We have hired rapid Compute as our I.T partner, who have city wide storage facilities, serving as secondary and Tertiary recovery sites.

## Use of External Search Consultancy in the Appointment of Independent Director

During the year 2019, the Company has utilized Pakistan Institute of Corporate Governance ('PICG') database for selection of independent Director in

accordance with the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

Annual Report — Takaful Pakistan Limited 95



#### **Chairman's Significant Commitments**

Chairman's significant commitments means if the Chairman is also engaged as board member and/ or in any other role e.g. Trustee, CFO, running business including consultancy etc. in any other company, then, the Company should provide name of such company and the designation of Chairman in that company along with his brief responsibility.

Alongside the Chairmanship in the Board of Takaful Pakistan Limited, Mr. Salim Habib Godil also holds positions in following companies, which include but are not limited to;

| Company                | Designation                  |
|------------------------|------------------------------|
| Toyota Central Motors  | Chief Executive Officer & MD |
| Toyota Society Motor   | Director                     |
| Toyota Shahra-e-Faisal | Director                     |
| Pak Limousine Services | Chairman                     |
| Automall Pvt Limited   | Director                     |

#### Responsibilities:

Being a Chairman, Mr. Salim Habib Godil acts as a Chair at meetings and provides leadership to the Board. He ensures to promote effective relationships and open communication between members of the Board and also creates an environment that allows constructive debates and challenges and manages conflict of interest.

He also ensures that the Board as a whole plays full and constructive part in the development and determination of the Company's strategies.

Being a Managing Director & CEO, he leads in conjunction with the Board, the development of the Company's strategy and provides oversight in relation to implementation of the Company's long and short-term plans in accordance with its strategy.

Furthermore, he also owned an interest as shareholder/partner in below mentioned companies where he ensures that persons in charge of running a business effectively manage the overall operations of the Companies.

| Companies                     | Nature of Interest |
|-------------------------------|--------------------|
| Central Facilitation Agency   |                    |
| (Pvt) Ltd                     | Shareholding       |
| Central Builder & Developers  | Shareholding       |
| Gharo Enterprises (Pvt) Ltd   | Shareholding       |
| Aviation Enclave (Pvt) Ltd    | Shareholding       |
| Property Associates (Pvt) Ltd | Shareholding       |
| Trumps Management             | A.O.P              |
| Central Tower                 | A.O.P              |
| Streit Pakistan (Pvt) Ltd     | Shareholding       |
| Godil Motors (Pvt) Ltd        | Shareholding       |
| Darss Builders                | A.O.P              |
| Nida Builders                 | A.O.P              |
| Royal Homes                   | A.O.P              |
| A & Z Associates (FL - 3)     | A.O.P              |
| Cosmos Properties             | A.O.P              |
| G & W Associates              | A.O.P              |
| Dawn Town Enterprises         | A.O.P              |

## The Responsibility of Those Charged with Governance for Promoting and Enabling Innovation

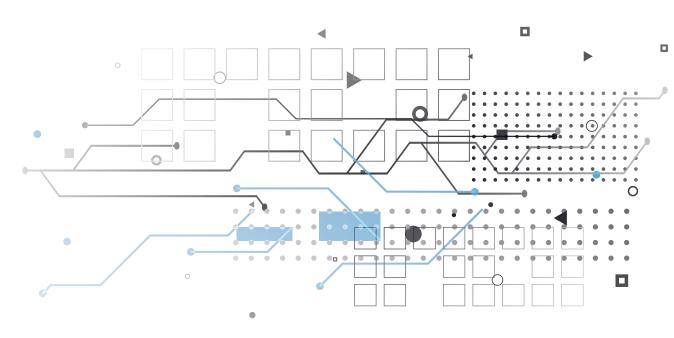
The Board of Directors and the senior management in the company are charged with the added responsibility for promoting and enabling innovation. The Board enforces individuals to attend seminars and training sessions to ensure training and hires capable individuals to

assist in product development, all the while trying to understand the present market, its ever-changing needs and how to cater them with the available resources to ensure maximum penetration.

#### Value Creation in the Short, Medium and Long Term through Remuneration and Incentives of the Board

The Board's remuneration policy discourages any undue advantages that can potentially be sabotaged by individuals, the board's incentives and remuneration yet still play a vital role towards value addition in the society, as

it acts as a form of encouragement for the Board to work with. In the short term, the board strives towards value addition as it effects their remuneration as well, this brings out a compounded return over a long term period.



### **RELATED PARTIES**

### Following are the details of Related Parties of the Company:

| Sr.<br>No. | Name of Director    | Designation                | Names of the companies /bodies corporate/ firms/association | Nature of interest (if any) [No. of shares & Percentage] |
|------------|---------------------|----------------------------|---|--|
| 1          | Ashraf Ali Velji    | Director                   | Nil   | Nil  |
| 2          | Ahmed Shuja Kidwai  | Director                   | Al-Barak Bank Pakistan<br>Limited                           | Chief Executive Officer                                  |
| 3          | Syed Rizwan Hussain | Managing Director<br>& CEO | Carros Private Limited                                      | Director/Shareholder                                     |
| 4          | Syed Rizwan Hussain | Managing Director<br>& CEO | The NewYork Pizza   | Partner  |
| 5          | Syed Rizwan Hussain | Managing Director<br>& CEO | Amana Takaful PLC   | Independent Director                                     |
| 6          | Salim Habib Godil   | Director                   | Toyota Central Motors<br>(PVT) Ltd                          | Shareholding   |
| 7          | Salim Habib Godil   | Director                   | Central Faciliation Agency<br>(Pvt) Ltd                     | Shareholding   |
| 8          | Salim Habib Godil   | Director                   | Central Builder & Developers                                | Shareholding   |
| 9          | Salim Habib Godil   | Director                   | Gharo Enterprises (Pvt) Ltd                                 | Shareholding   |
| 10         | Salim Habib Godil   | Director                   | Aviation Enclave (Pvt) Ltd                                  | Shareholding   |
| 11         | Salim Habib Godil   | Director                   | Property Associates (Pvt) Ltd                               | Shareholding   |
| 12         | Salim Habib Godil   | Director                   | Pak Limousine Services<br>(Pvt) Ltd                         | Shareholding   |
| 13         | Salim Habib Godil   | Director                   | Trumps Management   | A.O.P  |
| 14         | Salim Habib Godil   | Director                   | Central Tower   | A.O.P  |
| 15         | Salim Habib Godil   | Director                   | Streit Pakistan (Pvt) Ltd                                   | Shareholding   |
| 16         | Salim Habib Godil   | Director                   | Toyota Society Motors (Pvt)<br>Ltd                          | Shareholding   |
| 17         | Salim Habib Godil   | Director                   | Godil Motors (Pvt) Ltd                                      | Shareholding   |
| 18         | Salim Habib Godil   | Director                   | Darss Builders  | A.O.P  |
| 19         | Salim Habib Godil   | Director                   | Nida Builders   | A.O.P  |
| 20         | Salim Habib Godil   | Director                   | Royal Homes   | A.O.P  |
| 21         | Salim Habib Godil   | Director                   | A & Z Associates (FL - 3)                                   | A.O.P  |

| 22 | Salim Habib Godil   | Director | Cosmos Properties                          | A.O.P                |
|----|---------------------|----------|--|----------------------|
| 23 | Salim Habib Godil   | Director | G & W Associates                           | A.O.P                |
| 24 | Salim Habib Godil   | Director | Dawn Town Enterprises                      | A.O.P                |
| 25 | Salim Habib Godil   | Director | Wass Enterprises                           | Shareholding         |
| 26 | Shahzad Salim Godil | Director | Toyota Central Motors<br>(PVT) Ltd         | Shareholding         |
| 27 | Shahzad Salim Godil | Director | Central Faciliation Agency<br>(Pvt) Ltd    | Shareholding         |
| 28 | Shahzad Salim Godil | Director | Central Builder &<br>Developers            | Shareholding         |
| 29 | Shahzad Salim Godil | Director | Gharo Enterprises (Pvt) Ltd                | Shareholding         |
| 30 | Shahzad Salim Godil | Director | Aviation Enclave (Pvt) Ltd                 | Shareholding         |
| 31 | Shahzad Salim Godil | Director | GBS Enterprises (Pvt) Ltd                  | Shareholding         |
| 32 | Shahzad Salim Godil | Director | Pak Limousine Services<br>(Pvt) Ltd        | Shareholding         |
| 33 | Shahzad Salim Godil | Director | Toyota Society Motors<br>(Pvt) Ltd         | Shareholding         |
| 34 | Shahzad Salim Godil | Director | Godil Motors (Pvt) Ltd                     | Shareholding         |
| 35 | Shahzad Salim Godil | Director | Central Tower                              | A.O.P                |
| 36 | Shahzad Salim Godil | Director | Metro Securities Services<br>(Pvt) Ltd     | Shareholding         |
| 37 | Shahzad Salim Godil | Director | Godil Travel (Pvt) Ltd                     | Shareholding         |
| 38 | Shahzad Salim Godil | Director | S G Group                                  | A.O.P                |
| 39 | Syed Salman Hussain | Director | Itecknologi Tracking Services<br>(Pvt) Ltd | Director/Shareholder |
| 40 | Syed Salman Hussain | Director | Itecknologi (Pvt) Ltd                      | Director/Shareholder |
| 41 | Syed Salman Hussain | Director | Itecknologi Logistic (Pvt)<br>Ltd          | Director/Shareholder |
| 42 | Syed Salman Hussain | Director | Carros Private Limited                     | Director/Shareholder |
| 43 | Syed Salman Hussain | Director | The NewYork Pizza                          | Partner              |
| 44 | Syed Salman Hussain | Director | Avolox (Pvt) Ltd                           | Director/Shareholder |
| 45 | Syed Salman Hussain | Director | Northstar Navigation (Pvt)<br>Ltd          | Director/Shareholder |

#### **Approved Policy for Related Party Transactions**

The Company has developed a Policy on Transactions or Contracts with Related Parties. The Policy has been developed in accordance with the provision of section 208 and 209 of Companies Act, 2017, provisions of Companies (Related Party Transactions and Maintenance of Related Records) Regulation, 2018 and in accordance with the requirement of clause (xi) of Code of Corporate Governance for Insurers, 2016 and applicable accounting standards.

The objective of the policy is to ensure that:

- Identification and approval for related party transactions;
- Adequate maintenance of record;
- Reporting and disclosure for related party transactions; and
- Pricing for related party transactions.

## Statement of Management and Board of Directors' Responsibilities towards the Preparation and Presentation of 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 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 either intends to liquidate the operations or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the operations' financial reporting process.

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 statement of financial position, profit and loss account. the statement comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Ordinance, 2000 Insurance Companies Act, 2017 (xix of 2017), in the manner so required and respectively gives a true and fair view of the state of operations' affairs as at 31 December 2019 of the profit or loss, total comprehensive income or loss, changes in equity and its cash flows for the year then ended.

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.

## Management Statement of Unreserved Compliance of International Financial Reporting Standards (IFRS) Issued By International Accounting Standard 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 companies act, 2017; and
- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.
- Islamic Financial Accounting Standards (IFAS) (as a lease) 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.

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. 157 - 214).

## Statement of Adherence with the International Integrated Reporting Framework (IR)

Our Annual Report 2019 has been prepared in guidelines of the International Integrated Reporting (IR) Framework advocated by the International Integrated Reporting Council (IIRC).

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
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of preparation and presentation
- General reporting guidance



Sustainability and Corporate Social Responsibility



## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

# Highlights on Entities Performance with Aspect to Corporate Social Responsibility (CSR)

"Salamti Humesha k lie" Takaful Pakistan Limited, in line with its mission and Slogan has always believed in improving lives of the people. It has always been eager to ensure sustainable living and has believed in contributing, as a Dedicated Shariah Compliant company, to the community.

The year 2019 has been important in terms of CSR for Takaful Pakistan Limited, where

the company took part in various initiatives such as organizing of medical eye camp in 2019 and offering free eye check up to over 100+ individuals out of which 5 were provided free eye surgeries. The company also hosted a blood donation camp in collaboration with Indus hospitals for Thalassemia patients.

Takaful Pakistan Limited's policy captures the spectrum of values and criteria for measuring our company's contribution to social development. The basic objective of our CSR policy is to maximize the company's overall impact on the society and the stakeholders while considering environment and overall sustainability.



To have robust governance system, Takaful Pakistan Limited has taken on-board Big 4 audit firms, where Deloitte works on the Business Process, Policies and Procedures, Ernst & Young works as Internal Auditors and KPMG works as External Auditors. This endorses our dedication and efforts towards compliance of best international practices.

Takaful Pakistan Limited has also been awarded ISO 9001:2015 certification, an internationally recognized standard that ensures their Takaful policies and services meet the needs of its customers through an effective Quality Management System.

Takaful Pakistan Limited's decision to work towards attaining ISO 9001:2015 accreditation demonstrates its commitment for continuous improvement of their Shariah compliant risk solutions and services.

To become ISO 9001:2015 compliant, Takaful Pakistan Limited's management underwent an extensive company-wide audit that included quality management system development, a management system documentation review, pre-audit, and initial assessment. Takaful Pakistan Limited's team were audited by Bureau Veritas. The Auditors of Bureau Veritas applauded the efforts of Takaful Pakistan Limited in having an overall environment of robust policies and procedures.



# Elevating Accountability

Financial Performance and Position



## **6 YEARS AT A GLANCE**

| Balance Sheet  | 2019                      | 2019 2018 2017               |                          | 2016                     | 2015                     | 2014                     |
|--|---------------------------|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Share Capital & Reserves   |                           |                              |                          |                          |                          |                          |
| Authorized Share Capital 70,000,000 ordinary shares of Rs.10/- each              | 700,000,000               | 700,000,000                  | 700,000,000              | 700,000,000              | 500,000,000              | 500,000,000              |
| 70,000,000 druinary shares of hs. 10/- each                                      | 700,000,000               | 700,000,000                  | 700,000,000              | 700,000,000              | 300,000,000              | 300,000,000              |
| Issued, subscribed and paid-up share capital Discount on issuance of shares      | 612,989,050               | 612,989,050                  | 300,000,000              | 300,000,000              | 300,000,000              | 300,000,000              |
| Fair value reserve   | (112,989,051)             | (112,989,050)<br>(6,638,666) | (4,496,169)              | 1,663,278                | -                        | -                        |
| Accumulated losses   | (145,541,363)             | (161,051,131)                | (83,329,984)             | (85,630,515)             | (107,391,175)            | (136,877,696)            |
|  | 354,458,637               | 332,310,203                  | 212,173,847              | 216,032,763              | 192,608,825              | 163,122,304              |
| Waqf / Participants' Takaful Fund ( PTF ) Ceded Money                            | 500,000                   | 500,000                      | 500,000                  | 500,000                  | 500,000                  | 500,000                  |
| Fair value reserve   | -                         | (20,788,553)                 | (3,874,718)              | 1,953,219                | -                        | -                        |
| Accumulated Surplus/(deficit)  | 27,066,104                | (1,196,271)                  | (3,165,509)              | (18,130,771)             | (20,738,961)             | (11,711,134)             |
|  | 27,566,104                | (21,484,824)                 | (6,540,227)              | (15,677,552)             | (20,238,961)             | (11,211,134)             |
| Qard-e-hasna - payable   | 91,479,565                | 109,479,565                  | 40,479,565               | 34,835,319               | 20,238,961               | 11,211,134               |
| Liabilities  |                           |                              |                          |                          |                          |                          |
| Underwriting Provisions  |                           |                              |                          |                          |                          |                          |
| Outstanding claims including IBNR  | 152,283,379               | 79,393,141                   | 62,479,532               | 94,567,399               | 96,859,677               | 99,377,655               |
| Unearned contribution reserves   | 504,543,197               | 216,589,853                  | 39,052,938               | 73,195,413               | 143,138,661              | 137,318,047              |
| Contribution deficiency reserves<br>Unearned Takaful capital rebate              | -<br>3,851,295            | 937,985<br>4,237,040         | 2,655,575                | 2,305,153<br>3,345,497   | 4,684,834<br>3,212,086   | 3,000,000<br>5,644,186   |
| Contributions received in advance  | 6,710,260                 | 2,445,918                    | 2,071,037                | 1,073,312                | 509,893                  | 2,203,314                |
| Takaful/Retakaful Payables   | 51,365,916                | 64,795,959                   | 66,460,114               | 84,757,968               | 59,684,818               | 37,418,436               |
| Unearned wakala fees<br>Wakala fees payable                                      | 147,035,841<br>7,867,535  | 87,081,507                   | 15,621,173<br>5,678,187  | 29,278,165<br>23,612,843 | 57,255,465<br>10,137,095 | 54,927,216<br>54,310,030 |
| Mudarib fees payable   | 11,315,701                | 6,247,671                    | 5,785,557                | 27,065,815               | 2,051,097                | 1,841,660                |
| Deferred Tax Liability   | 928,289                   | -                            | -                        | -                        | -                        | -                        |
| Other creditors and accruals   | 71,472,047                | 70,720,463                   | 33,044,411               | 46,985,112               | 27,539,185               | 29,224,080               |
|  | 957,373,460               | 532,449,536                  | 232,848,524              | 386,186,677              | 405,072,811              | 425,264,624              |
| Total Equites & Liabilites Rupees  | 1,430,877,766             | 952,754,479                  | 478,961,709              | 621,377,207              | 597,681,636              | 588,386,928              |
| Assets   |                           |                              |                          |                          |                          |                          |
| Property and equipment   | 44,193,686                | 13,703,879                   | 4,978,928                | 7,421,564                | 10,233,968               | 13,682,984               |
| Intangible assets  | 4,667                     | 145,344                      | 286,022                  | -                        | -                        | -                        |
| Investments  |                           |                              |                          |                          |                          |                          |
| Equity securities and mutual funds   | -                         | 177,953,472                  | 141,344,802              | 117,934,563              | 64,003,881               | 10,007,878               |
| Debt securities  | 88,000,000                | 126,078,419                  | 25,358,435               | 24,488,055               | 3,965,520                | 25,517,243               |
| Term deposits  | 513,200,000               | 195,500,000                  | 131,500,000              | 213,109,000              | 305,610,000              | 251,500,000              |
| Qard-e-hasna - receivable  | 91,479,565                | 109,479,565                  | 40,479,565               | 34,835,319               | 20,238,961               | 11,211,134               |
| Long term deposits   | 12,073,240                | 3,236,144                    | 1,367,334                | 1,718,034                | 1,523,034                | 1,523,034                |
| Loans and other receivables  | 67,526,863                | 18,733,409                   | 22,104,299               | 36,829,212               | 6,265,966                | 12,661,169               |
| Takaful / co-Takaful receivables Retakaful recoveries against outstanding claims | 254,742,978<br>45,739,312 | 42,216,463<br>19,501,263     | 15,077,979<br>24,495,182 | 22,618,132<br>26,177,731 | 31,225,428<br>19,214,059 | 40,024,532<br>27,002,169 |
| Salvage recoveries accrued   | 4,506,786                 | 2,250,000                    | 750,000                  | 750,000                  | 250,000                  | 500,000                  |
| Wakala fees receivable   | 7,867,535                 | -                            | 5,678,189                | 23,612,843               | 10,137,095               | 49,799,258               |
| Mudarib fees receivable  | 11,315,701                | 6,247,671                    | 5,785,557                | 27,065,815               | 2,051,094                | 1,841,660                |
| Deferred wakala fees<br>Deferred comission expense                               | 147,035,841<br>33,609,160 | 87,081,507<br>34,652,031     | 15,621,173<br>2,252,361  | 29,278,165<br>3,722,575  | 57,255,465<br>5,833,341  | 54,927,216<br>7,900,924  |
| Taxation-payment less provisions   | 13,986,143                | 5,206,957                    | 5,499,482                | 7,893,844                | 8,695,445                | 9,013,031                |
| Prepayments  | 70,759,599                | 22,462,879                   | 9,491,255                | 18,899,381               | 29,033,921               | 35,494,437               |
| Cash and Bank  | 24,836,690                | 88,305,476                   | 26,891,146               | 25,022,974               | 22,144,458               | 35,780,259               |
| Total Assets Rupees  | 1,430,877,766             | 952,754,479                  | 478,961,709              | 621,377,207              | 597,681,636              | 588,386,928              |

| Income Statement   | 2019  | 2018   | 2017  | 2016  | 2015  | 2014  |
|--|---|--|---|---|---|---|
| Participants' Takaful Fund ( PTF )<br>- Revenue Account  |   |  |   |   |   |   |
| Net Contribution Revenue   | 623,121,949   | 145,076,085  | 137,706,994   | 239,063,088   | 262,209,880   | 169,408,132   |
| Net Claims expense<br>Wakala Fee<br>Direct Expenses<br>Retakaful rebate earned<br>Contribution deficiency reversal | (316,556,556)<br>(310,068,297)<br>(19,840,727)<br>14,986,149<br>937,986 | (77,630,691)<br>(70,353,840)<br>(5,178,974)<br>10,897,817<br>(937,986) | (55,243,649)<br>(73,569,678)<br>(9,630,456)<br>9,975,737<br>2,305,153 | (128,690,132)<br>(115,760,205)<br>(30,837,165)<br>10,843,658<br>2,379,681 | (134,055,900)<br>(131,098,929)<br>(35,018,344)<br>12,485,563<br>(1,684,834) | (93,986,199)<br>(93,529,417)<br>(21,600,737)<br>13,973,222<br>(2,034,200) |
|  | (630,541,445)   | (143,203,674)  | (126,162,893)   | (262,064,163)   | (289,372,444)   | (197,177,331)   |
| Net underwriting results   | (7,419,495)   | 1,872,411  | 11,544,101  | (23,001,075)  | (27,162,564)  | (27,769,199)  |
| Investment income<br>less: Mudarib's share   | 20,272,119<br>(5,068,030)   | 2,277,940<br>(569,485)   | 8,900,858<br>(2,225,214)  | 11,853,040<br>(2,963,260)   | 13,293,752<br>(3,323,438)   | 15,398,180<br>(3,849,545)   |
| Net investment income  | 15,204,089  | 1,708,455  | 6,675,644   | 8,889,780   | 9,970,314   | 11,548,635  |
| Other income<br>Bank charges   | 20,673,051<br>(195,270)   | 119,595<br>(131,653)   | 126,056<br>(48,352)   | 37,494<br>(22,557)  | 8,196,986<br>(32,563)   | 42,832<br>(42,817)  |
| Surplus / ( deficit ) before tax Provision for taxation - current Total surplus / ( deficit ) transferred to       | 28,262,375  | 3,568,808<br>(1,599,570)   | 18,297,449<br>(3,332,187)   | (14,096,358)  | (9,027,827)   | 16,225,949  |
| balance of waqf / participants' takaful fund   | 28,262,375  | 1,969,238  | 14,965,262  | (14,096,358)  | (9,027,827)   | 16,225,949  |
| Shareholders' Fund ( SHF ) - Revenue Account   |   |  |   |   |   |   |
| Wakala fee Income  | 310,068,297   | 70,353,840   | 73,569,678  | 115,760,205   | 131,098,929   | 93,529,417  |
| Commission expense/acquisition cost<br>Management expenses   | (63,918,818)<br>(261,626,829)   | (25,853,126)<br>(133,638,981)  | (9,311,809)<br>(77,572,727)   | (13,181,272)<br>(91,801,948)  | (17,545,784)<br>(94,549,916)  | (17,310,291)<br>(74,569,263)  |
|  | (15,477,350)  | (89,138,267)   | (13,314,858)  | 10,776,985  | 19,003,229  | 1,649,863   |
| Mudarib's shares of PTF investment income<br>Investment Income<br>Other income                                     | 5,068,030<br>35,376,552<br>299,368                                      | 569,485<br>11,327,533<br>921,469                                       | 2,225,214<br>11,440,512<br>3,478,813                                  | 2,963,260<br>9,196,273<br>1,155,793                                       | 3,323,438<br>10,450,111<br>927,180  | 3,849,545<br>4,765,515<br>705,329   |
| Finance cost   | (2,820,233)   | -  | -   | -   | -   | -   |
| Profit for the year before taxation<br>Provision for taxation - Current  | 22,446,367<br>(5,446,482)   | (76,319,780)<br>(879,423)  | 3,829,681<br>(697,431)  | 24,092,311<br>(2,894,005)   | 33,703,958<br>(3,277,473)   | 10,970,252<br>(2,338,235)   |
| Profit after tax Rupees  | 16,999,885  | (77,199,203)   | 3,132,250   | 21,198,306  | 30,426,485  | 8,632,017   |
| Earnings per share basic and diluted   | 0.33  | (1.52)   | 0.10  | 0.71  | 1.01  | 0.29  |
|  |   |  |   |   |   |   |

## **HORIZONTAL ANALYSIS**

| Balance Sheet  |                              |                         |                              |                         |
|--|------------------------------|-------------------------|------------------------------|-------------------------|
|  | 19 vs 18<br>Change in Values | 19 vs 18<br>Change in % | 18 vs 17<br>Change in Values | 18 vs 17<br>Change in % |
|  | Glialige III Values          | Glialige III /0         | Glialige III values          | Gliange III 70          |
| Share Capital & Reserves   |                              |                         |                              |                         |
| Authorized Share Capital<br>70,000,000 ordinary shares of Rs.10/- each |                              |                         |                              |                         |
| 70,000,000 ordinary strates of ns. 10/- each                           | -                            | -                       | -                            | -                       |
| Issued, subscribed and paid-up share capital                           | _                            | _                       | 312,989,050                  | 104%                    |
| Discount on issuance of shares   | _                            | _                       | 112,989,050                  | -                       |
| Fair value reserve   | 6,638,666                    | -100%                   | 2,142,497                    | 48%                     |
| Accumulated losses   | 15,509,768                   | -10%                    | 77,721,146                   | 93%                     |
|  | 22,148,434                   | 7%                      | 120,136,356                  | 57%                     |
| Waqf / Participants' Takaful Fund ( PTF )                              |                              |                         | , ,                          |                         |
| Ceded Money  | -                            | -                       | -                            | -                       |
| Fair value reserve   | 20,788,553                   | -100%                   | 16,913,835                   | 437%                    |
| Accumulated Surplus/(deficit)  | 28,2.375                     | -2363%                  | 1,969,239                    | -62%                    |
|  | 49,050,928                   | -228%                   | 14,944,597                   | 229%                    |
|  |                              | 400/                    |                              | 4=004                   |
| Qard-e-hasna - payable   | 18,000,000                   | -16%                    | 69,000,000                   | 170%                    |
| Liabilities  |                              |                         |                              |                         |
| LIANIILUGO   |                              |                         |                              |                         |
| Underwriting Provisions  |                              |                         |                              |                         |
| Outstanding claims including IBNR                                      | 72,890,238                   | 92%                     | 16,913,609                   | 27%                     |
| Unearned contribution reserves   | 287,953,344                  | 133%                    | 177,536,915                  | 455%                    |
| Contribution deficiency reserves                                       | 937,985                      | -100%                   | 937,985                      | -                       |
| Unearned retakaful rebate  | 385,746                      | -9%                     | 1,581,465                    | 60%                     |
|  | 4.004.040                    | 4=40/                   | 074.004                      | 100/                    |
| Contributions received in advance                                      | 4,264,343                    | 174%                    | 374,881                      | 18%                     |
| Takaful/Retakaful Payables<br>Unearned wakala fees                     | 13,430,042<br>59,954,334     | -21%<br>69%             | 1,664,155<br>71,460,334      | -3%<br>457%             |
| Wakala fees payable  | 7,867,535                    | 100%                    | 5,678,187                    | -100%                   |
| Mudarib fees payable   | 5,068,030                    | 81%                     | 462,114                      | 8%                      |
| Deferred Tax Liability   | 928,289                      | -                       | -                            | -                       |
| Other creditors and accruals   | 751,584                      | 1%                      | 37,676,052                   | 114%                    |
|  | 424,923,924                  | 80%                     | 299,601,012                  | 129%                    |
|  |                              |                         |                              |                         |
| Total Equites & Liabilities Rupees                                     | 478,123,287                  | 50%                     | 473,792,771                  | 99%                     |
| Assets   |                              |                         |                              |                         |
| Property and equipment   | 30,489,807                   | 222%                    | 8,724,951                    | 175%                    |
| Intangible assets  | 140,677                      | -97%                    | 140,678                      | -49%                    |
|  | ŕ                            |                         | ŕ                            |                         |
| Investments  |                              |                         |                              |                         |
| Equity securities and mutual funds                                     | 177,953,472                  | -100%                   | 36,608,670                   | 26%                     |
| Debt securities  | 38,078,419                   | -30%                    | 100,719,984                  | 397%                    |
| Term deposits  | 317,700,000                  | 163%                    | 64,000,000                   | 49%                     |
| Qard-e-hasna - receivable  | 18,000,000                   | -16%                    | 69,000,000                   | 170%                    |
| Long term deposits   | 8,837,096                    | 273%                    | 1,868,810                    | 137%                    |
| Loans and other receivables  | 48,793,454                   | 260%                    | 3,370,890                    | -15%                    |
| Takaful / co-takaful receivables                                       | 212,526,515                  | 503%                    | 27,138,484                   | 180%                    |
| Retakaful recoveries against outstanding claims                        | 26,238,049                   | 135%                    | 4,993,919                    | -20%                    |
| Salvage recoveries accrued   | 2,256,786                    | 100%                    | 1,500,000                    | 200%                    |
| Wakala fees receivable   | 7,867,535                    | -                       | 5,678,189                    | -100%                   |
| Mudarib fees receivable  | 5,068,030                    | 81%                     | 462,114                      | 8%                      |
| Deferred wakala fees   | 59,954,334                   | 69%                     | 71,460,334                   | 457%                    |
| Deferred commission expense  | 1,042,871                    | -3%                     | 32,399,670                   | 1438%                   |
| Taxation-payment less provisions                                       | 8,779,186                    | 169%<br>215%            | 292,525                      | -5%<br>137%             |
| Prepayments Cash and Bank  | 48,296,720<br>63,468,786     | 215%<br>-72%            | 12,971,624<br>61,414,330     | 137%<br>228%            |
|  |                              |                         | 01,114,000                   | 22070                   |
| Total Assets Rupees  | 478,123,287                  | 50%                     | 473,792,771                  | 99%                     |
|  |                              |                         |                              |                         |

