



PAK-QATAR GENERAL TAKAFUL
Together we Protect

Annual Report 2010

PAK-QATAR GENERAL TAKAFUL LIMITED



PAK-QATAR GENERAL TAKAFUL
Together we Protect

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Vision

Providing financial protection through Takaful, to everyone



Mission

- Promote Takaful amongst the masses, encompassing education and awareness, and present an image that is consistent with our ideological values
- Adhere to best ethical practices in all aspects of our operations, while abiding by the Shariah and the law of the land
- Empower our employees by inspiring, guiding, enabling, and supporting them
- Ensure our support to the community and the environment with excellence
- Ensure customer satisfaction by offering quality products and services driven by their needs
- Ensure optimum returns to the shareholders

COMPANY INFORMATION

Board of Directors

H. E. Sheikh Ali Bin Abdullah Al-Thani	Chairman
Ali Abdullah Darwesh	Vice Chairman
Said Gul	Director & Chief Executive Officer
Fawad Yusuf	Director
Abdul Basit Al-Shaibei	Director
Zahid Hussain Awan	Director
Mohammed Maher Al Jaabri	Director

Executive Committee

Ali Abdullah Darwesh	Chairman
Abdul Basit Al-Shaibei	Member
Said Gul	Member
Zahid Hussain Awan	Member

Audit Committee

Fawad Yusuf	Chairman
Zahid Hussain Awan	Member
Mohammed Maher Al Jaabri	Member

Investment Committee

Fawad Yusuf	Chairman
Said Gul	Member
Zahid Hussain Awan	Member

Shariah Board

Dr. Mufti Muhammad Taqi Usmani	Chairman
Dr. Muhammad Zubair Usmani	Member
Dr. Mufti Ismatullah	Member

Chief Financial Officer & Company Secretary

Muhammad Kamran Saleem

Registered Office

Room No. 402-404, 4th Floor, Business Arcade, P.E.C.H.S., Block-6,
Sharea Faisal, Karachi, Pakistan
Phone : + 92 21 34380357-61
Fax : + 92 21 34320358
Email : info@pakqatar.com.pk
Web : www.pakqatar.com.pk

Management Committee

Said Gul	Chief Executive Officer
Najmullah Khan	Chief Operating Officer & Acting Chief Executive Officer
M. Kamran Saleem	Chief Financial Officer & Company Secretary
Muhammad Raza	Joint Senior Vice President – Claims & Re-takaful
Farid Habib	Joint Senior Vice President – Under Writing

Afshan Naqvi
Syed Adnan Hasan
Saifuddin Shaikh
Muneeb Afzal Lone
Anwar Saeed Kailvi
M. Shakir Siddiqui

Head of IT & Systems
Head of Marketing
Head of Administration
Head of Internal Audit
Head of Human Resources
Asstt. Manager – Shariah

Underwriting Committee

Said Gul
Najmullah Khan
M. Kamran Saleem
Muhammad Raza
Afshan Naqvi
Farid Habib

Chairman
Vice Chairman
Member
Member
Member
Secretary

Retakaful Committee

Said Gul
Najmullah Khan
Farid Habib
Afshan Naqvi
Muhammad Saleem
Muhammad Raza

Chairman
Vice Chairman
Member
Member
Member
Secretary

Claims Committee

Said Gul
Najmullah Khan
M. Kamran Saleem
Afshan Naqvi
Muhammad Saleem
Muhammad Raza

Chairman
Vice Chairman
Member
Member
Member
Secretary

Information Technology Committee

Najmullah Khan
M. Kamran Saleem
Afshan Naqvi
Muhammad Raza
Farid Habib
Saifuddin Shaikh
Muneeb Afzal Lone
Muhammad Saleem
Muhammad Irfan Ali

Chairman
Member
Member
Member
Member
Member
Member
Member
Secretary

Sales Committee

Said Gul
Najmullah Khan
Muhammad Raza
Tariq Mahmood
Muhammad Saleem
Arshad Mehmood
Zeeshan Bhatti
Farid Habib

Chairman
Vice Chairman
Member
Member
Member
Member
Member
Member
Secretary

NOTICE OF 5th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of Pak-Qatar General Takaful Limited (the Company) will be held on Wednesday, 27 April 2011 at 12:00 P.M. Qatar International Islamic Bank, Grand Hammad Street, Doha, Qatar to transact the following businesses:

Ordinary Business:

1. To confirm minutes of the fourth annual general meeting held on 30 April 2010.
2. To receive, consider and adopt the annual audited financial statements for the year ended 31st December 2010, together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending 31st December 2011 and to fix their remuneration.
4. To consider any other business with the permission of the Chair.

Date: 9 April, 2011

By Order of the Board



Muhammad Kamran Saleem
Company Secretary

Place: Doha

NOTES:

1. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting. In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
2. Members are requested to immediately notify the change in their addresses, if any.



PRODUCT INFORMATION

FIRE & PROPERTY TAKAFUL:

Business places, homes and wealth require security from seen and unforeseen losses. These might arise from fires, burglaries, natural calamities and other hazards which are an unavoidable part of everyday life. In this regards, Fire and Allied Perils Takaful provides comprehensive coverage against all risks to make lives and businesses secure.

Fire Takaful provides compensation to the covered person or firm in the event of damage to property (i.e. buildings, stock, machinery and other contents). This policy extends customized coverage for diverse industrial sector companies according to their needs. This Takaful policy covers Fire losses due to the following:

- Lightning;
- Riot and Strike;
- Malicious damage;
- Explosion;
- Atmospheric disturbance (flood, inundation etc.);
- Earthquake;
- Shock damage;
- Aircraft & Impact damage;
- Burglary and Housebreaking; and
- Causes detailed under Electrical Clause “B”.

MARINE:

Despite meticulous planning, the various stages of transit face many challenges which can cause monetary damages to cargo. Marine Takaful ensures complete security of valuable cargo from any potential damage during its time on shipment vessels, and caters to all relevant security needs of traders, shipping agents, transporters etc. There are various covers available for the following types of cargo:

- Marine Import
- Inland Transit
- Marine Exports

MOTOR TAKAFUL:

Motor Takaful offers comprehensive coverage for private and commercial vehicles, customized according to the Participant's requirements. Motor Takaful offers protection from losses incurred due to traffic accidents and legal liabilities that might arise due to accidents.

Comprehensive Motor Takaful provides maximum coverage against theft, accidental damage and third party liability with innovative features and hassle free pre and post Takaful processing. The cover includes losses due



to external accidental means, fire, explosion, burglary, house-breaking or theft, malicious acts, riots, strikes and natural calamities. Terrorism and Third Party liability i.e., Property Damage, Bodily Injury and Death, are additional features of the policy. The claims management body follows standardized procedures and is available round the clock for assistance and prompt service delivery to Participants.

ENGINEERING TAKAFUL:

The world of engineering and construction involves a lot of factors beyond human control which make way for all sorts of incidents. Accidents, whether minor or major, cause setbacks and costly delays that endanger the schedule and integrity of any project. Engineering Takaful provides construction sites the customized protection required to safeguard against unforeseen accidents. Based on actual needs of the Participant, Engineering Takaful offers Contractor's Plant and Machinery/Equipment (CPM/CPE), covering civil works such as construction of roads, bridges, dams and housing projects. Under this plan, comprehensive and adequate protection against loss or damages with respect to construction plants is made available, be they equipment, machinery or property damages. Other major covers include Erection All Risk (EAR), Machine Breakdown (MB) and Electronic Equipment Takaful (EET).

- **Contractor All Risk (CAR) Takaful:**

CAR Takaful offers comprehensive and adequate protection against all risks involved in the construction of civil works of any kind, including surrounding property and third-party claims with respect to property damage or bodily injury arising due to the execution of a project.

- **Electronic Equipment Takaful:**

Electronic Equipment Takaful covers all equipment with moderate power requirements against material damage. The coverage is extended for all electrical and electronic systems such as Electronic Data Processing (EDP) equipment, electrical equipment for medical use, communication facilities, lighting and navigation facilities and equipment for research and materials testing, other than those specifically excluded.

- **Machinery Breakdown Takaful:**

Machinery Breakdown Takaful has been developed to provide effective Takaful cover for plants, machinery and mechanical equipment at work, at rest or during maintenance operations. By its very nature, Machinery Takaful is a comprehensive cover for machinery, supplementing the coverage afforded by Fire Takaful. Thus, it covers unforeseen and sudden physical loss of or damage to the items so covered, necessitating their repair or replacement, be it loss or damage from causes such as defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skills or carelessness, unless otherwise specified.



- **Erection All Risk Takaful:**

Erections All-Risks (EAR) Takaful provides cover against all risks involved in the erection of machinery, plant and steel structures. If the Participant suffers from any unforeseen and sudden physical loss or damage from any cause other than those specifically excluded, in a manner necessitating repair or replacement, he shall be indemnified with respect to such loss or damage.

LIABILITY TAKAFUL:

Liability Takaful provides coverage against legal liabilities to pay compensation to any third party for accidental bodily injury, death or direct damage to the third party's material property, arising due to any accident caused by the Participant's business activities. Liability Takaful policy provides compensation with respect to legal liability to third party for bodily injury, death and property damage.

- **Third Party/ Public Liability Takaful**

There are various legal duties associated with ownership, use, occupancy or control of land. These include duties that an owner owes a tenant and vice versa, those which a tenant owes another tenant as well as those which a possessor owes a "third person", "third person" being someone not party to the lease and is either on the premises or in close vicinity for a reason other than to work as an employee of the processor.

- **Products Liability Takaful**

Product Liability is the legal responsibility of the manufacturer, distributor or retailer to the consumer of a product. This policy offers indemnification of a legal liability that may arise as a result of bodily injury or property damage caused by consumption of sold or supplied products. Subject to the terms and conditions of the policy, cover is provided against:

1. Accidental bodily injury or illness of any buyer or user;
2. Accidental loss or damage to property, caused by any good sold, supplied, repaired, altered, treated or serviced by the Participant in connection with the business carried out;
3. All costs and expenses of litigation
 - a. recovered by any claimant against the Participant;
 - a. incurred, with the written consent of the Company, with respect to any investigation, defence and settlement of a claim made against the Participant.

- **Employer's Liability Takaful**

An employer may become liable to his employee if the employee is injured at work due to employer's negligence. Employer's Liability Takaful protects the employer in such a case and will pay all sums that the employer becomes legally liable to pay. In addition, the policy will pay for legal fees incurred in preparing a defense in a court of law.



MISCELLANEOUS TAKAFUL

1. MONEY TAKAFUL

Cash, during transit or when safely stashed, has always been a reason for concern and insecurity. Money Takaful assures security by providing coverage with respect to:

- Cash-in-Safe: Loss on money while in safe at Participant's premises under lock and key, during and after regular business hours;
- Cash-in-Transit: Loss of money during transit between various specified locations (office to bank and vice versa, etc.);
- Cash-on-Counter: Loss of money while placed on counter during hold-ups within business premises.
- ATM Withdrawal: Loss during withdrawal of money from ATM due to forcible and violent snatching.

2. FIDELITY GUARANTEE TAKAFUL

Fidelity Guarantee can be offered to employers to cover infidelity of their employee(s) who hold positions of trust like handling cash, stocks, store-keeping, etc. This policy is designed to provide coverage against the risk of misappropriation or embezzlement committed by permanent and authorized employee(s) of the Participant during the course of their employment.

3. PERSONAL ACCIDENT

Round-the-year coverage through Personal Accident provides full benefit amount for accidental death, permanent disabilities, and total and partial temporary disabilities, directly or indirectly caused by an accident. The policy can be extended to cover reimbursement of medical expenses incurred arising out of such accidents.

4. WORKMEN'S COMPENSATION TAKAFUL

This Takaful plan provides coverage for compensation payable under the Workmen's Compensation Act 1923. The policy covers liability of an employer for the death, bodily injuries or occupational diseases sustained by employees in the Participant's immediate service, arising out of and during employment. In addition, expenses incurred by the Participant while defending claims may also be paid with the consent of the Company. This plan covers legal liability of an employer under:

- Workmen's Compensation Act 1923, and subsequent amendments of the said Act prior to the date of issue of the policy;
- Fatal Accidents Act, 1855, and subsequent amendments of the said Act prior to the date of issue of the policy; and
- Common Law.

CHAIRMAN'S MESSAGE

Dear Company's Shareholders,

Assalam-o-Alaikum

We humbly owe in all respect, to Allah Almighty, The Magnificent Creator for enabling us to meet at the 5th Annual General Meeting today. I hope you all have received the Copies of the Annual Report for 2009-10 containing the Directors' Report and Audited Accounts together with Auditors' Report thereon for the year 2009-10, which is being placed for your consideration and approval.

The value placed by our sponsors in the strategies laid for 2009-10, helped us record another prosperous year in terms of business volumes. In fact the news of 2010 makes it a special one for Pak Qatar Family Takaful Limited.

The outgoing year witnessed Pak Qatar Family as a "Billion Rupee Company", an incredible achievement for any organization in just the third year of its operations. I take this opportunity to congratulate you all on this accomplishment and would like to acknowledge the efforts of management team, because their determination made it possible.

There was an overall growth of 120 percent recorded in gross contribution for Pak-Qatar Family. A commendable performance and its achievement have helped design challenging milestones for 2011. The loss appearing in the balance sheet might be concerning, but can be justified by explaining the value that will be created keeping in view the investment decisions made. Expanding the network of branches was concentrated upon with high potential to generate healthy returns. However, we are expecting to breakeven by the end of financial year 2011.

Pak-Qatar General Takaful Limited, an all-together different ball game, considering its nature of business and the more competitive environment, its results were satisfactory. Gross contribution of PKR 217 million was recorded in the year 2010, an increase of 27 percent from 2009. Motor segment was the star performer securing an increase of 11 percent by its name. Actually, the growth in General Takaful Segment may be taken as slow, however, I assure you that this is a steady and long term growth. A strong foundation has already been laid, and acceleration has been planned for 2011.

I would like to express my gratitude for the trust placed by our sponsors in the decisions taken by our management team. Subscription for the recent right issue shares issued during 2010 in Pak-Qatar Family Takaful proves their commitment for the cause we all have gathered today. In this context, let me also share our plan to get both companies listed on the Karachi Stock Exchange in near future, after coming of both of them into profit.

