5th Pillar

Family Takaful Limited

آئیے، ساتھ چلیں

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 5th Pillar Family Takaful Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **5th Pillar Family Takaful Limited** (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

Emphasis of matter

We draw attention to note 2.1 to the financial statement wherein the basis of preparation has been explained. These financial statements have not been prepared in accordance with the Takaful Rules, 2012.

Our opinion is not modified in respect of the above matter.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG Taseer Hadi & Co.

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

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

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

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

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 28 June 2022

Karachi

UDIN: AR202110106hZCQPHAWR

5th Pillar Family Takaful Limited
Statement of Financial Position
As at 31 December 2021

	Note	2021	2020
		(Rupees)	
Assets			
Property and equipment	5	48,048	-
Investments			
Government securities	6	70,014,000	-
Term deposits	7	600,000,000	-
Taxation - payments less provision		-	12,289
Deferred tax asset	8	109,169	-
Other Loans and receivables	9	21,344,037	-
Cash & Bank	10	4,422,950	14,571,849
Total Assets		695,938,204	14,584,138
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Authorised share capital			
100,000,000 ordinary shares (2020: 100,000,000) of Rs. 10 each	11.1	1,000,000,000	1,000,000,000
Ordinary Share Capital	11.2	700,000,000	25,000,000
Surplus on revaluation of available-for-sale investments - net of tax		(618,621)	-
Accumulated Loss		(11,719,711)	(14,967,897)
Total Equity		687,661,668	10,032,103
Liabilities			
Other creditors and accruals	12	4,697,952	4,552,035
Taxation-provision less payments		3,578,584	-
Total Liabilities		8,276,536	4,552,035
Total Equity and Liabilities		695,938,204	14,584,138
Contingencies and commitments	13		

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive

Director

Chairman

Director

5th Pillar Family Takaful Limited
Profit and Loss Account
For the year ended 31 December 2021

	Note	For the year ended 31 December 2021	For the period from 05 March to 31 December 2020
		(Rupees)	
Premium Revenue		-	-
Premium ceded to reinsurers		-	-
Net premium revenue		-	-
Investment income	14	26,740,654	-
Other income	15	5,696,071	96,174
Net Income		32,436,725	96,174
Insurance benefits		-	-
Recoveries from reinsurers		-	-
Claims related expenses		-	-
Net Insurance Benefits		-	-
		32,436,725	96,174
Net Change in Insurance Liabilities (other than outstanding claims)		-	-
Marketing and administration expenses	16	(20,833,654)	(14,175,035)
Other expenses	17	(1,093,740)	(889,036)
Total Expenses		(21,927,394)	(15,064,071)
Profit / (loss) before tax		10,509,331	(14,967,897)
Income tax expense	18	(7,261,145)	-
Profit / (loss) after tax for the year / period		3,248,186	(14,967,897)
Earnings / (loss) (after tax) per share	19	0.08	(5.99)

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive

Director

Chairman

Director

5th Pillar Family Takaful Limited
Statement of Comprehensive Income
For the year ended 31 December 2021

	Note	For the year ended 31 December 2021	For the period from 05 March to 31 December 2020
		(Rupees)	
Profit / (loss) after tax for the year / period - as per statement of profit and loss account		3,248,186	(14,967,897)
Items that may be classified to profit or loss subsequently			
Change in unrealised losses on available-for-sale financial assets		(727,790)	-
Related deferred tax	8	109,169	-
Other comprehensive loss for the year - net of tax		(618,621)	-
Total comprehensive income / (loss) for the year / period		2,520,398	(14,967,897)

The annexed notes 1 to 27 form an integral part of these financial statements.