| 17 vs 16<br>Change in Values | 17 vs 16<br>Change in % | 16 vs 15<br>Change in Values | 16 vs 15<br>Change in % | 15 vs 14<br>Change in Values | 15 vs 14<br>Change in % | 14 vs 13<br>Change in Values | 14 vs 13<br>Change in % |
|------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|
|                              |                         |                              |                         |                              |                         |                              |                         |
| -                            | -                       | 200,000,000                  | 40%                     | -                            | -                       | 200,000,000                  | 67%                     |
|                              |                         |                              |                         |                              |                         |                              |                         |
| -                            |                         | -                            | -                       | -                            | -                       | -                            | -                       |
| 6,159,447                    | -370%                   | 1,663,278                    | -                       | -                            | -                       | -                            | -                       |
| 2,300,531                    | -3%                     | 21,760,660                   | -20%                    | 29,486,521                   | -22%                    | 6,093,129                    | -4%                     |
| 3,858,916                    | -2%                     | 23,423,938                   | 12%                     | 29,486,521                   | 18%                     | 6,093,129                    | 4%                      |
| _                            | _                       | _                            | -                       | _                            | -                       | _                            | -                       |
| 5,827,937                    | -298%                   | 1,953,219                    | -                       | -                            | -                       | 33,272,587                   | -100%                   |
| 14,965,262                   | -83%                    | 2,608,190                    | -13%                    | 9,027,827                    | 77%                     | 17,046,638                   | -59%                    |
| 9,137,325                    | -58%                    | 4,561,409                    | -23%                    | 9,027,827                    | 81%                     | 16,225,949                   | -324%                   |
| 5,644,246                    | 16%                     | 14,596,358                   | 72%                     | 9,027,827                    | 81%                     | 11,211,134                   | -                       |
|                              |                         |                              |                         |                              |                         |                              |                         |
| 32,087,867                   | -34%                    | 2,292,278                    | -2%                     | 2,517,978                    | -3%                     | 6,990,210                    | 8%                      |
| 34,142,475                   | -47%                    | 69,943,248                   | -49%                    | 5,820,614                    | 4%                      | 40,526,941                   | 42%                     |
| 2,305,153                    | -100%                   | 2,379,681                    | -51%                    | 1,684,834                    | 56%                     | 2,034,200                    | 211%                    |
| 689,922                      | -21%                    | 133,411                      | 4%                      | 2,432,100                    | -43%                    | 5,644,186                    | -                       |
| 997,725                      | 93%                     | 563,419                      | 110%                    | 1,693,421                    | -77%                    | 892,460                      | 68%                     |
| 18,297,854                   | -22%                    | 25,073,150                   | 42%                     | 22,266,382                   | 60%                     | 14,597,484                   | -28%                    |
| 13,656,992                   | -47%                    | 27,977,300                   | -49%                    | 2,328,249                    | 4%                      | 16,210,774                   | 42%                     |
| 17,934,656<br>21,280,258     | -76%<br>-79%            | 13,475,748<br>25,014,718     | 133%<br>1220%           | 44,172,935<br>209,437        | -81%<br>11%             | 8,181,407<br>1,403,044       | 18%<br>320%             |
| -                            | -                       | -                            | -                       | , -                          | -                       | -                            | -                       |
| 13,940,701                   | -30%                    | 19,445,927                   | 71%                     | 1,684,895                    | -6%                     | 6,382,507                    | 28%                     |
| 153,338,153                  | -40%                    | 18,886,134                   | -5%                     | 20,191,813                   | -5%                     | 73,668,245                   | 21%                     |
| 142,415,499                  | -23%                    | 23,695,571                   | 4%                      | 9,294,708                    | 2%                      | 74,746,559                   | 15%                     |
|                              |                         |                              |                         |                              |                         |                              |                         |
| 2,442,636                    | -33%                    | 2,812,404                    | -27%                    | 3,449,016                    | -25%                    | 683,301                      | 5%                      |
| 286,022                      | -                       | -,                           | -                       | -                            | -                       | 38,995                       | -100%                   |
|                              |                         |                              |                         |                              |                         |                              |                         |
| 23,410,239                   | 20%                     | 53,930,682                   | 84%                     | 53,996,003                   | 540%                    | 5,692,374                    | 132%                    |
| 870,380                      | 4%                      | 20,522,535                   | 518%                    | 21,551,723                   | -84%                    | 9,154,235                    | -26%                    |
| 81,609,000                   | -38%                    | 92,501,000                   | -30%                    | 54,110,000                   | 22%                     | 6,500,000                    | -3%                     |
| 5,644,246                    | 16%                     | 14,596,358                   | 72%                     | 9,027,827                    | 81%                     | 11,211,134                   | -                       |
| 350,700                      | -20%                    | 195,000                      | 13%                     | _                            |                         |                              |                         |
| 14,724,913                   | -40%                    | 30,563,246                   | 488%                    | 6,395,203                    | -51%                    | 5,435,411                    | 75%                     |
| 7,540,153                    | -33%                    | 8,607,296                    | -28%                    | 8,799,104                    | -22%                    | 11,463,313                   | 40%                     |
| 1,682,549                    | -6%                     | 6,963,672                    | 36%                     | 7,788,110                    | -29%                    | 5,443,573                    | 25%                     |
| -                            | -                       | 500,000                      | 200%                    | 250,000                      | -50%                    | 325,000                      | -39%                    |
| 17,934,654                   | -76%                    | 13,475,748                   | 133%                    | 39,662,163                   | -80%                    | 8,181,407                    | 20%                     |
| 21,280,258                   | -79%                    | 25,014,721                   | 1220%                   | 209,434                      | 11%                     | 1,403,044                    | 320%                    |
| 13,656,992                   | -47%                    | 27,977,300                   | -49%                    | 2,328,249                    | 4%                      | 16,210,774                   | 42%                     |
| 1,470,214                    | -39%                    | 2,110,766                    | -36%                    | 2,067,583                    | -26%                    | 1,183,341                    | 18%                     |
| 2,394,363                    | -30%                    | 801,601                      | -9%                     | 317,586                      | -4%                     | 21,291                       | -                       |
| 9,408,126                    | -50%<br>7%              | 10,134,540                   | -35%                    | 6,460,516                    | -18%                    | 12,074,972                   | 52%<br>40%              |
| 1,868,172                    | 7%                      | 2,878,516                    | 13%                     | 13,635,801                   | -38%                    | 11,760,854                   | 49%                     |
| 142,415,499                  | -23%                    | 23,695,571                   | 4%                      | 9,294,708                    | 2%                      | 74,746,559                   | 15%                     |

| Income Statement   | 19 vs 18<br>Change in Values  | 19 vs 18<br>Change in %                      | 18 vs 17<br>Change in Values   | 18 vs 17<br>Change in %           |
|--|---|--|--|-----------------------------------|
| Participants' Takaful Fund ( PTF ) - Revenue Account   |   |  |  |                                   |
| Net Contribution Revenue   | 478,045,865   | 330%   | 7,369,091  | 5%                                |
| Net Claims expense Wakala Fee Direct Expenses Retakaful rebate earned Contribution deficiency reversal | 238,925,865<br>239,714,457<br>14,661,753<br>4,088,332<br>1,875,972<br>487,337,771 | 308%<br>341%<br>283%<br>38%<br>-200%<br>340% | 22,387,042<br>3,215,838<br>4,451,482<br>922,080<br>3,243,139<br>17,040,781 | 41%<br>-4%<br>-46%<br>9%<br>-141% |
| Net underwriting results   | 9,291,907   | -496%  | 9,671,690  | -84%                              |
| Investment income<br>less: Mudarib's share   | 17,994,179<br>4,498,545   | 790%<br>790%                                 | 6,622,918<br>1,655,729   | -74%<br>-74%                      |
| Net investment income  | 13,495,634  | 790%   | 4,967,189  | -74%                              |
| Other income<br>Bank charges   | 20,553,456<br>63,617  | 17186%<br>48%                                | 6,461<br>83,301  | -5%<br>172%                       |
| Surplus / ( deficit ) before tax   | 24,693,566  | 692%   | 14,728,641   | -80%                              |
| Provision for taxation - current   | 1,599,570   | -100%  | 1,732,617  | -52%                              |
| Surplus from discontinued operation  |   |  |  |                                   |
| Total surplus / ( deficit ) transferred to balance of waqf / Participants' Takaful Fund Rupees         | 26,293,136  | 1335%  | 12,996,024   | -87%                              |
| Shareholders' Fund ( SHF ) - Revenue Account   |   |  |  |                                   |
| Wakala fee Income  | 239,714,457   | 341%   | 3,215,838  | -4%                               |
| Commission expense/acquisition cost<br>Management expenses   | 38,065,692<br>127,987,848   | 147%<br>96%                                  | 16,541,317<br>56,066,254   | 178%<br>72%                       |
|  | 73,660,917  | -83%   | 75,823,409   | 569%                              |
| Mudarib's shares of PTF investment income<br>Investment Income<br>Other income<br>Finance cost         | 4,498,545<br>24,049,019<br>622,101<br>2,820,233                                   | 790%<br>212%<br>-68%                         | 1,655,729<br>112,979<br>2,557,344  | -74%<br>-1%<br>-74%               |
| Profit for the year before taxation Provision for taxation - Current                                   | 98,766,147<br>4,567,059   | -129%<br>519%                                | 80,149,461<br>181,992  | -2093%<br>26%                     |
| Profit after tax Rupees  |   | -122%  | 80,331,453   | -2565%                            |
| Earnings per share basic and diluted   | 1.85  | -122%  | 1.62   | -1554%                            |
| •  |   |  |  |                                   |

| 17 vs 16<br>Change in Values                                | 17 vs 16<br>Change in %            | 16 vs 15<br>Change in Values                                   | 16 vs 15<br>Change in %              | 15 vs 14<br>Change in Values                                   | 15 vs 14<br>Change in %           | 14 vs 13<br>Change in Values                                | 14 vs 13<br>Change in %          |
|---|------------------------------------|--|--------------------------------------|--|-----------------------------------|---|----------------------------------|
| 101,356,094   | -42%                               | 23,146,792   | -9%                                  | 92,801,748   | 55%                               | 8,684,899   | 5%                               |
| 73,446,483<br>42,190,527<br>21,206,709<br>867,921<br>74,528 | -57%<br>-36%<br>-69%<br>-8%<br>-3% | 5,365,768<br>15,338,724<br>4,181,179<br>1,641,905<br>4,064,515 | -4%<br>-12%<br>-12%<br>-13%<br>-241% | 40,069,701<br>37,569,512<br>13,417,607<br>1,487,659<br>349,366 | 43%<br>40%<br>62%<br>-11%<br>-17% | 7,801,571<br>4,307,737<br>2,266,934<br>579,061<br>2,725,609 | -8%<br>5%<br>-9%<br>-4%<br>-394% |
| 135,901,270   | -52%                               | 27,308,281   | -9%                                  | 92,195,113   | 47%                               | 2,456,098   | -1%                              |
| 34,545,176  | -150%                              | 4,161,489  | -15%                                 | 606,635  | -2%                               | 11,140,997  | -29%                             |
| 2,952,182<br>738,046  | -25%<br>-25%                       | 1,440,712<br>360,178   | -11%<br>-11%                         | 2,104,428<br>526,107   | -14%<br>-14%                      | 2,053,461<br>513,365  | 15%<br>15%                       |
| 2,214,136   | -25%                               | 1,080,534  | -11%                                 | 1,578,321  | -14%                              | 1,540,096   | 15%                              |
| 88,562<br>25,795  | 236%<br>114%                       | 8,159,492<br>10,006  | -100%<br>-31%                        | 8,154,154<br>10,254  | 19038%<br>-24%                    | 145,993<br>2,123  | -77%<br>-5%                      |
| 32,393,807  | -230%                              | 5,068,531  | 56%                                  | 25,253,776   | -156%                             | 44,983,721  | -156%                            |
| 3,332,187   | -                                  | -  | -                                    |  |                                   |   |                                  |
| 29,061,620  | -206%                              | 5,068,531  | 56%                                  | 25,253,776   | -156%                             | 44,983,721  | -156%                            |
|   |                                    |  |                                      |  |                                   |   |                                  |
| 42,190,527  | -36%                               | 15,338,724   | -12%                                 | 37,569,512   | 40%                               | 4,307,737   | 5%                               |
| 3,869,463<br>14,229,221                                     | -29%<br>-15%                       | 4,364,512<br>2,747,968   | -25%<br>-3%                          | 235,493<br>19,980,653  | 1%<br>27%                         | 806,698<br>4,545,851  | 5%<br>6%                         |
| 24,091,843  | -224%                              | 8,226,244  | -43%                                 | 17,353,366   | 1052%                             | 1,044,812   | -39%                             |
| 738,046<br>2,244,239<br>2,323,020                           | -25%<br>24%<br>201%<br>-           | 360,178<br>1,253,838<br>228,613                                | -11%<br>-12%<br>25%                  | 526,107<br>5,684,596<br>221,851                                | -14%<br>119%<br>31%               | 513,365<br>5,181,418<br>1,074,790                           | 15%<br>-52%<br>-60%              |
| 20,262,630<br>2,196,574                                     | -84%<br>-76%                       | 9,611,647<br>383,468   | -29%<br>-12%                         | 22,733,706<br>939,238  | 207%<br>40%                       | 6,787,655<br>107,693  | -38%<br>5%                       |
| 18,066,056  | -85%                               | 9,228,179  | -30%                                 | 21,794,468   | 252%                              | 6,895,348   | -44%                             |
| 0.60  | -85%                               | 0.31   | -30%                                 | 0.73   | 252%                              | 0.23  | -44%                             |

## VERTICAL ANALYSIS

| Balance Sheet  |                |                 |                 |                |                |                |
|--|----------------|-----------------|-----------------|----------------|----------------|----------------|
|  | 2019           | 2018            | 2017            | 2016           | 2015           | 2014           |
| Share Capital & Reserves   |                |                 |                 |                |                |                |
| Authorized Share Capital 70,000,000 ordinary shares of Rs.10/- each              |                |                 |                 |                |                |                |
| Issued, subscribed & paid upshare capital  | 42.8%          | 64.3%           | 62.6%           | 48.3%          | 50.2%          | 51.0%          |
| Discount on issuance of shares   | -7.9%          | -11.9%          | 0.0%            | 0.0%           | 0.0%           | 0.0%           |
| Fair value reserve Accumulated Losses  | 0.0%<br>-10.2% | -0.7%<br>-16.9% | -0.9%<br>-17.4% | 0.3%<br>-13.8% | 0.0%<br>-18.0% | 0.0%<br>-23.3% |
| / total indicated 200000   | 24.8%          | 34.9%           | 44.3%           | 34.8%          | 32.2%          | 27.7%          |
| Waqf / Participants' Takaful Fund ( PTF )  |                |                 |                 |                |                |                |
| Ceded Money  | 0.0%           | 0.1%            | 0.1%            | 0.1%           | 0.1%           | 0.1%           |
| Fair value reserve Accumulated Surplus/(deficit)                                 | 0.0%<br>1.9%   | -2.2%<br>-0.1%  | -0.8%<br>-0.7%  | 0.3%<br>-2.9%  | 0.0%<br>-3.5%  | 0.0%<br>-2.0%  |
| ,  | 1.9%           | -2.3%           | -1.4%           | -2.5%          | -3.4%          | -1.9%          |
| Qard-e-hasna - payable   | 6.4%           | 11.5%           | 8.5%            | 5.6%           | 3.4%           | 1.9%           |
| garu-e-nasna - payable   | 0.470          | 11.570          | 0.5 /0          | 5.0 /0         | 3.4 /0         | 1.570          |
| Underwriting Provisions  | 10.6%          | 0.00/           | 13.0%           | 15.2%          | 16.2%          | 16.9%          |
| Outstanding claims including IBNR Unearned contribution reserves                 | 35.3%          | 8.3%<br>22.7%   | 8.2%            | 15.2%          | 23.9%          | 23.3%          |
| Contribution deficiency reserve  | 0.0%           | 0.1%            | 0.0%            | 0.4%           | 0.8%           | 0.5%           |
| Unearned retakaful rebate  | 0.3%           | 0.4%            | 0.6%            | 0.5%           | 0.5%           | 1.0%           |
| Contributions received in advance  | 0.5%           | 0.3%            | 0.4%            | 0.2%           | 0.1%           | 0.4%           |
| Amounts due to takaful/retakaful companies Unearned wakala fees                  | 3.6%<br>10.3%  | 6.8%<br>9.1%    | 13.9%<br>3.3%   | 13.6%<br>4.7%  | 10.0%<br>9.6%  | 6.4%<br>9.3%   |
| Wakala fees payable  | 0.5%           | -               | 1.2%            | 3.8%           | 1.7%           | 9.2%           |
| Mudarib fees payable   | 0.8%           | 0.7%            | 1.2%            | 4.4%           | 0.3%           | 0.3%           |
| Deferred Tax Liability   | 0.1%           | 7 40/           | 0.00/           | 7.00/          | 4.00/          | E 00/          |
| Other creditors and accruals   | 5.0%<br>0.0%   | 7.4%<br>0.0%    | 6.9%<br>0.0%    | 7.6%<br>0.0%   | 4.6%           | 5.0%           |
|  | 66.9%          | 55.9%           | 48.6%           | 62.2%          | 67.8%          | 72.3%          |
| Total Equites & Liabilities Rupees   | 100.0%         | 100.0%          | 100.0%          | 100.0%         | 100.0%         | 100.0%         |
| Assets   |                |                 |                 |                |                |                |
| Property and equipment   | 3%             | 1.4%            | 1.0%            | 1.2%           | 1.7%           | 2.3%           |
| Intangible assets  | 0%             | 0.0%            | 0.1%            | 0.0%           | 0.0%           | 0.0%           |
| Investments  |                |                 |                 |                |                |                |
| Equity securities and mutual funds   | 0%             | 18.7%           | 29.5%           | 19.0%          | 10.7%          | 1.7%           |
| Debt securities  | 6%             | 13.2%           | 5.3%            | 3.9%           | 0.7%           | 4.3%           |
| Term deposits  | 36%            | 20.5%           | 27.5%           | 34.3%          | 51.1%          | 42.7%          |
| Qard-e-hasna - receivable  | 6%             | 11.5%           | 8.5%            | 5.6%           | 3.4%           | 1.9%           |
| Long term deposits   | 1%             | 0.3%            | 0.3%            | 0.3%           | 0.3%           | 0.3%           |
| Loans and other receivables  | 5%             | 2.0%            | 4.6%            | 5.9%           | 1.0%           | 2.2%           |
| Takaful / co-takaful receivables Retakaful recoveries against outstanding claims | 18%<br>3%      | 4.4%<br>2.0%    | 3.1%<br>5.1%    | 3.6%<br>4.2%   | 5.2%<br>3.2%   | 6.8%<br>4.6%   |
| Salvage recoveries accrued   | 0%             | 0.2%            | 0.2%            | 0.1%           | 0.0%           | 0.1%           |
| Wakala fees receivable   | 1%             | 0.0%            | 1.2%            | 3.8%           | 1.7%           | 8.5%           |
| Mudarib fees receivable  | 1%             | 0.7%            | 1.2%            | 4.4%           | 0.3%           | 0.3%           |
| Deferred wakala fees Deferred commission expense                                 | 10%<br>2%      | 9.1%<br>3.6%    | 3.3%<br>0.5%    | 4.7%<br>0.6%   | 9.6%<br>1.0%   | 9.3%<br>1.3%   |
| Taxation-payment less provisions   | 1%             | 0.5%            | 1.1%            | 1.3%           | 1.5%           | 1.5%           |
| Prepayments  | 5%             | 2.4%            | 2.0%            | 3.0%           | 4.9%           | 6.0%           |
| Cash and Bank  | 2%             | 9.3%            | 5.6%            | 4.0%           | 3.7%           | 6.1%           |
| Total Assets Rupees  | 100.0%         | 100.0%          | 100.0%          | 100.0%         | 100.0%         | 100.0%         |

### **Income Statement**

|  | 2019                           | 2018   | 2017  | 2016  | 2015  | 2014  |
|--|--------------------------------|--|---|---|---|---|
| Participants' Takaful Fund (PTF)   |                                |  |   |   |   |   |
| Net Contribution Revenue Net Claims Wakala Fee Direct Expenses Retakaful rebate earned Contribution deficiency reversal Investment income Mudarib's share given to Shareholder's Fund Other income                                       | 92% -49% -48% -3% 2% 0% 3% -1% | 92%<br>-50%<br>-45%<br>-3%<br>-7%<br>-1%<br>1%<br>0% | 85%<br>-40%<br>-50%<br>-7%<br>6%<br>1%<br>5%<br>-2% | 90% -46% -42% -11% -4% -1% -0%              | 89% -44% -43% -11% -4% -1% -1% -1% -0%      | 85%<br>-44%<br>-43%<br>-10%<br>7%<br>-1%<br>8%<br>-2% |
| Bank charges  Surplus / ( deficit ) before tax  Provision for taxation - current  Total surplus / ( deficit ) transferred to balance of waqf / participants' takaful fund  | 0% 0% 28,262,375               | 0%<br>-1%<br>-1,969,238                              | 0%<br>-2%<br>                                       | 0% 0% (14,096,358)                          | 0% 0% (9,027,827)                           | 0% 0% (16,220,549)                                    |
| Shareholders' Fund (SHF) Wakala fees Commission expense Management expenses Mudarib's shares from PTF Investment Income Investment Income Other income Finance cost Profit for the year before taxation Provision for taxation - Current | 88% -19% -78% 1% 10% 0% -1%    | 85%<br>-16%<br>-83%<br>1%<br>14%<br>0%               | 81%<br>-11%<br>-89%<br>2%<br>13%<br>4%<br>0%        | 90%<br>-12%<br>-85%<br>2%<br>7%<br>1%<br>0% | 90%<br>-15%<br>-82%<br>2%<br>7%<br>1%<br>0% | 91%<br>-18%<br>-79%<br>4%<br>5%<br>1%<br>0%           |
| Profit/(loss) after tax Rupees   | 16,999,885                     | (77,199,203)   | 3,132,250   | 21,198,306                                  | 30,426,485                                  | 8,632,017   |

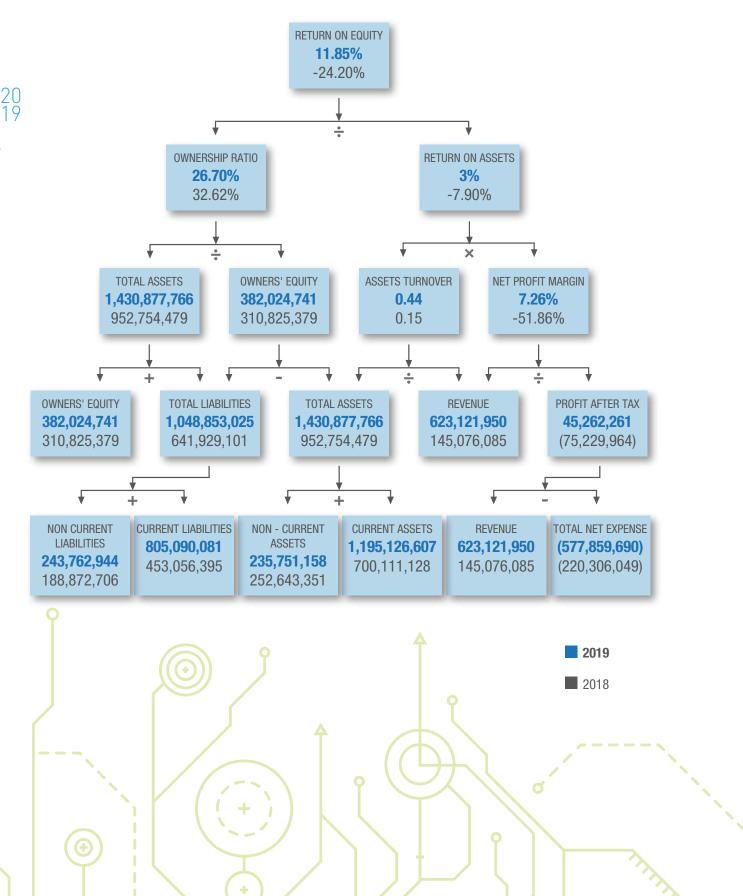
## **SUMMARY OF CASHFLOW STATEMENT** FOR THE LAST 6 YEARS

|  | 2019         | 2018          | 2017         | 2016          | 2015        | 2014        |
|--|--------------|---------------|--------------|---------------|-------------|-------------|
| Cashflow Summary   |              |               |              |               |             |             |
| Total cash (used in) / flows from all operating activities | (25,244,269) | 79,132,929    | (66,523,489) | (41,226,006)  | 44,642,396  | (7,892,919) |
| Total cash (used in) / flows from all investing activities | (38,224,517) | (217,718,600) | 68,391,661   | (218,455,217) | 487,062     | 99,409,033  |
| Total cash (used in) / flows from all financing activities | -            | 200,000,000   |              | (1,450,260)   | (1,255,260) | (1,255,260) |
| Net cash (used in) / flows from all activities             | (63,468,786) | 61,414,329    | 1,868,172    | (261,131,483) | 43,874,198  | 90,260,854  |
| Cash and Cash Equivalents at the beginning of the year     | 88,305,476   | 26,891,146    | 25,022,974   | 286,154,457   | 242,279,899 | 152,019,405 |
| Cash and Cash Equivalents at the end of the year Rupees    | 24,836,690   | 88,305,476    | 26,891,146   | 25,022,974    | 286,154,457 | 242,279,899 |

## **FINANCIAL RATIOS**

| Underwriting Ratios   | Family  | 2019            | 2018            | 2017            | 2016                      | 2015             | 2014            |
|---|---|-----------------|-----------------|-----------------|---------------------------|------------------|-----------------|
| Combined Ratio<br>Loss Ratio  | Formulation Loss Ratio + Underwriting Expense Ratio Net Claims Expense / Net Contribution Revenue | 103.0%<br>50.8% | 163.4%<br>53.5% | 103.2%<br>40.1% | 97.7%<br>53.8%            | 93.9%<br>51.1%   | 109.7%<br>55.5% |
| Underwriting Expense Ratio  | Net Commission, Management, General & Admin Expense / Net Contribution Revenue                    | 52.2%           | 109.9%          | 63.1%           | 43.9%                     | 42.8%            | 54.2%           |
| Cession Ratio   | Retakaful Ceded / Contribution written  | 14.9%           | 15.8%           | 29.4%           | 23.1%                     | 17.2%            | 23.7%           |
| Profitability Ratios Net Underwriting Result as % of Net                      | Net Underwriting Result /   |                 |                 |                 |                           |                  |                 |
| Contribution Revenue  Net Underwriting Result as % of Gross                   | Net Contribution Revenue  | -1.2%           | 1.3%            | 8.4%            | -9.6%                     | -10.4%           | -16.4%          |
| Written Contribution  | Net Underwriting Result /<br>Gross Written Contribution   | -0.7%           | 0.5%            | 7.7%            | -10.5%                    | -8.1%            | -10.1%          |
| Net Underwriting Result (Excluding Wakala) as % of Net Contribution Revenue   | Net Underwriting Result (Excluding Wakala) / Net Contribution Revenue                             | 48.6%           | 49.8%           | 61.8%           | 38.8%                     | 39.6%            | 38.8%           |
| Net Underwriting Result (Excluding Wakala) as % of Gross Written Contribution | Net Underwriting Result (Excluding Wakala) / Gross Written Contribution                           | 29.3%           | 19.2%           | 56.8%           | 42.3%                     | 31.2%            | 24.0%           |
| Surplus/(deficit) as % of Net<br>Contribution Revenue                         | Surplus/(deficit) / Net Contribution Revenue  | 4.5%            | 1.4%            | 10.9%           | -5.9%                     | -3.4%            | 9.6%            |
| Surplus/(deficit) as % of Gross<br>Written Contribution                       | Surplus/(deficit) / Gross Written Contribution  | 2.7%            | 0.5%            | 10.0%           | -6.4%                     | -2.7%            | 5.9%            |
| Combined Income as % of Net   | Combined Income / Net Contribution Revenue  | 7.3%            | -51.9%          | 13.1%           | 3.0%                      | 8.2%             | 14.7%           |
| Contribution Revenue Combined Income as % of Gross                            | Combined Income / Gross Written Contribution  | 2.3%            | -20.0%          | 12.1%           | 3.2%                      | 6.4%             | 9.1%            |
| Written Contribution Management Expenses as % of                              | Management Expense / Gross Written  |                 |                 |                 |                           |                  |                 |
| Gross Written Contribution Profit before tax as % of Wakala Fee               | Contribution<br>Profit before tax / Wakala Fee Earned   | 25.4%           | 35.6%           | 51.8%           | 41.8%                     | 28.3%            | 27.2%           |
| Earned (Shareholders' Fund)<br>Net Profit Margin - Shareholders' Fund         | (Shareholders' Fund)<br>Profit after tax / Wakala Fee Earned -                                    | 8.1%            | -108.5%         | 5.2%            | 20.8%                     | 25.7%            | 11.7%           |
| Net Front Maryin - Shareholders Fund  | (Shareholders' Fund)  | 5.5%            | -109.7%         | 4.3%            | 18.3%                     | 23.2%            | 9.2%            |
| Liquidity Ratios  |   |                 |                 |                 |                           |                  |                 |
| Liquid Assets to Gross Claims Outstanding                                     | High Quality Liquid Assets / Provision for<br>Outstanding Claims                                  | 353.3%          | 357.5%          | 190.5%          | 214.0%                    | 408.6%           | - %             |
| Current Ratio Cash to Current Liabilities                                     | Current Assets/Current Liabilities Cash/Current Liabilities                                       | 148.4%<br>66.8% | 154.5%<br>62.6% | 238.6%<br>93.0% | 189.6%<br>81.7%           | 182.3%<br>106.3% | 164.6%<br>88.2% |
| Takaful Debt to Gross Contribution  | Takaful Debt / Contribution Written   | 24.7%           | 11.2%           | 10.1%           | 10.3%                     | 9.4%             | 14.6%           |
| Investor Ratios<br>Return on Assets   | Profit after tax/Total Assets   | 1.2%            | -8.1%           | 0.7%            | 2 //0/                    | E 10/            | 1.5%            |
| Return on Equity  | Profit after tax/Total Equity   | 4.8%            | -23.2%          | 1.5%            | 3.4%<br>9.8%              | 5.1%<br>15.8%    | 5.3%            |
| Capitalization Ratio  |   |                 |                 |                 |                           |                  |                 |
| Gross Financial Leverage  | Gross Technical Reserves / Adjusted Shareholders' Equity  | 173%            | 97%             | 51%             | 85%                       | 141%             | 160%            |
| Net Financial Leverage  | Net Technical Reserves / Adjusted Shareholders' Equity  | 230%            | 102%            | 51%             | 84%                       | 160%             | 138%            |
| Operating Leverage  | Net Premium Revenue / Adjusted Shareholders' Equity   | 163%            | 47%             | 67%             | 119%                      | 152%             | 112%            |
| Breakup Value Per Share   | Total Net Shareholders' Equity /  | 100/0           | 70              | 0.70            |                           |                  | /0              |
| ·   | Total Ordinary Shares Outstanding   | 5.79            | 6.54            | 7.07            | 7.20                      | 6.42             | 5.44            |
| Equity<br>No.of Shares  | Rupees  |                 | 50,837,353      | 30,000,000      | 216,032,763<br>30,000,000 |                  | 30,000,000      |
|   |   |                 |                 |                 |                           |                  |                 |

## DUPONT ANALYSIS 2019 VS 2018 (COMBINED)



## FREE CASHFLOW TO THE FIRM

Description

Earnings before Interest & Taxation

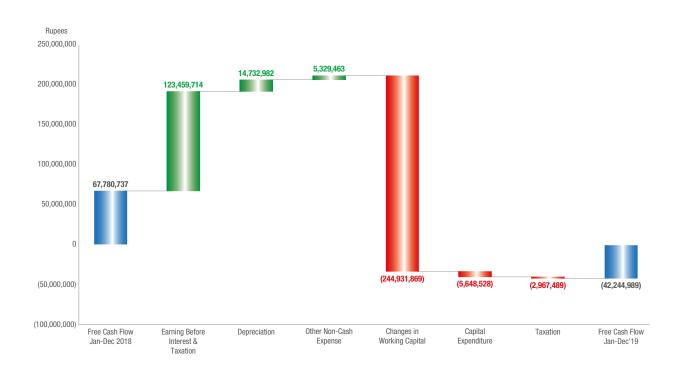
Less: Taxation

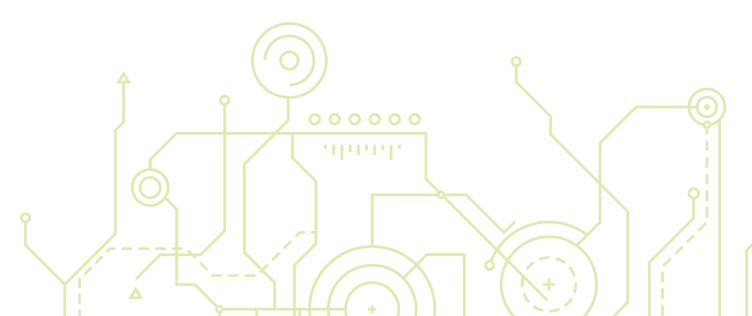
Add: Depreciation Add: Amortization

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

### Free Cashflow to the Firm

| 2019         | 2018         |
|--------------|--------------|
| Rupees       | Rupees       |
| 50,708,742   | (72,750,972) |
| (5,446,482)  | (2,478,993)  |
| 45,262,260   | (75,229,965) |
| 16,664,808   | 1,931,826    |
| 140,677      | 140,677      |
| 9,285,580    | 3,956,117    |
| (96,597,595) | 148,334,274  |
| (17,000,720) | (11,352,192) |
| (42,244,989) | 67,780,737   |





50 Takaful Pakistan Limited

## STATEMENT OF VALUE ADDED

### **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

**Net Wealth Generated** 

### **Wealth Distributed:**

### To Employees:

Salaries and other related cost

### To Government:

Taxes

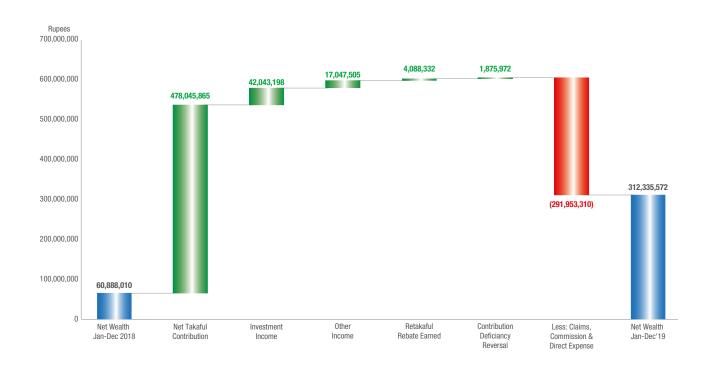
### **Retained in Business:**

Depreciation and Amortization (Loss)/Gain transferred to Retained Earnings

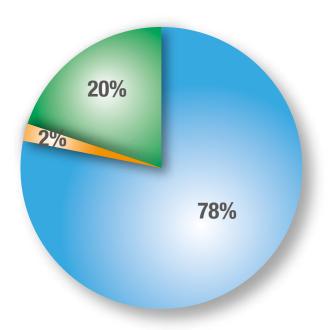
**Net Wealth Distributed** 

| 2019          | 2018          |
|---------------|---------------|
| Rupees        | Rupees        |
|               |               |
|               |               |
| 623,121,950   | 145,076,085   |
| 55,648,671    | 13,605,473    |
| 17,956,916    | 909,411       |
| 14,986,149    | 10,897,817    |
| 937,986       | (937,986)     |
| 712,651,672   | 169,550,801   |
| (400,316,101) | (108,662,791) |
| 312,335,571   | 60,888,010    |
| ,,            | ,,            |
|               |               |
|               |               |
|               |               |
| 244,821,344   | 131,566,478   |
| , o , o       | 101,000,110   |
|               |               |
| 5,446,482     | 2,478,993     |
| 0,440,402     | 2,470,000     |
|               |               |
| 16,805,485    | 2,072,503     |
| 45,262,261    | (75,229,964)  |
| 10,202,201    | (10,220,004)  |
| 312,335,571   | 60,888,010    |
| , ,           |               |
|               |               |

## **VALUE ADDED**

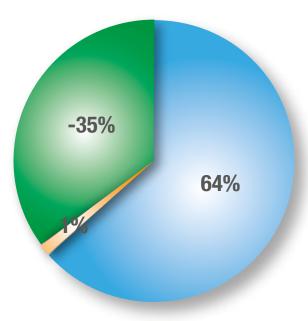


## **DISTRIBUTION 2019**



■ Salaries and other related cost■ Government taxes■ Retained in Business

## **DISTRIBUTION 2018**



## COMMENTARY ON FINANCIAL PERFORMANCE AND RATIOS

### **Gross Written Contribution**

For the year 2019, Gross Written Contribution enormously increased by 174.5% year on year and clocked in at Rs. 1,031.8 million (2018: Rs. 375.8 million). The rise in GWC is a result of management's aggressive business strategy. Motor class business which accounts for 55.7% of the total Written Contribution increased by 90.6% YoY.