I feel proud to state Pak-Qatar Group as the ambassador of Information Technology for the country's takaful industry. Our group has the honor to be the first takaful operator in Pakistan, to have signed System Application Programs (SAP), globally recognized Enterprise Resource Planning software (ERP). The management teams of both companies along with their very professional staff are well aware of its importance and are determined to maintain high standards in this area as well. Considering our workforce to be our valuable resource, we kept designing scenarios to find them highly motivated.

As a Group, we remain committed to corporate and social responsibility. In all of our actions we strive to ensure that all economic, environmental and social factors are considered. We believe that this approach, driven by our principles of respect, rigour and involvement, makes us more responsible and informed.

In the end, I would like to take this opportunity to thank our entire stakeholders' for their support in helping make 2010, a successful year for Pak Qatar.

I hope and pray that Allah (Azza Wa Jall) will bestow your companies and their managements with strength, wisdom and commitment to make possible their journey, Beyond Stars. Ameen.

“Together We Prosper”



Sheikh Ali Bin Abdullah Al-Thani
Chairman of the Board of Directors
Pak-Qatar General Takaful Limited &
Pak-Qatar Family Takaful Limited

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Chairman and the Board of Directors of Pak-Qatar General Takaful Limited (PQGTL), I welcome you all to the 5th Annual General Meeting (AGM) of PQGTL for the year 2010.

1. Economic Overview:

Pakistan's economy witnessed a moderate but fragile recovery during fiscal year 2010. Actually, the economy remains stressed in the aftermath of the unprecedented floods and due to the continued delays in the implementation of key economic reforms. Helped by a modest improvement in business and consumer confidence, relatively supportive monetary and fiscal policies, and some good fortune real GDP growth rose to 4.1 percent, compared with an anemic 1.2 percent in annual fiscal year 2009. The lower commodity prices and relatively weak demand also contributed to a deceleration in inflation, which fell to 11.7 percent from a multi-decade high of 20.8 percent, as well as to the decline in the current account deficit to only 2 percent of GDP in FY10 from 5.7 percent of GDP in the previous year.

This is commendable given the political noise in the country and the growing challenges in international economic and financial markets. But a resurgence in inflation, inadequate supply of gas and electricity and lower-than-required tax collection continue to remain big challenges to sustainable economic growth.

2. PEST (Political, Economic, Social, Technological) Analysis

2.1. Political Factors

Though Pakistan is faced with a political instability and acute security risks, which is adversely affecting the economic activity and growth, the regulator, Securities and Exchange Commission of Pakistan (SECP) has played a positive role in stabilizing and improving the Insurance/Takaful Sector. SECP has been conducting Insurance awareness programs in urban/sub-urban areas to increase the readiness of population for covering themselves under Insurance/Takaful policy. It is also taking measures to provide insurance/takaful protection to less privileged segment of the society through Microinsurance, expanding the market for Insurance/Takaful players.

On the other hand, SECP is looking forward to work on formalizing the development of Terrorism pool, to provide support to insurance/takaful companies in extending Terrorism coverage. Further, it is working on developing Unit-linked and other Insurance/Takaful products regulations, which would provide a level-playing field for all players in the industry.

All initiatives of such sort are meant to secure the policy holders' interests, which would increase the overall confidence of current and potential customers on Insurance/Takaful products, thereby increasing the acceptability and usage of the same.

2.2. Economic Factors

With a gradual devaluation of rupee against the dollar, and increasing inflation in the economy, it has become more and more difficult for common people to have disposable income. The last couple of years have seen a regular decrease in Gross Domestic Savings, adversely affecting the usability of Insurance/Takaful products.

2.3. Social Factors

The population at large is living in sub-urban and rural areas of the country, mostly having no Insurance/Takaful coverage. This is mainly due to non-awareness of the benefits that the product

pertains. This can be observed by the Insurance penetration of as low as less 0.3% of GDP in a population comprising of 165 million people. This provides an opportunity for Insurance/Takaful operators to tap the unreached market.

The demographic change experienced by the country on the other hand is such that there is a rise in elderly population of the country. This has adversely affected the number of policies that may be sold as well as the term (number of years that a policy can remain active) for which the same may be provided. With growth of information media at one end and increasing security and health concerns on the other, people in general are getting more and more alarmed regarding the importance of risk coverage, protection needs and available choices to fulfill the same. Likewise, growth of Takaful/Islamic insurance industry has opened the doors for segment that did not use to get insurance coverage due to religious reasons. Both these factors have contributed positively towards the development of Insurance/Takaful sector in the country.

2.4. Technological Factors

As we are moving forward, customer expectations have led companies to develop innovative and fast paced processes and mechanisms to serve their needs. With an increase in usage of computers and systems, process automation in all service industries have become commonplace. Increasing customer awareness and demands have forced organizations to utilize CRM solutions to serve their customers better, and faster, which also includes utilizing the internet to provide online solutions and services. This trend has made inevitable for the companies to heavily invest in computing and online technologies.

3. Insurance Sector Overview

Pakistan's financial system has been ranked 34 out of 52 countries in the World Economic Forum's first Financial Development Report, which was released in Pakistan through the Competitiveness Support Fund (CSF) in December, 2008.

In both developed and developing countries, the insurance sector is considered to be the third important component of the financial sector, after the banking sector and capital markets. Pakistan's insurance sector is quite small, but it does serve its capital raising and investment purpose. The sector includes life insurance, property and casualty insurance and health insurance, as well as micro-insurance offered by several microfinance companies and NGOs.

Pakistan is unusual in that the total premiums continued to grow at double-digit rates over the last two years despite the global financial crisis and the absence of a clear improvement in the overall political and security situation in the country. The already acute risks to Pakistan's security were accompanied by a sudden change of political leadership, which was followed by a period of precipitous fiscal and economic decline. In 2010, the political and economic situation has stabilized to an extent, while the security situation has deteriorated yet further. These cross-currents have been felt in the insurance sector as well.

In the non-life segment, premiums had been growing by 15-20% per year over 2005-2007. Growth slowed to 6% in 2008 and just 2% in 2009. On the other hand, the total assets of Insurance Association of Pakistan (IAP) members fell by PKR 7bn to PKR 92bn (US\$1.1bn). This was mainly due to investment losses amid the dismal performance of both the Karachi stock market and the wider national economy that was experienced late in the year 2009.

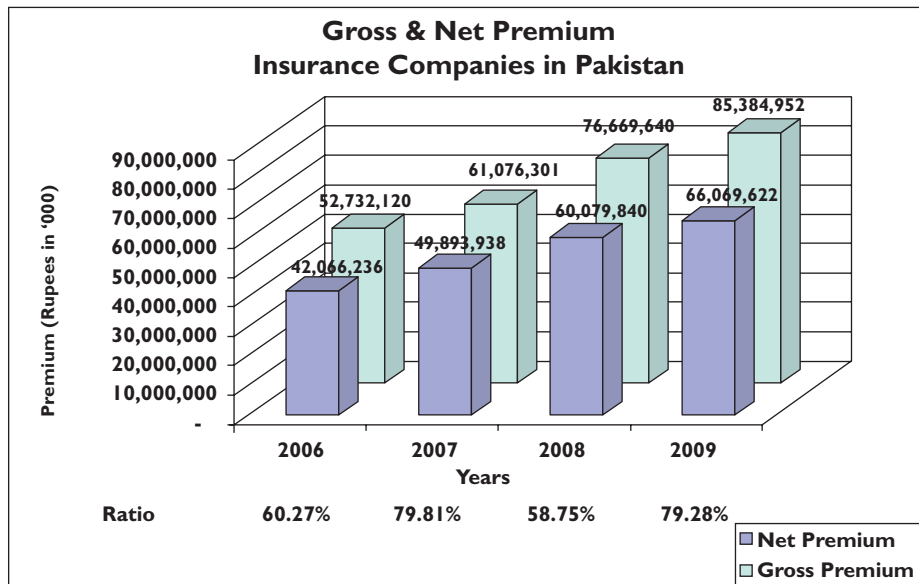
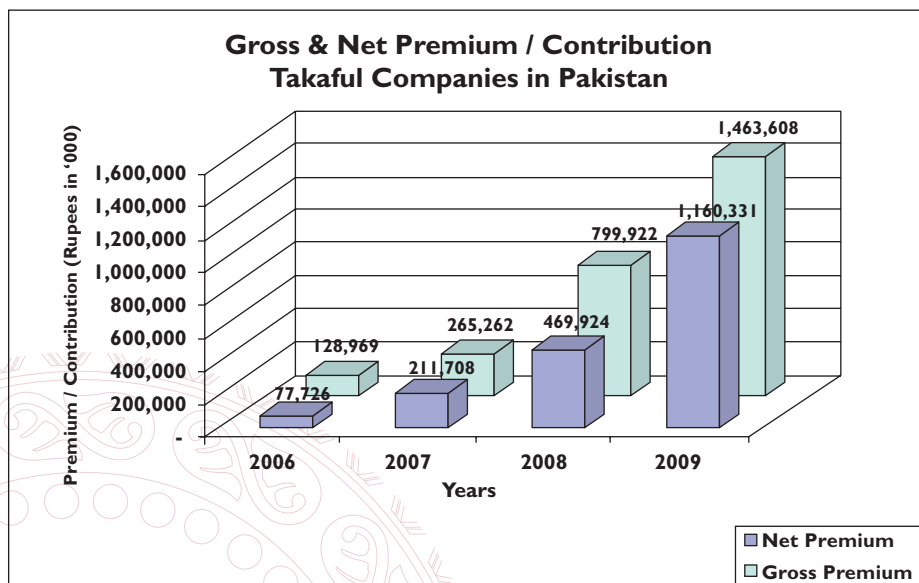
As of now, 48 insurance and takaful companies are transacting insurance business in Pakistan. Out of the total, 36 companies are transacting non-life (General) insurance business, including the government owned National Insurance Company Limited and the government owned reinsurance company, Pakistan Reinsurance Company Limited (PRCL). Five Takaful operators are currently providing Islamic Insurance

to the masses of which 2 operators are transacting Family (Life) Takaful business and 3 are transacting Non-Life (General) Takaful business.

The total premium underwritten by the Non-Life insurance industry in 2010, amounted to about Rs. 40 billion. The premium underwritten by General Takaful Operators amounted to a total of Rs. 1.2 billion, which makes up around 3% of the premium written in the whole general insurance industry. However, with the nascent takaful companies growing rapidly, this percentage is expected to increase manifold in coming years.

Having a low Insurance density as well as Insurance penetration provides a huge untapped market for Insurance and Takaful players, where developing extensive distribution channels and investing in Marketing activities can add up to the industry's overall business and profitability. The graphs below show the steady growth in Premium/Contributions written by Insurance and Takaful Companies.

Gross & Net Premium Insurance Companies



4. Your company's performance in the year 2010:

4.1. Financial Highlights:

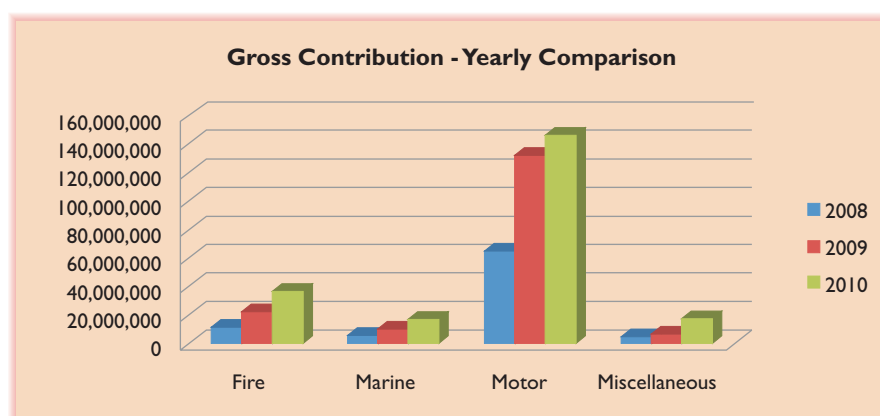
We give below the financial highlights of the company:

	2010 Rupees	2009 (re-stated) Rupees
Wakalah income	75,802,544	51,510,596
Commission expense	(15,278,948)	(6,919,046)
Management expenses	(92,673,030)	(64,372,050)
	(32,149,434)	(19,780,500)
 Modarib share of PTF investment income	 1,463,729	 592,409
Net investment income	25,390,387	42,614,380
General and administrative expenses	(38,581,666)	(25,402,230)
Other income / (charges)	182,903	(1,380)
(Loss) before taxation	(43,694,081)	(1,977,321)
 Provision for taxation – current	 (1,013,870)	 (247,386)
– deferred	16,082,895	5,840,543
(Loss) / Profit after taxation	(28,625,056)	3,615,836

4.2. Contribution:

The year 2010 was third full operational year and the growth pattern is evident from year-on-year increase in gross contribution. PQGT has been succeeded to achieve the gross contribution figure of Rs. 217 million, which showed an increase of 26% over the preceding year 2009.

	2010	2009	2008
		Rupees	
Fire	36,731,664	22,343,503	11,445,609
Marine	16,814,507	10,526,689	5,857,882
Motor	146,131,867	132,187,646	64,526,347
Miscellaneous	17,504,286	6,644,145	4,591,137
	217,182,324	171,701,983	86,420,975



Growth is evident in all business segments and the increase is quite visible. Actually, the company has to improve significantly in non-motor segments as loss ratios in motor segment remained on significantly a higher side.

Business Growth

	2010	2009	Growth	
	Rupees		Rupees	% age
Fire	36,731,664	22,343,503	14,388,161	64%
Marine	16,814,507	10,526,689	6,287,818	60%
Motor	146,131,867	132,187,646	13,944,221	11%
Miscellaneous	17,504,286	6,644,145	10,860,141	163%
	<u>217,182,324</u>	<u>171,701,983</u>	<u>45,480,341</u>	26%

During the year 2010, again motor remained the main contributing sector of total business. Following has been the business mix over the period:

Business Mix

	2010		2009		2008	
	Rupees	% age	Rupees	% age	Rupees	% age
Fire	36,731,664	17%	22,343,503	13%	11,445,609	13%
Marine	16,814,507	8%	10,526,689	6%	5,857,882	7%
Motor	146,131,867	67%	132,187,646	77%	64,526,347	75%
Miscellaneous	17,504,286	8%	6,644,145	4%	4,591,137	5%
	<u>217,182,324</u>	100%	<u>171,701,983</u>	100%	<u>86,420,975</u>	100%

The above table shows that concentration in motor segment is being reduced gradually, as business in Fire, Marine, Engineering segments is steadily improving.