N. Sayyed

Chief Executive

Director

Chairman

Director

5th Pillar Family Takaful Limited
Cash Flow Statement
For the year ended 31 December 2021

	Note	For the year ended 31 December 2021	For the period from 05 March to 31 December 2020
		(Rupees)	
Operating Cash flows			
(a) Underwriting activities			
Insurance premium received		-	-
Reinsurance premium paid		-	-
Claims paid		-	-
Reinsurance and other recoveries received		-	-
Commission paid		-	-
Commission received		-	-
Marketing and administrative expenses paid		-	-
Net cash flow from underwriting activities		-	-
(b) Other operating activities			
Income tax paid		(3,670,272)	(12,289)
Other operating payments		(22,006,104)	(10,512,036)
Net cash flow from other operating activities		(25,676,376)	(10,524,325)
Total cash outflow from all operating activities		(25,676,376)	(10,524,325)
Investment Activities			
Profit Received		26,062,688	96,174
Payment for Investments		(670,741,790)	
Fixed capital expenditure		(14,793,421)	-
Total cash (outflow) / inflow from investing activities		(659,472,523)	96,174
Financing Activities			
Proceeds from issuance of Shares		675,000,000	25,000,000
Total cash flow from financing activities		675,000,000	25,000,000
Net cash (outflow) / inflow from all activities		(10,148,899)	14,571,849
Cash and cash equivalents at beginning of year / period		14,571,849	-
Cash and cash equivalents at end of year / period	10	4,422,950	14,571,849
Reconciliation to Profit and Loss Account			
Operating cash flows		(25,676,376)	(10,524,325)
Depreciation expense		(1,373)	-
Other investment income		32,436,725	96,174
Increase in assets other than cash		213,711	12,289
Increase in liabilities other than borrowings		(3,724,501)	(4,552,035)
Profit or (loss) after tax		3,248,186	(14,967,897)

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive **Director**

Chairman **Director**

5th Pillar Family Takaful Limited
Statement of Changes in Equity
For the year ended 31 December 2021

	Attributable to equity holders of the Company			
	Share Capital	Surplus on revaluation of available for sale investment net of tax	Accumulated loss	Total
	(Rupees)			
Balance as at 05 March 2020	-	-	-	-
At beginning of year	-	-	-	-
Transactions with the owners of the Company				
Issue of Ordinary shares	25,000,000	-	-	25,000,000
	25,000,000	-	-	25,000,000
Loss for the period	-	-	(14,967,897)	(14,967,897)
Balance as at 31 December 2020	25,000,000	-	(14,967,897)	10,032,103
Transactions with the owners of the Company				
Issue of Ordinary shares	675,000,000	-	-	675,000,000
	700,000,000	-	(14,967,897)	685,032,103
Comprehensive income for the year ended 31 December 2021				
Income for the year ended 31 December 2021	-	-	3,248,166	3,248,166
Other comprehensive loss	-	(618,621)	-	(618,621)
	-	(618,621)	3,248,166	2,629,565
Balance as at 31 December 2021	700,000,000	(618,621)	(11,719,711)	687,661,668

The annexed notes 1 to 27 form an integral part of these financial statements.

N. Sawad
Chief Executive

Director

Chairman

Director

1 LEGAL STATUS AND NATURE OF BUSINESS

5th Pillar Family Takaful Limited (the Company) was incorporated in Pakistan on 05 March 2020 as a public unlisted Company under the Companies Act, 2017. The Company's registered office situated in the Province of Sindh at E-23, 2nd Zamzama Commercial Lane, Karga Building, 2nd Floor (E-Street), Phase V, DHA, Karachi, Pakistan.

The Company is incorporated as a public unlisted Company and has obtained registration as Family Takaful (Life Insurer) as per the requirement of the Insurance Ordinance, 2000 on 4 October 2021.

The Company is a subsidiary of 5th Pillar Holdings Limited, a company registered under the laws of Dubai International Financial Center, UAE and was incorporated in accordance with the resolution of the Board of Directors of the Holding Company on 03 February 2020.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and,
- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017 and Insurance Accounting Regulations, 2017.

In case requirements differ, the provisions or directives of the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017 and Insurance Accounting Regulations, 2017 have been followed.

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2017 vide its S.R.O. 89(1) / 2017 dated 09 February 2017.