The Company has also emphasized on business from classes other than motor. This is evident from the tremendous rise of 2,563.7% in Health class and 1,095.2% in Miscellaneous class as compared to previous year 2018.

Net takaful contribution revenue closed in at Rs. 623.1 million (2018: Rs, 145.0 million) depicting an increase of 329.5%. It is pertinent to note that unearned contribution stands at Rs. 504.5 million which will be earned in upcoming year.

### **Claims**

Net takaful claims expense increased by 307.8% as compared to previous year because of increase in business mainly attributable to Motor and Health.

### **Investment Income**

Total net investment income recorded at Rs. 55.6 million (2018: Rs. 13.6 million) an increase of 309.0% YoY. The Company's investment strategy of allocating majority of its portfolio in low risk avenues i.e. bank deposits owing to rising discount rates emanated a substantial rise in the investment income versus 2018. Furthermore, the positive trend of stock market index during last quarter of 2019

helped the Company's equity investment portfolio to recover significantly thereby eradicating impairment loss on equity investments

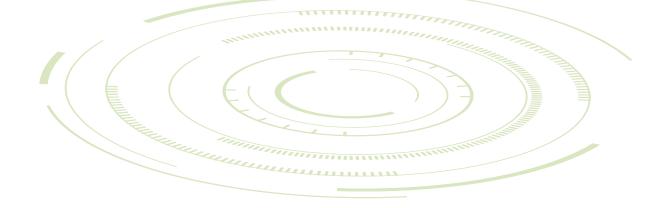
## **Profitability**

The Shareholders' fund income is derived from the wakala fees earned, investment return and mudarib income earned from PTF investment income. During 2019, the Company managed to earn wakala fees of Rs. 310.1 million (2018: Rs. 70.3 million) an increase of 340.7% over same period last year. The year 2019 registered a net Profit after tax of Rs. 16.9 million vis-à-vis a net Loss of Rs. 77.1 million in 2018. Improving Shareholders' Fund profitability resulted mainly due to rise in Wakala fees owing to substantial increase in business, rising investment income and due to efficient control of Management, General & Admin and Commission expenses.

The Participants' Takaful fund income is derived from the net takaful contribution earned and investment return. During 2019, the Company managed to earn net takaful contribution revenue of Rs. 623.1 million (2018: Rs. 145.0 millio) depicting an increase of 329.5%. The year 2019 registered a net surplus after tax of Rs. 28.2 million as compared to a net surplus of Rs. 1.9 million in 2018. Improving Participants' Takaful fund profitability resulted mainly due to rise in investment income and business underwritten.

## **Underwriting Ratios**

Combined ratio has improved significantly closing in at 103.0% in 2019 as compared to 163.4% in 2018 majorly due to declining underwriting expense ratio which has decreased to 52.2% in 2019 as compared



to 109.9% in 2018, as a result of efficient control of Management, General & Admin and Commission expenses.

Despite significant increase in business, efficient claims management and prudent underwriting helped control loss ratio which has decreased to 50.8% as compared to 53.5% in 2018.

## **Profitability Ratios**

Profitability Ratios depicted positive signs as both the Participants' Takaful Fund and Shareholders' Fund closed in green at Rs. 28.2 million (2018: Rs. 1.9 million) and Rs. 16.9 million (2018: Loss after tax Rs. 77.1 million) respectively. This is due to substantial rise in business underwritten, increasing investment income and significantly controlled Management, General & Admin and Commission expenses.

## **Liquidity Ratios**

Takaful Debt (receivables) to Contribution Written has increased to 24.7% (2018: 11.2%) majorly due to receivables pertaining to recent month business written that were subsequently received after December year end.

Owing to rising business underwritten, Company's Cash & Bank Deposits to Current Liability ratio has increased to 66.8% as compared to 62.6% previous year. Company's Cash & Bank Deposits stand at 538.0 million as at 2019 (2018: Rs. 283.8 million).

Company has strong solvency position, with both the Shareholders' and Participants' Takaful Funds having

higher solvency margins in all four quarters of year 2019.

### **Investor Ratios**

The shareholders' Return on Equity and Assets has increased to 4.8% and 1.2% respectively (2018: -23.2% and -8.1%), owing to increased business and efficiently controlled expenses as compared to previous year.

### **Capitalization Ratios**

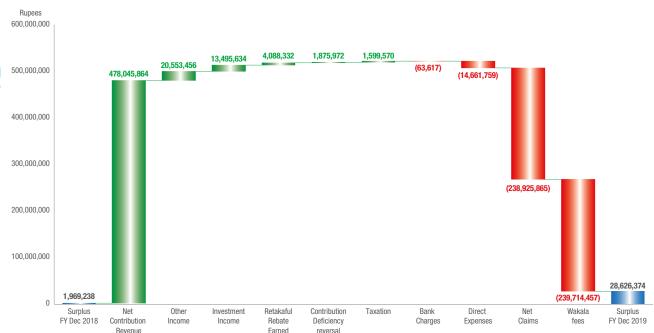
The Gross and Net Financial Leverage has increased to 173% and 230% respectively (2018: 96.6% and 101.9%) due to substantial rise in Unearned Contribution, which closed at 504.5 million (2018: Rs. 216.5 million). The rise is due to tremendous increase in Company's business activities and Gross Written Contribution Revenue.

## Business Rationale of Major Capital Expenditure During the year and for those Planned for next year

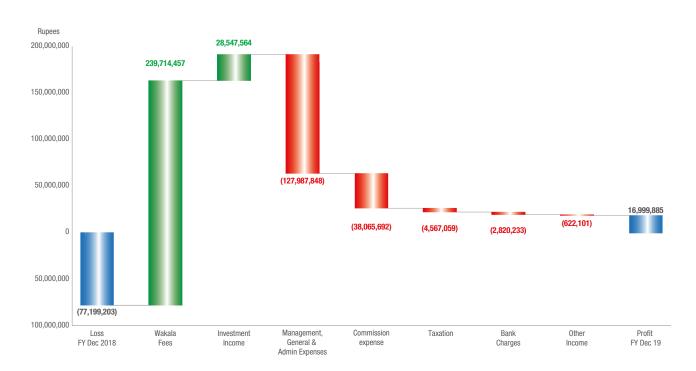
This year Rs. 17.00 million (2018: 11.35 million) were booked against capital expenditures. The rise in the Capex is attributable to expansion of head office to cater the augmented size of Operations & Human Resources. For the upcoming year 2020, in line with strategic objective to increase the business revenue & operations, Management has planned for further expansion in branch and sales and distribution networks.



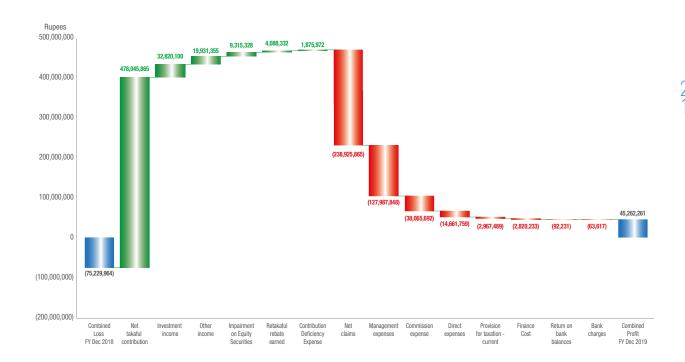
## PARTICIPANTS' TAKAFUL FUND - PROFITABILITY



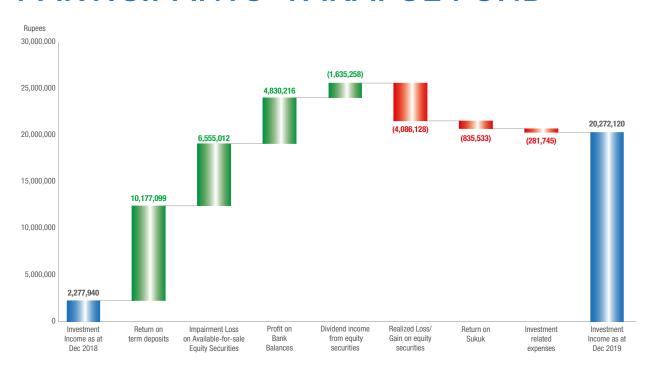
## SHAREHOLDER'S FUND - PROFITABILITY



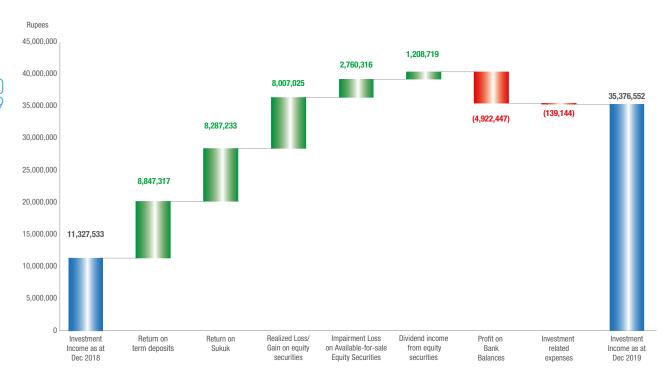
## **COMBINED PROFITABILITY**



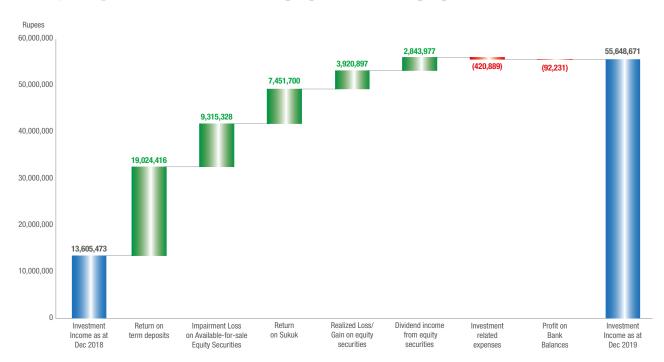
## INVESTMENT INCOME PARTICIPANTS' TAKAFUL FUND



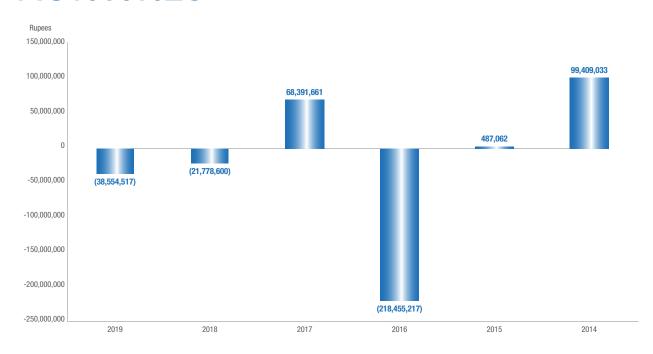
## INVESTMENT INCOME - SHAREHOLDER'S FUND



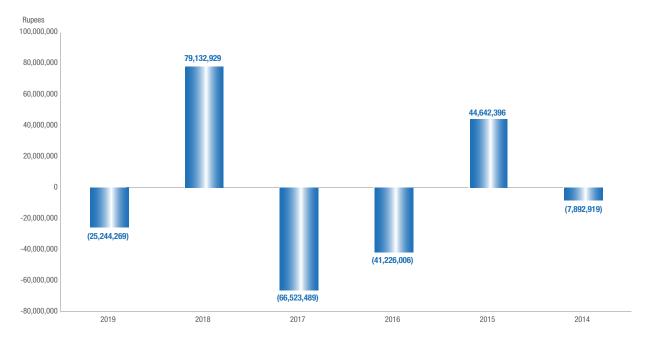
## **INVESTMENT INCOME - COMBINED**



## CASHFLOW FROM INVESTING ACTIVITIES

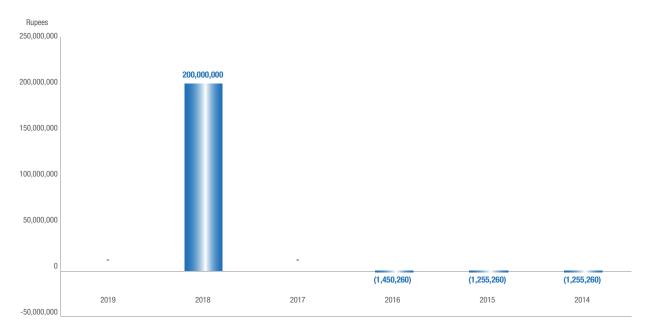


## CASHFLOW FROM OPERATING ACTIVITIES

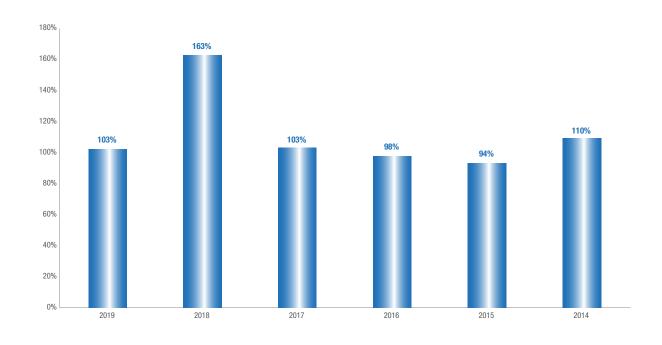




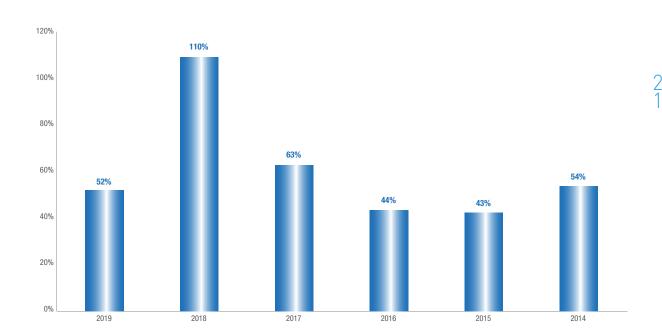
## CASHFLOW FROM FINANCING ACTIVITIES



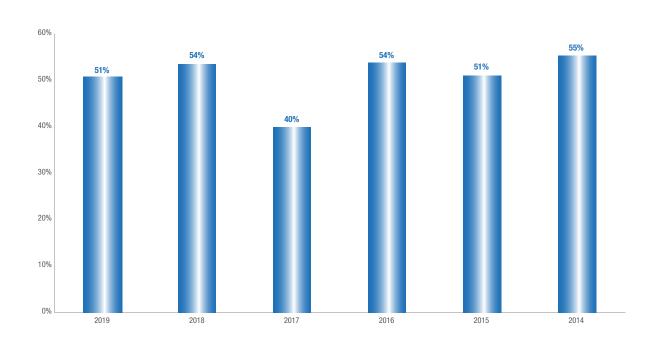
## **COMBINED RATIO**



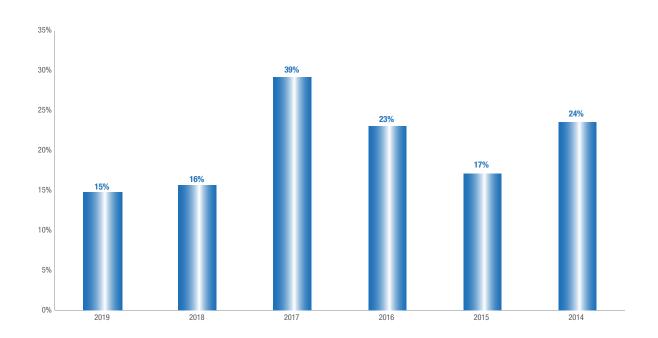
## **UNDERWRITING EXPENSE RATIO**



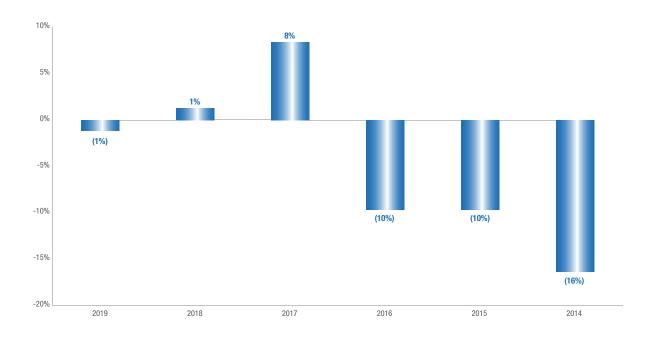
## **LOSS RATIO**



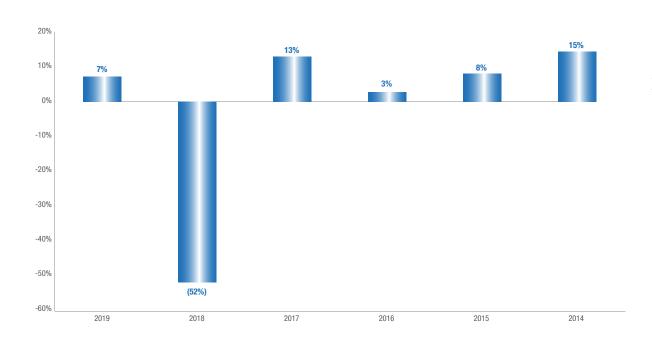
## **CESSION RATIO**



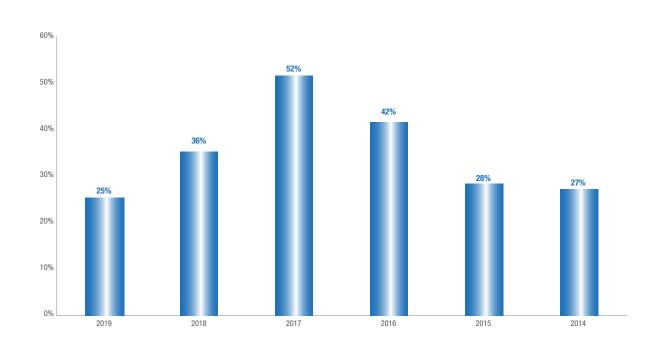
## (DEFICIT) / SURPLUS AS % OF NET CONTRIBUTION REVENUE



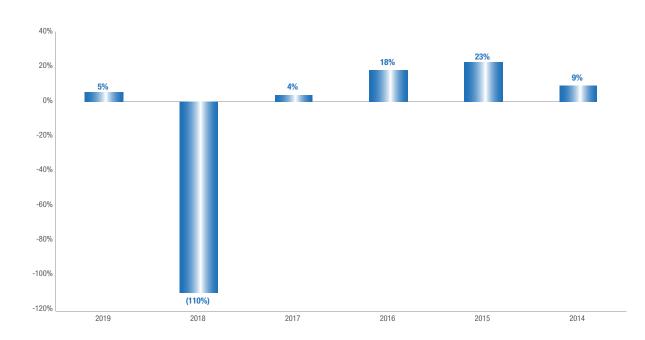
## COMBINED INCOME / (LOSS) AS % OF NET CONTRIBUTION REVENUE



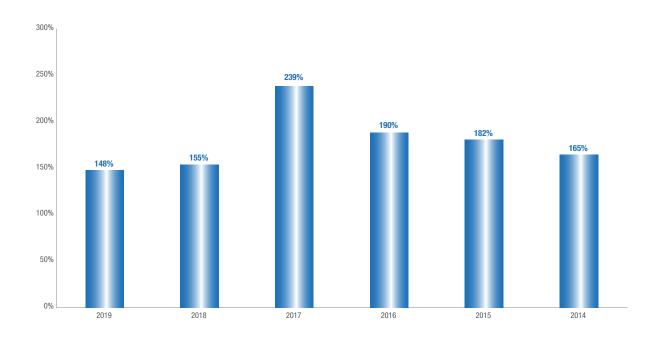
## MANAGEMENT EXP. AS % OF GROSS WRITTEN CONTRIBUTION



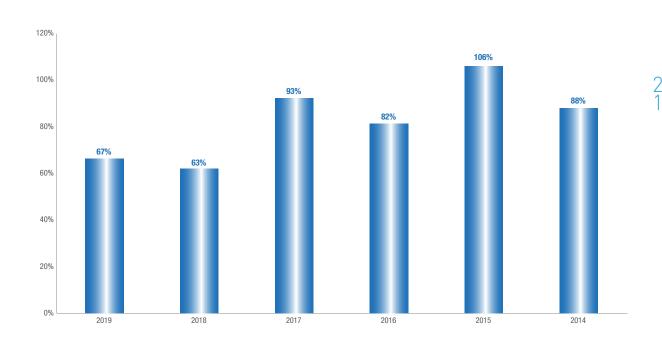




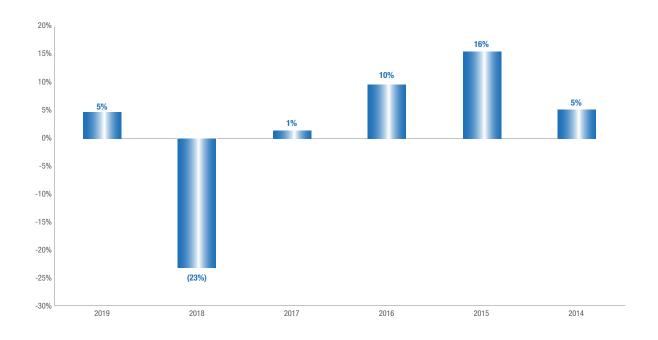
## **CURRENT RATIO**



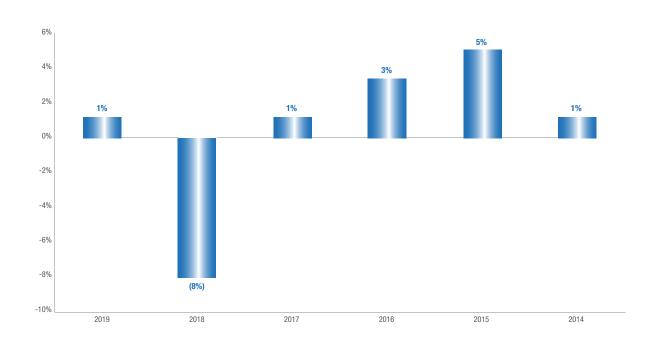
## **CASH TO CURRENT LIABILITIES**



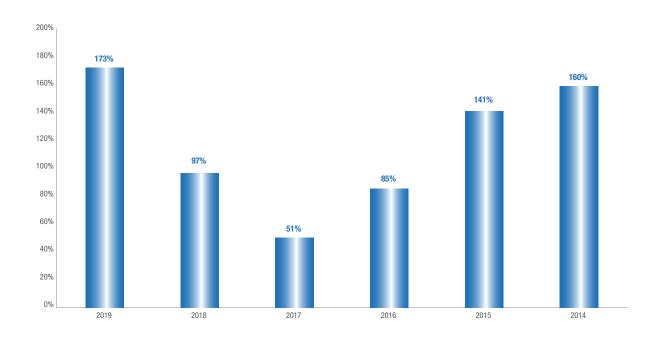
## **RETURN ON EQUITY**



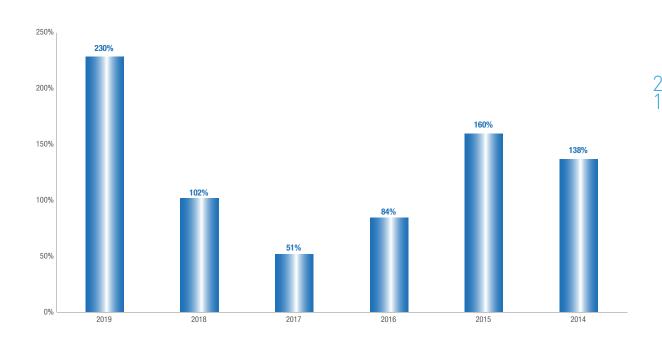
## **RETURN ON ASSETS**



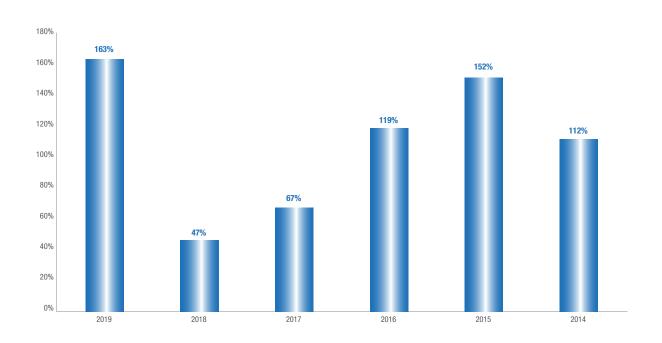
## **GROSS FINANCIAL LEVERAGE**



## **NET FINANCIAL LEVERAGE**



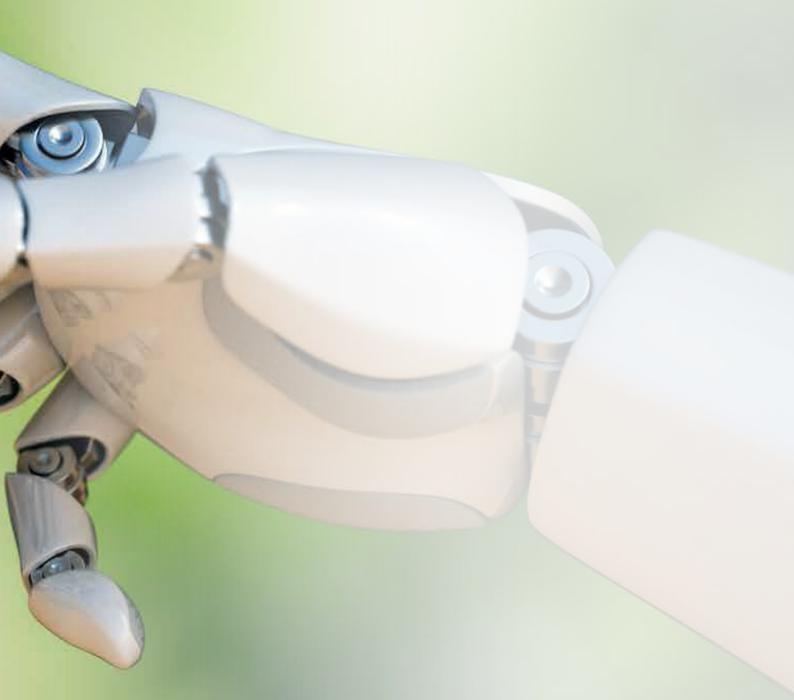
## **OPERATING LEVERAGE**





## **Embracing Sanctity**

**Shariah Compliance**and Audit



## PROFILE OF SHARIAH ADVISOR

### MUFTI SAJJAD ASHRAF USMANI

Mufti Sajjad Usmani is a seasoned professional with over 7 years of working experience from writing Fatawas to serving as a Shari'ah Advisor of the leading financial institutions of Pakistan. Mufti Sb has special interest in the promotion of Islamic Finance particularly in the facilitation of conversion of conventional setups into Shariah-based organizations. He has blend experience of providing Shariah consultancy to dedicated Takaful and window Takaful operations too.

He is also engaged with A.F.F (PWC) and Deloitte Pakistan, leading Auditing firms of Pakistan since 2015-2016, as a Shariah Consultant & Head of Shariah Audit and has done various Shari'ah Audits of renowned Islamic banks under their umbrella. He knows the practical problems being faced by the Islamic Financial Institution (IFIs) and is well aware of the gaps in their policies and procedures reported in their Shari'ah Audit Reports.

He is a teacher of Hadith and Figh (Islamic Jurisprudence) at Jamia Darul Uloom Korangi Karachi and has been teaching various Islamic disciplines including Islamic Finance & Takaful in some of the leading Islamic educational institutions of Pakistan since 2011.

Mufti Sajjad Usmani has qualified Takhassus (specialization) in Islamic Jurisprudence and Dars-e-Nizami from Jamia Darul Uloom. Karachi and a certified anatomist of Sukuks. Islamic Banking & Finance. He is also pursuing MBA besides having a bachelor's degree in Economics from the University of Karachi that makes him the perfectly blended professional in the field of Islamic Finance & Takaful.

He has also attended various other Islamic Banking & Finance courses and workshops specifically on Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI) Shari'ah, Accounting, Auditing and Governance Standards.

## MANAGEMENT'S STATEMENT OF COMPLIANCE WITH SHARIAH RULES AND PRINCIPLES

The financial arrangements, contracts and transactions, entered into by the Takaful Pakistan Limited ("The Company") for the year ended 31 December 2019 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

- The Company has developed and implemented all the policies procedures in accordance with the Takaful Rules, 2012 and rulings of the Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, 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 have been implemented. In addition, as suggested by Shariah advisor, Company has initiated the process of updating all existina policies and procedures manuals to bring them in line with the updated regulatory requirements for eventual approval by the Shariah Advisor and the Board of Directors:
- 2. The Company has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shariah Advisor / Board of Directors to

- maintain the adequate level of awareness, capacity and sensitization of the staff and management;
- 3. All the products have been approved by Shariah Advisor and the financial arrangements including investments made, investment policies, contracts and transactions entered into by the Company are in accordance with the policies approved by Shariah Advisor;
- 4. The assets and liabilities of Takaful Operations (Participants' Takaful Fund) are segregated from Company's other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012; and
- 5. Rule 10 (1) (k) of Takaful Rule 2012 which states that an operator shall ensure that in case of general takaful, each Participants' Takaful Fund, at all times, has admissible assets in excess of its liabilities. Operator had funded shortfall of PTF's assets over liabilities by way of transfer funds actual of gard-e-hasana to Participants' Takaful Fund's bank account in compliance of Rule 20 (1) of Takaful Rule 2012. Accordingly, PTF has admissible assets in excess of its liabilities.

This has been duly confirmed by the Shariah Advisor of the Company.

**Rizwan Hussain** Managing Director & CEO

## SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS

We have reviewed the accompanying financial statements of Takaful Pakistan Limited (hereafter referred as "the Company") for the year ended 31 December 2019

We acknowledge that as a Shariah Advisor of the Company, it is Shariah Department's responsibility to ensure that the financial arrangements, contracts and transactions undertaken by the Company with its participants and stakeholders are compliant with the requirements of Shariah rules and principles. During the year, the Shariah Advisor visited the premises regularly to provide Shariah assistance in day to day activities.

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 of the Company's operations thus lies with the management.

To form our opinion as expressed in this report, we have reviewed all types of business transactions of the Company during the year 2019. Based on above, we are of the view that, under Takaful Rule 2012:

i. The financial arrangements, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended December 31, 2019 are in compliance with the requirements of the Shariah rules and guidelines as prescribed by the Shariah Advisor.

- ii. During the year, management has continuously consulted with the Shariah advisor on the matters and market practices relating to investment activities. The investment avenues and locations selected by the investment manager were periodically 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, reasonable amount of charity has been generated through purification of dividend income. The same will be disbursed as per the instructions of Shariah Advisor of the Company.
- iv. The Company put its utmost effort in bringing awareness in the masses and extensively participated and sponsored conferences, seminars and trainings in different cities.
- v. The Company is focused towards enhancing the skills and knowledge base of the staff. The Shariah Department has provided Basic Takaful training to almost all the staff of the Company. Meanwhile, the mandatory training on Takaful Concept and practices was also organized for executive level and sales staff as well.
- vi. Consequently, we have found that the company is in accordance with the Shariah principles with respect to all transactions.

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, ameen.



**Mufti Sajjad Ashraf Usmani** Shariah Advisor Takaful Pakistan Limited

### REPORT OF SHARIAH SUPERVISOR



Plot No. 4-C, 21st Commercial Street Hall, Mezzanine Floor Phase II DHA, Karachi

بسم الله الرحمن الرحيم الحمد لله رب العالمين والصلوة والسلام ولى خاتم الانبياء والمرسلين، محمد المصطفى الأمين، وعلى آلم واصحابم أجمعين، و بعد:

Being Shariah supervisor of the company, we have reviewed the structure of the company, products & services provided by Takaful Pakistan Limited for the year ended 31/12/2019, We have reviewed the Shariah Guidelines, Waqf Rules, transections, the relevant documents and procedure adopted by the company. In our opinion, and to the best of our understanding based on the provided information, explanations and the external Shariah Audit report, the Shariah Advisor report, products & services provided by Takaful Pakistan Limited and, the Re-takaful arrangements made during the year were in conformity with the Shariah Principles as well as regulatory requirement stipulated in Takaful Rules 2012, The Company has invested its available funds in the approved Shariah Compliant Instruments and all earnings from prohibited sources have been properly calculated and disposed of to charity account.

It is Shariah advisor's responsibility to ensure that the financial arrangements, contracts and transactions entered into by the Company with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles. It is the responsibility of the Company's management to ensure that the rules, principles and guidelines set by the Shariah Supervisor and Shariah Advisor are complied with, and that all policies and services being offered are duly approved by the Shariah Advisor and Shariah Supervisor.

### Recommendations

Internal Shariah Audit function should be established to further strengthen the adherence to Shariah principles and guidelines.