4.3. Claims:

During the year 2010, PQGTL incurred claims' expense amounted to Rs. 134.0 million as compared to Rs. 72.0 million during the same period last year. Following is the claim analysis and its comparison with previous year:

	2010		2009	
	Rupees	% age	Rupees	% age
Fire	4,123,291	3%	6,499,942	9%
Marine	4,030,087	3%	2,499,187	3%
Motor	123,966,831	93%	62,889,076	87%
Miscellaneous	1,677,268	1%	102,895	0.1%
	<u>133,797,477</u>		<u>71,991,100</u>	

The claim expense ratios on the basis of gross contribution in each segment during the year 2010 remained as under:

	2010			2009		
	Gross Claims	Gross Contribution	Claims vs. Contribution	Gross Claims	Gross Contribution	Claims vs. Contribution
	Rupees	Rupees	% age	Rupees	Rupees	% age
Fire	7,515,345	36,731,664	20%	9,347,388	22,343,503	42%
Marine	10,417,005	16,814,507	62%	2,784,517	10,526,689	26%
Motor	141,601,283	146,131,867	97%	100,535,197	132,187,646	76%
Miscellaneous	2,866,961	17,504,286	16%	560,335	6,644,145	8.4%
	162,400,594	217,182,324	75%	113,227,437	171,701,983	66%

The gross claim ratio in motor segment has increased during the year 2010. Actually, we have to work out to reduce our loss factor in motor segment, which is the main loss contributing segment in PTF. In the year 2011, we are working to reduce claim ratio in all the segments, in general and in motor segment, in particular.

4.4. Investment Income:

As for another year, the return on investments has been satisfactory over the available investment portfolio. During the year, the company had to liquidate some of its investments of shareholders' fund, as a result of which the available investment size went down. However, given the limited avenues of Shariah compliant modes of investments, the company performed well. Following table shows the available investment size as at the year end and related income for the year 2010, compared with the year 2009:

Fund-wise Investments and return thereon

	2010		2009	
	Year-end Investment	Income for the year	Year-end Investment	Income for the year
	Rupees		Rupees	
Shareholders' Fund	166,307,878	25,390,387	211,667,220	42,614,380
Participant Takaful Fund	17,456,422	3,659,322	10,007,187	1,481,025
	183,764,300	29,049,709	221,674,407	44,095,405

As evident from the above table, the investment portfolio went down by Rs. 38.0 million, (on net basis) and so the investment income. Accordingly, one reason of reduction in investment income in 2010 was thus due to decrease in investable amount in shareholders' fund. However, another reason was the extra-ordinary return on equity stocks in 2009 due to stock market turnaround in the aftermath of market crash in August 2008.

4.5. Recognition of Wakala Income

During the year 2010, the management of your company changed the method of wakalah income

recognition. Earlier the wakala income was being recognized by amortizing over the period of takaful policy; however, with effect from the year 2010, the company would recognize the wakalah income on upfront basis. As we consider that the upfront recognition of wakala fee resulted in more accurate matching of revenue with the related takaful acquisition cost incurred by the Company.

4.6. Participant Takaful Fund

During the year 2010, the deficit in Participant Takaful Fund (PTF) remained at Rs. 38 million as compared to Rs. 42 million in the year 2009. The accumulated deficit in Participant Takaful Fund thus reaches to Rs. 94 million. To break-even in the PTF and then turn into surplus, we are striving to improve our business mix for improving business in non-motor, because only in this way losses in PTF can be eliminated. For this purpose business strategy and its success for the next 3 to 5 years is very much important.

4.7. SAP ERP implementation

During the year 2010 we worked very hard to customize the SAP ERP to be fit for our needs and accordingly worked on integration with our back-end business software, i.e., PentaTakaful. Alhamdulillah, in March 2011, we have been successful to declare Go-Live and thus become first takaful/insurance company in Pakistan to have been working on SAP ERP. This was an uphill task, which has now been achieved off-course with utmost dedication of our management, especially Finance and IT teams. This was a very important decision that had been taken in very beginning of the company; however, it would go a long way in stabilizing the internal controls of the company and better management and external reporting.

5. Way forward:

5.1. The year 2011

The year 2011 brings new challenges for our company. We are working in further strengthening our sales team through the induction of vibrant field force in major cities of the country. We are working on some strategic alliances, which would go a long way in increasing the revenue stream of the Company. Similarly, we are also striving to increase co-takaful share with the existing players in the market. In order to increase our capacity, we are getting our re-takaful limits improved to be able to underwrite appropriate bigger risks accordingly.

5.2. Products

Following is the brief descriptions of products which are being marketed by PQGTL:

5.2.1. Fire

This is the most important form of takaful which is essential for all types of business concerns. Providing covers in respect of loss of or damage to the property against the following perils:

- Fire & lighting
- Riot & Strike
- Malicious Damage
- Atmospheric Disturbance
- Earthquake Fire & Shock
- Standard Explosion
- Impact Damage
- Aircraft Damage
- Electrical Damage
- Burglary
- All Risks of Physical Damage
- Consequential Loss due to Fire & Allied Perils

5.2.2. Marine

This covers loss of or damage to cargo whilst in transit by Sea/Air and rail/road; in case of Import/Export and inland transit. Depending upon the needs of a client, there are various covers available for the following type of cargo:

- Marine Imports
- Marine Inland Transits
- Marine Exports

5.2.3. Motor

This insurance provides protection for loss of or damage to the insured vehicle, whether private or commercial, and to the accessories whilst thereon caused by:

- Accidental damage
- Malicious act, Riot & Strike
- Theft / snatching at gunpoint
- Legal liability arising out of an accident to third party
- Personal Accident to drivers and passengers
- Fire, external explosion, self ignition, lightning or frost
- Flood, typhoon, hurricane, cyclone, earthquake, volcanic eruptions and other convulsions of nature
- Whilst in transit by air, road, rail, inland waterway, lift or elevator

5.2.4. Miscellaneous

This segment includes:

- Money Takaful
- Fidelity Guarantee
- Personal Accident
- Workmen Compensation

5.2.5. Engineering

This segment includes Machinery Takaful, which has following perils:

- Machinery Breakdown
- Consequential Loss due to Machinery Breakdown
- Computer All Risks
- Contractor All Risks
- Erection All Risks

5.2.6. Liability

This segment includes Liability Takaful, which has following perils:

- Third Party / Public Liability
- Product Liability
- Employers' Liability

6. Compliance with Code of Corporate Governance:

The Company has complied with the requirements of the Code of Corporate Governance set out by the Securities and Exchange Commission of Pakistan. A statement to the effect is annexed with the report.

7. Board of Directors:

The number of meeting attended by each director is given below:

#	Director	Number of meetings attended
1.	Sheikh Ali Bin Abdullah Al-Thani	1
2.	Abdul Basit Al-Shaibei	1
3.	Ali Abdullah Darwesh	1
4.	Said Gul	4
5.	Choudhry M.Wasi	4
6.	Zahid Hussain Awan	4
7.	Fawad Yusuf	4
8.	Rohail Alikhan	3
9.	P.Ahmed	1

Leave of absence was granted to directors who could not attend the Board Meetings.

8. Corporate and Financial Reporting Frame Work:

- The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, except some changes in accounting policies, which are appropriately disclosed in notes to the financial statements for the year ended 31 December 2010, and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- Key operating and financial data for the last four years is attached.
- The accumulated balance in provident fund account as at 31 December 2010 was Rs. 4,589,955/-.
- No trading in shares has been made by the Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children.

9. Statement of Ethics and Business Practices:

The Board has adopted the statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

10. Auditors

The present auditors, M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, Karachi, retire and

eligible for reappointment for the ensuing year. On recommendation of the Audit Committee; the Board of Directors of your company has proposed their name, for reappointment as auditors of the company for the year ending 31 December 2011.

11. Earnings per Share

The basic and diluted loss per share of the Company was Rs. 0.93 (2009: Earnings per Share Rs. 0.12) per ordinary share of Rs. 10/- each.

12. Pattern of Shareholding

The Pattern of shareholdings of the Company is attached.

13. Appreciation

We appreciate the hard work and diligence of the Company's employees in achieving the milestones set for the outgoing year.

14. Vote of Thanks

On the behalf of the Board, I thank you, the valued participants, the Securities and Exchange Commission of Pakistan, shareholders, and the sponsors for their continued guidance, co-operation and understanding extended to us.

15. Conclusion

In Conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Ar-Rahim, for the continued showering of His blessing, guidance, strength, health, and prosperity to us, our Company, Country and the Nation; Ameen; Summa Ameen.

For and on behalf of the
Board of Directors



Said Gul
Chief Executive Officer

KARACHI
09 April 2011

PAK QATAR GENERAL TAKAFUL LTD.

KEY FINANCIAL DATA

Rupees in Thousand

	FY 2010	FY 2009 (Restated)	FY 2008 (Restated)
Gross Contribution	217,182	171,702	86,421

REVENUE ACCOUNT

Contribution-Net of Re-Takaful	87,425	52,146	6,765
Earned Wakala Fee	75,803	51,511	16,459
Claims less Re-Takaful	(138,370)	(100,552)	(22,835)
Commission & Expenses	(1,820)	913	3,439
Investment Income less Impairment	29,050	44,095	1,957
Cede money contributed to Waqf Fund	-	-	-
Management & General Admin. Expense	(131,866)	(89,853)	(46,448)
Other Income/(Loss)	183	(1)	(189)
Others Reserves	(2,440)	(2,576)	(306)
Loss before tax	(82,035)	(44,317)	(41,158)
Provision for tax	15,069	5,593	10,890
Profit/(Loss) After Tax	(66,966)	(38,724)	(30,268)

BALANCE SHEET

Investments	183,764	221,674	122,485
Cash & Bank balances	14,316	30,164	135,543
Deferred Tax Asset	22,889	15,554	965
Other Assets	100,567	74,729	42,361
Fixed Assets	53,836	52,458	32,919
Issued, subscribed & paid up capital	307,800	307,800	307,800
Advance against future issue of Share Capital	2,661	2,661	2,661
Accumulated surplus/(loss)	(134,817)	(85,048)	(29,128)
General Reserve	150,385	118,279	40,912
Other Liabilities	49,344	50,888	12,028

PAK QATAR GENERAL TAKAFUL LTD.

KEY FINANCIAL RATIOS

	FY 2010	FY 2009	FY 2008
Growth in:			
Gross Contribution	26%	99%	5231%
Contribution-Net of Re-Takaful	68%	671%	543%
Earned Wakala Fee	53%	202%	-
Claims less Re-Takaful	38%	-541%	5717%
Commission and Expenses	-299%	-98%	138%
Investment Income (without Impairment)	-34%	92%	55%
Current Ratio	6.03	6.37	8.49
Fixed assets turnover		0.09	0.76
Revenue per share (Rs.)	(0.88)	0.13	0.59
Earning per shares (Rs.)	(0.93)	0.02	(0.61)
Gross Claim to Gross Contribution (Less Retakaful)	88%	75%	35%
Management Expenses to Gross Contribution	61%	52%	54%
Management Expenses to Wakala Fee	173%	174%	117%
Gross Commission Expense to Gross Contribution	-1%	5%	3%
Wakala fee to Gross Contribution	35%	30%	46%
Retakaful to Gross Contribution	28%	24%	24%

REVENUE DISTRIBUTION (PTF)

Claims (Including IBNR)	158%	193%	338%
Other Reserve	3%	6%	5%
Direct expenses	1%	0%	3%
Rebate	-15%	-15%	-71%
Net Investment income	-3%	-2%	-5%
Deficit for the year	-44%	-82%	-169%
	100%	100%	100%

REVENUE DISTRIBUTION (SHF)

Comission	20%	14%	8%
Management expenses	122%	130%	192%
Modarib share	-2%	-1%	-1%
Net investment income	-33%	-86%	-9%
General and administrative expenses	51%	51%	89%
Other (Loss) / Gain	0%	0%	1%
Cede money	0%	0%	0%
Taxation	-20%	-9%	-66%
Profit / (Loss) after Taxation	-38%	1%	-114%
	100%	100%	100%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December, 2010

This statement is being presented to comply with the Code of corporate governance for Insurance Companies for the purpose of establishing a framework of good governance, whereby an Insurance company is managed in compliance with the best practices of corporate governance.

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

1. The directors have confirmed that none of them is serving as a director in ten or more listed companies, incorporated in Pakistan.
2. The resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
3. There were three casual vacancies during the year; two were duly filled-in by the directors within required time.
4. The Company has prepared a 'Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.
6. All the 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 CEO, have been taken by the Board.
7. The meetings of the Board were presided over the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all the necessary aspects of internal control given in the code.
9. No orientation course for the directors during the year was arranged, however, directors being senior executives and experienced businessmen and bankers are aware of their responsibilities as directors.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the code.
14. The Board has formed underwriting/ claim settlement/ retakaful & cotakaful committee (s).
15. The Board has formed an audit committee. It comprises 3 members, of whom all are non-executive directors including the chairman of the committee.
16. The meetings of the committees were held during the financial year 2010 as required by the Code. The terms of reference of the audit committee have been formed and advised to the committee for compliance.
17. Internal audit function has been set-up and operational.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied.

On behalf of the Board of Directors



Said Gul
Chief Executive Officer

SHARIAH AUDIT REPORT TO THE BOARD OF DIRECTORS

for the year ended 31 December 2010

الحمد لله رب العلمين والصلاة والسلام على سيد الأنبياء والمرسلين
محمد النبي الأمي وعلى آله وصحبه أجمعين ، وبعد؛

We have examined the accompanying financial statements of Pak-Qatar General Takaful Limited for the year ended 31 December 2010.

We acknowledge that, as Shariah Advisory Board members of the Company, it is our responsibility to ensure that the financial arrangements, contracts and transactions entered into by the Company with its customers and stakeholders are in compliance with the requirements of Shariah rules and principles. It is the responsibility of the Company' management to ensure that the rules and principles as well as guidelines set by the Shariah Advisory Board are complied with and all products and services offering are duly approved by the Shariah Advisory Board.

The scope of our audit primarily involves the review of Company's compliance with the Shariah Guidelines. The audit includes examining the appropriate evidence of the transactions undertaken by the Company during the year 2010.