During the year, the Company did not issue any takaful contract as the the commencement of business certificate has not yet been obtained. Hence, these financial statements have not been prepared in accordance with the directives under Takaful Rules 2012.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for available for sale investment which are carried at their fair value.

2.3 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.

2.4 Standards, Interpretations and Amendments effective in 2021

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

2.5 Standards, Interpretations and amendments not effective at year end

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- **Annual Improvements to IFRS standards 2018-2020:**

  The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

  Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

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

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

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

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

  Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- **Application of IFRS 9 and IFRS 17**

  - Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.

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

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

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

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

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

b) all other financial assets.

	2021				2020			
	Fail the SPPI test		Pass the SPPI test		Fail the SPPI test		Pass the SPPI test	
	Fair value	Change in unrealized gain or loss during the period	Fair value	Change in unrealized gain or loss during the period	Fair value	Change in unrealized gain or loss during the period	Fair value	Change in unrealized gain or loss during the period
	(Rupees)				(Rupees)			
Financial assets								
Investments - Government securities*	-	-	60,014,000	-	-	-	-	-
Investments in Term Deposits*	-	-	600,000,000	-	-	-	-	-
Accrued Profit*	-	-	-	-	-	-	-	-
Security deposits*	-	-	21,344,037	-	-	-	-	-
Cash and bank balances*	-	-	4,422,950	-	-	-	14,571,849	-
	-	-	685,780,987	-	-	-	14,571,849	-

	2021						
	Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
Financial assets							
Investments - Government securities*	-	-	-	-	-	-	60,014,000
Investments in Term Deposits*	600,000,000		-	-	-	-	-
Accrued Profit*	3,861,370	-	-	-	-	-	2,512,667
Security deposits*	-	-	-	-	-	-	21,344,037
Cash and bank balances*	4,422,950	-	-	-	-	-	-
	608,284,320	-	-	-	-	-	83,870,704

	2020						
	Gross carrying amounts of financial assets that pass the SPPI test						
	AAA	AA+	A+	AA	A	A-	Not rated
	(Rupees)						
Financial assets							
Investments - Government securities*	-	-	-	-	-	-	-
Investments in Term Deposits*	-	-	-	-	-	-	-
Accrued Profit*	-	-	-	-	-	-	-
Security deposits*	-	-	-	-	-	-	-
Cash and bank balances*	14,571,849	-	-	-	-	-	-
	14,571,849	-	-	-	-	-	-

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, except for the change in format for preparation of financial statements as disclosed in note 3.1.

3.1 Changes in accounting policy

The Company has been notified as an Insurance company by SECP as on 4 October 2021. Accordingly, the Company has changed its presentation and disclosures of preparing the financial statements on the format as prescribed by the SECP through the Insurance Rules, 2017 vide its S.R.O. 89(1) / 2017 dated 09 February 2017.

3.2 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is calculated monthly so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 5 to the financial statements, after taking into account residual value, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

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

3.3 Investments

3.3.1 Classification and recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to profit and loss account.

These are recognized and classified as follows:

- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

3.3.2 Measurement

3.3.2.1 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.

3.3.2.2 **Available for sale**

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

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on remeasurement of these investments are recognised in other comprehensive income. However, in case of impairment these are recognised in the profit and loss account and the earlier deficit recognised in 'Other Comprehensive Statement' are transferred to the profit and loss account. In case of the disposal of these assets, the earlier remeasurement gain / loss are also transferred from 'Other Comprehensive Statement' to the profit and loss account.

3.3.3 **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).

3.3.4 **Other loan and receivables**

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.

3.4 **Cash and cash equivalents**

Cash and cash equivalents comprise of bank balance.

3.5 **Provisions**

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

3.6 **Taxation**

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of profit and loss account and other comprehensive income.

3.7 **Accrued and other liabilities**

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

3.8 **Policyholders' liability**

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value, both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Company underwrites are taken into account.