Shariah Compliance Department should prepare periodical Shariah Compliance Review Report to further enhance the Shariah Compliance status of Takaful operation of the company.

سبحانهوتعالي

May Allah ( ) bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter and forgive our mistakes.

Wassalam Alaikum WaRahmat Allah Wa Barakatuh.

DR. MUHAMMAD IMRAN ASHRAF USMANI

President & CEO

Usmani & Co. Shariah Advisors Pvt. Limited

Date: 14th May 2020



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

### INDEPENDENT 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 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 31 December 2019, 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 Operations with the Takaful Rules, 2012, in all material respects.

### **Applicable Criteria**

The criteria against which the subject matter information (the Statement) is assessed comprise 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 Standard on 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 perform 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;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31 December 2019 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 31 December 2019, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

### **Restriction on use and distribution**

This report is issued in relation to the requirements as stipulated under Takaful Rules, 2012 and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.

Date: 14 May 2020

Karachi

KPMG Taseer Hadi & Co. Chartered Accountants

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## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 FOR THE YEAR ENDED DECEMBER 31, 2019

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.

TAKAFUL PAKISTAN LTD (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:

### Category

Independent Director \*
Executive Director
Non-Executive Directors

### Names

Dr. Irum Saba (appointed on Jan 28, 2020)-**Refer S.No 4**Syed Rizwan Hussain
Mr. Salim Habib Godil
Mr. Shahzad Salim Godil
Syed Salman Hussain
Mr. Ahmed Shuja Kidwai
Mr. Ashraf Ali Velji

- \* Takaful Pakistan Limited is an un-listed Company. The Company has strived best to ensure effective representation on Board and have appointed Independent Non-Executive Director on 28 Jan, 2020 who meets the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016. The new appointment on the Board is in terms of section 161(2) of the Companies Act, 2017.
- 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 have defaulted in the payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has not been declared as a defaulter by a stock exchange.
- 4. A casual vacancy occurred on the Board on 05th Nov, 2019 and has been filled up by the directors within 90 days.
- 5. The Company has prepared "Statement of Ethics and Business Practices" as Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 6. The Board has developed a vision / mission statement, corporate strategy and significant policies, except IT Security Policy, which though does not fall under the list of significant policies as provided under the Code, yet considering it expedient for the robust internal controls of the Company, the IT Security Policy is being developed and undergoing final review phase. A complete record of particulars of significant policies prepared as at 31 Dec, 2019 with the dates on which they were approved or amended by the Board has been maintained.

- 7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.
- The meetings of the Board were presided over by the Chairman. The Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

Annual Report

- 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 and has initiated drive towards continuous development and improvement as explained in this statement.
- 10. The Board arranged an Orientation Course for its directors during the year to apprise them of their duties and responsibilities. Besides focusing on financial growth and business strategy of the Company, the Board of Directors strived to ensure best corporate governance practices and gave due importance to requisite trainings as prescribed under law. Beyond the requirement of orientation courses for directors under the Code of Corporate Governance for Insurers, 2016 which was duly ensured during the reporting year, the Company also arranged professional training programmes for its 03 directors. Total 5 out of 7 directors on the Board are professionally trained and certified directors.
- 11. The Board has approved appointment of Chief Financial Officer (CFO) & Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
- 12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
- 13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
- 14. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
- 15. The Company has complied with all the corporate and financial reporting requirements of the Code.
- 16. Company has formed all Management committees as per the requirements of the Code of Corporate Governance for Insurers, 2016. These committees are listed as below;

### **Underwriting & Co-takaful/Retakaful Committee:**

### Name of the Member Sved Rizwan Hussain Mr. Kamran M. Hanif Mr. Freddy J. Sidhwa Mr. Raheel Shaikh

Mr. Umair Ismail

| Designation                              |
|--|
| Managing Director and CEO                |
| EVP - Head of Operations (Motor)         |
| Chief Financial Officer                  |
| Head of Health-underwriting and Products |
| SVP -Head of Operations (Non-Motor)      |
|  |

Category

Chairman

Member

Member

Member

Member-Secretary

### **Benefit (Claim) Settlement Committee:**

| Name of the Member  | Designation                         | Category          |
|---------------------|-------------------------------------|-------------------|
| Syed Rizwan Hussain | Managing Director and CEO           | Chairman          |
| Dr. Omair Saeed     | Head of Health-Benefits and Network | Member            |
| Mr. Shoaib Hussain  | Manager Claims - Non Motors         | Member            |
| Mr. Faheem Darrs    | Head of Claims-Motor (South)        | Member- Secretary |

### **Risk Management & Compliance Committee:**

| Name of the Member         | Designation                                | Category         |
|----------------------------|--|------------------|
| Syed Rizwan Hussain        | Managing Director and CEO                  | Chairman         |
| Mr. Waqas Ahmed*           | Executive Director - Strategy and Planning | Member           |
| Mr. Kamran M. Hanif        | EVP - Head of Operations (Motor)           | Member           |
| Mr. Umair Ismail           | SVP - Head of Operations (Non-Motor)       | Member           |
| Ms. Naheed Shiraz Merchant | Head of Legal, Compliance and              | Member           |
|                            | Company Secretary                          |                  |
| Muhammad Asad Khan         | Manager, Risk Management                   | Member-Secretary |

<sup>\*</sup>Not a member of the Board of Directors but charged with the functions of decision-making and formulation of policies.

17. The Board has formed the following Board Committees:

### **Investment Committee:**

| Name of the Member           | Category                               |
|------------------------------|--|
| Syed Salman Hussain          | Chairman - (Non-Executive Director)    |
| Syed Rizwan Hussain          | Member- (Executive Director)           |
| Mr. Shahzad Salim Godil      | Member - (Non-Executive Director)      |
| Mr. Ashraf Ali Velji         | Member- (Non-Executive Director)       |
| Mr. Freddy J. Sidhwa         | Member - (Chief Financial Officer)     |
| Syed Muhammad Haider Hussain | Secretary - (Chief Investment Officer) |

### **Ethics, Human Resource and Remuneration Committee& Nomination Committee:**

| Name of the Member      | Category                            |
|-------------------------|-------------------------------------|
| 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         | Secretary - (Head of HR and Admin)  |

18. The Board has formed an Audit Committee. It comprises of 05 members and all are non-executive directors. The chairman of the Committee is non-executive director. The composition of the Committee is as follows:

### **Audit Committee:**

| Name of the Member      | Category                            |
|-------------------------|-------------------------------------|
| Mr. Ashraf Ali Velji    | Chairman - (Non-Executive Director) |
| Mr. Salim Habib Godil   | Member - (Non-Executive Director)   |
| Mr. Shahzad Salim Godil | Member - (Non-Executive Director)   |

- 19. The meetings of the above committees including the management committees mentioned in paragraph 16, except the Ethics, Human Resource and Remuneration Committee & Nomination Committee were held once in every quarter prior to the approval of interim and the final results of the company and as required under the Code of Corporate Governance for Insurers, 2016. The minutes of the meeting were duly circulated in accordance with the requirements under the Code, except for few Board and Management Committee Meetings which were circulated with an average delayed period between 5 to 10 days. The terms of references of the Committees have been formed and advised to the Committees for compliance.
- 20. Besides the appointment of Head of Internal Audit, 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 conversant with the process and procedures of the Company and they (or their representative) are involved in the internal audit function on regular basis.
- 21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under this Code. Moreover, the persons heading the underwriting, claim, retakaful, 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:

### Name of the Person

Syed Rizwan Hussain Mr. Freddy J. Sidhwa\*

Syed Salman Hussain

Ms. Naheed Shiraz Merchant

Mr. Kamran M. Hanif Mr. Umair Ismail

Mr. Khawaja Aniq-ur-Rehman Khan\* Sved Muhammad Haider Hussain

Mr. Faheem Darrs

Mr. Muhammad Irfan

Mr. Alisha Fazal Mr. Ikram Ullah Khan Mr. Raheel Sheikh Dr. Omair Saeed

Muhammad Asad Khan\*

### Designation

Managing Director and CEO Chief Financial Officer (CFO) Head of Legal, Compliance and

Company Secretary

EVP - Head of Operations (Motor Underwriting)

SVP - Head of Operations (Non-Motor

Underwriting)

Head of Internal Audit Chief Investment Officer

Head of Claims - Motor (South Region)& Head of

Policyholder Grievances

Financial Controller and Head of

Investors' Grievances

Head of Claims - Motor (North Region)

Head of Marine, Fire and Property Underwriting

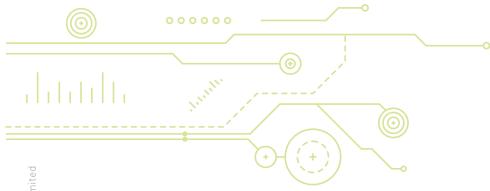
Head of Health-underwriting and Products

Head of Health-Benefits & Network

Manager, Risk Management

Reasons for change: During the reporting year 2019, casual vacancy for the position of Head of Internal Audit occurred due to the resignation tendered by former Head of Internal Audit which was filled by the management. During the reporting period the management formed a dedicated Risk Management Department and hired a Manager level personnel to look after the function. However, the replacement of the Chief Financial Officer occurred due to the decision of the Board.

<sup>\*</sup> Represents changes during the year



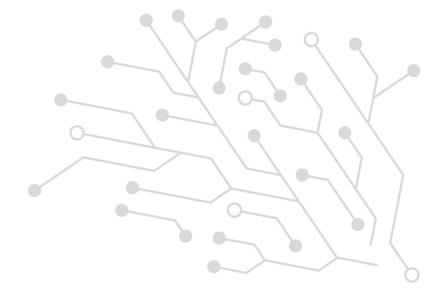
- 22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program 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.
- 23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 24. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
- 25. The Board has ensured that the risk management system of the Company is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
- 26. The Company has set up the Risk Management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
- 27. The Board has ensured that as part of the risk management system, the Company gets itself rated from credit rating agency 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) on 29 Aug, 2019, is 'A-' with stable outlook.
- 28. The Company has Grievance function which fully complies with the requirement of the Code of Corporate Governance for Insurers, 2016.
- 29. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code of Corporate Governance for Insurers, 2016.
- 30. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied with except for those described above towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year

By Order of the Board



**Rizwan Hussain**Managing Director & CEO

Date: 15 April 2020





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

### REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 ("the Code") as prepared by the Board of Directors ("the Board") of Takaful Pakistan Limited ("the Company") for the year ended 31 December 2019 to comply with the requirements of Code of Corporate Governance for Insurers, 2016.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, 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 Director's 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 best practices contained in the Code as applicable to the Company for the year ended 31 December 2019.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where this is stated in the Statement of Compliance:

| S. No. | Statement of<br>Compliance<br>Reference | Description  |
|--------|---|--|
| 1      | S. No. 6                                | IT security policy has not yet been developed.   |
| 2.     | S. No. 19                               | Minutes of the meeting of certain Board committee and management committee were circulated after 14 days of the meeting as prescribed in the Code of Corporate Governance. |

Date: 13 May 2020

Karachi

KPMG Taseer Hadi & Co. Chartered Accountants

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### REPORT OF THE AUDIT COMMITTEE

### 1. Composition of the Committee

The Audit Committee ("the 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)
Ahmed Shuja Kidwai - 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)
Khawaja Aniq Ur Rehman Khan - Secretary (Head of Internal Audit)

### 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 concentrate and emphasis on the effectiveness of internal control, 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.

### the 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 roles focus heavily on risk identification and assessment.



### the information system;

The information system of the organization comprises of the financial reporting procedures and objectives encompasses 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; and

The control activities are those policies and procedures which have been designed to ensure that its operation are being operated in 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.

Annual Report

- 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:

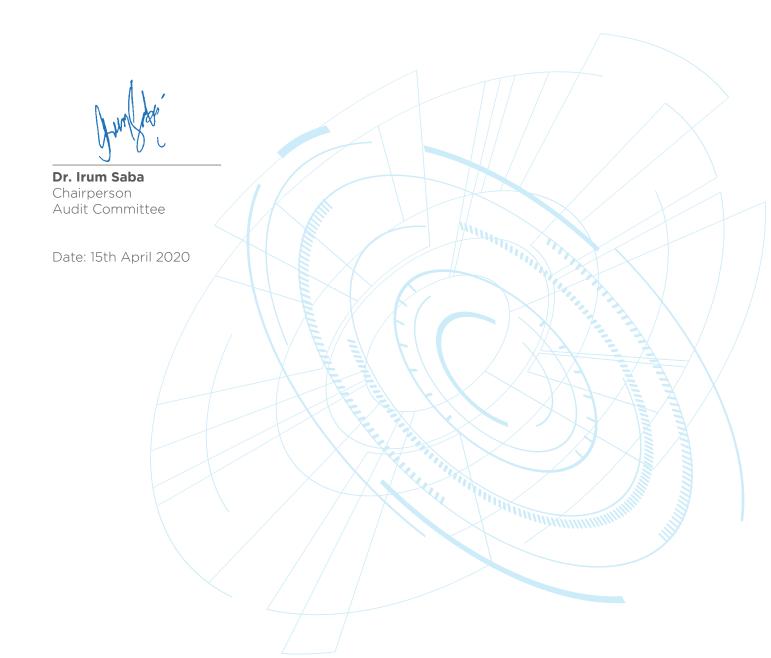
The Audit Committee has concluded its review of the conduct and operations of the Takaful Pakistan during 2019 and report that:

- During the year 2019 four Audit Committee meetings were held.
- The financial statements of Takaful Pakistan are reviewed quarterly, half yearly 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 Audit Committee also held meetings with partner of our external auditor KPMG Taseer Hadi & Co. to ensure that independence of auditors in expressing an audit opinion.

The Audit Committee reviewed the audited accounts of Takaful Pakistan for the period year ended 31st December 2019 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.









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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAKAFUL PAKISTAN LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### **Opinion**

We have audited the annexed financial statements of Takaful Pakistan Limited (the Company), which comprises of the statement of financial position as at 31 December 2019, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, 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 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 gives a true and fair view of the state of Operations' affairs as at 31 December 2019 and of the profit or loss, total comprehensive income or loss, 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 Operations 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 financial statements:

Note 18.1.5 to the financial statements which describes the matter relating to the status
of levy of Sales Tax on health takaful by Punjab Revenue Authority. The final outcome
of the matter is currently pending and the Company is currently not charging sales

Annual Report

tax on the health insurance/takaful policies written in the province of Punjab based on a legal opinion obtained by the Company.

Notes 18.1.1 to 18.1.4 the financial statements which describes the status of pending litigations against the Company. The management of the Company is expecting favorable outcome and accordingly provision has not been recognized against the pending cases.

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 of the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, 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 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 either intends to liquidate the Operations or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Operations' 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 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 Operations' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 doubts on the Operations' 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 Operations 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 and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (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 Operations' 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 Amyn Pirani.

Date: 13 May 2020

Karachi

KPMG Taseer Hadi & Co. Chartered Accountants

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# Annual Report ——— Takaful Pakistan Limited 600

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

|  |             | 31 December 2019               |                               |                                | 31 December                               |
|--|-------------|--------------------------------|-------------------------------|--------------------------------|---|
|  | Note        | Shareholders'<br>Fund          | Participants'<br>Takaful Fund | Aggregate                      | 2018<br>Aggregate                         |
| ASSETS   |             |                                |                               |                                |   |
| Property and equipment<br>Intangible assets                                  | 4<br>5      | 44,193,686<br>4,667            | :                             | 44,193,686<br>4,667            | 13,703,879<br>145,344                     |
| Investments Equity securities and mutual funds Debt securities Term deposits | 6<br>7<br>8 | -<br>88,000,000<br>192,200,000 | -<br>-<br>321,000,000         | -<br>88,000,000<br>513,200,000 | 177,953,472<br>126,078,419<br>195,500,000 |
| Qard-e-hasna - receivable  | 9           | 91,479,565                     | -                             | 91,479,565                     | 109,479,565                               |
| Long term deposits   | 10          | 12,073,240                     | -                             | 12,073,240                     | 3,236,144                                 |
| Loans, advances and other receivables  | 11          | 48,722,657                     | 18,804,206                    | 67,526,863                     | 18,733,409                                |
| Takaful / co-takaful receivables   | 12          | -                              | 254,742,978                   | 254,742,978                    | 42,216,463                                |
| Retakaful recoveries against outstanding claims                              |             | -                              | 45,739,312                    | 45,739,312                     | 19,501,263                                |
| Salvage recoveries accrued   |             | -                              | 4,506,786                     | 4,506,786                      | 2,250,000                                 |
| Wakala fees receivable   |             | 7,867,535                      | -                             | 7,867,535                      | -   |
| Mudarib fees receivable  |             | 11,315,701                     | -                             | 11,315,701                     | 6,247,671                                 |
| Deferred wakala fees   | 22          | -                              | 147,035,841                   | 147,035,841                    | 87,081,507                                |
| Deferred commission expense  | 21          | 33,609,160                     | -                             | 33,609,160                     | 34,652,031                                |
| Taxation-payment less provisions   | 28          | 13,986,143                     | -                             | 13,986,143                     | 5,206,957                                 |
| Prepayments  | 13          | 2,191,091                      | 68,568,508                    | 70,759,599                     | 22,462,879                                |
| Cash and bank  | 14          | 3,085,775                      | 21,750,915                    | 24,836,690                     | 88,305,476                                |
| TOTAL ASSETS   | Rupees      | 548,729,220                    | 882,148,546                   | 1,430,877,766                  | 952,754,479                               |

The annexed notes from 1 to 40 form an integral part of these financial statements.

Salim Habib Godil Chairman

Syed Rizwan Hussain **Managing Director & CEO**  Dr. Irum Saba **Director** 

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

|  |                        | 31  | 31 December 2019   |  |   |  |
|--|------------------------|---|--|--|---|--|
|  | Note                   | Shareholders'<br>Fund   | Participants'<br>Takaful Fund  | Aggregate  | 2018<br>Aggregate   |  |
| SHARE CAPITAL AND RESERVES   |                        |   |  |  |   |  |
| Authorised share capital 70,000,000 (31 December 2019: 70,000,000 ordinary shares of Rs. 10 each   | Rupees                 | 700,000,000   | -  | 700,000,000  | 700,000,000   |  |
| Issued, subscribed and paid-up share capital Discount on issuance of shares Fair value reserve Accumulated losses  | 1.3 & 15<br>1.3<br>6.3 | 612,989,050<br>(112,989,050)<br>-<br>(145,541,363)<br>354,458,637 | -  | 612,989,050<br>(112,989,050)<br>-<br>(145,541,363)<br>354,458,637                          | 612,989,050<br>(112,989,050)<br>(6,638,666)<br>(161,051,131)<br>332,310,203 |  |
| WAQF / PARTICIPANTS' TAKAFUL FUND (P   | ΓF)                    |   |  |  |   |  |
| Ceded money Fair value reserve Accumulated surplus/(deficit)   | 6.3                    |   | 500,000<br>-<br>27,066,104<br>27,566,104                                   | 500,000<br>-<br>27,066,104<br>27,566,104   | 500,000<br>(20,788,553)<br>(1,196,271)<br>(21,484,824)                      |  |
| Qard-e-hasna - payable   | 9                      | -   | 91,479,565   | 91,479,565   | 109,479,565   |  |
| Underwriting provisions Outstanding claims including IBNR Unearned contribution reserves Unearned retakaful rebate Contribution deficiency reserve                               | 20<br>19               | -<br>-<br>-<br>-  | 152,283,379<br>504,543,197<br>3,851,294                                    | 152,283,379<br>504,543,197<br>3,851,294  | 79,393,141<br>216,589,851<br>4,237,040<br>937,986                           |  |
| Contributions received in advance Takaful / Retakaful payables Unearned wakala fees Wakala fees payable Mudarib fees payable Deferred Tax Liability Other creditors and accruals | 16<br>22<br>28.2<br>17 | -<br>147,035,841<br>-<br>-<br>928,289<br>46,306,453               | 6,710,260<br>51,365,917<br>-<br>7,867,535<br>11,315,701<br>-<br>25,165,594 | 6,710,260<br>51,365,917<br>147,035,841<br>7,867,535<br>11,315,701<br>928,289<br>71,472,048 | 2,445,917<br>64,795,959<br>87,081,507<br>-<br>6,247,671<br>-<br>70,720,462  |  |
| Total Liabilities  |                        | 194,270,583   | 763,102,877  | 957,373,460  | 532,449,535   |  |
| TOTAL EQUITY AND LIABILITIES   | Rupees                 | 548,729,220   | 882,148,546  | 1,430,877,766  | 952,754,479   |  |

The annexed notes from 1 to 40 form an integral part of these financial statements.

18

Salim Habib Godil Chairman

**Contingencies and Commitments** 

Syed Rizwan Hussain
Managing Director & CEO

Dr. Irum Saba Director Ahmed Shuja Kidwai Director al Report \_\_\_\_\_ Takaful Pakistan Limited

### STATEMENT OF PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

| -  |                      |      | 31 Dec  | ember  |
|--|----------------------|------|---|--|
|  | Note                 |      | 2019  | 2018   |
| PARTICIPANTS' TAKAFUL FUND (PTF)   |                      |      |   |  |
| Net takaful contribution   | 19                   |      | 623,121,950   | 145,076,085  |
| Net takaful claims expense Wakala fee Contribution deficiency reversal / (expense) Retakaful rebate earned Other direct expenses | 20<br>22<br>21<br>23 |      | (316,556,556)<br>(310,068,297)<br>937,986<br>14,986,149<br>(19,840,727) | (77,630,691)<br>(70,353,840)<br>(937,986)<br>10,897,817<br>(5,178,974) |
| Underwriting results   |                      |      | (630,541,445)   | 1,872,411  |
| Investment income Profit on bank balances Mudarib's share  | 24                   |      | 13,421,478<br>6,850,641<br>(5,068,030)                                  | 257,515<br>2,020,425<br>(569,485)                                      |
| Net investment income  |                      |      | 15,204,089  | 1,708,455  |
| Other income<br>Bank charges   | 25                   |      | 20,673,051<br>(195,270)   | 119,595<br>(131,653)   |
| Surplus before taxation<br>Provision for taxation - current  | 28.1                 |      | 28,262,375  | 3,568,808<br>(1,599,570)   |
| Surplus after taxation   | Ru                   | pees | 28,262,375  | 1,969,238  |
| SHAREHOLDERS' FUND (SHF)   |                      |      |   |  |
| Wakala fee income  | 22                   |      | 310,068,297   | 70,353,840   |
| Commission expense / acquisition cost<br>Management expenses   | 21<br>27             |      | (63,918,818)<br>(261,626,829)   | (25,853,126)<br>(133,638,981)  |
|  |                      |      | (325,545,647)   | (159,492,107)  |
| Mudarib's share of PTF investment income<br>Investment income<br>Profit on bank balances<br>Other income                         | 24                   |      | 5,068,030<br>34,390,316<br>986,236<br>299,368                           | 569,485<br>5,418,850<br>5,908,683<br>921,469                           |
|  |                      |      | 40,743,950  | 12,818,487   |
| Finance cost   |                      |      | (2,820,233)   | -  |
| Profit / (loss) before taxation  |                      |      | 22,446,367  | (76,319,780  |
| Provision for taxation - Current & deferred Tax  | 28.1 & 28.3          |      | (5,446,482)   | (879,423   |
| Profit / (Loss) after taxation   | Ru                   | pees | 16,999,885  | (77,199,203)   |
| Profit / (loss) after tax per share  | 26                   |      | 0.28  | (1.52)   |
| The approved notes from 1 to 40 form an integral part of those fin   | ancial statements    |      |   |  |

The annexed notes from 1 to 40 form an integral part of these financial statements.

Salim Habib Godil Chairman Syed Rizwan Hussain Managing Director & CEO

Dr. Irum Saba Director

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

|   | 31 Dec   | ember   |
|---|--|---|
| Note  | 2019   | 2018  |
| Shareholders' Fund (SHF)  |  |   |
| Gain / (Loss) after taxation for the year   | 16,999,885   | (77,199,203)  |
| Other comprehensive income for the year   |  |   |
| Item to be reclassified to profit and loss account in subsequent year   |  | 2   |
| - Net unrealised loss arising during the year on revaluation of available-for-sale investments  | -  | (5,475,191)   |
| - Reclassification adjustment for net gain / (loss) on sale of available-for-sale investments included in profit and loss account 6.3 | 6,638,666  | 3,332,694   |
|   | 6,638,666  | (2,142,497)   |
| Item that will not be reclassified to profit or loss  |  |   |
| - Actuarial loss for the year on defined benefit plan 34.1.4.1  | (1,490,117)  | (521,944)   |
| Total comprehensive income for the year Rupees  | 22,148,434   | (79,863,644)  |
| Participants' Takaful Fund (PTF)  |  |   |
| Surplus for the year  | 28,262,375   | 1,969,238   |
| Other comprehensive income for the year   |  |   |
| Item to be reclassified to profit and loss account in subsequent year   |  |   |
| - Net unrealised loss arising during the year on revaluation of available-for-sale investments  | -  | (19,645,313)  |
| - Reclassification adjustment for net gain / (loss) on available-<br>for-sale investments included in profit and loss account 6.3     | 20,788,553   | 2,731,478   |
|   | 20,788,553   | (16,913,835)  |
| Total comprehensive income for the year Rupees  | 49,050,928   | (14,944,597)  |
|   | Shareholders' Fund (SHF)  Gain / (Loss) after taxation for the year  Other comprehensive income for the year  Item to be reclassified to profit and loss account in subsequent year  - Net unrealised loss arising during the year on revaluation of available-for-sale investments  - Reclassification adjustment for net gain / (loss) on sale of available-for-sale investments included in profit and loss account 6.3  Item that will not be reclassified to profit or loss  - Actuarial loss for the year on defined benefit plan 34.1.4.1  Total comprehensive income for the year Rupees  Participants' Takaful Fund (PTF)  Surplus for the year  Other comprehensive income for the year  Item to be reclassified to profit and loss account in subsequent year  - Net unrealised loss arising during the year on revaluation of available-for-sale investments  - Reclassification adjustment for net gain / (loss) on available-for-sale investments  - Reclassification adjustment for net gain / (loss) on available-for-sale investments included in profit and loss account 6.3 | Shareholders' Fund (SHF)  Gain / (Loss) after taxation for the year  Other comprehensive income for the year  Item to be reclassified to profit and loss account in subsequent year  - Net unrealised loss arising during the year on revaluation of available-for-sale investments - Reclassification adjustment for net gain / (loss) on sale of available-for-sale investments included in profit and loss account 6.3  - Actuarial loss for the year on defined benefit plan 34.1.4.1  Total comprehensive income for the year  Participants' Takaful Fund (PTF)  Surplus for the year  Other comprehensive income for the year  Item to be reclassified to profit and loss account in subsequent year  - Net unrealised loss arising during the year on revaluation of available-for-sale investments  - Reclassification adjustment for net gain / (loss) on available-for-sale investments included in profit and loss account 6.3  20,788,553 |

The annexed notes from 1 to 40 form an integral part of these financial statements.

Salim Habib Godil Chairman Syed Rizwan Hussain Managing Director & CEO Dr. Irum Saba Director

### STATEMENT OF CHANGES IN EQUITY / FUND

For the year ended 31 December 2019

|  |          |   | SHA                         | REHOLDERS' FU                         | JND                   |              |  |
|--|----------|---|-----------------------------|---------------------------------------|-----------------------|--------------|--|
|  | Note     | Issued,<br>subscribed<br>and paid up<br>share capital | Discount on issue of shares | Accumulated loss                      | Fair value<br>reserve | Total        |  |
| Balance as at 1 January 2018 - restated  |          | 300,000,000   | -                           | (83,329,984)                          | (4,496,169)           | 212,173,847  |  |
| Total comprehensive income for the year ended 31 December 2018   |          |   |                             |                                       |                       |              |  |
| Profit after tax for the year ended 31 December 2018   |          | -   | -                           | (77,199,203)                          | -                     | (77,199,203) |  |
| Other comprehensive income   |          |   |                             |                                       |                       |              |  |
| Net fair value / net unrealized loss on available-for-sale investments for the year ended 31 December 2018 |          | -   | -                           | -                                     | (2,142,497)           | (2,142,497)  |  |
| Actuarial loss on defined benefit plan for the year  | 34.1.4.1 | -   | -                           | (521,944)                             | -                     | (521,944)    |  |
| Total comprehensive income   |          | -   | -                           | (77,721,147)                          | (2,142,497)           | (79,863,644) |  |
| <b>Transaction with owners</b> Further issue of shares at discount   |          | 312,989,050   | (112,989,050)               | -                                     | -                     | 200,000,000  |  |
| Balance as at 31 December 2018   |          | 612,989,050   | (112,989,050)               | (161,051,131)                         | (6,638,666)           | 332,310,203  |  |
| Total comprehensive income for the year ended 31 December 2019   |          |   |                             |                                       |                       |              |  |
| Profit after tax for the year ended 31 December 2019   |          | -   | -                           | 16,999,885                            | -                     | 16,999,885   |  |
| Other comprehensive income   |          |   |                             |                                       |                       |              |  |
| Fair value loss realised on the sale of available-for-sale investment during the year                      |          | -   | -                           | -                                     | 6,638,666             | 6,638,666    |  |
| Actuarial loss on defined benefit plan for the year  | 34.1.4.1 | -   | -                           | (1,490,117)                           | -                     | (1,490,117)  |  |
| Total comprehensive income   |          | -   | -                           | 15,509,768                            | 6,638,666             | 22,148,434   |  |
| Balance as at 31 December 2019   | Rupees   | 612,989,050   | (112,989,050)               | (145,541,363)                         | -                     | 354,458,637  |  |
|  |          |   | WAQF / PAR                  | TICIPANTS' TAK                        | AFUL FUND             |              |  |
|  |          | Cede money  | Discount on issue of shares | Accumulated<br>Surplus /<br>(deficit) | Fair value reserve    | Total        |  |
| Balance as at 1 January 2018 - restated  |          | 500,000   | -                           | (3,165,509)                           | (3,874,718)           | (6,540,227)  |  |
| Curplus for the year anded 21 December 2019  |          |   |                             | 1 060 220                             |                       | 1 060 000    |  |

| Balance as at 1 January 2018 - restated  |        |  |
|--|--------|--|
| Surplus for the year ended 31 December 2018  |        |  |
| Net fair value/net unrealized loss on available-for-sale investments for the year ended 31 December 2018 |        |  |
| Balance as at 31 December 2018   |        |  |
| Surplus for the year ended 31 December 2019  |        |  |
| Fair value loss realised on the sale of available-for-sale investment during the year                    |        |  |
| Balance as at 31 December 2019   | Rupees |  |

| Wild first our factor of the second |                             |  |              |              |  |  |  |  |  |
|-------------------------------------|-----------------------------|--|--------------|--------------|--|--|--|--|--|
| Cede money                          | Discount on issue of shares | Accumulated Fair value<br>Surplus / reserve<br>(deficit) |              | Total        |  |  |  |  |  |
| 500,000                             | -                           | (3,165,509)  | (3,874,718)  | (6,540,227)  |  |  |  |  |  |
| -                                   | -                           | 1,969,238  | -            | 1,969,238    |  |  |  |  |  |
| -                                   | -                           | -  | (16,913,835) | (16,913,835) |  |  |  |  |  |
| 500,000                             | -                           | (1,196,271)  | (20,788,553) | (21,484,824) |  |  |  |  |  |
|                                     | -                           | 28,262,375   | -            | 28,262,375   |  |  |  |  |  |
| -                                   | -                           | -  | 20,788,553   | 20,788,553   |  |  |  |  |  |
| 500,000                             | -                           | 27,066,104   | -            | 27,566,105   |  |  |  |  |  |

SHARFHOLDERS' FUND

The annexed notes from 1 to 40 form an integral part of these financial statements.