Members of the Shariah Advisory Board visited the premises frequently and observed different transactions and activities. The Shariah Department of the Company actively coordinated with the Shariah Advisory Board throughout the year and extended full support. Any issues of concern which surfaced were resolved during meetings with the management, which was then duly directed for its implementation.

Following approvals/guidelines have been issued by the SAB up till now

- Halal / Haram Business Guidelines for Takaful Membership
- Investment Criteria and Guidelines
- Re-Takaful Guidelines
- Charity Guidelines for the company
- Co-Takaful Guidelines
- Surplus Distribution Guidelines
- Shariah Approvals of Investments on regular basis
- New Products and Riders, like; Erection All Risk Takaful Policy, Money Takaful Coverage (ATM/Counter withdrawal), Terrorism Takaful Policy, Various Agreements and M.O.U.s with different Tracker companies and banks as well.

We are glad to observe that the management is working on compliance set up to ensure compliance; dealing with misspelling and fraud; and working towards developing an atmosphere consistent with our vision in the Companies' branches. An increased emphasis on Takaful and Ethics has also been observed in the training for new recruits.

It is the responsibility of the Shariah Advisory Board to express its opinion on the submitted financial statements. In our opinion, and to the best of our understanding based on provided information and explanations:

- (i) The financial transactions undertaken by the Company, during the year ended 31 December 2010 (except those few which had some irregularities from the Shariah point of view but have been duly resolved) were in accordance with the guidelines prescribed by the Shariah Advisory Board and conform with the requirements of Takaful Rules, 2005; and
- (ii) “Operations Department” has performed much better in 2010 than it did in 2009, with respect to underwriting and claims. Cases were sampled randomly, and it was heartening to note that not a single case had violated the Shariah Guidelines in any respect. Moreover, rejected claims were also sampled to see if there had been malpractice. No case of unfairly rejected claims, transgressing against the Shariah, was found. Alhamdulillah!
- (iii) In short, the Company was, in all transactional respects, in compliance with the Shariah principles. Moreover, we also concur with the accounting policies adopted for incorporation of Participant Takaful Fund (Waqf Fund) into the accompanying financial statements.

اَللّٰهُمَّ اَرِنَا الْحَقَّ حَقًّا وَّارْزُقْنَا اتِّبَاعَهُ وَاَرِنَا الْبَاطِلَ بَاطِلًا وَّارْزُقْنَا اجْتِنَابَهُ

O Allah! Enable us to see the Truth as Truth and give us the ability to follow it. And enable us to see the falsehood as false and give us the ability to refrain from it. Ameen.

On behalf of Chairman of Shariah Advisory Board



Dr. Mufti Ismatullah
Shariah Advisory Board Member



Dr. Mufti Zubair Ashraf Usmani
Shariah Advisory Board Member

KARACHI
07 April, 2011

شریعت آڈٹ رپورٹ برائے بورڈ آف ڈائریکٹرز

الحمد لله رب العلمین والصلاة والسلام علی سید الأنبیاء والمرسلین
محمد النبی الأُمّی وعلی آلہ وصحبہ أجمعین، وبعد،

الحمد لله، ہم نے پاک قطر جنرل ٹیکافل لمیٹڈ کے مالیاتی اسٹیٹمنٹس برائے سال 2010ء کا جائزہ لیا۔
ہم کمپنی کے شریعہ ایڈوائزری بورڈ کی حیثیت سے اس بات سے بخوبی باخبر ہیں کہ کمپنی سے متعلق تمام مالی معاملات اور مختلف
عقود و معاہدات کو شرعی قواعد و ضوابط کے مطابق یقینی بنانا ہماری ذمہ داری ہے۔ اسی طرح کمپنی مینجمنٹ کی یہ ذمہ داری ہے کہ وہ اس بات
کو یقینی بنائیں کہ تمام ٹیکافل پراڈکٹس اور ٹیکافل خدمات شرعی قواعد و ضوابط کے مطابق اور باقاعدہ شریعت بورڈ سے منظور شدہ ہوں۔
شرعی قواعد و ضوابط کے مطابق کمپنی کے شریعت کمپلائنس ہونے کا جائزہ لینا ہمارے آڈٹ کے دائرہ میں آتا ہے۔
شریعت ایڈوائزری بورڈ میمبرز کمپنی کی برانچز کا گاہے بگاہے دورہ کرتے ہیں اور مختلف معاملات کا جائزہ لیتے رہتے ہیں۔ کمپنی
کے شریعت کمپلائنس ڈیپارٹمنٹ نے ماشاء اللہ پورے سال بہت اہتمام سے شریعت ایڈوائزری بورڈ کے ساتھ عملاً تعاون کیا۔ دورانِ سال
جب بھی کوئی مسئلہ درپیش ہوا تو فوری طور پر انتظامیہ کیساتھ میٹنگ کر کے حل کر لیا گیا اور انتظامیہ کو شرعی قواعد و ضوابط کے مطابق اس کی
تنفیذ کے سلسلے میں ہدایات جاری کر دی گئیں۔

اب تک شریعت ایڈوائزری بورڈ کی طرف سے مندرجہ ذیل منظوریوں / رہنما اصول جاری کیے گئے:

☆ رہنما اصول برائے حلال اور حرام کاروبار متعلقہ ٹیکافل رکنیت

☆ رہنما اصول برائے سرمایہ کاری

☆ رہنما اصول برائے ری ٹیکافل

☆ رہنما اصول برائے چیریٹی فنڈ

☆ رہنما اصول برائے کو-ٹیکافل

☆ رہنما اصول برائے سرپلس

☆ مستقل بنیادوں پر سرمایہ کاری کے لئے متعلقہ کمپنیوں اور اسلامک میوچل فنڈز کی جانچ پڑتال و منظوری

☆ نئی ٹیکافل پراڈکٹس مثلاً: ایریکشن آل رسک ٹیکافل پالیسی، منی ٹیکافل کوریج، (اے ٹی ایم اور کاؤنٹر سے یوٹ کیش) ٹیریزم

ٹیکافل پالیسی، اسلامی بینکوں اور مختلف کمپنیوں کے ساتھ ہونے والے معاہدات کا جائزہ و منظوری۔

ہمیں یہ جان کر خوشی ہے کہ انتظامیہ اپنی تمام برانچز میں شریعت کمپلائنس سیٹ اپ کیلئے کام کر رہی ہے، نیز ہر برانچ میں ٹیکافل
سے متعلق باقاعدہ تربیتی پروگرام بھی منعقد کئے جا رہے ہیں۔

ہماری معلومات کے مطابق:

۱..... سال 2010ء میں کمپنی کی جانب سے کیے گئے تمام مالی معاملات (سوائے اُن چند معاملات کے جو شرعی اعتبار سے درست نہ تھے اور ان کو باقاعدہ طور پر حل بھی کر لیا گیا) شریعہ ایڈوائزری بورڈ کی جانب سے دی گئی گائڈ لائنز اور تکافل رولز 2005ء کے مطابق تھے۔

۲..... گزشتہ سال کی بنسبت رواں سال کمپنی کے آپریشن ڈیپارٹمنٹ نے شریعہ بورڈ کی جانب سے وقتاً فوقتاً دی جانے والی ہدایات کے مطابق اپنی ذمہ داریوں کو بحسن و خوبی انجام دیا اور کوئی غیر شرعی پہلو نہیں پایا گیا۔

۳..... الحمد للہ، مجموعی اعتبار سے کمپنی کے معاملات شرعی قواعد و ضوابط کے مطابق تھے، نیز ہم وقف فنڈ کے لئے اختیار کی گئی اکاؤنٹنگ پالیسیز کیساتھ بھی اتفاق کرتے ہیں۔

اللَّهُمَّ ارِنَا الْحَقَّ حَقًّا وَارْزُقْنَا اتِّبَاعَهُ وَارِنَا الْبَاطِلَ بَاطِلًا وَارْزُقْنَا اجْتِنَابَهُ

اللہ تعالیٰ سے دُعا ہے کہ وہ ہم سب کو اخلاص کیساتھ کام کرنے کی توفیق عطا فرمائے، نیز حق بات کو حق دکھلائے اور اس کی اتباع کی توفیق عطا فرمائے اور باطل کو باطل دکھلائے اور اس سے بچنے کی توفیق عطا فرمائے (آمین)

در نیابت چیئرمین شریعہ ایڈوائزری بورڈ

مفتی زبیر اشرف عثمانی
ممبر شریعہ ایڈوائزری بورڈ

ڈاکٹر مفتی عصمت اللہ
ممبر شریعہ ایڈوائزری بورڈ

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2010 prepared by the Board of Directors of Pak Qatar General Takaful Limited (the Company) to comply with the Best Practices of the Code, as required under Section B of S.R.O 68 (I)/2003 dated 21 January 2003.

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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. 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 part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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 2010.



KARACHI
09 April, 2011

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

- i) balance sheet;
- ii) profit and loss account;
- iii) statement of changes in equity;
- iv) cash flow statement;
- v) statement of contributions;
- vi) statement of claims;
- vii) statement of expenses; and
- viii) statement of investment income

of **Pak - Qatar General Takaful Limited** as at **31 December 2010** together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000, and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied, except for the changes in accounting policies as stated in note 5 to the financial statements with which we concur;
- (c) the financial statements together with the notes thereon present fairly in all material respects, the state of the Company's affairs as at **31 December 2010** and of its financial performance, changes in equity and cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI
09 April 2011



Chartered Accountants
Audit Engagement Partner: Omer Chughtai

BALANCE SHEET

As at December 31, 2010

	Note	2010	2009 (Rupees) Restated	2008 Restated
SHARE CAPITAL AND RESERVES				
[SHAREHOLDERS' FUND (SHF)]				
Authorised share capital	9	400,000,000	400,000,000	400,000,000
Paid-up share capital	9	307,800,080	307,800,080	307,800,080
Accumulated loss		(41,059,951)	(12,434,895)	(16,050,731)
		266,740,129	295,365,185	291,749,349
ADVANCE AGAINST FUTURE ISSUE OF SHARE CAPITAL				
		2,660,568	2,660,568	2,660,568
Waqf / Participants' Equity				
[PARTICIPANTS' TAKAFUL FUND (PTF)]				
Cede money		500,000	500,000	500,000
Accumulated deficit		(93,757,369)	(55,416,838)	(13,077,238)
		(93,257,369)	(54,916,838)	(12,577,238)
PTF UNDERWRITING PROVISIONS				
Reserve for claims – IBNR		2,250,000	1,500,000	22,500
Provision for outstanding reported claims	10	79,892,470	51,289,353	10,053,016
Reserve for unearned contribution		58,252,760	58,376,221	28,306,628
Reserve for unearned retakaful rebate		5,440,294	3,112,049	2,030,164
Contribution deficiency reserve		4,049,023	2,575,582	-
		149,884,547	116,853,205	40,412,308
CREDITORS AND ACCRUALS				
Amount due to co-takaful / retakaful operators (PTF)		38,043,696	20,659,446	8,717,498
Accrued expenses (SHF)	11	923,543	1,003,543	801,402
Other creditors and accruals	12	10,376,615	4,206,458	2,509,403
		49,343,854	25,869,447	12,028,303
TOTAL EQUITY AND LIABILITIES				
		375,371,729	385,831,567	334,273,290
COMMITMENTS				
	13			

The annexed notes from 1 to 33 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

BALANCE SHEET

As at December 31, 2010

	Note	2010	2009 (Rupees) Restated	2008 Restated
CASH AND BANK DEPOSITS	14			
Cash and other equivalents		407,600	361,569	102,012
Current and other accounts		13,908,679	29,802,222	40,440,858
Deposits maturing within 12 months		-	-	95,000,000
		14,316,279	30,163,791	135,542,870
INVESTMENTS	15	183,764,300	221,674,407	122,485,197
LONG-TERM SECURITY DEPOSITS		1,045,675	2,381,175	1,793,176
DEFERRED TAX ASSET (SHF)	16	22,888,821	6,805,926	965,383
CURRENT ASSETS – OTHERS				
Contribution due but unpaid – unsecured considered good (PTF)	17	43,471,208	38,540,198	15,740,445
Accrued investment income	18	5,146,272	5,115,849	9,817,512
Taxation – payment less provision		6,433,328	5,297,890	2,410,931
Retakaful and other recoveries in respect of outstanding claims (PTF)		16,185,819	4,964,596	464,943
Deferred commission expense (SHF)		5,994,833	3,333,260	1,123,321
Prepayments	19	20,228,700	14,508,812	9,189,267
Sundry receivables – considered good	20	2,060,697	587,473	1,821,537
		99,520,857	72,348,078	40,567,956
FIXED ASSETS (SHF)	21			
Tangible				
Furniture and fixtures		10,334,005	6,556,226	5,901,164
Office equipment		5,294,568	3,172,227	2,206,989
Motor vehicles		15,947,853	18,473,416	10,995,588
Computer equipment		4,216,686	4,351,760	2,052,047
		35,793,112	32,553,629	21,155,788
Intangible				
Computer software		8,335,943	9,784,650	11,006,655
Capital work in progress		9,706,742	10,119,911	756,265
Total fixed assets		53,835,797	52,458,190	32,918,708
TOTAL ASSETS		375,371,729	385,831,567	334,273,290

The annexed notes from 1 to 33 form an integral part of these financial statements.