3.9 Contingent liabilities

Contingent liability is disclosed when:

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

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

3.10 Revenue recognition

First year individual life premiums / contributions are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium provided the policy is still in force. Single premiums are recognised once the related policies are issued against the receipts of premium.

Group life premiums are recognised when due. A provision for unearned premiums is included in the policyholders' liabilities.

Profit on bank balances, deposits and government securities are recorded on effective yield basis.

3.11 Dividends and other appropriations

Cash dividend to shareholders is recognized as liability in the period in which it is approved. Similarly all other appropriations other than the required by law including reserve for issue of bonus shares are recognized in the period in which they are approved.

3.12 Foreign currency transactions

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gain and losses on translation are taken into statement of profit and loss account currently. Non monetary - items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Useful lives of property and equipment	*Note 5*
Taxation	*Note 8 and 17*

5 PROPERTY AND EQUIPMENT

	Note	2021 (Rupees)	2020 (Rupees)
Operating Assets	*5.1*	48,048	-
		48,048	-

5.1 Operating Assets

	31 December 2021							
	Cost			Depreciation			Written down value	Depreciation rate %
	As at 1 January 2021	Additions / (disposals)	As at 31 December 2021	As at 1 January 2021	For the year / (disposals)	As at 31 December 2021	As at 31 December 2021	
	(Rupees)							
Computer equipment	-	49,421	49,421	-	1,373	1,373	48,048	33

6 GOVERNMENT SECURITIES

Available for sale	Maturity Year	Effective Yield (%)	31 December 2021 Amortised Cost	Principal Repayment	Carrying Value
			(Rupees)		
5 Years GoP Ijara Sukuk	2026	8.02%	70,741,790	70,000,000	70,014,000

7 INVESTMENT IN TERM DEPOSITS

	Note	2021 (Rupees)	2020 (Rupees)
Held to maturity			
Deposits maturing within 12 months	*7.1*	600,000,000	-

7.1 These represents term deposits placed with Meezan Bank Limited. These deposits carry profit rate of 8.1% and due to mature by 03 January 2022.

8 DEFERRED TAX

	2021	2020
	(Rupees)	
Deferred debits arising in respect of:		
- Surplus on revaluation of available for sale investments	109,169	-

The Company has not recognised a deferred tax assets on pre-commencement expenditure of Rs. 17,541,916 disallowed

9 OTHER LOANS AND RECEIVABLES

	Note	2021	2020
		(Rupees)	
Accrued investment income	9.1	6,374,037	-
Security deposit		226,000	-
Advance to supplier	9.2	14,744,000	-
		21,344,037	-

9.1 It represents accrued profit on Government Securities and TDR.

9.2 It represents advances paid to supplier against purchase of vehicles.

10 CASH & BANK

	Note	2021	2020
		(Rupees)	
Cash at Bank			
- Saving account	10.1	4,422,950	14,571,849

10.1 Profit on saving account ranges between 2.00% to 3.50% (2020: 2.75% to 3.25%) per annum.

11 SHARE CAPITAL

11.1 Authorized Capital

2021	2020		2021	2020
(No. of shares)			(Rupees)	
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000

11.2 Issued, subscribed and paid up capital

2021	2020		2021	2020
(No. of Shares)			(Rupees)	
70,000,000	2,500,000	Ordinary Shares of Rs.10 each fully paid in cash	700,000,000	25,000,000

12 OTHER CREDITORS AND ACCRUALS

	2021	2020
	(Rupees)	
Salaries payable	1,200,000	-
Accrued Expenses	609,785	3,705,035
Payable to Auditors	1,886,500	847,000
Withholding tax payable	1,001,667	-
	4,697,952	4,552,035

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2021.