Salim Habib Godil Chairman Syed Rizwan Hussain Managing Director & CEO Dr. Irum Saba Director

### STATEMENT OF CASH FLOW

For the year ended 31 December 2019

|   |        | 31  | 31 December  |  |  |
|---|--------|---|--|--|--|
|   |        | Shareholders'<br>Fund   | Participants' Takaful Fund   | Aggregate  | 2018<br>Aggregate  |
| OPERATING ACTIVITIES+A8:N88   |        |   |  |  |  |
| a) Takaful activities Contributions received Retakaful payments Claims paid Retakaful and other Recoveries received Commissions paid Retakaful rebate received Wakala fee paid Wakala fee peceived Other takaful receipts/(payments) Net cash flows from takaful activities                                 |        | (79,345,018)<br>-<br>(79,345,018)<br>-<br>356,550,232<br>-<br>277,205,214                             | 825,922,173<br>(208,236,528)<br>(339,809,679)<br>67,648,526<br>-<br>14,600,403<br>(356,550,232)<br>-<br>12,874,193<br>16,448,855 | 825,922,173<br>(208,236,528)<br>(339,809,679)<br>67,648,526<br>(79,345,017)<br>14,600,403<br>(356,550,232)<br>356,550,232<br>12,874,193<br>293,654,069 | 356,146,683<br>(59,401,281)<br>(79,570,245)<br>11,937,198<br>(39,871,815)<br>12,479,282<br>(147,344,033)<br>147,344,033<br>3,762,836 |
| Total comprehensive income for the six months   |        |   |  |  |  |
| b) Other operating activities Income tax paid Security deposits return/(paid) Payment of retirement benefits General administrative and management expenses paid Other operating receipt/(payments) Ijarah rentals paid Advances to employees   |        | (13,157,299)<br>(9,059,996)<br>(246,247,567)<br>(35,839,506)<br>(11,110,567)<br>(2,287,694)           | -<br>-<br>-<br>-<br>(1,195,709)<br>-<br>-  | (13,157,299)<br>(9,059,996)<br>-<br>(246,247,567)<br>(37,035,215)<br>(11,110,567)<br>(2,287,694)   | (2,771,518)<br>(1,868,810)<br>(854,584)<br>(123,428,450)<br>3,370,418<br>(751,708)<br>(45,077)                                       |
| Net cash used in other operating activities   |        | (317,702,629)   | (1,195,709)  | (318,898,338)  | (126,349,729)  |
| Total cash (used in) / flows from all operating activities  |        | (40,497,415)  | 15,253,146   | (25,244,269)   | 79,132,929   |
| INVESTING ACTIVITIES Profit / return received Investment made Proceeds from disposal of investments Investment in term deposits Proceeds from encashment of term deposits Fixed capital expenditure Proceeds from disposal of property and equipment  |        | 33,309,530<br>(123,147,601)<br>199,798,653<br>(596,248,089)<br>523,548,089<br>(17,000,720)<br>99,200  | 20,433,901<br>(55,372,457)<br>221,354,977<br>(872,262,147)<br>627,262,147  | 53,743,431<br>(178,520,058)<br>421,153,630<br>(1,468,510,236)<br>1,150,810,236<br>(17,000,720)<br>99,200   | 22,071,702<br>(482,387,121)<br>317,271,852<br>(81,500,000)<br>17,500,000<br>(11,352,192)<br>677,159                                  |
| Total cash used in all investing activities   |        | 20,359,062  | (58,583,579)   | (38,224,517)   | (217,718,600)  |
| FINANCING ACTIVITIES Proceeds from issuance of shares Qarda-e-Hasana received back/(contributed) Qarda-e-hasana (paid)/received   |        | 18,000,000  | -<br>(18,000,000)  | 18,000,000<br>(18,000,000)   | 200,000,000<br>(69,000,000)<br>69,000,000  |
| Total cash used in all financing activities   |        | 18,000,000  | (18,000,000)   | -  | 200,000,000  |
| Net cash (used in) / flows from all activities  |        | (2,138,353)   | (61,330,433)   | (63,468,786)   | 61,414,329   |
| Cash and cash equivalents at the beginning of the year  |        | 5,224,128   | 83,081,348   | 88,305,476   | 26,891,147   |
| Cash and cash equivalents at end of the year  | Rupees | 3,085,775   | 21,750,915   | 24,836,690   | 88,305,476   |
| Reconciliation to profit and loss account Operating cash flows Depreciation and amortization Gain /(loss) on disposal of fixed assets Provision for taxation Provision for staff retirement benefits Increase/(decrease) in assets other than cash (Increase)/decrease in liabilities other than borrowings |        | (40,497,415)<br>(16,805,485)<br>(66,126)<br>(5,446,482)<br>(3,772,972)<br>138,815,336<br>(55,226,971) | 15,253,146<br>-<br>-<br>-<br>-<br>-<br>361,102,665<br>(348,093,436)  | (25,244,269)<br>(16,805,485)<br>(66,126)<br>(5,446,482)<br>(3,772,972)<br>499,918,002<br>(403,320,406)   | 79,132,929<br>(2,072,503)<br>(18,258)<br>(2,478,993)<br>(1,458,866)<br>136,729,442<br>(285,063,716)                                  |
| Profit / (loss) / surplus after taxation for the year   | Rupees | 16,999,885  | 28,262,375   | 45,262,260   | (75,229,965)   |
| Definition of cash  |        |   |  |  |  |

Cash comprises of cash in hand, policy stamps, cheques in hand, bank balances and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

| Cash for the purpose of the statement of cash flows consists of:<br>Cash and other equivalents<br>Current and other accounts | 218,709<br>2,867,066 | 193,070<br>21,557,845 | 411,779<br>24,424,911 | 438,573<br>87,866,903 |
|--|----------------------|-----------------------|-----------------------|-----------------------|
| Rupees   | 3,085,775            | 21,750,915            | 24,836,690            | 88,305,476            |

The annexed notes from 1 to 40 form an integral part of these financial statements.

Salim Habib Godil Chairman

Syed Rizwan Hussain **Managing Director & CEO**  Dr. Irum Saba **Director** 

For the year ended 31 December 2019

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Takaful Pakistan Limited ("the Company / Takaful operator") is an unlisted public limited company incorporated in Pakistan on 02 June 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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 4 (31 December 2017: 4) branches in Pakistan.
- 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 Board established by the Company.
- 1.3 As per the SRO notification no. 825 (1) 2015 dated 18 August 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), minimum paid up capital (net of discount on the issue of shares) of a non-life Insurance / Takaful Company shall be Rs. 500 million by 31 December 2017. At 31 December 2017, the Company's issued, subscribed and paid up capital was Rs. 300 million, i.e. it was short of the required amount by Rs. 200 million. The Company issued 31,298,905 shares of the face value of Rs. 10 each at a price of Rs. 6.39 per share i.e. at a discount of Rs. 3.61 per share without the issue of right shares under section 82 and 83 of the Company in their general meeting held on 02 March 2018 allowed the Company under section 82 and 83 of the Act to issue 31,298,905 shares at Rs. 6.39 per share i.e. at a discount of Rs. 3.61 per share, without the issue of right share. The approval, however, was subject to the following conditions:
  - i) 31.299 million shares shall be issued within sixty days of the letter.
  - ii) The issuance of the shares shall be in cash and a copy of bank account statement maintained for the receipt of the subscription money, evidencing the receipt of all subscription money, shall be submitted to the Commission within thirty days of the receipt of subscription money.
  - iii) On the receipt of subscription money, the Company will first meet the statutory deposit requirement maintaining minimum statutory deposits with the State Bank of Pakistan and submit the documentary evidence to the commission within thirty days of receipt of subscription money,

The Company has complied with all aforesaid conditions and return of allotment for the issue of additional shares was filed with SECP in June 2018 and a certified true copy of SECP has also been received. Accordingly, the Company's capital as of 31 December 2018 and 31 December 2019 was as follows:

31 December 2019

Issued, subscribed and paid up capital Discount on issue of shares

Minimum paid up capital (as required)

612,989,050 (112,989,050)

Rupees

500,000,000

### 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

For the year ended 31 December 2019

- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.
- Islamic Financial Accounting Standards (IFAS) (as a lease) 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.

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 PTF remain separately identifiable.

### 2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that certain investments are stated at their fair values.

### 2.2 Functional and presentation currency

These 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.

### 2.3 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 2019 but are considered not to be relevant or do not have any significant effect on the Company (expect as mentioned in note 4.2) and therefore have not been stated in these financial statements.

### 2.4 Standards, Interpretations and Amendments to Approved Accounting Standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

For the year ended 31 December 2019

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.
- Amendment to IFRS 4 'insurance/takaful Contracts' Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issues arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'insurance/takaful Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting discrepancies that may occur from applying IFRS 9 before IFRS 17 'Insurance Contracts' is applied.
- 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/takaful 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 on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.
- IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

For the year ended 31 December 2019

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

- a) Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trade.
- b) All other financial assets.

|   | Fail the S            | Fail the SPPI test  |   | SPPI test   |
|---|-----------------------|---|---|---|
| -   | Fair value            | Change in<br>unrealized<br>gain or loss<br>during the<br>period | Fair value  | Change in<br>unrealized<br>gain or loss<br>during the<br>period |
| Financial assets - Shareholders' Fund   |                       | (Rupe   | ees)  |   |
| Investments - Term deposits * Investments in debt securities - held to maturity* Loans and other receivables * Mudarib fees receivable * Qard-e-hasna * Cash and bank * | -                     | -<br>-<br>-<br>-<br>-   | 192,200,000<br>88,000,000<br>48,722,657<br>11,315,701<br>91,479,565<br>2,867,066<br>431,717,923 | -   |
| Financial assets - Participants' Takaful Fund   |                       |   | 401,717,320   |   |
| Investments - Term deposits * Loans and other receivables * Cash and bank * Takaful / co-takaful receivables* Retakaful recoveries against outstanding claims*          | -<br>-<br>-<br>-<br>- | -<br>-<br>-<br>-<br>-   | 321,000,000<br>18,804,206<br>21,557,845<br>254,742,978<br>45,739,312<br>661,844,341             | -   |
|   |                       |   | . ,   |   |

### 31 December 2019

|                                   | Gross carrying amounts of financial assets that pass the SPPI test |            |             |             |            |           |             |
|-----------------------------------|--|------------|-------------|-------------|------------|-----------|-------------|
|                                   | AAA  | AA+        | A+          | AA          | Α          | Α-        | Not rated   |
| Financial assets -                |  |            |             | (Rupees)    |            |           |             |
| Shareholders' Fund                |  |            |             |             |            |           |             |
| Investments - Term deposits*      | -  | -          | 61,900,000  | 95,300,000  | 35,000,000 | -         | -           |
| Investments in debt securities    |  |            |             |             |            |           |             |
| - held to maturity*               | -  | 30,000,000 | -           | -           | -          | -         | 58,000,000  |
| Loans and other receivables*      | -  | -          | -           | -           | -          | -         | 48,722,657  |
| Mudarib fees receivable*          | -  | -          | -           | -           | -          | -         | 11,315,701  |
| Qard-e-hasna*                     | -  | -          | -           | -           | -          | -         | 91,479,565  |
| Cash and bank*                    | -  | 55,187     | 50,211      | 2,761,592   | -          | 76        | -           |
|                                   | -  | 30,055,187 | 61,950,211  | 98,061,592  | 35,000,000 | 76        | 209,517,923 |
|                                   |  |            |             |             |            |           |             |
| Financial assets -                |  |            |             |             |            |           |             |
| Participants' Takaful Fund        |  |            |             |             |            |           |             |
|                                   |  |            |             |             |            |           |             |
| Investments - Term deposits*      | -  | 30,000,000 | 136,500,000 | 122,500,000 | 32,000,000 | -         | -           |
| Loans and other receivables*      | -  | -          | -           | -           | -          | -         | 18,804,206  |
| Cash and bank*                    | 450,400  | 1,851,052  | 237,626     | 14,489,970  | -          | 4,528,797 | -           |
| Takaful / co-takaful receivables* | -  | -          | -           | -           | -          | -         | 254,742,978 |
| Retakaful recoveries against      |  |            |             |             |            |           | 45 500 040  |
| outstanding claims*               | -  | -          | -           | -           | -          | -         | 45,739,312  |
|                                   | 450,400  | 31,851,052 | 136,737,626 | 136,989,970 | 32,000,000 | 4,528,797 | 319,286,496 |

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

In addition, General Takaful Accounting Regulations 2019 is applicable from the financial year beginning on or after 01 January 2020. These regulations include requirements relating to the presentation of financial statements, presentation and disclosure of Qard-e-Hasna balance in the financial statements, etc. The management is in the process of evaluating the impact. However, it considers that the revised regulations may not have a significant impact on the Company.

## 777 Takaful Pakistan Limited

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS

### A 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, 2018 except as stated below in paragraph 3.1

### 3.1 Adaptation of International Financial Reporting Standard (IFRS) 16

On 1 January 2019, the Company adopted IFRS 16 Leases.

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor's accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates and lease terms. The discount rate applied to obligations under leases on the transition date 1 January 2019 was 13.34 percent while the lease terms varied between 2 and 3 years.

The impact of IFRS 16 on the Company is primarily where the Company is a lessee in property lease contracts. The Company has elected to adopt modified retrospective approach on transition and has not restated comparative information. On 1 January 2019, the Company recognized liabilities against assets subject to leases, being the remaining lease payments, including extension options where the renewal is reasonably certain, discounted using the Company's incremental borrowing rate at the date of initial application. The corresponding right-of-use assets recognized are the amounts of liabilities against assets subject to leases adjusted by prepaid or accrued lease payments related to those leases. The balance sheet increase as a result of the recognition of liabilities against assets subject to leases and right-of-use assets as of 1 January 2019. The right-of-use assets are presented in Property and Equipment' and the liabilities against assets subject to leases and related accrued finance cost are presented in 'Other creditors and accruals'. Moreover, in relation to those leases under IFRS 16, the Company has recognized depreciation expense and finance cost, instead of operating lease expenses.

During the year, Company recognized depreciation expense of Rs. 10.04 million and finance cost of Rs. 2.82 million on these leases.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Up to 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments under operating leases were recognized in profit and loss account on a straight line basis over term of the lease.

Summary of the effect of this change in accounting policy is as follows:

### At 31 December 2019

Increase in property and equipment - right-of-use assets Decrease in prepayments - prepaid rent

20,081,923 (2,559,424) 17,522,499

Decrease in prepayments - prepaid rent

16,880,928

Increase in other creditors and accruals - liabilities against assets subject to leases

Decrease in net assets - before tax

Rupees **641,571** 

## Takaful Pakistan Limited

For the year ended 31 December

2019

641,571

Rupees

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### Impact on profit and loss account

(Increase) / decrease in management expenses / other expenses:

Increase in loss before tax

Finance cost on liabilities against assets subject to leases (2,820,233)- Depreciation on right-of-use assets (10,040,962)- Rent expense 13,502,766

In view of the application of above IFRS, the Company's accounting policy for the recognition and measurement of right-of-use assets and liabilities against assets subject to leases is as follows:

A contract is, or contains a lease if the contract conveys a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less than accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the near-end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

### **Takaful Contracts** 3.2

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 Participants' 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.

### 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.

For the year ended 31 December 2019

### d) Health

Health takaful contract mainly compensates 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. Usually, 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.

### 3.3 Retakaful contracts held

These are contracts entered into, by the Company with, retakaful operators for compensation of losses suffered on takaful contracts issued. These retakaful 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 retakaful assets. Retakaful contribution is recognizes as an expense when retakaful is ceded. Retakaful assets and liabilities are derecognised when contractual rights are extinguished or expired.

The deferred portion of retakaful contribution is recognized as a prepayment in PTF. The deferred portion of retakaful contribution ceded is calculated by using the 1/365 method other than the marine business in which case it is calculated using the 1/120 method.

Claim recoveries receivables from the retakaful 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.

Amount due to takaful / retakaful / income companies 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. Retakaful assets or liabilities are derecognised with the contractual rights are extinguished or expired.

Rebate income from retakaful is recognised as revenue in accordance with pattern of the recognition of retakaful contribution to which it relates.

### 3.4 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 Company's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

Retakaful 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.

For the year ended 31 December 2019

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 2019 has been carried out by independent firm of actuaries for determination of IBNR for each class of business.

### 3.5 **Contribution deficiency**

The Company is required as per Insurance Rules and Accounting Regulations 2017, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after retakaful 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 in relation to health takaful 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 classes 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 retakaful from claims and other expenses, expected to be incurred after the reporting date in respect of policies in force at reporting date.

### 3.6 **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. However, 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.

### 3.7 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 Shareholders' Fund on the same basis on which the related contribution revenue is recognized. Unearned portion of wakala fee is recognised as a liability of Company's Fund and an asset of the Participants' Takaful Fund (PTF).

### 3.8 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.

### 3.9 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.

### 3.10 **Investments**

### 3.10.1 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.

For the year ended 31 December 2019

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.

### 3.10.2 Measurement

### 3.10.2.1 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.

### 3.10.2.2 Available-for-sale

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

### 3.10.2.3 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).

### 3.10.2.4 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.

### 3.11 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.

### 3.11.1 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.

# Report Takaful Pakistan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 3.11.2 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 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 comphrensive income are recognized direct in that account. All other items are regonised in the profit and loss account.

### 3.12 Property and equipment

### 3.12.1 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 4 to these financial statements.

Depreciation on additions is charged from the month in which the assets are available for use, while on disposal, depreciation is charged up to the month 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 include advances to suppliers if these advances are for additions to the above assets.

### 3.12.2 Right of Use Assets

A contract is, or contains a lease if the contract conveys a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the near end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

### 3.13 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.

For the year ended 31 December 2019

### 3.14 Expenses

Expenses allocated to the takaful business represent only directly attributable expenses. Expenses not directly allocated to takaful business are charged to the Shareholders' Fund.

### 3.15 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.

### 3.16 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 except for the marine business which is calculated using the 1/120 method). The unearned portion of contributions' 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 retakaful contribution expense using the same basis as for contribution. The deferred portion of retakaful contribution expense is recognised as a prepayment.

### b) Retakaful rebate

Rebate and other forms of revenue (apart from recoveries) from retakaful 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 retakaful 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.
- Dividend income on equity shares is recognised when the Company's right to receive the payment is established.
- Gain / loss on sale of investments is included in income currently.

### 3.17 Ijarah

ljarah rentals are recognised as an expense on a time proportion basis.

### 3.18 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 loses control of contractual rights that comprises of 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 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.

### 3.19 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.

### Takaful Pakistan Limited

## Annual Report

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 3.20 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 asset's fair value less cost to sell and value in use. Impairment losses are recognised in profit and loss account.

Impairment is recognised based on management's assessment of objective evidence of impairment as a result of 19 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.

### 3.21 **Segment reporting**

An 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 Insurance Rules and Accounting Regulations, 2017. 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 3.2.

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 basis of contribution written.

### 3.22 **Staff Retirement Benefits**

### 3.22.1 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.

### 3.22.2 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.

For the year ended 31 December 2019

Actuarial valuations are conducted annually and the latest valuation was conducted at the balance sheet date (31 December 2019). 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 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 a remeasurement are recognised in other comprehensive income.

### 3.23 Appropriations

Appropriations of profit, if any, are recognised in the year in which these are approved.

### 3.24 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result I 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.

### 3.25 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.

### 3.26 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).

### 3.27 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.

### **B** CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements management has made judgement, estimates and assumptions which 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 effect 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:

- a) provision for unearned contribution (note 3.16(a));
- b) provision for contribution due but unpaid and amount due from other takaful / retakaful operators (note 3.20);
- c) provision for outstanding claims including IBNR and retakaful recoveries there against (note 3.4);
- d) contribution deficiency reserve (note 3.5);
- e) provision for unearned wakala fee (note 3.7);
- f) classification of investments (note 3.10.1);
- g) residual values and useful lives of fixed assets including intangible assets (note 3.12 & 3.13);
- h) taxation (note 3.11);
- i) segment reporting (note 3.21); and
- j) impairment (note 3.20)

For the year ended 31 December 2019

|               | 31 December        |   |  |
|---------------|--------------------|---|--|
| Note          | 2019               | 2018  |  |
|               |                    |   |  |
| 4.1 - 4.1.2   | 24,111,763<br>-    | 5,270,762<br>8,433,117                            |  |
| 4.2<br>Rupees | 20,081,923         | 13,703,879  |  |
|               | 4.1 - 4.1.2<br>4.2 | Note 2019  4.1 - 4.1.2 24,111,763  4.2 20,081,923 |  |

### 4.1 Tangible assets

| As at 31 December 2019     |  |  |                            |   |                              |  |  |  |  |
|----------------------------|--|--|----------------------------|---|------------------------------|--|--|--|--|
|                            | Cost   |  | Accum                      | nulated depre   | ciation                      | Book value Depreciation  |  |  |  |
| As at<br>1 January<br>2019 | Additions /<br>(disposal)<br>during<br>the year                                    | As at 31<br>December<br>2019   | As at<br>1 January<br>2019 | Charge for<br>the year /<br>(disposal)  | As at 31<br>December<br>2019 | As at 31<br>December<br>2019   | Rate %   |  |  |
| 4,582,141                  | 7,109,660  | 11,691,801   | 3,894,944                  | 1,502,785   | 5,397,729                    | 6,294,072  | 33.33%   |  |  |
| 12,713,001                 | <b>3,241,932</b> (719,360)   | 15,235,573   | 12,361,943                 | <b>1,043,506</b> (681,680)  | 12,723,769                   | 2,511,804  | 33.33%   |  |  |
| 6,794,416                  | <b>3,439,516</b> (237,764)   | 9,996,168  | 5,261,289                  | <b>956,912</b> (230,155)  | 5,988,046                    | 4,008,122  | 20%  |  |  |
| 20,615,939                 | 11,497,787   | 32,113,726   | 18,198,167                 | 3,032,332   | 21,230,499                   | 10,883,227   | 33.33%   |  |  |
| 647,737                    | 382,900<br>(326,031)   | 704,606  | 366,129                    | 88,311<br>(164,372)   | 290,068                      | 414,538  | 20%  |  |  |
| 45,353,234                 | 25,671,795<br>(1,283,155)  | 69,741,874   | 40,082,472                 | 6,623,846<br>(1,076,207)  | 45,630,111                   | 24,111,763   |  |  |  |
|                            | 1 January<br>2019<br>4,582,141<br>12,713,001<br>6,794,416<br>20,615,939<br>647,737 | As at 1 January 2019  4,582,141  7,109,660  12,713,001  3,241,932 (719,360)  6,794,416 20,615,939  11,497,787  647,737  382,900 (326,031)  45,353,234  Additions / (disposal)  4,582,141  7,109,660  3,439,516 (237,764) 11,497,787  382,900 (326,031) | Cost  As at 1 January 2019 | As at 1 January 2019         Additions / (disposal) during the year         As at 31 December 2019         As at 31 January 2019           4,582,141         7,109,660         11,691,801         3,894,944           12,713,001         3,241,932 (719,360) (237,764)         15,235,573         12,361,943           6,794,416         3,439,516 (237,764) (237,764)         9,996,168 (237,764)         5,261,289           20,615,939         11,497,787 (32,113,726) 32,113,726         18,198,167           647,737         382,900 (326,031) (326,031)         704,606 (366,129) (366,129) (326,031)           45,353,234         25,671,795 (69,741,874) (40,082,472) | As at 1 January 2019         | Accumulated depreciation           As at 1 January 2019         Additions / (disposal) during the year         As at 31 December 2019         As at 31 January 2019         Charge for the year / (disposal)         As at 31 December 2019           4,582,141         7,109,660         11,691,801         3,894,944         1,502,785         5,397,729           12,713,001         3,241,932 (719,360)         15,235,573         12,361,943         1,043,506 (681,680)         12,723,769           6,794,416         3,439,516 (237,764)         9,996,168 (237,764)         5,261,289 (230,155)         956,912 (230,155)         5,988,046 (237,764)           20,615,939         11,497,787         32,113,726 (18,198,167)         3,032,332 (21,230,499)         21,230,499           647,737         382,900 (326,031)         704,606 (366,129)         88,311 (164,372)         290,068 (164,372)           45,353,234         25,671,795 (69,741,874)         40,082,472 (6,623,846)         45,630,111 | Accumulated depreciation           As at 1 January 2019         Additions / (disposal) during the year         As at 31 December 2019         As at 31 January 2019         As at 31 December 2019         December 2019         Book value As at 31 December 2019           4,582,141         7,109,660         11,691,801         3,894,944         1,502,785         5,397,729         6,294,072           12,713,001         3,241,932 (719,360) (719,360) (719,360) (237,764)         12,723,769         2,511,804 (681,680) (681,680)           6,794,416         3,439,516 (237,764) (237,764)         9,996,168 (5,261,289 (230,155) (230,155) (230,155) (230,155) (230,155)         5,988,046 (4,008,122 (230,155) (230, |  |  |

|                        | As at 31 December 2018     |   |                              |                            |  |                              |                              |        |  |  |  |
|------------------------|----------------------------|---|------------------------------|----------------------------|--|------------------------------|------------------------------|--------|--|--|--|
|                        |                            | Cost  |                              | Accum                      | nulated depre                          | Book value                   | Depreciation                 |        |  |  |  |
|                        | As at<br>1 January<br>2018 | Additions /<br>(disposal)<br>during<br>the year | As at 31<br>December<br>2018 | As at<br>1 January<br>2018 | Charge for<br>the year /<br>(disposal) | As at 31<br>December<br>2018 | As at 31<br>December<br>2018 | Rate % |  |  |  |
| Leasehold improvements | 4,582,141                  | -   | 4,582,141                    | 3,495,296                  | 399,648                                | 3,894,944                    | 687,197                      | 10%    |  |  |  |
| Furniture and fixtures | 12,771,651                 | (58,650)  | 12,713,001                   | 12,002,427                 | 379,843<br>(20,327)                    | 12,361,943                   | 351,058                      | 10%    |  |  |  |
| Office equipment       | 6,406,066                  | . , ,   | 6,794,416                    | 4,755,511                  | 530,835<br>(25,057)                    | 5,261,289                    | 1,533,127                    | 10%    |  |  |  |
| Computers              | 18,385,865                 | 2,360,074<br>(130,000)                          | 20,615,939                   | 17,836,451                 | 417,034<br>(55,318)                    | 18,198,167                   | 2,417,772                    | 33.33% |  |  |  |
| Vehicles               | 2,416,737                  | 45,000  | 647,737                      | 1,493,845                  | 204,466                                | 366,129                      | 281,608                      | 20%    |  |  |  |

### 4.1.1 Disposal of tangible assets

| Disposal of tangible assets during the year having book value of more than Rs.50,000 | Cost    | Accumulated depreciation | Net book value | Sale<br>proceeds | Gain /<br>(loss) | Mode of disposal  | Particulars of buyers |
|--|---------|--------------------------|----------------|------------------|------------------|---|-----------------------|
| Motor vehicle  | 248,130 | 86,471                   | 161,659        | 100,000          | (61,659)         | As per the<br>CEO's<br>approval and<br>conditions of<br>terms and<br>employment | Officer<br>Admin      |

Rupees 44,562,460 2,919,074 45,353,234 39,583,530 1,931,826 40,082,472

- 4.1.2 Cost of above assets include cost of tangible assets amounting to Rs. 34.417 million having net book value equal to NIL at the reporting date are
- During the year, the company re-estimated the useful lives of its lease hold improvements, furniture and fixtures and office equipment with effect from 1 January 2019 from 10% to 33.33%, 10% to 33,33% and 10% to 20% respectively. The effect of change amounting to Rs. 2.09 million has been recognized as depreciation expense in the current financial statements.

For the year ended 31 December 2019

### 4.2 Leased - Right of use assets as at 31 December 2019

|           |        | As at 31 December 2019     |   |                              |                            |  |                              |                              |              |  |
|-----------|--------|----------------------------|---|------------------------------|----------------------------|--|------------------------------|------------------------------|--------------|--|
|           |        | Cost                       |   |                              | Accun                      | Accumulated depreciation               |                              |                              | Depreciation |  |
|           |        | As at<br>1 January<br>2019 | Additions /<br>(disposal)<br>during<br>the year | As at 31<br>December<br>2019 | As at<br>1 January<br>2019 | Charge for<br>the year /<br>(disposal) | As at 31<br>December<br>2019 | As at 31<br>December<br>2019 | Rate %       |  |
| Buildings | Rupees | 29,191,502                 | 931,383   | 30,122,885                   | -                          | 10,040,962                             | 10,040,962                   | 20,081,923                   | 33.33%       |  |

| <b>INTANGIBLE ASS</b> | SETS as | at 31 Dece                 | ember 201                       | 9                            |                              |                           |                              |                              |              |  |  |
|-----------------------|---------|----------------------------|---------------------------------|------------------------------|------------------------------|---------------------------|------------------------------|------------------------------|--------------|--|--|
|                       |         |                            |                                 | A                            | s at 31 Decei                | mber 2019                 |                              |                              |              |  |  |
|                       |         |                            | Cost                            |                              | Accum                        | ulated depre              | ciation                      | Book value                   | Depreciation |  |  |
|                       |         |                            | Charge<br>for the<br>year       | As at 31<br>December<br>2019 | As at 31<br>December<br>2019 | Rate %                    |                              |                              |              |  |  |
| Computer software     | Rupees  | 14,263,181                 | -                               | 14,263,181                   | 14,117,837                   | 140,677                   | 14,258,514                   | 4,667                        | 33.33        |  |  |
|                       |         | As at 31 December 2018     |                                 |                              |                              |                           |                              |                              |              |  |  |
|                       |         |                            | Cost                            |                              | Accumulated depreciation     |                           |                              | Book value                   | Depreciation |  |  |
|                       |         | As at<br>1 January<br>2018 | Additions<br>during<br>the year | As at 31<br>December<br>2018 | As at<br>1 January<br>2018   | Charge<br>for the<br>year | As at 31<br>December<br>2018 | As at 31<br>December<br>2018 | Rate %       |  |  |
| Computer software     | Rupees  | 14,263,181                 | -                               | 14,263,181                   | 13,977,160                   | 140,677                   | 14,117,837                   | 145,344                      | 33.33        |  |  |

Cost of above assets includes cost of intangible assets amounting to Rs. 13.841 million having net book value equal to NIL at the reporting date

### 6 INVESTMENTS IN EQUITY SECURITIES AND MUTUAL FUNDS - available-for-sale

|                             |      | 31                    | 31 December 2018                          |           |             |
|-----------------------------|------|-----------------------|---|-----------|-------------|
|                             | Note | Shareholders'<br>Fund | Participants <sup>1</sup><br>Takaful Fund | Aggregate | Aggregate   |
|                             |      |                       | (Rup                                      | ees)      |             |
| Investment in Listed shares | 6.1  | -                     | -   | -         | 89,919,034  |
| Investment in Mutual funds  | 6.2  | -                     | -   | -         | 88,034,438  |
|                             |      | -                     | -   | -         | 177,953,472 |
| Investment in listed shares |      |                       |   |           |             |

### 6.1

| Investment in Listed shares Investment in Mutual funds   | 6.1<br>6.2 |             |                | -                |             | 89,919,034<br>88,034,438 |  |
|--|------------|-------------|----------------|------------------|-------------|--------------------------|--|
| Investment in listed shares  |            | -           |                | -                | -           | 177,953,472              |  |
|  | 31         | December 20 | 19             | 31 December 2018 |             |                          |  |
| Shareholders' Fund   | Cost       | Impairment  | Carrying value | Cost             | Impairmen   | t Carrying value         |  |
| Investment in Quoted   | (Rupees)   |             |                |                  | (Rupees)    |                          |  |
| equity securities - cost   | -          | -           | -              | 36,717,421       | -           | 36,717,421               |  |
| Fair value loss on available-for-sale investments - net (recognized in other comprehensive income) | -          | -           | -              | -                | -           | (4,945,485)              |  |
| Fair value loss on available-for-sale investments - net (charged to profit and loss account)       | -          | -           |                | -                | (2,760,316) | (2,760,316)              |  |
|  | -          | -           | -              | 36,717,421       | (2,760,316) | 29,011,620               |  |
| Participants' Takaful Fund   |            |             |                |                  |             |                          |  |
| Investment in Quoted equity securities - cost  | -          | -           |                | 77,903,981       | -           | 77,903,981               |  |
| Fair value gain on available-for-sale investments - net (recognized in other comprehensive income) | -          | -           | -              | -                | -           | (10,516,548)             |  |
| Fair value gain on available-for-sale investments - net (Charged to profit and loss account)       | -          | -           | -              | -                | (6,480,019) | (6,480,019)              |  |
|  | -          | -           | -              | 77,903,981       | (6,480,019) | 60,907,414               |  |

For the year ended 31 December 2019

### 6.1.1 Quoted equity securities - Available-for-sale - Shareholders' Fund

Ordinary shares have a face value of Rs. 10 each, unless otherwise stated.