Chairman


Chief Executive


Director


Director

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2010

	Note	Fire and property	Marine, aviation and transport	Motor	Miscellaneous	2010 Aggregate	2009 Aggregate Restated
(Rupees)							
PTF REVENUE ACCOUNT							
Net contribution revenue		(5,515,137)	(1,572,743)	94,225,907	287,058	87,425,085	52,146,390
Net claims – reported / settled		(1,734,196)	(4,166,798)	(130,014,705)	(1,703,965)	(137,619,664)	(99,074,041)
– IBNR		(200,000)	300,000	-	(850,000)	(750,000)	(1,477,500)
		(1,934,196)	(3,866,798)	(130,014,705)	(2,553,965)	(138,369,664)	(100,551,541)
		(7,449,333)	(5,439,541)	(35,788,798)	(2,266,907)	(50,944,579)	(48,405,151)
Contribution deficiency (expense) / reversal		(3,020,350)	(295,588)	1,842,497	-	(1,473,441)	(2,575,582)
Direct expense		(506,483)	-	(104,580)	-	(611,063)	(79,100)
Net retakaful rebate		6,992,743	3,664,065	69,593	2,732,667	13,459,068	7,831,617
(Deficit) / surplus before investment income		(3,983,423)	(2,071,064)	(33,981,288)	465,760	(39,570,015)	(43,228,216)
Net investment income						2,195,594	888,616
Provision for doubtful contribution net of wakala	22					(966,110)	-
Deficit transferred to participants' equity						(38,340,531)	(42,339,600)
SHF REVENUE ACCOUNT							
Wakala income		16,524,018	7,565,499	43,839,038	7,873,989	75,802,544	51,510,596
Commission expense		(4,766,173)	(2,561,581)	(6,634,961)	(1,316,233)	(15,278,948)	(6,919,046)
Management expenses	24	(15,671,009)	(7,172,893)	(62,359,682)	(7,469,446)	(92,673,030)	(64,372,050)
		(3,913,164)	(2,168,975)	(25,155,605)	(911,690)	(32,149,434)	(19,780,500)
Modarib share of PTF investment income	25					1,463,729	592,409
Net investment income						25,390,387	42,614,380
General and administrative expenses	26					(38,581,666)	(25,402,230)
Other income / (charges)	27					182,903	(1,380)
Loss before taxation						(43,694,081)	(1,977,321)
Provision for taxation – current	28					(1,013,870)	(247,386)
– deferred						16,082,895	5,840,543
(Loss) / profit after taxation						(28,625,056)	3,615,836

The annexed notes from I to 33 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	Note	2010	2009 Restated
		—————(Rupees)—————	
OPERATING CASH FLOWS			
(a) Takaful activities			
Contributions received		210,622,028	148,178,126
Claims paid		(133,797,477)	(71,991,100)
Payment to retakaful operator		(14,667,274)	(9,918,609)
Commission paid		(13,767,727)	(6,901,287)
Other retakaful payments		(611,063)	(79,100)
Net cash inflow from takaful activities		47,778,487	59,288,030
(b) Other operating activities			
Income tax paid		(2,149,308)	(3,134,345)
General and other expenses paid		(120,740,884)	(84,168,532)
Advances and deposits		1,335,500	(587,999)
Other operating (payments) / receipts		(3,443,260)	572,776
Net cash used in from other operating activities		(124,997,952)	(87,318,100)
Total cash used in all operating activities		(77,219,465)	(28,030,070)
INVESTMENT ACTIVITIES			
Profit / return received		29,266,169	49,318,874
Payment for investments		(177,070,610)	(233,466,196)
Proceeds from investment		219,754,484	133,941,245
Proceeds from disposal of fixed assets		2,004,298	9,450
Fixed capital expenditure		(12,582,388)	(27,152,382)
Total cash used in from investing activities		61,371,953	(77,349,009)
Net cash used in all activities		(15,847,512)	(105,379,079)
Cash at the beginning of the year		30,163,791	135,542,870
Cash at the end of the year	14	14,316,279	30,163,791

..... Continued

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	Note	2010	2009 Restated
		—————(Rupees)—————	
Reconciliation to consolidated profit and loss account			
Operating cash flows		(77,219,465)	(28,030,070)
Depreciation		(7,348,374)	(5,297,965)
Amortisation		(2,014,191)	(2,304,322)
Exchange gain		20,821	(2,568)
Gain on disposal of fixed assets		162,082	1,188
Contribution discount		-	724,104
Provision for bad debt		(1,629,286)	-
Investment income		29,184,092	44,095,405
Increase in liabilities		(56,408,937)	(61,266,492)
Increase in assets		31,192,799	34,699,047
Increase in unearned contribution		(123,461)	(30,069,593)
Income tax paid		2,149,308	3,134,345
Loss before taxation		(82,034,612)	(44,316,921)
Deficit in participants' equity		(38,340,531)	(42,339,600)
Loss before tax attributable to shareholders		(43,694,081)	(1,977,321)
		(82,034,612)	(44,316,921)

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 in hand and which are used in the cash management function on a day-to-day basis.

	Note	2010	2009
		<u>(Rupees)</u>	
Cash for the purposes of the statement of cash flows consists of :			
Cash and other equivalents			
Cash in hand		267,296	159,069
Stamps in hand		140,304	202,500
		407,600	361,569
Current and other accounts			
Current accounts		765,013	1,062,710
Saving accounts		13,143,666	28,739,512
		13,908,679	29,802,222
Deposits maturing within 12 months (encashable on demand)	-	14,316,279	30,163,791

The annexed notes from I to 33 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2010

	(SHF)		
	Issued, subscribed and paid-up	Accumulated loss	Total
	(Rupees)		
Balance as at December 31, 2008 as previously reported	307,800,080	(29,224,012)	278,576,068
Effect of change in accounting policy - Refer note 5.1	-	13,173,281	13,173,281
Balance as at December 31, 2008 – Restated	<u>307,800,080</u>	<u>(16,050,731)</u>	<u>291,749,349</u>
Balance as at January 01, 2009 – Restated	307,800,080	(16,050,731)	291,749,349
Profit for the year – Restated	-	3,615,836	3,615,836
Balance as at December 31, 2009	<u>307,800,080</u>	<u>(12,434,895)</u>	<u>295,365,185</u>
Loss for the year	-	(28,625,056)	(28,625,056)
Balance as at December 31, 2010	<u><u>307,800,080</u></u>	<u><u>(41,059,951)</u></u>	<u><u>266,740,129</u></u>
	(PTF)		
	Cede money	Accumulated deficit	Total
	(Rupees)		
Balance as at December 31, 2008 as previously reported	500,000	(13,383,085)	(12,883,085)
Effect of change in accounting policy - Refer note 5.1	-	305,847	305,847
Balance as at December 31, 2008 Restated	<u>500,000</u>	<u>(13,077,238)</u>	<u>(12,577,238)</u>
Balance as at January 01, 2009 – Restated	500,000	(13,077,238)	(12,577,238)
Deficit for the year – Restated	-	(42,339,600)	(42,339,600)
Balance as at December 31, 2009 – Restated	<u>500,000</u>	<u>(55,416,838)</u>	<u>(54,916,838)</u>
Deficit for the year	-	(38,340,531)	(38,340,531)
Balance as at December 31, 2010	<u><u>500,000</u></u>	<u><u>(93,757,369)</u></u>	<u><u>(93,257,369)</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.


Chairman


Chief Executive


Director


Director

STATEMENT OF CONTRIBUTIONS

For the year ended December 31, 2010

Takaful business underwritten inside Pakistan

	contri- butions written	Wakala Fee	Net contri- butions	Unearned contribution			Prepaid retakaful ceded				2010	2009
				reserve		Contri- butions earned	Retakaful ceded			Retakaful expense	Net	Net
				Opening	Closing			Opening	Closing		Contri- bution revenue	Contri- bution revenue
(Rupees)												
Direct and facultative												
Fire and property	36,731,664	16,524,018	20,207,646	6,423,295	9,438,804	17,192,137	29,433,049	7,370,951	14,096,726	22,707,274	(5,515,137)	(3,221,226)
Marine, Aviation and Transport	16,814,507	7,565,499	9,249,008	1,209,118	1,105,703	9,352,423	11,185,265	1,111,453	1,371,552	10,925,166	(1,572,743)	373,970
Motor	146,131,867	43,839,038	102,292,829	48,766,940	44,713,544	106,346,225	11,888,836	248,163	16,681	12,120,318	94,225,907	54,660,142
Miscellaneous	17,504,286	7,873,989	9,630,297	1,976,868	2,994,709	8,612,456	8,891,394	1,447,222	2,013,218	8,325,398	287,058	333,504
	217,182,324	75,802,544	141,379,780	58,376,221	58,252,760	141,503,241	61,398,544	10,177,789	17,498,177	54,078,156	87,425,085	52,146,390

The annexed notes from 1 to 33 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

STATEMENT OF CLAIMS

For the year ended December 31, 2010

Takaful business underwritten inside Pakistan

	Claims Paid	Provision for outstanding reported claims		Claims expense	Retakaful and other recoveries Received	Retakaful and other recoveries in respect of outstanding claims		Retakaful and other recoveries revenue	2010 Net claims expense	2009 Net claims expense
		Opening	Closing			Opening	Closing			
(Rupees)										
Direct and facultative										
Fire and Property	4,123,291	3,072,446	6,464,500	7,515,345	2,602,887	1,938,996	5,117,258	5,781,149	1,734,196	3,057,126
Marine, Aviation and Transport	4,030,087	435,000	6,821,918	10,417,005	2,418,056	261,000	4,093,151	6,250,207	4,166,798	1,194,620
Motor	123,966,831	47,240,967	64,875,419	141,601,283	7,656,568	2,611,600	6,541,610	11,586,578	130,014,705	94,422,340
Miscellaneous	1,677,268	540,940	1,730,633	2,866,961	882,196	153,000	433,800	1,162,996	1,703,965	399,955
	<u>133,797,477</u>	<u>51,289,353</u>	<u>79,892,470</u>	<u>162,400,594</u>	<u>13,559,707</u>	<u>4,964,596</u>	<u>16,185,819</u>	<u>24,780,930</u>	<u>137,619,664</u>	<u>99,074,041</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.


Chairman


Chief Executive


Director


Director

STATEMENT OF EXPENSES

For the year ended December 31, 2010

Takaful business underwritten inside Pakistan

	Commission paid or payable	Deferred Commission Opening	Commission Closing	Net commission expense	Direct expenses	Takaful expense	Rebate from retakaful operators	2010 Net takaful expense	2009 Net takaful expense
	(Rupees)								
Direct and facultative									
Fire and property	6,367,036	1,226,003	2,826,866	4,766,173	506,483	5,272,656	6,992,743	(1,720,087)	(2,696,929)
Marine, Aviation and Transport	2,624,736	241,126	304,281	2,561,581	-	2,561,581	3,664,065	(1,102,484)	(737,671)
Motor	7,315,354	1,800,170	2,480,563	6,634,961	104,580	6,739,541	69,593	6,669,948	3,538,230
Miscellaneous	1,633,395	65,961	383,123	1,316,233	-	1,316,233	2,732,667	(1,416,434)	(937,101)
Total	17,940,521	3,333,260	5,994,833	15,278,948	611,063	15,890,011	13,459,068	2,430,943	(833,471)

The annexed notes from 1 to 33 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

STATEMENT OF INVESTMENT INCOME

For the year ended December 31, 2010

	Note	2010 —————(Rupees)—————	2009
Income from non-trading investments			
PTF			
Profit on bank balances and deposits		1,155,860	834,373
Profit on Government securities		1,563,756	629,855
Gain on sale of investments		880,044	7,187
Amortisation of discount of Government securities		59,663	-
Dividend income		-	9,610
		3,659,323	1,481,025
Less: Modarib's fee	25	(1,463,729)	(592,409)
Net investment income		2,195,594	888,616
SHF			
Profit on bank balances and deposits		464,355	1,822,401
Gain on sale of investments		3,912,708	19,909,446
Dividend income		896,250	1,697,957
Profit on Government securities		12,004,905	11,294,272
Profit on other securities		8,306,214	8,226,047
Amortisation of premium of Government securities		(567,672)	(677,540)
Amortisation of discount of other securities		373,627	341,797
		20,117,074	19,184,576
Net investment income		25,390,387	42,614,380

The annexed notes from 1 to 33 form an integral part of these financial statements.


Chairman


Chief Executive


Director


Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

I. CORPORATE INFORMATION

Pak-Qatar General Takaful Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on March 15, 2006. The Company received Certificate of Registration on August 16, 2007 under section 6 of the Insurance Ordinance, 2000. The registered office of the Company is situated at Suite # 402-403, Business Arcade, Block 6, P.E.C.H.S., Sharea Faisal, Karachi. The main business activity of the Company is to undertake takaful business. The company operates with 8 (2009:6) branches in Pakistan.

For the purpose of carrying on the takaful business, the Company has formed a Waqf for Participants' Equity. The Waqf namely Pak Qatar General Takaful Limited Waqf [hereafter referred to as the Participant Takaful Fund (PTF)] was formed on August 17, 2007 under a trust deed executed by the Company with a cede money of Rs. 500,000/-. Waqf deed also governs the relationship of shareholders and policyholders for management of takaful operations, investment of policyholders' funds and investment of shareholders' funds approved by the Shariah Board established by the Company.

2. BASIS OF PREPARATION

These financial statements have been prepared in line with the format issued by the Securities and Exchange Commission of Pakistan (SECP) through SEC (Insurance) Rules, 2002, vide SRO 938 dated December 12, 2002, with appropriate modifications based on the approval of the Shariah Board of the Company.

These financial statements reflect the financial position and results of operations of both the Company and PTF in a manner that the assets, liabilities, income and expenses of the Company and PTF remain separately identifiable. For this purpose, the receivables and payables between the Company and PTF have been eliminated (note 6.27).

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2005 and directives issued by the SECP. Wherever the requirements of Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2005 or directives issued by the SECP differ with the requirements of IFRS / IFAS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2005 or said directives shall prevail.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of investments classified as available for sale. Accordingly, the requirements of IAS-39 to the extent allowed by the SECP as aforesaid have not been considered in the preparation of these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2009, except for changes mentioned in notes 5.1 and 5.2 to the financial statements.

- 5.1 During the year, the Company has changed its accounting policy in respect of 'revenue recognition of Wakala fee' by SHF. The Company now recognises Wakala fee upfront. The management considers that

the upfront recognition of wakala fee resulted in more accurate matching of revenue with the related takaful acquisition cost incurred by the Company. Previously, the Company recognised Wakala fee received/receivable by amortizing it over the period covered by the Takaful cover / policy. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the treatment specified in IAS 8 “Accounting Policies, Changes in Accounting estimates and Errors”.

The change in accounting policy has the following effects on these financial statements.