14 INVESTMENT INCOME

	For the year ended 31 December 2021	For the period from 05 March to 31 December 2020
	(Rupees)	
Income form debt securities		
- Return on Government Securities	3,304,826	-
Income from term deposits		
- Return on Term Deposits	23,435,828	-
	26,740,654	-

15 OTHER INCOME

	Note	For the year ended 31 December 2021	For the period from 05 March to 31 December 2020
		(Rupees)	
Profit on bank balance		1,997,143	96,174
Others		3,698,928	-
		5,696,071	96,174

16 MARKETING AND ADMINISTRATION EXPENSES

Employee benefit cost		11,999,999	-
Legal and professional charges		1,203,776	10,153,800
Fee and Subscription fee		6,995,250	4,021,235
Travelling		306,000	-
Hoteling		144,840	-
Entertainment		35,663	-
Rent		146,754	-
Depreciation		1,373	-
		20,833,654	14,175,035

17 OTHER EXPENSES

Auditors' remuneration	*17.1*	1,039,500	847,000
Bank charges		54,240	42,038
		1,093,740	889,038

17.1 Auditors' remuneration

Audit fees		750,000	500,000
Other certifications		125,000	250,000
Out of pocket expenses		87,500	75,000
Sales tax		77,000	22,000
		1,039,500	847,000

18 TAXATION

For the year			
Current		7,261,145	-

18.1 Relationship between tax expense and accounting profit

	Effective tax rate %	
Tax at applicable rate	29.00	29.00
Tax effect of income subject to lower tax rate	-	-
Prior year adjustment	(8)	-
Permanent Difference	48.09	-
Tax Charge for the year	69.09	

19 EARNINGS PER SHARE

	2021	2020
	(Rupees)	
Profit / (Loss) after tax for the year / period	3,248,186	(14,967,897)
	(Number of shares)	
Weighted average number of ordinary shares	43,000,000	2,500,000
	(Rupees)	
Basic earnings / (loss) per share	0.08	(5.99)

20 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

During the year, managerial remuneration has been paid to Chief Executive Officer (CEO) was Rs. 12 millions (2020: Nil).

	31 December 2021		31 December 2020	
	Chief Executive	Directors	Chief Executive	Directors
	(Rupees)			
Fees	-	-	-	-
Managerial remuneration	11,999,999	-	-	-
Bonus	-	-	-	-
Retirement benefits	-	-	-	-
Utilities	-	-	-	-
Medical expenses	-	-	-	-
Leave passage	-	-	-	-
	11,999,999	-	-	-
Number of persons	1	7	-	5

No fee paid to the directors for attending the meetings.

No exceutive level employees were appointed during the year.

21 NUMBER OF EMPLOYEES

	2021	2020
	(Numbers)	
Number of employees as at December 31,	1	-
Average number of employees as at December 31,	1	-

22 RELATED PARTY TRANSACTIONS

Related parties comprise of parent company, directors and key management personnel. Transactions with related parties are at terms determined in accordance with the agreed rates.

The details of transaction with related parties, other than those which have been specifically disclosed elsewhere in the financial statements, are as follows:

Relationship with the Company	Nature of Transaction	2021	2020
		(Rupees)	
Parent Company	Investment in Shares	506,250,000	18,700,000
Directors	Investment in Shares	168,750,000	6,250,000

23 **MOVEMENT IN INVESTMENTS**

	Held to maturity	Available for sale	Fair value through P&L	Total
		(Rupees)		
At beginning of previous period	-	-	-	-
Additions	-	-	-	-
Disposals (sale and redemption)	-	-	-	-
Fair value net gains (excluding net realised gain)	-	-	-	-
Designated at fair value through profit or loss upon initial recognition	-	-	-	-
Classified as held for trading	-	-	-	-
Impairment losses	-	-	-	-
At beginning of current year	-	-	-	-
Additions	3,065,000,000	70,840,000	-	3,135,840,000
Disposals (sale and redemption)	(2,465,000,000)	-	-	(2,465,000,000)
Fair value net gains (excluding net realised gain)	-	-	-	-
Designated at fair value through profit or loss upon initial recognition	-	-	-	-
Classified as held for trading	-	-	-	-
Impairment losses	-	(826,000)	-	(826,000)
At end of current year	600,000,000	70,014,000	-	670,014,000

24 **MANAGEMENT OF FINANCIAL RISK**

The Company has exposure to the following risks from its use of financial instruments:

- Financial risk
- Liquidity risk
- Credit risk

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. Risk is inherent in the Company's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed based on limits established by the Company's constitutive documents and the regulations and directives of the SECP.