| Charles   Char |  | 2019        | 2018            | Market value<br>as at 31<br>December 2019<br>(Carrying value) | Market value<br>as at 31<br>December 2018<br>(Carrying value) |   |
|--|--|-------------|-----------------|---|---|---|
| Amreil Steel Limited   | ENCINEEDING  | (Shai       | res)            | (Ru)  | pees)   |   |
| Cherat Company Limited   | Amreli Steel Limited<br>International Industries Limited                               | -<br>-<br>- | 10,200          | -<br>-<br>-   | 1,571,310   | 2 |
| Engro Fertilizer Limited - 5,000 - 345,250  CHEMICAL Engro Polymer and Chemicals Limited - 41,000 - 1,522,740  AUTOMOBLIE ASSEMBLER Ghandhara Nissan Limited - 24,599 - 2,337,643  PHARMACEUTICALS GlaxoSmithKline Pakistan Limited - 14,600 - 1,645,128  POWER GENRERATION & DISTRIBUTION Hub Power Company Limited - 20,000 - 1,715,800  AUTOMOBLIE PARTS & ACCESSORIES Loads Limited - 57,500 - 1,219,000  OIL & GAS EXPLORATION COMPANIES Mari Petroleum - 814 - 1,005,990 Oil & Gas Development Company Limited - 23,000 - 2,944,000 Pakistan Oil Fields Limited - 2,480 - 1,053,554 Pakistan Petroleum Limited - 5,750 - 860,545  OIL & GAS MARKETING COMPANIES Sui Northern Gas Pipelines Company Limited - 28,000 - 2,157,960 Sui Southern Gas Company Limited - 47,500 - 1,097,250  PAPER & BOARD Packages Limited - 2,000 - 773,640  BANKS Meezan Bank Limited - 10,500 - 970,095  | Cherat Cement Company Limited  | -           |                 | -   |   |   |
| Engro Polymer and Chemicals Limited - 41,000 - 1,522,740  AUTOMOBLIE ASSEMBLER Ghandhara Nissan Limited - 24,599 - 2,337,643  PHARMACEUTICALS GlaxoSmithKline Pakistan Limited - 14,600 - 1,645,128  POWER GENRERATION & DISTRIBUTION Hub Power Company Limited - 20,000 - 1,715,800  AUTOMOBLIE PARTS & ACCESSORIES Loads Limited - 57,500 - 1,219,000  OIL & GAS EXPLORATION COMPANIES Mari Petroleum - 814 - 1,005,990 Oil & Gas Development Company Limited - 23,000 - 2,944,000 Pakistan Oil Fields Limited - 5,750 - 860,545  OIL & GAS MARKETING COMPANIES Sui Northern Gas Pipelines Company Limited - 28,000 - 2,157,960 Sui Southern Gas Pipelines Company Limited - 28,000 - 1,097,250  PAPER & BOARD Packages Limited - 2,000 - 773,640  BANKS Meezan Bank Limited - 10,500 - 970,095  |  | -           | 5,000           | -   | 345,250   |   |
| PHARMACEUTICALS   GlaxoSmithKline Pakistan Limited   -   24,599   -   2,337,643  |  | -           | 41,000          | -   | 1,522,740   |   |
| POWER GENRERATION & DISTRIBUTION   Hub Power Company Limited   - 20,000   - 1,715,800  |  | -           | 24,599          | -   | 2,337,643   |   |
| AUTOMOBLIE PARTS & ACCESSORIES         Loads Limited       -       57,500       -       1,219,000         OIL & GAS EXPLORATION COMPANIES         Mari Petroleum       -       814       -       1,005,990         Oil & Gas Development Company Limited       -       23,000       -       2,944,000         Pakistan Oil Fields Limited       -       2,480       -       1,053,554         Pakistan Petroleum Limited       -       5,750       -       860,545         OIL & GAS MARKETING COMPANIES         Sui Northern Gas Pipelines Company Limited       -       28,000       -       2,157,960         Sui Southern Gas Company Limited       -       47,500       -       1,097,250         PAPER & BOARD       -       2,000       -       773,640         BANKS       -       10,500       -       970,095  |  | -           | 14,600          | -   | 1,645,128   |   |
| Coads Limited  |  | -           | 20,000          | -   | 1,715,800   |   |
| Mari Petroleum       -       814       -       1,005,990         Oil & Gas Development Company Limited       -       23,000       -       2,944,000         Pakistan Oil Fields Limited       -       2,480       -       1,053,554         Pakistan Petroleum Limited       -       5,750       -       860,545         OIL & GAS MARKETING COMPANIES         Sui Northern Gas Pipelines Company Limited       -       28,000       -       2,157,960         Sui Southern Gas Company Limited       -       47,500       -       1,097,250         PAPER & BOARD         Packages Limited       -       2,000       -       773,640         BANKS         Meezan Bank Limited       -       10,500       -       970,095   |  | -           | 57,500          | -   | 1,219,000   |   |
| Sui Northern Gas Pipelines Company Limited       -       28,000       -       2,157,960         Sui Southern Gas Company Limited       -       47,500       -       1,097,250         PAPER & BOARD         Packages Limited       -       2,000       -       773,640         BANKS         Meezan Bank Limited       -       10,500       -       970,095  | Mari Petroleum<br>Oil & Gas Development Company Limited<br>Pakistan Oil Fields Limited | -<br>-<br>- | 23,000<br>2,480 | -<br>-<br>-   | 2,944,000<br>1,053,554  |   |
| Packages Limited       -       2,000       -       773,640         BANKS<br>Meezan Bank Limited       -       10,500       -       970,095   | Sui Northern Gas Pipelines Company Limited   | -           |                 |   |   |   |
| Meezan Bank Limited         -         10,500         -         970,095   |  | -           | 2,000           | -   | 773,640   |   |
| - 29,011,620   |  | -           | 10,500          | -   | 970,095   |   |
|  |  |             |                 | -   | 29,011,620  |   |

port 50 Takaful Pakistan Limited 183

For the year ended 31 December 2019

### 6.1.2 Quoted equity securities - Available-for-sale - Participants' Takaful Fund

Ordinary shares have a face value of Rs. 10 each, unless otherwise stated.

|   | (           |                                   | Market value<br>as at 31<br>December 2019<br>(Carrying value)<br>(Ru | Market value<br>as at 31<br>December 2018<br>(Carrying value) |
|---|-------------|-----------------------------------|--|---|
| ENGINEERING Amreli Steel Limited International Industries Limited International Steel Limited   | -<br>-<br>- | 32,000<br>39,800<br>90,300        | -<br>-<br>-  | 1,532,160<br>6,131,190<br>5,939,031                           |
| CEMENT Cherat Cement Company Limited D.G.Khan Cement Company Limited Lucky Cement Limited   |             | 20,000<br>42,500<br>10,500        | -<br>-<br>-  | 1,393,000<br>3,406,375<br>4,564,035                           |
| FERTILIZER Engro Corporation Pakistan   | -           | 21,400                            | -  | 6,229,112   |
| CHEMICAL<br>ICI Pakistan Limited  | -           | 2,600                             | +  | 2,065,362   |
| AUTOMOBLIE ASSEMBLER<br>Ghandhara Nissan Limited  | -           | 1,500                             | -  | 142,545   |
| PHARMACEUTICALS GlaxoSmithKline Pakistan Limited Searle Pakistan Limited  | -           | 8,000<br>6,325                    | -  | 901,440<br>1,553,357  |
| POWER GENRERATION & DISTRIBUTION Hub Power Company Limited  | -           | 59,000                            | -  | 5,061,610   |
| OIL & GAS EXPLORATION COPMANIES Mari Petroleum Oil & Gas Development Company Limited Pakistan Oil Fields Limited Pakistan Petroleum Limited |             | 2,200<br>32,000<br>7,800<br>9,545 | -<br>-<br>-  | 2,718,892<br>4,096,000<br>3,313,596<br>1,428,505              |
| OIL & GAS MARETING COPMANIES Sui Northern Gas Pipelines Company Limited Sui Southern Gas Company Limited                                    | -           | 122,200<br>2,000                  | -  | 9,417,954<br>46,200   |
| PAPER & BOARD Packages Limited  | -           | 2,500                             | -  | 967,050   |
|   |             |                                   | -  | 60,907,414  |

For the year ended 31 December 2019

### 6.2 Investment in mutual funds - available-for-sale

|  | Note  | 31 December 2019 |             |       | 31         | December 20 | 18               |
|--|-------|------------------|-------------|-------|------------|-------------|------------------|
| Shareholders' Fund   | 11010 | Cost             | Impairment  | value | Cost       | Impairment  | t Carrying value |
| Investment in Units of Shariah<br>Compliant Mutual Fund  |       | -                | - (Trupees) | -     | 10,441,068 | - (Hupees)  | 10,441,068       |
| Fair value loss on available-for-sale investments - net (recognized in other comprehensive income) |       | -                | -           | -     | -          | -           | (1,693,181)      |
|  | 6.2.1 | -                | -           |       | 10,441,068 | -           | 8,747,887        |
| Participants' Takaful Fund   |       |                  |             |       |            |             |                  |
| Investment in Units of Shariah<br>Compliant Mutual Fund  |       | -                | -           | -     | 89,558,556 | -           | 89,558,556       |
| Fair value loss on available-for-sale investments - net (charged to other comprehensive income)    |       | -                | -           | -     | -          | -           | (10,272,005)     |
| Fair value gain on available-for-sale investments - net (Charged to profit and loss account)       |       | -                | -           | -     | -          | -           | -                |
|  | 6.2.2 | -                |             | -     | 89,558,556 |             | 79,286,551       |

### 6.2.1 Mutual Funds - Available-for-sale - Shareholders' Fund

|                                       | <b>2019</b> | <b>2018</b> | Market value<br>as at 31<br>December 2019<br>(Carrying value) | Market value<br>as at 31<br>December 2018<br>(Carrying value) |
|---------------------------------------|-------------|-------------|---|---|
|                                       |             |             |   |   |
| ABL Islamic Asset Allocation Fund     | -           | 90,000      | -   | 891,558   |
| ABL Islamic Stock Fund                | -           | 95,354      | -   | 1,251,970   |
| ABL - Islamic Financial Planning Fund |             |             |   |   |
| (Strategic Allocation Plan III)       | -           | 9,053       | -   | 866,955   |
| Alhamra Islamic Stock Fund            | -           | 425,182     | -   | 4,068,995   |
| Faysal Islamic Savings Growth Fund    | -           | 13,299      | -   | 1,411,952   |
| Meezan Asset Allocation Fund          | -           | 6,507       | -   | 256,458   |
|                                       |             |             | -   | 8,747,887   |
|                                       |             |             |   |   |

### 6.2.2 Mutual Funds - Available-for-sale - Participants' Takaful Fund

ABL Islamic Asset Allocation Fund AlAmeen Islamic Asset Allocation Fund Al-Ameen Shariah Stock Fund Alhamra Islamic Stock Fund Atlas Islamic Stock Fund Faysal Islamic Asset Allocation Fund Meezan Asset Allocation Fund Meezan Islamic Fund NAFA Islamic Stock Fund NAFA Riba Free Savings Fund

| - | 789       | - | 7,815      |
|---|-----------|---|------------|
| - | 64,974    | - | 7,472,363  |
| - | 193,089   | - | 23,728,759 |
| - | 1,646,770 | - | 15,759,507 |
| - | 17,440    | - | 8,406,952  |
| - | 39,297    | - | 2,850,968  |
| - | 138,401   | - | 1,811,732  |
| - | 342,024   | - | 18,975,144 |
| - | 9,618     | - | 98,511     |
| - | 16,544    | - | 174,801    |
|   |           | - | 79,286,551 |

### 6.3 Fair value reserve (deficit)

Details of the fair value reserve are as follows:

- Deficit on the revaluation of equity shares net
- Deficit on the revaluation of units in mutual funds

| Sharehole | ders' Fund    | Participants' Takaful Fund |              |  |  |
|-----------|---------------|----------------------------|--------------|--|--|
| 2019      | 2018          | 2019                       | 2018         |  |  |
| (Rup      | pees)         | (Rup                       | oees)        |  |  |
|           | (4.0.45, 405) |                            | (40.540.540) |  |  |
| -         | (4,945,485)   | -                          | (10,516,548) |  |  |
| -         | (1,693,181)   | -                          | (10,272,005) |  |  |
| -         | (6,638,666)   | -                          | (20,788,553) |  |  |

ınual Report \_\_\_\_\_ Takaful Pakistan Limited

# NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

# **INVESTMENT IN DEBT SECURITIES - held to maturity**

### Sukuk Certificates - Shareholders' Fund 7.1

| Security               | Unsecured   | Revolving Gross Corporate Guarantee ("RCCG") from Manowal Energy Limited ("MLC") for the Issue amount (with 25% margin) and profit & principal payments. Subordinate hypothecation charge over NEL's receivables including subordinate charge over RII present and future movable fixed assets of NEL and subordinate charge over all present and future movable fixed assets of NEL and subordinate charge over all present and future movable fixed assets of NEL and subordinate of HUBCO. Pledge of 100% shares of NEL. | Unsecured                                  |                                 |                           |                           |  | Secured against pari passu charger over property, plant and equipment of the Company. | Secured against first pari passu Rs. 1.846 billion<br>on all fixed assets of the Company. |            |             |                                    |   |                                     |                           |           |
|------------------------|---|---|--|---------------------------------|---------------------------|---------------------------|--|---|---|------------|-------------|------------------------------------|---|-------------------------------------|---------------------------|-----------|
| 31 December<br>2018    | 000,000,000                                       |   | ,  | 15,078,419                      | 25,000,000                | 21,000,000                | 121,078,419                              | 15,873,883  | 3,965,520   | 19,839,403 | 140,917,822 | (19,839,403)                       | 121,078,419                                       |                                     | 5,000,000                 | 5,000,000 |
| 31 December<br>2019    | 30,000,000  | 30,000,000  | 28,000,000                                 |                                 | •                         |                           | 88,000,000                               | 15,873,883  | 3,965,520   | 19,839,403 | 107,839,403 | (19,839,403)                       | 88,000,000  |                                     |                           | 1         |
| Face                   | 30,000,000  | 30,000,000  | 28,000,000                                 | ı                               |                           | ,                         | Rupees                                   | 15,000,000  | 10,000,000  |            |             |                                    | Rupees  |                                     | ,                         | Rupees    |
| Market                 | 1   | 30,270,000  | 1  |                                 | •                         | ı                         |  |   | ı   |            |             |                                    |   |                                     | •                         |           |
| Principal payment      | Perpetual   | 25% on<br>February 2022<br>25% on<br>August 2022<br>25% on<br>February 2023<br>25% on<br>August 2023  | Perpetual                                  | On maturity                     | On maturity               | Perpetual                 |  | Non<br>performing   | Non   | -          |             |                                    |   |                                     | On maturity               |           |
| Profit<br>Payment      | Quarterly   | Quarterly   | Monthly                                    | Quarterly                       | Quarterly                 | Monthly                   |  | Semi-<br>annually   | Quarterly   |            |             |                                    |   |                                     | Quarterly                 |           |
| Effective<br>yield     | 3 months<br>KIBOR + 1.75%                         | 3 months<br>KIBOR + 1.90%   | 3 months<br>KIBOR + 2.75%                  | 3 months<br>KIBOR + 1.05%       | 3 months<br>KIBOR + 1.05% | 3 months<br>KIBOR + 1.75% |  | 3 months<br>KIBOR + 2%  | 3 months<br>KIBOR + 1.75%   |            |             |                                    |   |                                     | 3 months<br>KIBOR + 1.05% |           |
| Maturity<br>date       | Perpetual   | 22 August 2023  | Perpetual                                  | 18 January 2022                 | 19 May 2019               | Perpetual                 |  | 06 August 2019  | 26 March 2020   |            |             |                                    |   |                                     | 19 May 2019               |           |
| Face                   | 5,000   | 100,000   |  | 100,000                         | 1,000,000                 | 1,000,000                 |  |   |   |            |             |                                    |   |                                     | 1,000,000                 |           |
| Number of certificates | 6,000   | 0000  | 2,600                                      | 150                             | 25                        | 21                        |  | 3,000   | 2,000   |            |             |                                    |   |                                     | Ŋ                         |           |
| Note                   | 7.1.1   |   | 7.1.1                                      |                                 |                           |                           | (pa)                                     | 7.1.2   | 7.1.3   |            |             |                                    | 1   |                                     |                           |           |
| Performing Assets      | Dubai Islamic Bank Pakistan<br>Limited - unlisted | Hub Power Company Limited<br>- listed   | Bank Islami Pakistan Limited<br>- unlisted | Byco Petroleum Pakistan Limited | Pak Elektron Limited      | Meezan Bank Limited       | Non - Performing Assets (fully provided) | Agritech Limited  | Quetta Textile Mills Limited  |            | Total       | non-performing sukuk certificates) | Culturk Consideration Darkinianstel Tolontel Emal | SUNUN CELLINGATES-FAITICIPALITS TAN | Pak Elektron Limited      |           |

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. 7.1.1

7.1.2

7.2

This represents investments aggregating to Rs. 15 million (31 December 2018: 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 investment Agent of the sukuk certificates, whereby, certain terms included in the originat 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 accurated overdue profit the investee company defaulted on the installingties (FICs) 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 Tics. However, the investee company defaulted on the installingties of the principal amount based in the original repayment as well as in making payments in respect of zero coupon term finance certificates. Therefore, the management has nather recorded TFGs issued in lieu of profit in the books of accounts not accounts on accounts on account on the outstanding balance of the principal amount and has fully provided the outstanding principal. An agreement for the restructuring of these sukuks was executed between the Investment Agent of these sukuks and Querta Textile Mills Limited on 24 June 2013. According to the restructuring three is a million will be made to the Company over a period of 7 years till 26 March 2020 in wenty nine quarterly instalments whereas the profit shall be received by the Company at the rate of 6 monthly KIBOR and a spread of 1.75% with effect from 26 March 2013. 7.1.3

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.

### Takaful Pakistan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### **INVESTMENT IN TERM DEPOSITS**

|                                    |        | 31                    | 31 December<br>2018           |             |             |
|------------------------------------|--------|-----------------------|-------------------------------|-------------|-------------|
|                                    |        | Shareholders'<br>Fund | Participants'<br>Takaful Fund | Aggregate   | Aggregate   |
| Held to Maturity                   |        | note 8.1 & 8.2        | note 8.3                      |             |             |
| Deposits maturing within 12 months | Rupees | 192,200,000           | 321,000,000                   | 513,200,000 | 195,500,000 |

- This represents term deposits of Rs. 85.2 million, Rs. 35.0 million, Rs. 20 million, Rs. 10 million, Rs. 10.5 million and Rs. 8.1 31.5 million maturing on 31 December 2020, 31 December 2020, 5 December 2020, 11 March 2020, 13 February 2020 and 4 January 2020 respectively and carry profit rates at 12.50%, 12.25%, 12.50%, 10.75%, 12.00% and 13.20% respectively. The deposit is held with Dubai Islamic Pakistan Limited, Bank Islamic Pakistan Limited and Al Baraka Bank Pakistan Limited.
- 8.2 These include term deposits of Rs. 61.5 million (31 December 2018: 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,
- This represents term deposits of Rs. 32.0 million, 208.0 million, 30.0 million, 11.0 million, 30.0 million and 10 million 8.3 maturing on 31 December 2020, 31 December 2020, 24 December 2020, 27 February 2020, 28 January 2020 and 27 January 2020 carrying profit rates at 12.25%, 12.50%, 12.50%. 13.00%, 12.26% and 13.20% respectively. The deposit is held with Dubai Islamic Pakistan Limited, Bank Islamic Pakistan Limited, Al Baraka Bank Pakistan Limited and Bank Alfalah.

### 9 **QARD-E-HASNA** 31 December 31 December 2019 2018 Opening balance 109,479,565 40,479,565 Qard-e-hasna contributed to the Waqf (PTF) 50,000,000 69,000,000

Qard-e-hasna refunded by PTF during the year

Closing balance

Under the Takaful Rules, 2012 in the event of surplus in Participants' Takaful Fund, Qard-e-Hasna shall be paid to the Shareholders' Fund prior to distributing the surplus to the Participants. Management expects to generate sufficient profit in future to enable the repayment. Subsequent to the year end Rs. 35 million was received from the Participants' Takaful Fund.

(68,000,000) 91.479.565

109.479.565

Rupees

### 10 LONG TERM DEPOSITS - Shareholders' Fund

| ljarah                     | 7,071,120  | 1,870,290 |
|----------------------------|------------|-----------|
| Rental                     | 1,963,871  | 268,590   |
| Hospitals security deposit | 2,475,000  | 875,000   |
| Others                     | 563,249    | 222,264   |
| Rupees                     | 12,073,240 | 3,236,144 |

For the year ended 31 December 2019

Balance as on 31 December

### LOANS, ADVANCES AND OTHER RECEIVABLES - considered good

|   | Note     | 31                     | 31 December                               |                        |                        |
|---|----------|------------------------|---|------------------------|------------------------|
| Advances to employees   |          | Shareholders'<br>Fund  | Participants <sup>1</sup><br>Takaful Fund | Aggregate              | 2018<br>Aggregate      |
| (unsecured and interest free) Accrued investment income Receivable from the | 11.1     | 3,535,293<br>6,022,517 | -<br>1,822,979                            | 3,535,293<br>7,845,496 | 1,247,599<br>6,080,336 |
| Shareholder's Fund<br>Investment Proceeds                                   | 11.2     | -                      | 1,538,758                                 | 1,538,758              | 6,872,075              |
| - Receivables<br>Others   | 11.3     | 4,283,745<br>581,404   | 11,042,090                                | 15,325,835<br>581,404  | -                      |
| Advance against expenses<br>Service charges receivable from co-takaful e    | entities | 5,491,005              | -<br>4,400,378                            | 5,491,005<br>4,400,378 | 257,331                |
| Advance payment to takaful agents   | 11.4     | 28,808,693             | -   | 28,808,693             | _                      |
| Receivable from Participants' Takaful Fund                                  | _        |                        | _   |                        | 4,276,068              |
|   | Rupees   | 48,722,657             | 18,804,206                                | 67,526,863             | 18,733,409             |

- 11.1 The eligible employees are entitled to two months salaries repayable within one year.
- 11.2 This represents receipts of disposal of equity shares pertaining to PTF credited to an SHF bank account, and was subsequently transferred to the PTF account.
- 11.3 This represents the proceeds from the disposal of equity shares before the year end and was received subsequently.
- This represents excess agency commission payments to two agents vis-a-vis the agreement executed with them. 11.4 However, subsequent to the year, the commission had been adjusted against the amount due to them.

| 12 | TAKAFUL / CO-TAKAFUL RECEIVABLES - unsecured - Participants' Takaful Fund                   | Note   | 31 December<br>2019 | 31 December<br>2018 |
|----|---|--------|---------------------|---------------------|
|    | Due from policy holders Less: Provision for impairment against the balance due              | 12.1   | 244,754,999         | 40,197,470          |
|    | from the policy holders   | 12.2   | (3,876,948)         | (2,689,398)         |
|    |   |        | 240,878,051         | 37,508,072          |
|    | Due from other takaful companies  Less: Provision for impairment against the due from other |        | 15,881,477          | 6,724,941           |
|    | takaful companies   | 12.3   | (2,016,550)         | (2,016,550)         |
|    |   |        | 13,864,927          | 4,708,391           |
|    |   | Rupees | 254,742,978         | 42,216,463          |

<sup>\*</sup> Subsequently up to May 2020, Rs. 186.69 million had been recovered by the Company.

12.1 This includes Rs. 23.13 million (2018: Rs. 13.181 million) receivable from related parties. The amount is not considered to be impaired as at 31 December 2019.

| 12.2 | Movement in provision for impairment - due from policy holders          | 31 December<br>2019    | 31 December<br>2018    |
|------|---|------------------------|------------------------|
|      | Balance as on 1 January Add: Provision made during the year             | 2,689,398<br>1,187,550 | 1,353,734<br>1,335,664 |
|      | Balance as on 31 December Rupees  | 3,876,948              | 2,689,398              |
| 12.3 | Movement in provision for impairment - due from other takaful companies |                        |                        |
|      | Balance as on 1 January<br>Add: Provision made during the year          | 2,016,550              | 950,775<br>1,065,775   |

Rupees

2,016,550

2,016,550

### For the year ended 31 December 2019

### 13 **PREPAYMENTS**

|   | Note   | 31                    | 31 December                   |                               |                                      |
|---|--------|-----------------------|-------------------------------|-------------------------------|--------------------------------------|
|   | Note   | Shareholders'<br>Fund | Participants'<br>Takaful Fund | Aggregate                     | 2018<br>Aggregate                    |
| Prepaid retakaful ceded Prepaid tracker installation expense Prepaid rent | 13.1   |                       | 46,956,918<br>21,611,590<br>- | 46,956,918<br>21,611,590<br>- | 14,445,719<br>6,218,279<br>1,011,750 |
| Others  |        | 2,191,091             | -                             | 2,191,091                     | 787,131                              |
|   | Rupees | 2,191,091             | 68,568,508                    | 70,759,599                    | 22,462,879                           |

This includes Rs. 14.266 million (2018: Rs 0.65 million) paid to a related party. Total amount paid during the year 13.1 is of Rs. 14.266 million (2018: Rs 0.65 million).

### 14 **CASH AND BANK**

16

| Cash and cash equivalents - Cash in hand - Policy and revenue stamps, bond papers  Cash and bank - Current account |        | 218,709<br>-<br>218,709 | 193,070<br>193,070 | 218,709<br>193,070<br>411,779 | 49,098<br>389,475<br>438,573 |
|--|--------|-------------------------|--------------------|-------------------------------|------------------------------|
| - Current account  |        | 20,921                  | 59,704             | 80,625                        | 1,765,321                    |
| - Savings accounts   | 14.1   | 2,846,145               | 21,498,141         | 24,344,286                    | 86,101,582                   |
|  | Rupees | 3,085,775               | 21,750,915         | 24,836,690                    | 88,305,476                   |

These represent balances maintained with Islamic commercial banks under profit and loss sharing basis carrying 14.1 expected profit rates ranging from 6.5% to 11.0% (2018: 4.25% to 9.50%) per annum.

### 15 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 31 December 31 December 2019 2018 (Number of shares)   |        | 31 December<br>2019   | 31 December<br>2018  |
|--|--------|---|--|
| <b>61,298,905</b> 61,298,905   | Rupees | 612,989,050   | 612,989,050  |
| Shareholding Pattern   | Num    | ber of shares   | Percentage   |
| House Building Finance Company Limited Al Baraka Bank (Pakistan) Limited Sitara Chemical Industries Limited Mal Al Khaleej Investment LLC Mr. Salim Habib Godil Syed Rizwan Hussain - Chied Executive Officer Mr. Shahzad Salim Godil Syed Salman Hussain Others |        | 8,699,500<br>5,099,000<br>2,999,500<br>2,550,000<br>10,485,602<br>10,485,601<br>10,485,601<br>8,500<br>61,298,905 | 14.19%<br>8.32%<br>4.89%<br>4.16%<br>17.11%<br>17.11%<br>17.11%<br>0.01% |
| TAKAFUL / RETAKAFUL PAYABLES   |        | 31 December 2019  | 31 December<br>2018  |
| Due to other takaful companies Due to retakaful entities   | Rupees | 501,755<br>50,864,162<br>51,365,917   | 2,440,125<br>62,355,834<br>64,795,959                                    |

For the year ended 31 December 2019

### 17 **OTHER CREDITORS AND ACCRUALS**

|  | Note                               | 31   | 31 December 2019 31                                   |   |  |
|--|------------------------------------|--|---|---|--|
|  | Note                               | Shareholders'<br>Fund  | Participants <sup>1</sup><br>Takaful Fund             | Aggregate   | 2018<br>Aggregate  |
| Commission payable to agents Federal excise duty Federal Takaful fee Tax deducted at source Payable to staff gratuity fund   |                                    | 9,010,547<br>-<br>-<br>374,458   | 7,553,590<br>1,872,730<br>522,919                     | 9,010,547<br>7,553,590<br>1,872,730<br>897,377  | 25,479,618<br>6,414,501<br>640,270<br>886,436  |
| - defined benefit plan Provision for staff compensated absences Security deposit (held in separate bank account Tracker installation fee payable Accrued expenses Payable to Shareholder's Fund Payable to Participants' Takaful Fund Liabilities against leased assets Other payables | 34<br>17.1<br>17.2<br>17.2<br>17.3 | 6,592,612<br>337,010<br>918,876<br>-<br>8,703,263<br>-<br>1,538,757<br>16,880,928<br>1,950,002 | -<br>-<br>10,598,209<br>-<br>-<br>-<br>-<br>4,618,146 | 6,592,612<br>337,010<br>918,876<br>10,598,209<br>8,703,263<br>-<br>1,538,757<br>16,880,928<br>6,568,148 | 2,529,521<br>337,013<br>1,292,294<br>5,071,397<br>10,559,605<br>4,276,068<br>6,872,075<br>-<br>6,361,664 |
|  | Rupees                             | 46,306,453   | 25,165,594  | 71,472,047  | 70,720,462   |

- Includes Rs. 4.36 million (2018: Rs. 0.65 million) payable to a related party. 17.1
- 17.2 This represents liability recognized against the right of use assets more fully explained in note 3.1 to these financial statements. The liability balance has been discounted at 13.34% per annum. Other relevant details are as follows:

|  |        | 31 December 2019             |   |                            |
|--|--------|------------------------------|---|----------------------------|
|  |        | Minimum<br>lease<br>payments | Financial<br>charges<br>relating to<br>future years | Principal<br>amount<br>due |
| Not later than one year<br>Later than one year and not later than five years |        | 18,535,290<br>1,610,558      | 2,896,119<br>368,801                                | 15,639,171<br>1,241,757    |
|  | Rupees | 20,145,848                   | 3,264,920   | 16,880,928                 |

17.3 Other payable of Participants' Takaful Fund includes liability of Rs. 4.08 million (31 December 2018: Rs. 3.774 million) representing the stale cheques in respect of the claim liability of the Company.

### Claims not encashed - age analysis

|                             | 1 to 6<br>months | 7 to 12<br>months | 13 to 24<br>months<br>(Rup | 25 to 36<br>months | Beyond<br>36 months | Total      |
|-----------------------------|------------------|-------------------|----------------------------|--------------------|---------------------|------------|
| Stale Cheques<br>Claims not | 419,762          | 106,694           | 94,851                     | 1,467,433          | 1,990,491           | 4,079,231  |
| encashed                    | 26,300,282       | 1,647,067         | 377,198                    | -                  | -                   | 28,324,547 |
| Total                       | 26,720,044       | 1,753,761         | 472,049                    | 1,467,433          | 1,990,491           | 32,403,778 |

# Annual Report

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 18.1

- Contingencies

  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 2018 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 of 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 10 18.1.1 Travel Agents Association of Pakistan (TAAP) had filed a case against the Company on 10 October 2012 in the Court. The management, based on the advice of its legal counsel, is confident that the Company has reasonable 19 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 condensed interim 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.
- 18.1.2 The Company was issued a show-cause notice on 25 April 2016 by the Sindh Revenue Board (SRB) alledging that the Company had received reinsurance/retakaful services liable to Sindh Sales Tax at 16% during the period from July 2011 to June 2014 and required the Company to show cause notice 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).

Furthermore, 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, on 19 April 2019, SRB had issued a 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. 65.7 million which comprises of principal, penalty and default surcharge of Rs. 31.5 million, Rs. 9.8 million and Rs. 24.28 million respectively. The company filed a constitutional petition under Article 199 of the Constitution of Pakistan. In the aforesaid subject matter, Sindh High Court has granted stay order on the attachment of the aforementioned bank account of company till the final decision.

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 Retakaful Services.

Furthermore subsequent to the year end The High Court of Sindh via its order dated 31 January 2020 have disposed all the petitions with the direction that respondents shall not enforce the recovery of the impugned demand till the final decision in appeal by the commissioner.

The matter has been under discussion between tha IAP and revenue authorities.

The Company's management is of the view that an insurance/takaful company on issuing policy and receiving contribution, charges sales tax on the ultimate user. The same risk is transferred / shared by an insurance/takaful company with a reinsurance/retakaful 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/retakaful services there is no element of value addition.

The same matter has been raised for certain other insurance/takaful 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/takaful 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 considers 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.

For the year ended 31 December 2019

- 18.1.3 Securities and Exchange Commission of Pakistan 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 show some lenience.
- **18.1.4** In addition a litigation of Rs. 15 million has been filed against the company. Provision against the case has not been made as the management, based on discussion with the legal advisor, considers that they have a good prospect of a decision in their favor.

### 18.1.5 Provisional sales tax on health insurance/takaful

Under the Sindh Sales Tax Act, 2011, Sindh sales tax (SST) is payable on corporate health takaful policies written in the province of Sindh. Sindh Revenue Board (SRB) vides its notification SRB-3-4/5/2019 dated 8 May 2019 had exempted SST for the period from 1 July 2016 to 30 June 2019. Furthermore, SRB vides its notification SRB-3-4/16/2019 dated 27 June 2019 has extended the exemption till 30 June 2020. Accordingly, the Company is not charging sales tax on policies written in the province of Sindh.

With effect from November 1, 2018, the Punjab Revenue Authority (PRA), withdrew the exemption on health takaful.

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 advisors, who confirmed the Company's contention that health insurance/takaful 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/takaful" under the Insurance Ordinance, 2000. Such dispute of the Company and the insurance/takaful 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/takaful is not a service.

Based on the above contentions, certain insurance/takaful companies have challenged the levy of Punjab Sales Tax (PST) on health insurance/takaful in the Hon'ble Lahore High Court (LHC) in the month of September 2019. The Hon'ble 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 hearing of the petition is currently in progress. The company is not the a party to the petition. However, the management believes that the decision of the court shall be binding on all the litigants including the company. In view of the above discussed matters, the Company has not charged PST to its clients, nor recognized the contingent amount of PST liability in these financial statements as the management is confident that the final outcome will be in favor of the Company.

Amount involved is Rs. 5.547 million as of 31 December 2019.

### 18.2 Commitments

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

31 December 2019 2018

22,891,690 3,005,044 8,380,013

Rupees 79,598,977 11,385,057

Not later than one year Later than one year but not later than five years

The company has vehicle financing facility of Rs. 100 million from two Islamic banks (facilities amount being the cost of vehicles) out of which Rs. 70.71 million had been utilized by the year end. The facilities are valid up to December 2023.