	Year Ended 31 December 2010 Rupees	Year Ended 31 December 2009 Rupees	Year Ended 31 December 2008 Rupees
SHF			
Increase in net wakala income	5,222,105	1,858,411	23,159,968
Decrease in accumulated loss	28,486,722	25,018,380	23,159,968
Decrease in deferred tax asset	1,652,209	8,747,679	9,986,687
Increase/(decrease) in deferred tax expense	7,095,470	1,239,009	(9,986,687)
Increase/(decrease) in profit/(loss) after tax	(6,874,314)	10,606,090	(33,146,655)
PTF			
Decrease in contribution deficiency expense	752,607	619,655	305,847
Decrease in contribution deficiency reserve	752,607	619,655	305,847
Decrease in accumulated deficit	752,607	619,655	305,847

5.2 Accounting standards that became effective during the year

The company has adopted the following new and amended IFRS and related interpretations that became effective during the year:

Standard or interpretation

IFRS 2	Share-based Payments: Amendments relating to Group Cash-Settled Share-based Payment Transactions
IFRS 3	Business Combinations (Revised)
IAS 27	Consolidated and Separate Financial Statements (Amendment)
IAS 39	Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment)
IFRIC 17	Distributions of Non-cash Assets to owners

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wordings. These improvements are listed below:

Issued in May 2008

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 - Share-based Payments
 IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
 IFRS 8 - Operating Segments
 IAS 1 - Presentation of Financial Statements
 IAS 7 - Statement of Cash Flows
 IAS 17 – Leases
 IAS 36 - Impairment of Assets
 IAS 38 - Intangible Assets
 IAS 39 - Financial Instruments: Recognition and measurement
 IFRIC 19 - Reassessment of Embedded Derivatives
 IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Takaful Contracts

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the takaful event) adversely affects the policyholder 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 expire.

The PTF underwrites non-life takaful contracts that can be categorised into Fire and Property, Marine, Aviation and Transport, Motor and Miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the PTF under which the contract holder is another takaful operator / insurer (inward retakaful / reinsurance) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under the Treaty.

Fire takaful provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

Marine, aviation and transport takaful provides coverage against cargo risk, terminals, damages occurred in between the points of origin and final destination and other related perils.

Motor takaful provides comprehensive car coverage, indemnity against third party loss and other related covers.

Miscellaneous takaful provides cover against burglary, loss of cash in safe and cash in transit, money, engineering losses, travel and other coverage.

6.2 Claims

Claims comprise the settlement of events occurring during the financial year. Where applicable, deductions are made for salvage and their recoveries.

6.3 Provision for outstanding claims

PTF maintains provision in respect of all known claims against losses incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a takaful contract. The provision for claims includes expected claim settlement costs.

6.4 Reserve for claims – Incurred But Not Reported (IBNR)

Reserve for claims - IBNR is made at the estimated cost of settling claims incurred but not reported at the balance sheet date on the basis of management's best estimate which takes into account past trends, expected future pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

6.5 Contributions

Contributions including administrative surcharge received / receivable (if any) under a takaful policy are recognised as written at the time of issuance of policy. Contributions are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on contributions.

6.6 Reserve for unearned contribution

The unearned portion of contribution written net of wakala is set aside as a reserve. Such reserve is calculated according to the ratio of the unexpired period of the policy and the total period, both measured to the nearest day.

6.7 Contribution deficiency reserve

According to the requirements of the SEC (Insurance) Rules, 2002, a contribution deficiency reserve needs to be created where the unearned contribution for any class of business is not sufficient to cover the net liability expected to be incurred after the balance sheet date in respect of the policies in that class of business. Any movement in the reserve is to be charged to the profit and loss account.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined.

The expected ultimate net claim ratios for the unexpired periods of policies in force at balance sheet date for each class of business is as follows:

	%
Fire and Property	20.35
Marine, Aviation and Transport	69.53
Motor	94.24
Miscellaneous	20.88

As at year end, a provision is created in respect of contribution deficiency reserve for those classes of business where it is estimated that the unearned contribution for that class will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of policies in force at the balance sheet date.

6.8 Appropriations

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

6.9 Creditors, accruals and provisions

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

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an out flow 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 balance sheet date and adjusted to reflect the current best estimate.

6.10 Investments

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. The investments are classified upon recognition as follows:

Investments at fair value through profit and loss

These include held for trading investments and those designated under this category upon initial recognition. Subsequent to initial recognition, these are carried at fair value.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Company has a positive intent and ability to hold to maturity. These are initially measured at cost including acquisition charges associated with the investments. Subsequent to initial recognition, these investments are measured at amortised cost less any accumulated impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition by using the effective return method.

Available for sale

These are investments that do not fall under the other categories. These are initially measured at cost including acquisition charges associated with the investments. Subsequent to initial recognition, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002. In the case of fixed income investments redeemable at a given date and where the cost is different from the redemption value, such difference shall be amortised uniformly between the date of acquisition and the date of maturity in determining cost.

6.11 Retakaful Contracts

The Company cedes retakaful in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the PTF from its direct obligations to its policyholders. These retakaful contracts include both facultative and treaty arrangements contracts and are classified in same categories of takaful contracts for the purpose of these financial statements.

6.12 Retakaful recoveries against outstanding claims

Receivable against claims from the retakaful operators are recognised as an asset at the same time as the claims which gives rise to the right of recovery are recognised as a liability and are measured at the amount expected to be recovered after considering impairment in relation thereto.

6.13 Deferred commission expense

Commission incurred in obtaining and recording takaful are deferred and recognised as an asset. These costs are charged to the profit and loss account based on the pattern of recognition of contribution revenue.

6.14 Rebate from retakaful

Rebate Commission from retakaful is spread over the tenure of the policies ceded on the basis of expired period of the policy and the total period, both measured to the nearest day. The unearned portion of rebate commission from retakaful is set aside as a reserve. Such reserve is calculated as a portion of the gross contribution of each policy, determined according to the ratio of the unexpired period of the policy and the total period, both measured to the nearest day.

6.15 Prepaid retakaful

Retakaful expense is recognised evenly in the period of indemnity. The portion of retakaful contribution not recognised as an expense is shown as a prepayment.

6.16 Amount due to / from retakaful operators

Amounts due to / from retakaful operators are carried at cost less provision for impairment, if any. Cost represents the fair value of the consideration to be received / paid in the future for services rendered.

6.17 Fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged using reducing balance method at the rates specified in note 21.1 to the financial statements. Depreciation on additions is charged from the month of addition while no depreciation is charged in the month of disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

An item of fixed assets is derecognised upon disposal or when no future economic benefit is expected from its use or disposal.

Maintenance and normal repairs are charged to income as and when incurred, whereas major renewals or replacement are capitalised.

Gain or loss on disposal of the assets is recognised in the profit and loss account in the period of disposal.

Intangible

These are stated at cost less accumulated amortization and any provision for impairment loss. Amortisation on intangible fixed assets is charged to income applying the reducing balance method at the rates specified in note 21.2 to the financial statements after taking into account residual value, if any.

Full month's amortisation is calculated from the month the assets are available for use using the reducing balance method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet date.

Impairment

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

Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible assets.

6.18 Financial instruments

Financial assets and financial liabilities other than those arising out of takaful contracts are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities are recognised in the profit and loss account of the current period.

6.19 Off setting

A financial asset and financial liability other than those relating to takaful contract is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognised amounts and it intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

6.20 Revenue recognition

Contribution income under a policy is recognised over the period of takaful net of wakala fee.

Wakala fee charged from PTF is recognised upfront.

Rebate from retakaful operators is recognised at the time of issuance of the underlying takaful policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates.

Profit on Islamic investment products is recognised on an accrual basis.

Dividend income is recognised when the right to receive the dividend is established.

Gain / loss on sale of available for sale investments are included in profit and loss account in the period of sale.

6.21 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits and rebates available, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised 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.

6.22 Staff retirement benefits

Defined contribution plan

The Company operates an approved Contributory provident fund for all its permanent employees. Contributions are made by both the Company and the employees to the fund at the rate of 10% of basic salary. Contribution made by the Company is recognised as an expense.

6.23 Other management expenses

Expenses allocated to the takaful business represent directly attributable expenses. Expenses not directly allocable to takaful business are charged to SHF and allocated on the basis of gross contribution written during the year.

6.24 Foreign currencies

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account

6.25 Segment reporting

The company's operating businesses are recognised and managed separately according to the nature of services provided with each segment representing a strategic business unit that serves different markets.

The fire takaful provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

The marine takaful provides coverage against cargo risk, war risk, damages occurred in inland transit and other related perils.

The motor takaful provides comprehensive car coverage, indemnity against third party loss and other related covers.

Miscellaneous takaful provides cover against burglary, loss of cash in safe and cash in transit, money, engineering losses, travel and other coverage.

6.26 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 deducting the claims paid to them during the year.

6.27 Qard-e-Hasna

Qard-e-Hasna is provided by SHF to PTF in case of deficit in PTF. However, such amount is eliminated while consolidating the financial statements.

7. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Note
Provision for outstanding claims	6.3
Reserve for claims - IBNR	6.4
Contribution deficiency reserve	6.7
Classification of investments	6.10 & 15
Useful lives of assets and method of depreciation	6.17 & 21
Provision for taxation - current and deferred	6.21 & 16
Allocation of management expenses	6.23
Wakala fee from PTF	23

8. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS

8.1 Accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation

Standard or interpretation**Effective date
(accounting periods
beginning on or after)**

IAS 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	01 February 2010
IAS 24	Related Party Disclosures (Revised)	01 January 2011
IAS 12	Income Taxes: Deferred Tax Amendment – Recognition of Underlying Assets	01 January 2012
IFRIC 14	The Limit on Defined Benefit Assets, Minimum Funding – IAS 19 Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

2010 **2009**
—————(Rupees)—————

9. SHARE CAPITAL**9.1. Authorised share capital**

Number of shares				
2010	2009			
<u>40,000,000</u>	<u>40,000,000</u>	Ordinary shares of Rs. 10/- each.	<u>400,000,000</u>	<u>400,000,000</u>

9.2. Paid-up share capital

Issued, subscribed and paid up capital

Number of shares				
2010	2009			
<u>30,780,008</u>	<u>30,780,008</u>	Ordinary shares of Rs. 10/- each fully paid in cash	<u>307,800,080</u>	<u>307,800,080</u>

2010		2009	
Number of shares	Holding %	Number of shares	Holding %

9.3. Major shareholders of the Company are:

Qatar National Bank	5,000,000	16.25	5,000,000	16.25
Qatar Islamic Insurance	3,251,250	10.56	3,251,250	10.56
Masraf Al Rayan	6,000,000	19.50	6,000,000	19.50
Fawad Yousuf Securities (Private) Limited	3,078,000	10.00	3,078,000	10.00
	<u>17,329,250</u>		<u>17,329,250</u>	

	2010	2009
	(Rupees)	
10. PROVISION FOR OUTSTANDING REPORTED CLAIMS		
Related parties	1,200,500	295,158
Others	78,691,970	50,994,195
	<u>79,892,470</u>	<u>51,289,353</u>

11. ACCRUED EXPENSES		
Legal and professional charges	37,740	37,900
Rent, rates and electricity	141,114	42,448
Communications	110,333	146,000
Printing and stationery	12,388	20,788
Traveling and entertainment	-	52,411
Salaries and other benefits	-	158,156
Auditors remuneration payable	300,000	275,000
Consultancy charges	219,750	-
Vehicles running and maintenance	102,218	270,840
	<u>923,543</u>	<u>1,003,543</u>

12. OTHER CREDITORS AND ACCRUALS

	2010			2009		
	PTF	SHF	Total	PTF	SHF	Total
	(Rupees)					
Federal excise duty	6,973	-	6,973	-	-	-
Federal insurance fee	654	-	654	-	-	-
Commission payable	-	7,553,181	7,553,181	-	3,380,387	3,380,387
Stale cheques	68,646	237,243	305,889	63,507	123,376	186,883
Trakker charges payable	2,357,091	-	2,357,091	639,188	-	639,188
Charity payable	-	118,376	118,376	-	-	-
Other liability	-	34,451	34,451	-	-	-
	<u>2,433,364</u>	<u>7,943,251</u>	<u>10,376,615</u>	<u>702,695</u>	<u>3,503,763</u>	<u>4,206,458</u>

13. COMMITMENTS

Commitment for the ERP software implementation amount to Rs. 2,920,600/- (2009: Rs. 2,866,200/-).

14. CASH AND BANK DEPOSITS

Note	2010			2009		
	PTF	SHF	Total	PTF	SHF	Total
	(Rupees)					
Cash and other equivalents						
Cash in hand	-	267,296	267,296	-	159,069	159,069
Stamps in hand	140,304	-	140,304	202,500	-	202,500
	<u>140,304</u>	<u>267,296</u>	<u>407,600</u>	<u>202,500</u>	<u>159,069</u>	<u>361,569</u>
Current and other accounts						
Current accounts						
- Local currency	225,551	539,462	765,013	403,701	659,009	1,062,710
Saving accounts	6,755,383	6,388,283	13,143,666	12,295,425	16,444,087	28,739,512
	<u>6,980,934</u>	<u>6,927,745</u>	<u>13,908,679</u>	<u>12,699,126</u>	<u>17,103,096</u>	<u>29,802,222</u>
	<u>7,121,238</u>	<u>7,195,041</u>	<u>14,316,279</u>	<u>12,901,626</u>	<u>17,262,165</u>	<u>30,163,791</u>

14.1 These carry expected profit rates ranging from 5.00% to 8.00% (2009: 3.00% to 5.00%) per annum.

15. INVESTMENTS

	Note	2010			2009		
		PTF	SHF	Total (Rupees)	PTF	SHF	Total
Held to maturity							
Sukuk certificates	15.1 & 15.2	5,000,000	141,235,776	146,235,776	5,000,000	147,474,684	152,474,684
Available for sale							
Mutual funds	15.3	786,895	13,791,661	14,578,556	5,007,187	52,395,636	57,402,823
Listed securities	15.4	-	11,280,441	11,280,441	-	11,796,900	11,796,900
Sukuk certificates	15.5	11,669,527	-	11,669,527	-	-	-
		17,456,422	166,307,878	183,764,300	10,007,187	211,667,220	221,674,407

15.1 WAPDA Sukuk certificates amounting to Rs. 31,000,000/- (2009: Rs. 31,000,000/-) are held under lien with the State Bank of Pakistan in compliance with requirements of Section 29 of the Insurance Ordinance, 2000.