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.

24.1 **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest (profit) rate risk, foreign currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within an acceptable range.

24.1.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market interest rate.

The information about the Company's exposure to interest rate risk based on the earlier of contractual repricing or maturity dates is as follows:

All financial assets of the Company are non profit bearing except for cash and bank deposits ranging from 2.68% to 9.50% and sukuk certificates. The Company was not materially exposed to interest rate risk as at 31 December 2020.

	2021						
	Interest / Mark up bearing			Non-Interest / Non-mark up bearing			Total
	Maturity Up to one year	Maturity after one year	Sub Total	Maturity Up to one year	Maturity after one year	Sub Total	
	(Rupees)						
Financial assets							
Investments							
Government securities	70,014,000	-	70,014,000	-	-	-	70,014,000
Term deposits	600,000,000	-	600,000,000	-	-	-	600,000,000
Loans and other receivables	-	-	-	-	-	-	-
Cash and bank	4,422,950	-	4,422,950	-	-	-	4,422,950
	674,436,950	-	674,436,950	-	-	-	674,436,950
Financial liabilities							
Other creditors and accruals	-	-	-	3,696,285	-	3,696,285	3,696,285
Interest risk sensitivity gap	674,436,950	-	674,436,950	3,696,285	-	3,696,285	670,740,665

24.1.2 Sensitivity Analysis

(a) Sensitivity analysis for variable rate instruments

Presently, the Company hold sukuk certificates issued by GoP Ijarah Sukuks exposing it to cash flow interest rate risk. In case of 100 basis points increase / decrease in interest yield on 31 December 2021 with all other variables held constant, the net assets of the Shareholders' Fund and profit before tax of the Shareholders' Fund for the year would have been higher/lower by Rs. 0.1 million (2020: Rs. 0.1 million).

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):	2021	2020
	(Rupees)	
Bank balances	44,230	145,718
Investment in government securities	700,140	-
Investment in term deposits	6,000,000	-
	6,744,370	145,718

24.1.3 Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present, is not currency risk as majority of the transactions are carried out in Pak Rupees.

24.2 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	
	2021	2020
	(Rupees)	
Financial liabilities		
Other creditors and accruals	3,696,285	4,552,035

24.3 **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.

Exposure to credit risk

The maximum exposure to credit risk as at 31 December was as follows:

	2021	2020
	(Maximum Exposure)	
Investments in:		
Government securities	70,014,000	-
Term deposits	600,000,000	-
Accrued profits	-	-
Cash and Bank Balance	4,422,950	14,571,849
	674,436,950	14,571,849.00

24.3.1 **Concentration of credit risk in banks**

The bank balances including term deposits represents low credit risk as they are placed with reputed financial institutions with strong credit ratings.

The credit quality of bank balances (including term deposits) can be assessed with reference to external credit ratings as follows:

Bank	Long Term Rating	Rating Agency	2021	2020
			(Rupees)	
Meezan Bank Limited	AAA/A-1+	VIS Credit Rating Company	604,422,950	14,571,849

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	
	2021	2020
Shareholders' Fund	(Rupees)	
Rating		
GoP Ijara Sukuk	70,014,000	-

25 **CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The shareholders' equity of the Company as of the date of statement of financial position is Rs. 687.5 million. Further, as of the date of statement of financial position,the Company does not have any long-term debt.

26 **DATE OF AUTHORISATION**

These financial statements were authorised on ____________ by the Board of Directors of the Company.

27 **GENERAL**

All figures have been rounded off to the nearest rupees unless otherwise stated.

Chief Executive

Director

Chairman

Director