For the year ended 31 December 2019

| 19 | NET T         | AKAFUL CONTRIBUTION  | Note   | Aggregate 2019                              | Aggregate<br>2018                        | :      |
|----|---------------|--|--------|---|--|--------|
|    | Add:<br>Less: | Written Gross Contribution Unearned Contribution reserve opening Unearned Contribution reserve closing           | 19.1   | 1,031,812,797<br>216,589,851<br>504,543,197 | 375,856,315<br>39,052,938<br>216,589,851 | -<br>( |
|    |               | Contribution earned  |        | 743,859,451                                 | 198,319,402                              | 20     |
|    | Add:<br>Less: | Retakaful Contribution ceded<br>Prepaid Retakaful Contribution opening<br>Prepaid Retakaful Contribution closing |        | 153,248,700<br>14,445,719<br>46,956,918     | 59,257,946<br>8,431,090<br>14,445,719    | 19     |
|    |               | Retakaful expense  |        | 120,737,501                                 | 53,243,317                               |        |
|    |               | Net Takaful Contribution   | Rupees | 623,121,950                                 | 145,076,085                              | <      |

19.1 This include Rs. 126.95 million (31 December 2018 Rs. 53.30 million) from related parties.

### 20 NET TAKAFUL CLAIM EXPENSE

| Less:<br>Add: | Claims Paid Outstanding claims including IBNR - opening-restated Outstanding claims including IBNR - closing           | 20.1   | 339,809,679<br>79,393,141<br>152,283,379 | 79,570,245<br>62,479,532<br>79,393,141 |
|---------------|--|--------|--|--|
|               | Claims expense   |        | 412,699,917                              | 96,483,854                             |
| Retaka        | aful and other recoveries received   |        | 67,648,526                               | 22,347,082                             |
| Less:         | Retakaful and other recoveries in respect of outstanding claims - opening Retakaful and other recoveries in respect of |        | 21,751,263                               | 25,245,182                             |
| Add.          | outstanding claims - closing   | 20.2   | 50,246,098                               | 21,751,263                             |
|               | Retakaful and other recoveries revenue   |        | 96,143,361                               | 18,853,163                             |
|               | Net Takaful Claims Expense   | Rupees | 316,556,556                              | 77,630,691                             |

- 20.1 This include Rs. 61.27 million (31 December 2018: Rs. 15.877 million) relating to the related parties.
- **20.2** The closing balance of Retakaful and other recoveries in respect of the outstanding claim also includes salvage recoveries of Rs. 4.5 million (2018 Rs. 2.25 million).

### 21 NET COMMISSION EXPENSE / (REVENUE)

|               |  |        | 2019                                   | 2018                                  |
|---------------|--|--------|--|---------------------------------------|
| Add:<br>Less: | Commission paid or payable Deferred commission expense - opening Deferred commission expense - closing           |        | 62,875,947<br>34,652,031<br>33,609,160 | 58,252,796<br>2,252,361<br>34,652,031 |
|               | Commission for the year  |        | 63,918,818                             | 25,853,126                            |
| Add:<br>Less: | Commission received or recoverable<br>Unearned Retakaful Rebate - opening<br>Unearned Retakaful Rebate - closing |        | 14,600,403<br>4,237,040<br>3,851,294   | 12,479,282<br>2,655,575<br>4,237,040  |
|               | Retakaful Rebate/commission  |        | 14,986,149                             | 10,897,817                            |
|               | Net Commission Revenue / Expense for the year  | Rupees | 48,932,669                             | 14,955,309                            |

Annual Report

Aggregate Aggregate

23

24.1

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

| 22 | WAKALA FEE EXPENSE/INCOME    |
|----|------------------------------|
|    | WAINALA I EL EXI ENGL/INCOME |

Gross Wakala Fee
Add: Deferred/unearned Wakala Fee expense/income - opening
Less: Deferred/unearned Wakala Fee expense/income - closing

Net Wakala Expense / Income

Rupees

Note

Rupees

13,421,478

257,515

**370,022,631** 141,814,174

Aggregate 2019

**Aggregate** 

2018

**370,022,631** 141,814,174 **87,081,507** 15,621,173 **147,035,841** 87,081,507 **310,068,297** 70,353,840

31 December 31 December

### 22.1 WAKALA FEES

Wakala fees was charged on gross contribution from the Participants' Takaful Fund. Rates of wakala fees as approved by Shariah Advisor were as follows:

|                                | 31 December 2019  |                 |               |               |  |
|--------------------------------|-------------------|-----------------|---------------|---------------|--|
|                                | 1 January 2019 to | 1 April 2019 to | 1July 2019 to | 1 Oct 2019 to |  |
|                                | 31 March 2019     | 30 June 2019    | 30 Sep 2019   | 31 Dec 2019   |  |
| Fire and property damage       | 40%               | 40%             | 40%           | 40%           |  |
| Marine, aviation and transport | 40%               | 40%             | 40%           | 40%           |  |
| Motor                          | 60%               | 60%             | 35%           | 35%           |  |
| Health                         | 25%               | 25%             | 5%            | 5%            |  |
| Miscellaneous                  | 38%               | 38%             | 25%           | 25%           |  |

| DIRECT EXPENSES - Participants' Takaful Fund   | 2019                    | 2018                   |
|--|-------------------------|------------------------|
| Annual monitoring fee for vehicle tracking devices Provision for impairment against the balance due from the policy holders 12.2 | 16,116,671<br>1,187,550 | 1,909,304<br>1,335,664 |
| Provision for impairment against the balance due from the co-takaful entities 12.3   | -                       | 1,065,775              |
| Claim recovery expense Others 23.1   | 36,000<br>2,500,506     | 688,603<br>179,628     |
| Rupees   | 19,840,727              | 5,178,974              |

23.1 This includes service charges of Rs. 0.78 million (2018: Rs. 0.179 million) payable under co-takaful arrangements.

### 24 INVESTMENT INCOME

Net investment income (PTF)

| Participants' Takaful Fund (PTF)  | 2019        | 2018                     |
|---|-------------|--------------------------|
| Income from equity securities - Available-for-sale Dividend income  | 3,606,533   | 1,971,275                |
| Net realized gains / (losses) on investments - Available-for-sale Realized Gain on equity securities Realized Loss on equity securities | (2,009,237) | 3,701,347<br>(1,624,456) |
| Income from debt securities - Held to maturity  | (2,009,237) | 2,076,891                |
| Return on Sukuk   | (2,088)     | 833,445                  |
| Income from deposits  |             |                          |
| Return on term deposit-held to maturity   | 12,154,132  | 1,977,034                |
|   | 12,152,044  | 2,810,479                |
| Total Investment Income   | 13,749,340  | 6,858,645                |
| Less: Investment related expenses   | (268,860)   | (17,571)                 |
| Less: Impairment Loss on Available-for-Sale Equity Securities   | -           | (6,555,012)              |
| Less: Charity on dividend purification  | (59,002)    | (28,547)                 |

For the year ended 31 December 2019

|      |  | Note    |  | 31 December                                     |
|------|--|---------|--|---|
| 24.2 | Shareholders' Fund (SHF)   |         | 2019                                     | 2018  |
|      | Income from equity securities-Available-for-sale Dividend Income   |         | 1,863,509                                | 654,790   |
|      | Net realized gains / (losses) on investments - Available-for-sale<br>Realized Gain on equity securities<br>Realized loss on equity securities                      |         | 7,715,477                                | 2,029,284<br>(2,320,832) 2                      |
|      | Realized loss on equity securities   |         | 7,715,477                                | (291,548)                                       |
|      | Income from debt securities - Held to maturity Return on sukuk Amortization of contribution on sukuk   |         | 13,157,891<br>(78,449)                   | 5,072,225<br>(280,016)                          |
|      | Income from deposits Return on term deposit-held to maturity   |         | 11,942,399                               | 3,095,082                                       |
|      |  |         | 25,021,840                               | 7,887,290                                       |
|      | Total Investment Income  |         | 34,600,826                               | 8,250,532                                       |
|      | Less: Investment related expenses Less: Impairment Loss on Available-for-Sale Equity Securities Less: Charity on dividend purification Net investment income (SHF) | Rupees  | (189,102)<br>-<br>(21,408)<br>34,390,316 | (61,967)<br>(2,760,316)<br>(9,399)<br>5,418,850 |
| 25   | OTHER INCOME - PTF   |         |  |   |
|      | Service Charges - Co-takaful<br>Reversal of Retakaful liabilities no longer payable  | Rupees  | 2,967,072<br>17,705,979<br>20,673,051    | 119,595<br>-<br>119,595                         |
| 26   | EARNINGS (AFTER TAX) PER SHARE - BASIC AND DILUTED   |         |  |   |
|      | There is no dilutive effect on the basic earnings per share which is ba  | sed on: |  |   |
|      | Net profit / (loss) after tax for the year - attributable to the ordinary shareholders (Shareholders' fund)  | Rupees  | 16,999,885                               | (77,199,203)                                    |
|      | Weighted average number of ordinary shares   | Number  | 61,298,905                               | 50,837,353                                      |
|      | Basic earnings per share   | Rupees  | 0.28                                     | (1.52)  |
|      |  |         |  |   |

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

Annual Report

**27** 

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

| MANAGEMENT EXPENSES - Shareholders' Fund  | Note                                 | 31 December<br>2019  | 31 December<br>2018  |
|---|--------------------------------------|--|--|
| Salaries, wages and benefits Rent, rates and taxes Utilities Communications Printing and stationery Travelling and entertainment Repairs and maintenance Vehicles running and maintenance Advertisement and promotions Ijarah rentals Fees and subscription Depreciation Amortization of intangible asset Shariah Advisor honorarium Legal and professional Medical examination expenses Auditors' remuneration Bank Charges Donations Other expenses | 27.1  4.1 & 4.2 5  27.2 27.3  Rupees | 170,370,098<br>1,165,569<br>2,810,816<br>4,278,865<br>4,733,447<br>8,746,966<br>3,147,812<br>5,835,264<br>10,346,261<br>11,110,567<br>1,567,108<br>16,664,808<br>140,677<br>1,200,000<br>11,629,217<br>828,254<br>2,332,256<br>22,148<br>1,050,000<br>3,646,696<br>261,626,829 | 88,183,638<br>7,823,899<br>1,928,534<br>2,591,415<br>1,594,978<br>2,461,741<br>1,957,367<br>1,245,143<br>10,389,420<br>751,708<br>2,526,811<br>1,931,826<br>140,677<br>960,000<br>4,970,594<br>225,778<br>1,550,000<br>95,921<br>-<br>2,309,531<br>133,638,981 |
|   | Tupees                               | 201,020,029  | 100,000,901  |

**27.1** These include Rs. 5.979 million (2018: Rs. 3.173 million) in respect of employees' provident fund and Rs. 3.772 million (2018: Rs. 1.377 million) in respect of staff retirement gratuity.

### 27.2 Auditors' remuneration

| Audit fee   | 600,000   | 450,000   |
|---|-----------|-----------|
| Half yearly review fee                                      | 500,000   | 180,000   |
| Other certifications / reports under agreed upon procedures | 400,000   | 370,000   |
| Tax advisory services                                       | 232,256   | 200,000   |
| Shariah Audit   | 200,000   | 150,000   |
| Out of pocket expenses                                      | 400,000   | 200,000   |
| Rupees  | 2,332,256 | 1,550,000 |

### 27.3 Donations

None of the directors and their spouses had any interest in the donee fund. Details of the donations given during the year are as follows:

| The Indus Hospital                                     | 500,000   | - |
|--|-----------|---|
| Shaukat Khanum Memorial Hospital                       | 200,000   | - |
| The Society for the Rehabilitation of Special Children | 100,000   | - |
| Sina Health, Education and Welfare Trust               | 100,000   | - |
| Layton Rehmatulla Benevolent Trust                     | 100,000   | - |
| Hafiz Medical Centre                                   | 50,000    | - |
| Rupees   | 1,050,000 | - |

### 28 TAXATION - PAYMENTS LESS PROVISION - Shareholders' Fund

| Taxes paid / deducted at source<br>Less: Provision for taxation - Shareholders' Fund - for the year - | 9,467,950  | 7,685,950   |
|---|------------|-------------|
| minimum tax charge  | 4,518,193  | (879,423)   |
| Less: Provision for taxation - Participants' Takaful Fund - for the year                              | -          | (1,599,570) |
|   | 4,518,193  | (2,478,993) |
|   |            |             |
| Rupees  | 13,986,143 | 5,206,957   |

Upto the previous year, the company had filed a consolidated return of PTF and SHF. However, the management is of the view that PTF should not be taxable. Accordingly, tax liability against the PTF income has not been computed in these financial statements, a practice which is also consistent with the practice followed by other insurance/takaful companies and the requirement of the Income tax Ordinance ,2001.

(72,750,972)

22,446,367

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

The Company's income tax assessments for the tax years 2007 to 2019 have been finalized as per the returns filed in terms of the provisions of section 120 of the Income Tax Ordinance, 2001. Notice under section 176 of the Income tax Ordinance, 2001 read with rule 44(4) of Income Tax Rules, 2002 was issued for conducting a

|      | monitoring of withholding taxes for the tax year 2016. The Co Subsequently, show cause notice was issued under section 161 response was submitted along with the details. No further communications of the communication of | 1(A) of the Inc | ome Tax Ordin       | ance, 2001. A       |
|------|--|-----------------|---------------------|---------------------|
| 28.1 | Relationship between tax expense and accounting profit   | Note            | 31 December<br>2019 | 31 December<br>2018 |
|      | Profit / (loss) for the year of SHF  |                 |                     |                     |

(2018: Combined loss SHF and PTF)

### Tax at the applicable tax rate of 29% (2018: 29%) 6,509,447 (21,097,782)Deferred tax asset for the year not recognized 21,097,782 (5,581,158)Minimum tax on turnover at 1.25% 4,518,193 2,478,993 5,446,482 2,478,993 Rupees **Deferred tax liability**

### 28.2

This represents deferred tax liability recognised on right of use assets and the related liability. The balance of Rs. 0.928 million has been recognised in the profit and loss account of the Shareholers' Fund.

Rupees

Moreover, the Company as a measure of prudence has not recognized deferred tax asset on deductible temporary differences aggregating to Rs. 33.37 million approximately as at 31 December 2019.

### 28.3 Break up tax charge for the year

**Current Tax** 4,518,193 2,478,993 928,289 **Deferred Tax** 5,446,482 Rupees 2,478,993

### REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND OTHER EXECUTIVES 29

|        |  | 31 Decemb   | er 2019  |   |
|--------|--|---|--|---|
|        | Chief Executive<br>Officer (CEO)<br>(Key management<br>person)                             | Directors (Key management personnel)  | Executives   | Total   |
| Durana | 13,816,355<br>-<br>1,381,631<br>6,577,643<br>1,643,669<br>300,000<br>7,214,170             | 548,707<br>-<br>-<br>-<br>-<br>-<br>-   | 35,669,728<br>3,070,599<br>19,451,013<br>6,039,429<br>1,716,013<br>9,160,843   | 49,486,083<br>548,707<br>4,452,230<br>26,028,656<br>7,683,098<br>2,016,013<br>16,375,013            |
| •      | 30,933,468   |   |  | 106,589,800   |
| Number | 1  | 6   | 45   | 51  |
|        |  | 31 Decemb   | er 2018  |   |
|        | Chief Executive<br>Officer (CEO)<br>(Key management<br>person)                             | Directors (Key management personnel)  | Executives   | Total   |
| Rupees | 11,020,107<br>-<br>2,113,117<br>4,959,047<br>1,102,013<br>257,833<br>501,666<br>19,953,783 | 2,398,333<br>398,000<br>-<br>-<br>-<br>-<br>-<br>-<br>2,796,333   | 11,283,971<br>-<br>1,827,098<br>5,077,793<br>1,128,405<br>561,034<br>2,911,523<br>22,789,824   | 24,702,411<br>398,000<br>3,940,215<br>10,036,840<br>2,230,418<br>818,867<br>3,413,189<br>45,539,940 |
| Number | 2  |   | 14   | 23  |
|        | Rupees<br>Number   | Officer (CEO) (Key management person)  13,816,355 - 1,381,631 6,577,643 1,643,669 300,000 7,214,170  Rupees  Number  1  Chief Executive Officer (CEO) (Key management person)  11,020,107 - 2,113,117 4,959,047 1,102,013 257,833 501,666 | Chief Executive Officer (CEO) (Key management person)  13,816,355 - 548,707 1,381,631 6,577,643 1,643,669 300,000 7,214,170 - Rupees 30,933,468  Chief Executive Officer (CEO) (Key management person)  Chief Executive Officer (CEO) (Key management person)  Chief Executive Officer (CEO) (Key management person)  11,020,107 - 2,398,333 398,000 2,113,117 4,959,047 1,102,013 257,833 501,666 - | Officer (CEO) (Key management personnel)  13,816,355  |

Executives as per the law are those where salary exceeds Rs. 500,000 in a financial year.

For the year ended 31 December 2019

### **RELATED PARTIES' TRANSACTIONS AND BALANCES**

The definition of related parties as given in IAS 24 - Related parties has been followed. Related parties comprise of 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:

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

|  | Relationship       |        | 2019        | 2018       |
|--|--------------------|--------|-------------|------------|
| Contribution written                                   | Associate          | Rupees | 126,819,419 | 53,217,970 |
| Contribution written                                   | Director           | Rupees | 126,908     | 83,951     |
| Contribution written                                   | Director's Spouse  | Rupees | 72,627      | 2,495      |
| Contribution received                                  | Associate          | Rupees | 124,326,503 | 42,696,144 |
| Contribution received                                  | Director           | Rupees | 179,905     | 145,265    |
| Contribution received                                  | Director's Spouse  | Rupees | 2,894       | 2,894      |
| Claims paid  | Associate          | Rupees | 61,271,811  | 15,877,964 |
| Profit on bank deposit                                 | Associate          | Rupees | 441,736     | 260,708    |
| Contribution to provident fund                         | Associate          | Rupees | 11,959,034  | 6,344,908  |
| Contribution to gratuity fund                          | Associate          | Rupees | 1,200,000   | 854,584    |
| Sale of fixed asset (sale proceeds)                    | Director           | Rupees | -           | 481,818    |
| Annual monitoring fee for vehicle tracking devices     | Associate          | Rupees | 14,266,517  | 649,818    |
| Key management Remuneration of a key management person | Personnel          | Rupees | 40,389,115  | 19,953,783 |
| Director's meeting attendance fees                     | Director           | Rupees | 548,707     | 398,000    |
| Balances with related parties as at 31 Decemb          | er are as follows: |        |             |            |
| Contribution receivable                                | Associate          | Rupees | 23,057,001  | 13,133,888 |
| Contribution receivable                                | Director           | Rupees | 76,973      | 48,000     |
| Claims outstanding                                     | Associate          | Rupees | 123,612     | 21,463,276 |
| Payable to Provident fund                              | Associate          | Rupees | 1,196,922   | -          |
| Payable to Gratuity fund                               | Associate          | Rupees | 6,592,610   | 2,529,521  |
| Bank balances and deposits                             | Associate          | Rupees | 4,482,844   | 31,414,921 |
| Annual monitoring fee for vehicle tracking devices     | Associate          | Rupees | 4,362,856   | 649,818    |

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 person is 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.

### 502 Takaful Pakistan Limited

### Report 100

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

### 31 SEGMENT INFORMATION

Segment information prepared in accordance with the requirement of Insurance Ordinance, 2000 and Insurance Rules, 2017 for class of business wise revenues, results, assets and liabilities are as follows:

### 31.1 PROFIT AND LOSS ACCOUNT

| PROFIT AND LOSS ACCOUN   | П         | Year ended 31 December 2019                        |   |  |  |  |   |
|--|-----------|--|---|--|--|--|---|
|  | Note      | Fire,<br>engineerng<br>and property<br>damage      | Marine,<br>aviation<br>and<br>transport               | Motor  | Health                                     | Miscellaneous  | Aggregate   |
| PARTICIPANTS' TAKAFUL FUND - R   | evenue Ad | count  |   |  |  |  |   |
| Takaful / retakaful receivables<br>Less: Federal Excise Duty<br>Federal Takaful Fee<br>Stamp duty<br>Tracker charges recovered |           | 29,157,161<br>(3,014,187)<br>(258,588)<br>(25,570) | 30,543,796<br>(3,010,755)<br>(255,451)<br>(1,732,451) | 655,390,446<br>(74,842,571)<br>(5,747,202)<br>(80,441) | 248,783,868<br>-<br>(2,463,166)<br>(4,076) | 181,701,908<br>(20,725,732)<br>(1,593,720)<br>(10,472) | 1,145,577,179<br>(101,593,245)<br>(10,318,127)<br>(1,853,010) |
| Gross written contribution   | Rupees    | 25,858,816   | 25,545,139  | 574,720,232  | 246,316,626                                | 159,371,984  | 1,031,812,797   |
| Participants' Takaful Fund - Revenue<br>Takaful contribution earned<br>Takaful contribution ceded expense                      | Account   | 25,601,011<br>(26,818,054)                         | 24,210,896<br>(17,346,391)                            | 484,430,546<br>(18,792,000)                            | 106,974,339                                | 102,642,659<br>(57,781,056)                            | 743,859,451<br>(120,737,501)                                  |
| Net Takaful contribution   | 19        | (1,217,043)  | 6,864,505   | 465,638,546  | 106,974,339                                | 44,861,603   | 623,121,950   |
| Retakaful rebate earned  | 21        | 7,295,235  | 5,341,825   | _  | -  | 2,349,089  | 14,986,149  |
| Net Revenue  |           | 6,078,192  | 12,206,330  | 465,638,546  | 106,974,339                                | 47,210,692   | 638,108,099   |
| Takaful claims Takaful claims recovered from retakafu  | I         | (26,244,424)                                       | (4,880,119)   | (225,676,809)  | (111,877,855)                              | (44,020,710)   | (412,699,917)   |
| operators & salvage recovery   |           | 15,621,132   | 5,472,135   | 59,882,831   | -  | 15,167,263   | 96,143,361  |
| Net Takaful claims expense   |           | (10,623,292)                                       | 592,016   | (165,793,978)  | (111,877,855)                              | (28,853,447)   | (316,556,556)   |
| Wakala fee<br>Contribution deficiency  | 22        | (10,061,169)                                       | (9,795,342)   | (234,889,509)  | (19,940,687)                               | (35,381,590)   | (310,068,297)   |
| (expense) / reversal Other direct expenses (Deficit) / Surplus before  |           | (138,645)  | (62,384)  | (18,150,515)   | 937,986                                    | (1,489,183)  | 937,986<br>(19,840,727)                                       |
| investment income  | Rupees    | (14,744,914)                                       | 2,940,620   | 46,804,544   | (23,906,217)                               | (18,513,528)   | (7,419,495)   |
| Investment income<br>Profit on bank balances<br>Less: Mudarib's share  | 24.1      |  |   |  |  |  | 13,421,478<br>6,850,641<br>(5,068,030)                        |
| Net investment income<br>Other income<br>Bank charges  |           |  |   |  |  |  | 15,204,090<br>20,673,051<br>(195,270)                         |
| Total surplus  |           |  |   |  |  | Rupees   | 28,262,375  |
| SHARE HOLDERS' FUND - Revenue  | Account   |  |   |  |  |  |   |
| Wakala fee income<br>Commission (expense) / revenue<br>Management expenses   |           | 10,061,169<br>(2,758,383)<br>(6,556,771)           | 9,795,342<br>(3,255,643)<br>(6,477,235)               | 234,889,509<br>(49,725,786)<br>(145,726,271)           | 19,940,687<br>(3,442,365)<br>(62,456,133)  |  | 310,068,297<br>(63,918,818)<br>(261,626,829)                  |
|  | Rupees    | 746,015  | 62,464  | 39,437,452   | (45,957,812)                               | (9,765,468)  | (15,477,350)  |
| Mudarib's share of PTF investment inco<br>Investment income<br>Profit on bank balances<br>Other income                         | ome       |  |   |  |  |  | 5,068,030<br>34,390,316<br>986,236<br>299,368                 |
| Finance cost<br>Profit   |           |  |   |  |  |  | 25,266,600<br>(2,820,233)<br>22,446,367                       |
| Provision for taxation - current and defe  | erred tax |  |   |  |  |  | (5,446,482)   |
| Profit after taxation  |           |  |   |  |  | Rupees   | 16,999,884  |
|  |           |  |   |  |  |  |   |

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

|  |           | Year ended 31 December 2018                        |   |  |   |   |   |
|--|-----------|--|---|--|---|---|---|
|  | Note      | Fire,<br>engineerng<br>and property<br>damage      | Marine,<br>aviation<br>and<br>transport               | Motor  | Health                                      | Miscellaneous                                     | Aggregate   |
| PARTICIPANTS' TAKAFUL FUND - R   | evenue Ac | count  |   |  |   |   |   |
| Takaful / retakaful receivables<br>Less: Federal Excise Duty<br>Federal Takaful Fee<br>Stamp duty<br>Tracker charges recovered |           | 30,846,119<br>(3,490,643)<br>(258,185)<br>(12,735) | 29,594,656<br>(3,116,064)<br>(249,277)<br>(1,572,231) | 354,362,041<br>(39,427,090)<br>(3,014,028)<br>(25,800)<br>(10,361,539) | 9,631,898<br>(291,927)<br>(92,470)<br>(410) | 15,186,613<br>(1,719,405)<br>(131,045)<br>(2,163) | 439,621,327<br>(48,045,129)<br>(3,745,005)<br>(1,613,339)<br>(10,361,539) |
| Gross written contribution   | Rupees    | 27,084,556   | 24,657,084  | 301,533,584  | 9,247,091                                   | 13,334,000  | 375,856,315   |
| Participants' Takaful Fund - Revenue<br>Takaful contribution earned<br>Takaful contribution ceded expense                      |           | 25,654,478<br>(18,800,122)                         | 26,271,286<br>(18,256,441)                            | 129,592,081<br>(15,596,800)  | 8,791,812                                   | 8,009,745<br>(589,954)                            | 198,319,402<br>(53,243,317)   |
| Net Takaful contribution   | 19        | 6,854,356  | 8,014,845   | 113,995,281  | 8,791,812                                   | 7,419,791   | 145,076,085   |
| Retakaful rebate earned  | 21        | 5,068,152  | 5,663,506   | -  | -   | 166,159   | 10,897,817  |
| Net Revenue  |           | 11,922,508   | 13,678,351  | 113,995,281  | 8,791,812                                   | 7,585,950   | 155,973,902   |
| Takaful claims Takaful claims recovered from retakafu  | I         | (2,415,943)  | 1,578,887   | (74,969,018)   | (2,946,410)                                 | (17,731,370)                                      | (96,483,854)  |
| operators & salvage recovery   |           | 2,350,729  | (1,271,168)   | 15,271,466   | -   | 2,502,136   | 18,853,163  |
| Net Takaful claims expense   |           | (65,214)   | 307,719   | (59,697,552)   | (2,946,410)                                 | (15,229,234)                                      | (77,630,691)  |
| Year ended 31 December 2018  |           |  |   |  |   |   |   |
| Wakala fee Contribution Deficiency Expense Other direct expenses   | 22        | (10,250,225)                                       | (8,678,099) (1,087,898)                               | (45,699,947)   | (3,167,358)<br>(937,986)<br>(199,303)       | (2,558,211) (1,348,857)                           | (70,353,840)<br>(937,986)<br>(5,178,974)                                  |
| (Deficit) / Surplus before investment in   | come      | 1,488,845  | 4,220,073   | 6,173,091  | 1,540,755                                   | (11,550,352)                                      | 1,872,412   |
| , ,  |           | .,,  | .,,   |  | .,  | (**,****,****)                                    |   |
| Investment income Profit on bank balances Less: Mudarib's share  | 24.1      |  |   |  |   |   | 257,515<br>2,020,425<br>(569,485)   |
| Net investment income<br>Other income<br>Bank charges  |           |  |   |  |   |   | 1,708,455<br>119,595<br>(131,653)   |
| Total surplus - before tax   |           |  |   |  |   | Rupees  | 3,568,809   |
| Shareholders' Fund - Revenue Accou   | ınt       |  |   |  |   |   |   |
| Wakala fee income<br>Commission (expense) / revenue<br>Management expenses   |           | 10,250,225<br>(2,573,098)<br>(9,630,149)           | 8,678,099<br>(2,930,143)<br>(8,767,041)               | 45,699,947<br>(19,691,390)<br>(107,212,887)                            | 3,167,358<br>(201,970)<br>(3,287,884)       | 2,558,210<br>(456,524)<br>(4,741,020)             | 70,353,839<br>(25,853,126)<br>(133,638,981)                               |
|  | Rupees    | (1,953,023)  | (3,019,085)   | (81,204,331)   | (322,495)                                   | (2,639,334)                                       | (89,138,268)  |
| Mudarib's share of PTF investment inco<br>Investment income<br>Profit on bank balances<br>Other income                         | ome       |  |   |  |   |   | 569,485<br>5,418,850<br>5,908,683<br>921,469                              |
| Finance cost   |           |  |   |  |   |   | (76,319,780)  |
| Profit / (Loss)  |           |  |   |  |   |   | (76,319,780)  |
| Provision for taxation - current and defe  | erred tax |  |   |  |   |   | (879,423)   |
| Profit / (Loss) after taxation   |           |  |   |  |   | Rupees  | (77,199,203)  |
|  |           |  |   |  |   |   |   |

### oort Takaful Pakistan Limited

### **NOTES TO THE FINANCIAL STATEMENTS**

Marine.

aviation and

transport

Fire,

engineerng and property

damage

36,065,271

For the year ended 31 December 2019

### 31.2 Statement of Financial Position

| Segment Assets   |
|--|
| Unallocated Assets Participants' Takaful Fund Shareholders' Fund                                   |
| Segment Liabilities<br>Unallocated Liabilities<br>Participants' Takaful Fund<br>Shareholders' Fund |

| Total asset | ts  |
|-------------|---|
|             | iabilities<br>d Liabilities<br>Participants' Takaful Fund<br>Shareholders' Fund |

Total liabilities

| 34,691,721                                    | 18,155,988                              | 252,020,561   | 139,675,337  | 118,554,767   | 563,098,374                |
|---|---|---------------|--------------|---------------|----------------------------|
|   |   |               |              |               | 319,050,171<br>548,729,220 |
|   |   |               |              | Rupees        | 1,430,877,766              |
| 42,189,885                                    | 16,836,895                              | 501,465,365   | 171,268,281  | 108,041,417   | 839,801,844                |
|   |   |               |              |               | 14,780,598<br>194,270,583  |
|   |   |               |              | Rupees        | 1,048,853,025              |
|   | ,                                       | Year ended 31 | December 201 | 8             |                            |
| Fire,<br>engineerng<br>and property<br>damage | Marine,<br>aviation<br>and<br>transport | Motor         | Health       | Miscellaneous | Aggregate                  |
| 37,927,891                                    | 6,827,316                               | 148,340,353   | 4,942,179    | 6,415,077     | 204,452,816                |
|   |   |               |              |               | 280,551,366<br>467,750,297 |
|   |   |               |              | Rupees        | 952,754,479                |
|   |   |               |              | Tupees        | 332,734,473                |

13,414,052

Year ended 31 December 2019

Health

Miscellaneous

Aggregate

427,645,730

78,843,276 135,440,094

641,929,100

28,166,534

Rupees

Motor

### 32 MOVEMENT IN INVESTMENTS - Shareholders' Fund

|   |        | Maturity                   | for-sale                 | Total                      |
|---|--------|----------------------------|--------------------------|----------------------------|
| Balance as at 01 January 2019<br>Addition |        | 240,578,419<br>674,248,089 | 37,759,507<br>45,147,600 | 278,337,926<br>719,395,689 |
| Disposal                                  |        | 634,626,508                | 82,907,107               | 717,533,615                |
| Balance as at 31 December 2019            | Rupees | 280,200,000                | -                        | 280,200,000                |

8,415,238 341,584,635

### 33 MOVEMENT IN INVESTMENTS - Participants' Takaful Fund

| Balance as at 01 January 2019  |        | 81,000,000  | 140,193,966 | 221,193,966 |
|--------------------------------|--------|-------------|-------------|-------------|
| Addition                       |        | 872,262,147 | 55,372,455  | 927,634,602 |
| Disposal                       |        | 632,262,147 | 195,566,421 | 827,828,568 |
| Balance as at 31 December 2019 | Rupees | 321,000,000 | -           | 321,000,000 |

For the year ended 31 December 2019

### 34 STAFF GRATUITY FUND

### 34.1 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 2019. Projected credit unit method, using the following significant assumptions, has been used for actual valuation:

31 December

31 December

|   | <b>2019</b><br>(Rate per                                   | <b>2018</b> annum)   |
|---|--|--|
| Discount rate Expected rate of increase in salary of employees Expected rate of return on plan assets Normal retirement age Mortality rates | 11.75%<br>10.75%<br>11.75%<br>60 years<br>SLIC (2001-05)-1 | 13.75%<br>12.75%<br>13.25%<br>60 years<br>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.

**34.1.1** 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.

### 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.

### 34.1.2 Number of employees under the scheme

The number of employees covered under the scheme is 106 (2018: 67).

### 34.1.3 Details of the actuarial valuation as at 31 December 2018 are as follows:

| Asset / (liability) in balance sheet (balance sheet reconciliation)   | Note             | 31 December<br>2019       | 31 December<br>2018      |
|---|------------------|---------------------------|--------------------------|
| Present value of defined benefit obligation Fair value of plan assets | 34.1.5<br>34.1.6 | 12,536,972<br>(5,944,362) | 8,193,277<br>(5,663,756) |
| Liability recognized in the balance sheet (deficit status)            | Rupees           | 6,592,610                 | 2,529,521                |

There is no balance of unrecognized actuarial gain / loss.

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

| 34.1.4  | Movem                                       | nent in liability during the year  |        | Note     | 31 December<br>2019   | 31 December<br>2018  |
|---------|---|--|--------|----------|---|--|
|         | Charge<br>Contrib                           | g balance to profit and loss account utions to the Fund during the year to other comprehensive income  |        | 34.1.7   | 2,529,521<br>3,772,972<br>(1,200,000)                                       | 1,484,253<br>1,377,909<br>(854,584)                                      |
|         |   | rial loss) - net   |        | 34.1.4.1 | 1,490,117   | 521,944  |
|         | Closing                                     | balance  |        | Rupees   | 6,592,610   | 2,529,521  |
| 34.1.4. | 1 Details                                   | s of the net actuarial loss for the year are as follows:   |        |          |   | 1  |
|         | 1.<br>i)<br>ii)<br>iii)                     | Re-measurements: Actuarial loss on defined benefit obli<br>Loss due to change in financial assumptions<br>Gain due to change in experience adjustments<br>Total actuarial gain on obligation | gation |          | (142,931)<br>1,558,708<br>1,415,777   | 198,541<br>(997,624)<br>(799,083)  |
|         | 111)  | Total actualial gain on obligation   |        |          | 1,410,777   | (133,000)  |
|         | 2.<br>i)<br>ii)<br>iii)                     | Re-measurements: Actuarial loss on plan assets Actual return on plan assets interest income on plan assets Opening difference  |        |          | (400,543)<br>1,017,528<br>(542,645)   | 701,536<br>619,491<br>-  |
|         | iv)   | Re-measurement loss on plan assets   |        |          | 74,340  | 1,321,027  |
|         | 3.  | Total re-measurements loss   |        | Rupees   | 1,490,117   | 521,944  |
| 34.1.5  | Recond                                      | ciliation of present value of defined benefit obligation   |        |          |   |  |
|         | Current<br>Interest<br>Actuaria<br>Benefits | al loss / (gain) on defined benefit obligation s paid during the year  |        |          | 8,193,277<br>3,446,861<br>1,343,639<br>1,415,777<br>(1,862,582)             | 7,428,600<br>1,243,162<br>754,238<br>(799,083)<br>(433,640)              |
|         | Closing                                     | balance of defined benefit obligation  |        | Rupees   | 12,536,972  | 8,193,277  |
| 34.1.6  |   | es in fair value of plan assets (movement in<br>air value of plan assets)  |        |          |   |  |
|         | Expecte<br>Contrib<br>Benefits<br>Actuaria  | g balance of fair value of plan assets ed return on plan assets ution received s paid during the year al loss on plan assets balance of fair value of plan assets                            | 1 1 10 | Rupees   | 5,663,756<br>1,017,528<br>1,200,000<br>(1,862,582)<br>(74,340)<br>5,944,362 | 5,944,347<br>619,491<br>854,584<br>(433,640)<br>(1,321,027)<br>5,663,756 |
|         | Closing                                     | o-   | 7.1.10 | Паресз   | 3,344,002   | 3,000,730  |
| 34.1.7  | Charge                                      | e to profit and loss account   |        |          |   |  |
|         | Interest                                    | service cost<br>on obligation<br>ed return on plan assets  |        |          | 3,446,861<br>1,343,639<br>(1,017,528)<br>3,772,972                          | 1,243,162<br>754,238<br>(619,491)<br>1,377,909                           |
| 34.1.8  |   | surements recognized in other comprehensive e, expense / (income) during the year  |        |          | 3,112,912   | 1,077,308  |
|         | Actuaria                                    | al loss for the year - net   |        | 34.1.4.1 | 1,490,117   | 521,944  |
|         |   | ratuity expense for the year   |        | Rupees   | 5,263,089   | 1,899,853  |
|         | 9   | •  |        |          |   |  |

505 Takaful Pakistan Limited 203

For the year ended 31 December 2019

### 34.1.9 Composition of fair value of plan assets

|         |   |        |                  | 2019                   |                | 2018                   |                  |
|---------|---|--------|------------------|------------------------|----------------|------------------------|------------------|
|         |   |        |                  | Fair Value<br>(Rupees) | Percentage (%) | Fair Value<br>(Rupees) | Percentage (%)   |
|         | Cash and other<br>Mutual Funds                                  |        |                  | 5,944,362<br>-         | 100.0%<br>0.0% | 5,663,756              | 0.0%<br>100.0%   |
|         |   |        |                  | 5,944,362              |                | 5,663,756              |                  |
| 34.1.10 | Comparison of five year   | rs     |                  |                        |                |                        |                  |
|         | As at 31 December   |        | 2019             | 2018                   | 2017           | 2016                   | 2015             |
|         | Fair value of   |        | F 044 0C0        | F 000 7F0              | E 044 047      | 0.010.707              | F 074 747        |
|         | plan assets   |        | 5,944,362        | 5,663,756              | 5,944,347      | 6,013,707              | 5,371,747        |
|         | Defined benefit   |        |                  |                        |                |                        |                  |
|         | obligations   |        | 12,536,972       | 8,193,277              | 7,428,600      | 6,795,142              | 8,189,605        |
|         | Deficit   | Rupees | (6,592,610)      | (2,529,521)            | (1,484,253)    | (781,435)              | (2,817,858)      |
|         | Experience adjustment   |        | <b>2019</b><br>% | <b>2018</b><br>%       | <b>2017</b> %  | <b>2016</b> %          | <b>2015</b><br>% |
|         | *Gain / (loss) on plans as<br>(as percentage of<br>plan assets) | ssets  | (1.25)           | (23.32)                | (15.56)        | 4.12                   | (4.01)           |

2010

2019

### 34.1.11 Sensitivity analysis

\*(Gain) / loss on obligations (as percentage of plan obligations)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below has 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:

(9.75)

(1.26)

(4.63)

8.85

11.29

|                    |                | Present<br>value of<br>obligation<br>(Rupees) | % change<br>from<br>base<br>(Percentage) |
|--------------------|----------------|---|--|
| Base               |                | 12,536,972                                    |  |
| Discount rate      | Increase by 1% | 10,997,322                                    | -12.28%                                  |
|                    | Decrease by 1% | 14,393,581                                    | 14.81%                                   |
| Salary growth rate | Increase by 1% | 14,458,417                                    | 15.33%                                   |
|                    | Decrease by 1% | 10,922,154                                    | -12.88%                                  |

34.1.12 The estimated gratuity cost for the year ending 31 December 2019 is Rs. 3.773 million (2018: Rs. 1.377 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 Income 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 Income Tax Rules, 2002.

### 34.2 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.

# Annual Report \_\_\_\_\_ Takaful Pakistan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 35 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK MANAGEMENT

### 35.1 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 is mentioned in note 3.2.

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, retakaful arrangements and proactive claim handling procedures.

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

### Maximum gross risk exposure 2019 2018

(Rupees)

**2,815,900,000** 452,000,000 **132,462,000** 170,593,826 **15,480,000** 15,480,000 **1,200,000** 800,000 **600,000,000** 452,000,000

Class

Fire and property
Marine, aviation and transport
Motor
Accident and health
Miscellaneous

The retakaful arrangements against major risk exposure include excess of loss, quota arrangements, facultative arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions. As the major retakaful arrangements are on excess of loss basis, therefore the retakaful coverage against PTF's risk exposures is not quantifiable.

### 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 operations. 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 operations take 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 IBNR and Contribution Deficiency Reserves 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 judgement 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.

During the year, actuarial valuation is carried out for the determination of 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.

For the year ended 31 December 2019

The actuarial valuation 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. IBNR is determined by using Chain Ladder Method for all classes of business 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 3.5).

The assumed net of retakaful loss ratios for each class of business for estimation of Contribution Deficiency Reserves is as follows:

|                                | Assumed net lo |      |  |  |
|--------------------------------|----------------|------|--|--|
| Class                          | 2019           | 2018 |  |  |
| Fire and property              | -873%          | 1%   |  |  |
| Marine, aviation and transport | -9%            | -4%  |  |  |
| Motor                          | 36%            | 52%  |  |  |
| Health                         | 105%           | 34%  |  |  |
| Miscellaneous                  | 64%            | 205% |  |  |

### **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 | Change in assumption |            | Impact<br>on net<br>liabilities | Impact on<br>Surplus /<br>Deficit | Impact on<br>Fund |
|---------------------|----------------------|------------|---------------------------------|-----------------------------------|-------------------|
| 2019                |                      | 41,269,992 | 31,655,656                      | 31,655,656                        | 31,655,656        |
| 2018                | + 10%                | 9,648,385  | 7,763,069                       | 7,763,069                         | 7,763,069         |

### Retakaful risk

Retakaful 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 retakaful to the extent that retakaful operators fail to meet the obligation under the retakaful agreements.

To minimize its exposure to significant losses from retakaful operators' insolvencies, the operations obtain retakaful rating from a number of retakaful operators, who are dispersed over several geographical regions.

An analysis of all retakaful assets recognized by the rating of the entity from which it is due is as follows:

| Rating            |        | Amount due<br>from other<br>takaful /<br>retakaful<br>holders | Retakaful<br>recoveries<br>against<br>outstanding<br>claims | 2019                    | 2018                    |
|-------------------|--------|---|---|-------------------------|-------------------------|
| A or above<br>BBB |        | 13,864,927  | 34,692,671<br>8,673,168                                     | 48,557,598<br>8,673,168 | 21,186,684<br>3,022,967 |
|                   | Rupees | 13,864,927  | 43,365,839  | 57,230,766              | 24,209,651              |

For the year ended 31 December 2019

### 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 2019.

### Analysis on gross basis

| Accident year                             |        | 2015          | 2016           | 2017           | 2018           | 2019           |
|---|--------|---------------|----------------|----------------|----------------|----------------|
| Estimate of ultimate claims cost:         |        |               |                |                |                |                |
| At the end of accident year               | Rupees | 181,143,613   | 172,097,711    | 104,715,212    | 95,800,001     | 415,597,671    |
| One year later                            | Rupees | 177,820,144   | 165,064,147    | 98,064,011     | 90,003,796     | Not applicable |
| Two years later                           | Rupees | 177,310,926   | 152,209,500    | 94,339,151     | Not applicable | Not applicable |
| Three years later                         | Rupees | 170,871,489   | 150,163,856    | Not applicable | Not applicable | Not applicable |
| Four years later                          | Rupees | 169,746,989   | Not applicable | Not applicable | Not applicable | Not applicable |
| Estimate of cumulative claims             |        | 169,746,989   | 150,163,856    | 94,339,151     | 90,003,796     | 415,597,671    |
| Cumulative payments to date               |        | (169,404,979) | (149,539,166)  | (92,024,981)   | (89,248,158)   | (290,391,621)  |
| Liability recognized in the balance sheet | Rupees | 342,010       | 624,690        | 2,314,170      | 755,638        | 125,206,050    |

### 35.2 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 Company's board of directors 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 set up to be performed based on limits established by the company's constitutive documents and the regulations and directives of the SECP.

The audit committee overseas 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.

### 35.2.1 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 comprises 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.

For the year ended 31 December 2019

### 35.2.1.1 Profit rate risk

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:

|   |                             |   |                                | 20                                  | 19                                |  |   |  |
|---|-----------------------------|---|--------------------------------|-------------------------------------|-----------------------------------|--|---|--|
|   | Effective                   | ve Profit bearing                                     |                                |                                     |                                   |  | Non-profit  | Total  |
|   | rate %<br>per annum         | Upto one month  | Over one month to three months | Over three months to six months     | Over six months to one year       | Sub Total  | bearing   |  |
| Financial assets  |                             |   |                                | (Rup                                | ees)                              |  |   |  |
| Cash and bank deposits<br>Investments<br>Takaful / co-takaful receivables<br>Retakaful recoveries against<br>outstanding claims   | 6.5 - 11.0<br>10.75 - 13.20 | 24,344,286<br>101,500,000<br>-                        | 89,500,000<br>-<br>-           | :                                   | 410,200,000<br>-<br>-             | 24,344,286<br>601,200,000<br>-                               | 299,333<br>-<br>254,742,978<br>45,739,312   | 24,643,619<br>601,200,000<br>254,742,978<br>45,739,312   |
| Long term deposits  Loan and other receivables  |                             | -   | -                              | -                                   | -                                 | -  | 12,073,240<br>27,571,710  | 12,073,240<br>27,571,710   |
| zoan ana omen roomables   |                             | 125,844,286   | 89,500,000                     | -                                   | 410,200,000                       | 625,544,286  | 340,426,573   | 965,970,859  |
| Financial liabilities   |                             |   |                                |                                     |                                   |  |   |  |
| Outstanding claims Amounts due to retakaful / takaful   |                             | -   | -                              | -                                   | -                                 | -  | 152,283,379   | 152,283,379  |
| insurance companies Other creditors and accruals  |                             | -   |                                | -                                   | -                                 | -  | 51,365,917<br>52,679,971  | 51,365,917<br>52,679,971   |
|   |                             | -   | -                              | -                                   | -                                 | -  | (256,329,266)   | (256,329,266)  |
| Interest (Profit) risk sensitivity gap  |                             | 125,844,286   | 89,500,000                     | -                                   | 410,200,000                       | 625,544,286  | 84,097,307  | 709,641,593  |
| Cumulative halal profit rate risk sensitivity gap-2019  |                             | 125,844,286   | 215,344,286                    | 215,344,286                         | 625,544,286                       |  |   |  |
|   |                             |   |                                | 20                                  | 18                                |  |   |  |
|   | F44 12                      |   |                                |                                     |                                   |  |   |  |
|   | Effective                   |   |                                | Profit                              | bearing                           |  | Non-profit  | Total  |
|   | rate % per annum            | Upto one month  | Over one month to three months | Over three months to six months     | Over six<br>months to<br>one year | Sub Total  | Non-profit<br>bearing   | Total  |
| Financial assets  | rate %                      |   | month to                       | Over three months to                | Over six<br>months to<br>one year | Sub Total  |   | Total  |
| Financial assets  | rate %<br>per annum         | month   | month to                       | Over three months to six months     | Over six<br>months to<br>one year |  | bearing   |  |
| Cash and bank deposits Investments Takaful / co-takaful receivables   | rate %                      |   | month to                       | Over three months to six months     | Over six<br>months to<br>one year | Sub Total  20,115,240 156,858,435                            |   | 21,929,659<br>411,967,611<br>15,077,979  |
| Cash and bank deposits<br>Investments<br>Takaful / co-takaful receivables<br>Retakaful recoveries against<br>outstanding claims<br>Long term deposits   | rate % per annum            | 20,115,240<br>50,000,000<br>-<br>-                    | month to three months          | Over three months to six months(Rup | Over six months to one year       | 20,115,240   | 1,814,419<br>255,109,176<br>15,077,979<br>24,495,182<br>1,367,334   | 21,929,659<br>411,967,611<br>15,077,979<br>24,495,182<br>1,367,334   |
| Cash and bank deposits Investments Takaful / co-takaful receivables Retakaful recoveries against outstanding claims   | rate % per annum            | month<br>20,115,240                                   | month to three months          | Over three months to six months(Rup | Over six months to one year       | 20,115,240<br>156,858,435                                    | 1,814,419<br>255,109,176<br>15,077,979<br>24,495,182  | 21,929,659<br>411,967,611<br>15,077,979<br>24,495,182  |
| Cash and bank deposits Investments Takaful / co-takaful receivables Retakaful recoveries against outstanding claims Long term deposits  | rate % per annum            | 20,115,240<br>50,000,000                              | 10,000,000                     | Over three months to six months     | Over six months to one year sees) | 20,115,240<br>156,858,435<br>-<br>-<br>-<br>-                | 1,814,419<br>255,109,176<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336  | 21,929,659<br>411,967,611<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336  |
| Cash and bank deposits Investments Takaful / co-takaful receivables Retakaful recoveries against outstanding claims Long term deposits Loan and other receivables  Financial liabilities Outstanding claims   | rate % per annum            | 20,115,240<br>50,000,000                              | 10,000,000                     | Over three months to six months     | Over six months to one year sees) | 20,115,240<br>156,858,435<br>-<br>-<br>-<br>-                | 1,814,419<br>255,109,176<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336  | 21,929,659<br>411,967,611<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336  |
| Cash and bank deposits Investments Takaful / co-takaful receivables Retakaful recoveries against outstanding claims Long term deposits Loan and other receivables  Financial liabilities  | rate % per annum            | 20,115,240<br>50,000,000                              | 10,000,000                     | Over three months to six months     | Over six months to one year sees) | 20,115,240<br>156,858,435<br>-<br>-<br>-<br>-                | 1,814,419<br>255,109,176<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336<br>303,944,426   | 21,929,659<br>411,967,611<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336<br>480,918,101   |
| Cash and bank deposits Investments Takaful / co-takaful receivables Retakaful recoveries against outstanding claims Long term deposits Loan and other receivables  Financial liabilities  Outstanding claims Amounts due to retakaful / takaful insurance companies | rate % per annum            | 20,115,240<br>50,000,000<br>-<br>-<br>-<br>70,115,240 | 10,000,000                     | Over three months to six months     | Over six months to one year sees) | 20,115,240<br>156,858,435<br>-<br>-<br>-<br>-                | 1,814,419<br>255,109,176<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336<br>303,944,426<br>62,479,532<br>66,460,114               | 21,929,659<br>411,967,611<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336<br>480,918,101<br>62,479,532<br>66,460,114               |
| Cash and bank deposits Investments Takaful / co-takaful receivables Retakaful recoveries against outstanding claims Long term deposits Loan and other receivables  Financial liabilities  Outstanding claims Amounts due to retakaful / takaful insurance companies | rate % per annum            | 20,115,240<br>50,000,000<br>-<br>-<br>-<br>70,115,240 | 10,000,000                     | Over three months to six months     | Over six months to one year sees) | 20,115,240<br>156,858,435<br>-<br>-<br>-<br>-<br>176,973,675 | 1,814,419<br>255,109,176<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336<br>303,944,426<br>62,479,532<br>66,460,114<br>48,764,578 | 21,929,659<br>411,967,611<br>15,077,979<br>24,495,182<br>1,367,334<br>6,080,336<br>480,918,101<br>62,479,532<br>66,460,114<br>48,764,578 |

### 35.2.1.2 Sensitivity Analysis

### (a) Sensitivity analysis for variable rate instruments

Presently, the Company holds Bank Islami Pakistan Limited's, Dubai Islamic Bank Pakistan Limited's and The Hub Power Company Limited's Sukuks exposing it to cash flow interest rate risk. In case of 100 basis points increase/decrease in interest yield on 31 December 2019 with all other variables held constant, the net assets of the the Shareholders' Fund and net income of the Shareholders' Fund for the year would have been higher/lower by Rs. 0.13 million (2018: Rs. 0.048 million).

### oort Takaful Pakistan Limited

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

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):

|  |        | 2019              | 2018             |   |
|--|--------|-------------------|------------------|---|
| Shareholders' Fund Bank balances Investment in term deposits |        | 9,862<br>119,424  | 59,087<br>30,951 |   |
| Participants' Takaful Fund                                   | Rupees | 129,286           | 90,038           | 4 |
| Bank balances Investment in term deposits                    |        | 68,506<br>121,541 | 20,204<br>19,770 |   |
|  | Rupees | 190,048           | 39,975           |   |

### 35.2.1.3 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 facing currency risk as majority of the transactions are carried out in Pak Rupees.

### 35.2.1.3 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.

### 35.2.2 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.

|   | With in one year                        |  |  |
|---|---|--|--|
| Financial liabilities   | 2019                                    | 2018                                   |  |
| Provision for outstanding claims (including IBNR) Takaful / retakaful payables Other creditors and accruals | 152,283,379<br>51,365,917<br>52,679,971 | 79,393,141<br>64,795,959<br>48,764,578 |  |
| Rupees  | 256,329,266                             | 192,953,678                            |  |

### 35.2.3 Credit risk

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

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.

For the year ended 31 December 2019

### **Exposure to credit risk**

The maximum exposure to credit risk as at 31 December 2019 was as follows

|                                  | Balance as per<br>the Statement of<br>Financial<br>Position | Balance as per<br>the Statement<br>of Financial<br>Position | Maximum<br>Exposure |
|----------------------------------|---|---|---------------------|
|                                  | (Maximum<br>Exposure)                                       |   |                     |
| Investments in                   |   | 00 010 004  |                     |
| Equity shares                    | -   | 89,919,034  | -                   |
| Debt securities                  | 88,000,000  | 126,078,419   | 126,078,419         |
| Mutual funds                     | -   | 88,034,438  | 88,034,438          |
| Term deposits                    | 513,200,000   | 195,500,000   | 195,500,000         |
| Long term deposits               | 12,073,240  | 3,236,144   | 3,236,144           |
| Loan and other receivables       | 27,571,710  | 7,585,266   | 7,585,266           |
| Takaful / co-takaful receivables | 254,742,978   | 42,216,463  | 42,216,463          |
| Retakaful recoveries against     |   |   |                     |
| outstanding claims               | 45,739,312  | 19,501,263  | 19,501,263          |
| Bank Balances                    | 24,643,619  | 87,866,903  | 87,866,903          |
| Rupee                            | <b>965,970,859</b>  | 659,937,930   | 570,018,896         |

### 35.2.3.1 Concentration of credit risk in banks

The bank balances including term deposits represent 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<br>Rating | Rating Agency | 2019        | 2018        |
|--|---------------------|---------------|-------------|-------------|
| Al Baraka Bank (Pakistan) Limited                  | А                   | JCR-VIS       | 71,482,844  | 31,414,921  |
| Askari Bank Limited (Islamic Banking)              | AA+                 | PACRA         | 5,084       | 5,084       |
| Bank AlFalah Limited (Islamic Banking)             | AA+                 | PACRA         | 30,293,401  | 198,250     |
| Bank Islami Pakistan Limited                       | A+                  | PACRA         | 198,687,837 | 118,018,060 |
| Dubai Islamic Bank Limited                         | AA                  | JCR-VIS       | 220,009,475 | 76,056,862  |
| Faysal Bank Limited (Islamic Banking)              | AA                  | JCR-VIS       | 6,416       | 5,567,401   |
| Habib Bank Limited (Islamic Banking)               | AAA                 | JCR-VIS       | 9,898       | 10,968      |
| Habib Metropolitan Bank (Islamic Banking)          | AA+                 | PACRA         | 1,181,880   | 1,347,133   |
| Meezan Bank Limited                                | AA                  | JCR-VIS       | 15,035,716  | 13,135,997  |
| National Bank of Pakistan (Islamic Banking)        | AAA                 | PACRA         | 103,330     | 883,159     |
| The Bank of Khyber (Islamic Banking)               | Α                   | PACRA         | 43,018      | 533,477     |
| United Bank Limited (Ameen Islamic Banking)        | AAA                 | JCR-VIS       | 337,173     | 22,833      |
| NRSP Microfinance Bank Limited - (Islamic Banking) | Α                   | PACRA         | 2,957       | 669,987     |
| Summit Bank Limited (Islamic Banking)              | A-                  | PACRA         | 9           | 11,195      |
| Bank Al Habib Ltd (Islamic Banking)                | AA+                 | PACRA         | 425,875     | 35,491,578  |
|  |                     | Rupees        | 537,624,912 | 283,366,903 |

# Report Takaful Pakistan Limited

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

Sector-wise analysis of gross "Takaful/Co-Takaful Receivables" at the reporting date is as follows:

| Industry               | 2019        |        | 20         | 18      |
|------------------------|-------------|--------|------------|---------|
|                        | (Rupees)    | %      | (Rupees)   | %       |
| Textile                | 11,194,409  | 4.39%  | 4,322,725  | 10.24%  |
| Banks                  | 85,252,167  | 33.47% | 15,183,712 | 35.97%  |
| Automobiles            | 6,602,633   | 2.59%  | 6,722,409  | 15.92%  |
| Chemical & fertilizers | 49,362,329  | 19.38% | 1,549,357  | 3.67%   |
| Distribution           | 134,950     | 0.05%  | 1,043,292  | 2.47% 2 |
| Education              | 2,922,431   | 1.15%  | 538,444    | 1.28%   |
| NGOs                   | 1,302,577   | 0.51%  | 364,663    | 0.86%   |
| Petroleum              | 36,164      | 0.01%  | 2,760      | 0.01%   |
| Food & Allied          | 1,280,690   | 0.50%  | 722,576    | 1.71%   |
| Leather                | -           | 0.00%  | 19,297     | 0.05%   |
| Engineering            | 4,665,425   | 1.83%  | 1,456,750  | 3.45%   |
| Housing                | 4,723,334   | 1.85%  | 1,427,263  | 3.38%   |
| Pharmaceuticals        | 18,392,453  | 7.22%  | 417,229    | 0.99%   |
| Takaful                | 2,308,397   | 0.91%  | 2,825,811  | 6.69%   |
| Individual             | -           | 0.00%  | 703,187    | 1.67%   |
| Paper                  | 595,869     | 0.23%  | 1,284,757  | 3.04%   |
| IT Industry            | 21,804,312  | 8.56%  | 1,987,496  | 4.71%   |
| Oil mills              | 78,541      | 0.03%  | _          | 0.00%   |
| Others                 | 44,086,297  | 17.31% | 1,644,735  | 3.90%   |
| Rupees                 | 254,742,978 | 100%   | 42,216,463 | 100%    |

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:

|  | Held till maturity       |                          |  |
|--|--------------------------|--------------------------|--|
| Shareholders' Fund   | 2019                     | 2018                     |  |
| Rating A or above (The Hub Power Company Limited) Others - unrated (Dubai Islamic Bank Pakistan Limited & Bank Islami Limited) | 30,000,000<br>58,000,000 | 61,078,419<br>60,000,000 |  |
| Rupees   | 88,000,000               | 121,078,419              |  |
| Participants' Takaful Fund   |                          |                          |  |
| Rating   |                          |                          |  |
| A or above   | -                        | 5,000,000                |  |
| Rupees   | -                        | 5,000,000                |  |

### Past due and impaired status

The Company monitors exposure to credit risk in contribution receivable from customers and amount due from Co-insurers through regular review of credit exposure. The age wise analysis of contribution due but unpaid includes amount receivable within one year and above one year amounts to Rs. 255.69 million (2018: 37.508 million) and Rs. 4.94 million (2018: Nil) respectively net off provision for doubtful balances.

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 affirms that no additional provision is required.

For the year ended 31 December 2019

### 35.2.3.2 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;
- 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;

### 35.2.3.3 Company's 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.

The details of the minimum capital requirement of the Company are discussed in note 1.3 above.

### 36 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

|  | 31 December 2019       |                  |                       |                               |                              |         |         |         |       |
|--|------------------------|------------------|-----------------------|-------------------------------|------------------------------|---------|---------|---------|-------|
|  | Carrying amount        |                  |                       |                               |                              | Fair    | value   |         |       |
|  | Available-<br>for-sale | Held to maturity | Loans and receivables | Other financial liabilities   | Total                        | Level 1 | Level 2 | Level 3 | Total |
|  |                        |                  |                       |                               | (Rupees)                     |         |         |         |       |
| Financial assets not measured<br>at fair value           |                        |                  |                       |                               |                              |         |         |         |       |
| Cash and bank*   | -                      | -                | 24,643,619            | -                             | 24,643,619                   |         |         | -       | _     |
| Investments in debt securities*                          | -                      | 88,000,000       |                       | -                             | 88,000,000                   | -       | -       | -       | -     |
| Investments in term deposits*                            |                        | 513,200,000      |                       | -                             | 513,200,000                  | -       | -       | -       | -     |
| Takaful / Co-takaful receivables* Loans and receivables* | -                      | -                | 254,742,978           | -                             | 254,742,978                  | -       | -       | -       | -     |
| Long term deposits*                                      | -                      |                  | 27,571,710            | 12,073,240                    | 27,571,710<br>12,073,240     | -       |         |         |       |
| Retakaful recoveries against                             |                        |                  |                       | 12,010,240                    | 12,070,240                   |         |         |         |       |
| outstanding claims*                                      | -                      | -                | 45,739,312            | -                             | 45,739,312                   | -       | -       | -       | -     |
|  | -                      | 601,200,000      | 352,697,619           | 12,073,240                    | 965,970,859                  | -       | -       | -       | -     |
| Financial liabilities not measured at fair value         |                        |                  |                       |                               |                              |         |         |         |       |
| Provision for outstanding claims                         |                        |                  |                       | (450 000 050)                 | (450,000,000)                |         |         |         |       |
| (including IBNR)* Takaful / Retakaful payables*          | -                      | -                | -                     | (152,283,379)<br>(51,365,917) | (152,283,379)                | -       | -       | -       | -     |
| Other creditors and accruals*                            |                        | -                |                       | (52,679,971)                  | (51,365,917)<br>(52,679,971) |         | -       | _       | _     |
|  | -                      | -                | -                     | (256,329,266)                 | (256,329,266)                | -       | -       | -       | -     |
|  | -                      | 601,200,000      | 352,697,619           | (244,256,026)                 | 709,641,593                  | -       | -       | -       | -     |

For the year ended 31 December 2019

|   | 31 December 2019                          |   |  |  |   |   |                                 |             |   |   |
|---|---|---|--|--|---|---|---------------------------------|-------------|---|---|
|   | Carrying amount                           |   |  |  |   |   | Fair                            | value       |   |   |
|   | Available-<br>for-sale                    | Held to<br>maturity   | Loans and receivables  | Other financial liabilities                  | Total   | Level 1                                   | Level 2                         | Level 3     | Total                                     |   |
| Financial assets measured<br>at fair value  |   |   |  |  | (Rupees)  |   |                                 |             |   |   |
| Investments in equity securities and units of mutual funds  | 177,953,472                               | -   | -  | -  | 177,953,472   | 177,953,472                               | -                               | -           | 177,953,472                               |   |
| Financial assets not measured at fair value   |   |   |  |  |   |   |                                 |             |   | 2 |
| Cash and bank* Investments in debt securities* Investments in term deposits* Takaful / Retakaful receivables* Loans and receivables* Long term deposits* Retakaful recoveries against outstanding claims* | -<br>-<br>-<br>-<br>-<br>-<br>177,953,472 | 126,078,419<br>195,500,000<br>-<br>-<br>-<br>-<br>321,578,419 | 88,305,476<br>-<br>42,216,463<br>6,080,336<br>-<br>19,501,263<br>156,103,538 | 3,236,144<br>-<br>3,236,144                  | 88,305,476<br>126,078,419<br>195,500,000<br>42,216,463<br>6,080,336<br>3,236,144<br>19,501,263<br>658,871,573 | -<br>-<br>-<br>-<br>-<br>-<br>177,953,472 | -<br>-<br>-<br>-<br>-<br>-<br>- | -           | -<br>-<br>-<br>-<br>-<br>-<br>177,953,472 |   |
| Financial liabilities not measured at fair value  |   |   |  |  |   |   |                                 |             |   |   |
| Provision for outstanding claims<br>(including IBNR)*<br>Takaful / Retakaful payables*<br>Other creditors and accruals*   | -<br>-<br>-                               | -<br>-<br>-   | -<br>-<br>-  | (62,479,532)<br>(66,460,114)<br>(48,764,578) |   | -   | -<br>-<br>-                     | -<br>-<br>- |   |   |
|   | _   | -   | -  | ,  | (177,704,224)   | -   | -                               | -           | -   |   |
|   | 177,953,472                               | 321,578,419   | 156,103,538  | (177,704,224)                                | 481,167,349   | 177,953,472                               | -                               | -           | 177,953,472                               |   |

\* 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 thier fair values.

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).

Report —— Takaful Pakistan Limited

For the year ended 31 December 2019

| 37 | NUMBER OF EMPLOYEES                         |        | 2019 | 2018 |  |  |
|----|---|--------|------|------|--|--|
|    | As at 31 December                           | Number | 142  | 90   |  |  |
|    | Average Number of Employees during the year | Number | 117  | 74   |  |  |

### 38 DATE OF AUTHORIZATION

These financial statements have been approved and authorized for issue by the Board of Directors on 15 April, 2020.

### 39 GENERAL

Figures have been rounded off to nearest Rupee unless otherwise mentioned.

### 40 SUBSEQUENT EVENT

40.1 Subsequent to the year end, the novel coronavirus (COVID-19) emerged and since then, the condition has continued to escalate. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Healih Emergency of International Concern'. The COVID-19 pandemic has significantly Impacted the economy around the world to date and may continue to do so in the coming months of 2020 potentially Impacting the earnings and cash flows of the Company. The Company considers this outbreak to be a non-adjusting post balance sheet event. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the company will evaluate the potential Impacts and respond accordingly.

However, the Company's management is of the view that above situation is not expected to significantly impact the Company so as to have an effect on its going concern status based on the business strategy as revisited.

**40.2** Subsequent to the year end Government of Punjab via Notification no 1-110/2020 (COVID-19) has exempted levy of Punjab Sales tax on health insurance/takaful policies issued between April 2020 to June 2020 as a relief measure for COVID-19.

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



### We are the Company you keep...



Credit Rating Agency (PACRA), an initial IFS rating (A-)



prestigious 'Consumer Choice Award 2018' for Best Takaful Company



ISO Certified 9001



Awarded Certificate of ferit for Best Corporate Report 2018, In Insurance/Takaful Category by SAFA



the year award 2019, in General Takaful Category



Best Corporate and Sustainability Awards, 2018

### **Takaful Pakistan Limited**

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### TAKAFUL PAKISTAN LIMITED

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

Bureau Veritas Certification Holding SAS –UK Branch certifies that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standards detailed below

ISO 9001:2015

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

Original cycle start date:

13th December 2019

Expiry date of previous cycle:

N/A

Certification /Recertification Audit date:

16th November 2019

Certification/ Recertification cycle start date:

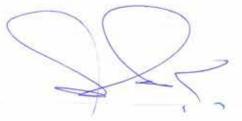
13th December 2019

Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on: 12<sup>th</sup> December 2022

Certificate No. MER19.643/UQ

Version: 01

Revision date: 13-12-2019







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Certification body address:5th Floor, 66 Prescot Street, LondonE1 8HG, United Kingdom Local office: Office No. 09, Third Floor, Sardar Begum Plaza, Blue Area, Islamabad, Pakistan Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organisation.

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