15.2 Held to maturity

2010	2009	Name of the investee company / organisations	Note	PTF		SHF	
				2010	2009	2010	2009
Number of certificates		(Rupees)					
Sukuk Certificates							
5,000	5,000	WAPDA 1st Sukuk Certificates	15.2.2	-	-	27,306,005	28,237,264
3,000	3,000	WAPDA 2nd Sukuk Certificates	15.2.3	-	-	15,035,509	15,038,600
4,200	4,200	Karachi Shipyard and Engineering Works Sukuk Certificates – I	15.2.4	-	-	20,770,134	20,740,824
600	600	Karachi Shipyard and Engineering Works Sukuk Certificates – II	15.2.5	-	-	3,000,000	3,000,000
100	100	Government of Pakistan Ijara – Sukuk (Face Value of Rs. 100,000 each)	15.2.6	5,000,000	5,000,000	5,000,000	5,000,000
4,000	4,000	Sui Southern Gas Company Sukuk Certificates (Face Value of Rs. 4,000 each)	15.2.7	-	-	15,045,856	18,753,351
2,000	2,000	Century Paper & Board Mills Limited – Sukuk (Face Value of Rs. 4,000 each)	15.2.8	-	-	7,182,605	9,055,791
10,000	10,000	Engro Chemical Pakistan Limited – Sukuk	15.2.9	-	-	47,895,667	47,648,854
				5,000,000	5,000,000	141,235,776	147,474,684

15.2.1 Sukuk Certificates having face value of Rs. 5,000/- each, unless stated otherwise.

15.2.2 The expected profit rate is equivalent to six months KIBOR plus 35 basis points receivable semi-annually and provisional basis with maturity in October 2012. These are backed by the Government of Pakistan's Sovereign guarantee.

15.2.3 The expected profit rate is equivalent to six months KIBOR minus 25 basis points receivable semi-annually on provisional basis with maturity in July 2017. These are backed by the Government of Pakistan's Sovereign guarantee.

- 15.2.4** The expected profit rate is equivalent to six months KIBOR plus 40 basis points receivable semi-annually with maturity in November 2015. These are backed by the Government of Pakistan's Sovereign guarantee.
- 15.2.5** The expected profit rate is equivalent to six months KIBOR plus 40 basis points receivable semi-annually with maturity in February 2016. These are backed by the Government of Pakistan's Sovereign guarantee.
- 15.2.6** The profit on sukuk shall be paid semi-annually on the basis of rentals rate announced by the State Bank of Pakistan prior to start of each half year. The sukuk shall not be redeemable before maturity in September 2011. These are backed by the Government of Pakistan's Sovereign guarantee.
- 15.2.7** The expected profit rate is equivalent to three months KIBOR plus 20 basis points receivable quarterly with maturity in 2013. These are backed by mortgage charge over the properties of the company.
- 15.2.8** The expected profit at the rate calculated through average of six months KIBOR plus 135 basis point receivable semi-annually with maturity in September 2014. These are secured by way of mortgage of immovable property of the company and ranking of the hypothecation charge over the assets.
- 15.2.9** These carry expected profit at the rate of six months KIBOR plus 150 basis points receivable semi-annually with maturity in September 2015. The facility amount will be contributed against ranking charge over all present and future asset of the company.

15.3 Details of investments in mutual funds – available for sale

2010	2009	Name of the investee funds	PTF		SHF	
			2010	2009	2010	2009
Number of units			 Cost (Rupees)			
-	70,138	United Islamic Income Fund	-	-	-	7,032,776
328,246	293,308	Meezan Capital Protected Fund – I	-	-	13,383,498	13,383,497
-	649,260	Meezan Islamic Income Fund	-	-	-	31,942,498
6,062	-	Meezan Sovereign Fund	281,827	-	-	-
18,897	101,184	Meezan Cash Fund	505,068	5,007,187	408,163	36,865
			786,895	5,007,187	13,791,661	52,395,636

15.3.1 Units having face value of Rs. 50/- each, unless stated otherwise.

15.4 Details of investments in listed securities – available for sale

2010	2009	Name of the companies	PTF		SHF	
			2010	2009	2010	2009
Number of shares			(Rupees)			
-	35,000	Lucky Cement Limited	-	-	-	2,507,709
-	8,800	Pakistan Petroleum Limited	-	-	-	1,855,385
100,000	50,000	DG Khan Cement Company Limited	-	-	3,108,600	1,583,050
50,000	90,000	Fauji Fertilizer Bin Qasim Limited	-	-	1,875,800	2,274,896
-	10,000	ICI Company Limited	-	-	-	1,711,560
-	100,000	Pakistan Telecommunication Company Limited	-	-	-	1,864,300
200,000	-	Lotte Pakistan PTA Limited	-	-	2,686,530	-
10,000	-	Attock Refinery	-	-	1,302,158	-
100,000	-	Sui Southern Gas Company Limited	-	-	2,307,353	-
			-	-	11,280,441	11,796,900

15.4.1 Shares having face value of Rs. 10/- each, unless stated otherwise

15.5 Details of investments in sukuk certificates – available for sale

2010	2009	Name of the companies	Note	PTF		SHF	
				2010	2009	2010	2009
Number of certificates				(Rupees)			
3,000	-	Sui Southern Gas Company Limited Sukuk Certificates (Face Value of Rs. 4,000 each)	15.5.1	11,669,527	-	-	-
				11,669,527	-	-	-

15.5.1 The expected profit rate is equivalent to three months KIBOR plus 20 basis points receivable quarterly with maturity in 2013. These are backed by mortgage charge over the properties of the company.

15.6 Market value of investment

	PTF		SHF	
	2010	2009	2010	2009
	(Rupees)			
Held to maturity	5,036,667	5,000,000	146,815,166	139,051,052
Available for sale	12,949,361	5,271,305	29,365,676	67,602,143
	<u>17,986,028</u>	<u>10,271,305</u>	<u>176,180,842</u>	<u>206,653,195</u>

		2010	2009	
		(Rupees)	Restated	
16.	DEFERRED TAX ASSET			
	Deferred Tax debits arising in respect of:			
	Available tax losses	16.1	25,481,651	8,926,404
	Deferred Tax credit arising due to :			
	Accelerated depreciation allowance		(2,592,830)	(2,120,478)
			22,888,821	6,805,926

16.1 The available tax losses on which deferred tax asset has been accounted for amounted to Rs. 72,804,718/- (2009 Restated: Rs. 25,504,010/-).

16.2 The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which this deferred tax assets could be utilised.

17. CONTRIBUTION DUE BUT UNPAID – unsecured, considered good

		2010		2009	
		(Rupees)			
Related party		13,299		13,042	
Others		45,087,195		38,527,156	
		<u>45,100,494</u>		<u>38,540,198</u>	
Less: Provision for doubtful balances	17.1	1,629,286		-	
		<u>43,471,208</u>		<u>38,540,198</u>	

17.1 Provision for doubtful balances

Opening balance	-	-
Provision made during the year	1,629,286	-
	<u>1,629,286</u>	<u>-</u>

18. ACCRUED INVESTMENT INCOME

PTF	219,607	233,413
SHF	4,926,665	4,882,436
	<u>5,146,272</u>	<u>5,115,849</u>

2010			2009		
PTF	SHF	Total	PTF	SHF	Total
(Rupees)					

19. PREPAYMENTS

Prepaid retakaful ceded	17,498,177	-	17,498,177	10,177,789	-	10,177,789
Prepaid rent	-	233,630	233,630	-	1,659,386	1,659,386
Prepaid takaful contribution (Note 19.1)	-	1,118,705	1,118,705	-	738,990	738,990
Prepayment – takaful ombudsman	-	125,001	125,001	-	50,000	50,000
Prepayment – goods	-	2,500	2,500	-	474,000	474,000
Prepayment – services contract	-	1,250,687	1,250,687	-	1,408,647	1,408,647
	<u>17,498,177</u>	<u>2,730,523</u>	<u>20,228,700</u>	<u>10,177,789</u>	<u>4,331,023</u>	<u>14,508,812</u>

19.1 This includes prepaid contribution to a related party of Rs. 500,446 (2009: Rs. 594,579)

20. SUNDRY RECEIVABLES – Considered good

Security deposits	254,523	250,957	505,480	254,523	220,450	474,973
Advance to employees	-	1,020,143	1,020,143	-	-	-
Dividend income	-	-	-	-	112,500	112,500
Claims receivable	-	7,415	7,415	-	-	-
Others	-	527,659	527,659	-	-	-
	<u>254,523</u>	<u>1,806,174</u>	<u>2,060,697</u>	<u>254,523</u>	<u>332,950</u>	<u>587,473</u>

21. FIXED ASSETS

	Note	2010	2009
(Rupees)			
Tangible	21.1	35,793,112	32,553,629
Intangible	21.2	8,335,943	9,784,650
Capital work in progress	21.3	9,706,742	10,119,911
		<u>53,835,797</u>	<u>52,458,190</u>

21.1. Tangible

2010								
Particulars	Cost			Accumulated depreciation			Book value	Rates (%)
	As at	Addition / (deletion)	As at	As at	For the year	As at	As at	
	January 01, 2010		December 31, 2010	January 01, 2010		December 31, 2010	December 31, 2010	
(Rupees)								
Furniture and fixtures	8,091,717	5,080,071	13,171,788	1,535,491	1,302,292	2,837,783	10,334,005	15
Office equipment	3,871,057	2,826,550	6,697,607	698,830	704,209	1,403,039	5,294,568	15
Motor vehicles	23,209,369	3,098,211	23,535,542	4,735,953	3,832,158	7,587,689	15,947,853	20
		(2,772,038)			(980,422)			
Computer equipment	6,511,709	1,425,241	7,873,700	2,159,949	1,509,715	3,657,014	4,216,686	30
		(63,250)			(12,650)			
	41,683,852	12,430,073	51,278,637	9,130,223	7,348,374	15,485,525	35,793,112	
		(2,835,288)			(993,072)			
2009								
Particulars	Cost			Accumulated depreciation			Book value	Rates (%)
	As at	Addition / (deletion)	As at	As at	For the year	As at	As at	
	January 01, 2009		December 31, 2009	January 01, 2009		December 31, 2009	December 31, 2009	
(Rupees)								
Furniture and fixtures	6,314,385	1,777,332	8,091,717	413,221	1,122,270	1,535,491	6,556,226	15
Office equipment	2,511,962	1,372,545	3,871,057	304,973	396,694	698,830	3,172,227	15
		(13,450)			(2,837)			
Motor vehicles	13,232,237	9,977,132	23,209,369	2,236,649	2,499,304	4,735,953	18,473,416	20
Computer equipment	2,932,299	3,579,410	6,511,709	880,252	1,279,697	2,159,949	4,351,760	30
	24,990,883	16,706,419	41,683,852	3,835,095	5,297,965	9,130,223	32,553,629	
		(13,450)			(2,837)			

21.2. Intangible

2010								
Particulars	Cost			Accumulated amortisation			Book value	Rates (%)
	As at January 01, 2010	Addition	As at December 31, 2010	As at January 01, 2010	For the year	As at December 31, 2010	As at December 31, 2010	
	(Rupees)							
Computer Software	14,164,333	565,484	14,729,817	4,379,683	2,014,191	6,393,874	8,335,943	20
2009								
Particulars	Cost			Accumulated amortisation			Book value	Rates (%)
	As at January 01, 2009	Addition	As at December 31, 2009	As at January 01, 2009	For the year	As at December 31, 2009	As at December 31, 2009	
	(Rupees)							
Computer Software	13,082,016	1,082,317	14,164,333	2,075,361	2,304,322	4,379,683	9,784,650	20

		2010	2009
		(Rupees)	
21.3 Capital work in progress			
Advance to suppliers and contractors in respect of:			
Equipment		799,832	2,000,000
Web development		-	150,000
ERP software		8,906,910	7,969,911
		<u>9,706,742</u>	<u>10,119,911</u>
21.4	The depreciation charge for the year has been allocated as follow:		
Management expenses		5,143,862	3,708,576
General and administrative expenses		2,204,512	1,589,389
		<u>7,348,374</u>	<u>5,297,965</u>
21.5	The amortisation charge for the year has been allocated as follow:		
Management expenses		1,409,934	1,613,025
General and administrative expenses		604,257	691,297
		<u>2,014,191</u>	<u>2,304,322</u>
22. PROVISION FOR DOUBTFUL CONTRIBUTION NET OF WAKALA			
Provision for doubtful contribution		1,629,286	-
Less: Reversal of Wakala fee		663,176	-
		<u>966,110</u>	<u>-</u>
23. WAKALA FEE			
The shareholders of the Company manage the general takaful operations for the participants and charge 30% for motor and 45% for others (2009: 30% for motor and 30% for others) of gross contribution net of co-takaful inward as wakala fee against the services.			
24. MANAGEMENT EXPENSES			
	Note	2010	2009
		(Rupees)	
Salaries, allowances and other benefits	24.1	49,701,162	28,932,082
Shariah advisors' fee		1,258,740	987,630
Consultancy fee		1,074,168	272,176
Rent, rates and electricity		7,491,966	6,968,382
Communication		1,878,149	1,493,583
Printing and stationery		887,339	596,002
Traveling and entertainment		3,821,507	3,176,020
Depreciation	21.4	5,143,862	3,708,576
Amortisation	21.5	1,409,934	1,613,025
Repairs and maintenance		8,260,837	5,145,863
Advertisement and sales promotion		6,505,753	8,616,487
Legal and professional charges		714,777	564,270
Takaful contribution		2,048,722	716,733
Training expenses		274,463	60,312
Fees and subscription		56,340	64,080
Bank charges		112,431	56,340
Call center expenses		265,738	22,341
Expense on combined policies		70,692	57,611
Office expenses		145,747	184,106
Conference and seminar		223,754	210,694
EOBI		282,345	187,195
Janitorial services		147,331	123,813
Others		897,273	614,729
		<u>92,673,030</u>	<u>64,372,050</u>

24.1 Include staff retirements benefits amounting to Rs. 1,411,346/- (2009: Rs. 1,069,539/-).

25. MODARIB'S FEE

The shareholders of the Company manage the participants' investments as a Modarib and charge 40% (2009 : 40%) Modarib's share of the investment income earned by PTF.

26. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2010	2009
		—(Rupees)—	
Salaries, allowances and other benefits	26.1	21,300,498	12,399,463
Shariah advisors' fee		539,460	423,270
Consultancy fee		460,358	116,647
Rent, rates and electricity		3,210,843	2,986,449
Communication		918,809	649,681
Printing and stationery		380,288	255,431
Traveling and entertainment		1,637,789	1,361,152
Depreciation	21.4	2,204,512	1,589,389
Amortisation	21.5	604,257	691,297
Repairs and maintenance		3,540,359	2,205,370
Legal and professional charges		415,483	336,580
Takaful contribution		878,024	307,171
Training expenses		117,627	25,848
Fees and subscription		24,146	27,463
Bank charges		48,185	24,146
Auditors' remuneration	26.2	762,128	688,136
Expense on combined policies		30,297	24,691
Contribution discount		-	724,104
Provision for wakala refund		663,176	-
Office expenses		62,463	78,902
Conference and seminar		95,895	90,298
EOBI		121,005	80,226
Janitorial services		63,142	53,063
Others		502,922	263,453
		38,581,666	25,402,230

26.1 Include staff retirements benefits amounting to Rs. 604,862/- (2009: Rs. 458,373/-).

26.2 Auditors' remuneration

	2010	2009
	—(Rupees)—	
Audit fee	300,000	275,000
Half yearly review	160,000	155,000
Review and other certifications	210,000	176,428
Out of pocket expenses	92,128	81,708
	762,128	688,136

27. OTHER INCOME / (CHARGES)

Exchange gain / (loss)	20,821	(2,568)
Gain on disposal of fixed assets	162,082	1,188
	182,903	(1,380)

28. TAXATION

28.1 The tax assessments of the Company have been finalised up to and including tax year 2010 as the Company has filed tax returns which are deemed assessed in terms of section 120(1) of the Income Tax Ordinance, 2001.

28.2 Tax reconciliation has not been prepared as the Company's tax liability is based on minimum tax due to tax losses.

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2010		2009	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	(Rupees)			
Managerial remuneration	3,769,275	6,283,830	3,363,750	4,330,268
House rent	1,712,734	2,811,164	1,513,689	1,948,629
Utilities	373,491	515,822	297,561	2,134,154
Medical expenses	141,446	342,048	32,300	160,521
Others	656,648	1,674,594	-	66,750
	6,653,594	11,627,458	5,207,300	8,640,322
Number of persons	1	7	1	7

29.1 The Company also provides Chief Executive officer and some of the Executives with free use of Company maintained cars.

29.2 Certain directors have been reimbursed boarding and lodging costs in relation to attending Board meetings of the Company as per Company's policy.

30. RISK MANAGEMENT

30.1 Takaful risk

The PTF issues general takaful contracts which are classified in following segments:

- Fire and property
- Marine, aviation and transport
- Motor
- Miscellaneous

Generally most takaful contracts carry the risk for the period of one year except marine and some contracts of miscellaneous which expire in three months and within one month respectively.

Key management recognises the critical importance of having efficient and effective risk management systems in place. The Board of Directors of the Company supervises the overall risk management approach within the Company. For this, underwriting, claim and retakaful committees are formed to monitor the core business activities. This is further supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board to executive management.

The risk under any takaful contract is the possibility of its occurrence and there is an uncertainty of the amount of claim resulting from occurrence of the event. PTF also faces a risk under takaful contracts that the actual claims payments or timing thereof differs from expectations. This is influenced by frequency of claims, severity of claims, actual claim paid and subsequent development of long-term claims. For these general takaful contracts the most significant risks arise from climate changes, natural disasters and other catastrophes.

The PTF's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitoring of risk. This framework includes implementation of underwriting strategies which aim to ensure the careful selection of takaful contracts and the diversification in terms of portfolio, type and amount of the risk. Adequate retakaful is arranged to mitigate the effect of the potential loss from individual and large or catastrophic events covered under takaful contracts. PTF has also limited its exposure by imposing limits to the maximum risk exposure in a single takaful contract in each class of business.

Further, in order to reduce the risk exposure of the PTF, the Company adopts proactive claim handling procedures and strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims.

The PTF's class wise risk exposure (in a single policy) is as follows:

Class	2010		
	Maximum Gross Risk Exposure	Maximum Retakaful Cover	Highest Net Risk Retention
	Rupees		
Fire and property	600,000,000	590,000,000	10,000,000
Marine, aviation and transport	84,815,043	78,815,043	6,000,000
Motor	12,250,000	11,500,000	750,000
Miscellaneous	100,000,000	98,095,238	1,904,762

Class	2009		
	Maximum Gross Risk Exposure	Maximum Retakaful Cover	Highest Net Risk Retention
	Rupees		
Fire and property	406,200,000	398,200,000	8,000,000
Marine, aviation and transport	66,935,468	60,935,468	6,000,000
Motor	11,000,000	10,250,000	750,000
Miscellaneous	58,308,638	54,308,638	4,000,000

Uncertainty in the estimation of future claims payment

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.

An estimated amount of the claim is recognised at the intimation of incurred claims to the Company. The estimation of the amount is based on management 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 recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Similarly, the provision for claims incurred but not reported may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and contribution deficiency reserve is that the PTF's future claim development will follow current pattern for occurrence and reporting as the Company does not have sufficient historical pattern available. These include assumptions in respect of average loss ratio, expenses of claim settlement and provision for claims incurred but not reported. The management uses judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors and economic conditions. The internal factors such as portfolio mix, policy conditions and claim handling procedures are also considered in this regard.

The net of reinsurance loss ratios for each class of business is as follows:

Class	Net loss ratio 2010 %	Net loss ratio 2009 %
Fire and property	52.70%	419.37%
Marine, aviation and transport	81.89%	39.64%
Motor	109.35%	128.61%
Miscellaneous	29.83%	27.03%

Sensitivities

The claim liabilities are sensitive to changes in the key assumptions. As the PTF usually does not enter into long term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing due to the variation in assumptions of average claim cost on gross claim liabilities, net claim liabilities, PTF revenue and equity will be as follows:

		2010			
	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on PTF revenue	Impact on PTF equity
(Rupees)					
Average claim cost	10% increase	7,989,247	6,370,665	6,370,665	6,370,665
		2009			
	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on PTF revenue	Impact on PTF equity
(Rupees)					
Average claim cost	10% increase	5,128,937	4,632,477	4,632,477	4,632,477

30.1.1 Claims development table

Accident year	2008	2009	2010
(Rupees)			
<u>Estimate of ultimate claim cost :</u>			
At the end of accident year	27,197,754	113,227,437	170,426,407
One year later	27,853,073	106,701,790	-
Two years later	26,352,907	-	-
Current estimate of cumulative claims	26,352,907	106,701,790	170,426,407
Cumulative payments to date	(26,152,907)	(98,979,712)	(98,456,015)
Liability recognised in the balance sheet	200,000	7,722,078	71,970,392

30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and cash equivalent and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained.

Maturity profile of financial assets and liabilities:

	December 31, 2010						
	Maturity up to one year	Profit Bearing Maturity after one year	Sub total	Maturity up to one year	Non-Profit Bearing Maturity after one year	Sub total	Total
	(Rupees)						
FINANCIAL ASSETS							
Cash and bank deposits	13,143,666	-	13,143,666	1,172,613	-	1,172,613	14,316,279
Investments	-	157,905,303	157,905,303	-	25,858,997	25,858,997	183,764,300
Long term security deposits	-	-	-	-	1,045,675	1,045,675	1,045,675
Contribution due but unpaid	-	-	-	43,471,208	-	43,471,208	43,471,208
Retakaful & other recoveries in respect of outstanding claims	-	-	-	16,185,819	-	16,185,819	16,185,819
Accrued investment income	-	-	-	5,146,272	-	5,146,272	5,146,272
Sundry receivables	-	-	-	2,060,697	-	2,060,697	2,060,697
	<u>13,143,666</u>	<u>157,905,303</u>	<u>171,048,969</u>	<u>68,036,609</u>	<u>26,904,672</u>	<u>94,941,281</u>	<u>265,990,250</u>
FINANCIAL LIABILITIES							
Provision for outstanding claims	-	-	-	79,892,470	-	79,892,470	79,892,470
Amount due to retakaful operators	-	-	-	38,043,696	-	38,043,696	38,043,696
Accrued expenses	-	-	-	923,543	-	923,543	923,543
Other creditors and accruals	-	-	-	10,376,615	-	10,376,615	10,376,615
	-	-	-	129,236,324	-	129,236,324	129,236,324

Maturity profile of financial assets and liabilities:

	December 31,2009						
	Maturity up to one year	Profit Bearing Maturity after one year	Sub total	Maturity up to one year	Non-Profit Bearing Maturity after one year	Sub total	Total
	(Rupees)						
FINANCIAL ASSETS							
Cash and bank deposits	28,739,512	-	28,739,512	1,424,279	-	1,424,279	30,163,791
Investments	-	152,474,684	152,474,684	-	69,199,723	69,199,723	221,674,407
Long term security deposits	-	-	-	-	2,381,175	2,381,175	2,381,175
Contribution due but unpaid	-	-	-	38,540,198	-	38,540,198	38,540,198
Retakaful & other recoveries in respect of outstanding claims	-	-	-	4,964,596	-	4,964,596	4,964,596
Accrued investment income	-	-	-	5,115,849	-	5,115,849	5,115,849
Sundry receivables	-	-	-	587,473	-	587,473	587,473
	<u>28,739,512</u>	<u>152,474,684</u>	<u>181,214,196</u>	<u>50,632,395</u>	<u>71,580,898</u>	<u>122,213,293</u>	<u>303,427,489</u>
FINANCIAL LIABILITIES							
Provision for outstanding claims	-	-	-	51,289,353	-	51,289,353	51,289,353
Amount due to retakaful operators	-	-	-	20,659,446	-	20,659,446	20,659,446
Accrued expenses	-	-	-	1,003,543	-	1,003,543	1,003,543
Other creditors and accruals	-	-	-	4,206,458	-	4,206,458	4,206,458
	-	-	-	77,158,800	-	77,158,800	77,158,800

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates:

	Increase / Decrease In basis points	Effect on profit before tax	Effect on equity
Decmeber 31, 2010	100	233,607	233,607
	(100)	(233,607)	(233,607)
Decmeber 31, 2009	100	224,712	224,712
	(100)	(224,712)	(224,712)

30.3 Profit / mark-up / yield rate risk

Profit / mark-up / yield rate risk is the risk of changes in profit / mark-up / yield rates reducing the overall return on mark-up bearing assets. The Company is exposed to profit / mark-up / yield rate risk in respect of bank balances and deposits and held to maturity investments. Effective profit / mark-up / yield rates on such accounts are disclosed in the relevant note.

30.4 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company manages its exposure to such risks by maintaining a diversified portfolio comprising of islamic mutual funds and listed securities.

30.5 Credit risk and concentration of 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 and investments. The Company is mainly exposed to credit risk on contribution due but unpaid, amount due from cotakaful, bank balances and retakaful assets. The Company attempts to control credit risk by monitoring credit exposures with counterparties and by continually assessing the credit worthiness of counterparties.

The table below analyses the Company's maximum exposure to credit risk:

	2010	2009
	————(Rupees)————	
Retakaful recoveries against outstanding claims	16,185,819	4,964,596
Contribution due but unpaid	43,471,208	38,540,198
Bank deposits	13,908,679	29,802,222
Investments	183,764,300	221,674,407
Accrued investment income	5,146,272	5,115,849
Sundry receivables	2,060,697	587,473
	<u>264,536,975</u>	<u>300,684,745</u>

An analysis of retakaful assets recognised by the rating of the entity from which it is due is as follows:

Retakaful assets

	2010	
	Retakaful recoveries against outstanding claims	Other Retakaful Assets
	Amount due from retakaful operators	
	———— Rupees ————	
Rating		
A or above	-	13,998,539
BBB	-	3,499,638
Others	-	-
	<u>-</u>	<u>17,498,177</u>
	<u>16,185,819</u>	

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets subject to credit risk other than concentration in banks is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the concentration of credit risk by industrial distribution:

	2010 %
Banks	57.00
Beverages	1.00
Chemical	1.00
Construction	0.50
Cotton	0.50
Education	0.50
Individuals	7.50
Modaraba	0.50
Pharma	6.00
Steel	1.00
Textile	8.00
Service	6.50
Others	10.00
	<u>100.00</u>

30.6 Foreign Exchange risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As the Company had no material assets or liabilities in foreign currencies at the year end, the Company is not materially exposed to foreign exchange risk.

30.7 Capital Management

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements have been put in place to ensure sufficient solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. Currently the Company has a paid-up capital of Rs.307,800,080/- against the minimum required paid-up capital of Rs.250,000,000/- set by the SECP for the insurance companies / takaful operators for the year ended 31 December 2010.

30.8 Fair value of financial instruments

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

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values except held to maturity and available for sale investments whose fair values have been disclosed in note 15 to the financial statements.

30.9 Retakaful risk

In order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other parties for retakaful purposes. Retakaful ceded does not relieve the PTF from its obligation to takaful contract holders and as a result the PTF remains liable for the portion of outstanding claims covered under retakaful to the extent that retakaful company fails to meet the obligation under the retakaful agreements.

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful companies and monitors concentration of credit risk arising from similar geographic regions, activities or economic characteristics of retakaful.

31. RELATED PARTIES DISCLOSURES

Related parties comprise of related group companies, associates, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Balances with related parties are disclosed in their relevant notes to the financial statements. Material transactions with related parties, other than remuneration and benefits to directors and key management personnel under the terms of their employment, are given below:

Relationship	Nature of transactions	2010	2009
		(Rupees)	
Major shareholders	Commission paid	547,105	464,242
Group companies	Payment made by related parties on behalf of the company	15,398,509	11,454,749
	Claims expenses	1,196,572	1,154,133
	Claim received	-	44,321
	Contribution paid	1,832,660	439,250
	Contribution written	808,355	1,218,113
Employees provident fund	Contribution paid	2,016,208	1,527,912

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 09, 2011 by the Board of Directors of the Company.

33. GENERAL

33.1 Figures in these financial statements have been rounded off to the nearest Rupee, unless otherwise stated.

33.2 Certain prior year figures have been restated as disclosed in note 5.1 to these financial statements.

33.3 Further, certain prior year figures have been reclassified for a more accurate presentation in these financial statements. However, these figures were not considered material to be disclosed separately.



Chairman



Chief Executive



Director



Director

PATTERN OF SHAREHOLDING

As at December 31, 2010

Number of shareholders	Shareholdings	Total shares held
3	shareholding from 1 to 100 shares	3
2	shareholding from 501 to 1000 shares	2,000
8	shareholding from 4001 to 4500 shares	32,640
11	shareholding from 5001 to 10000 shares	69,360
4	shareholding from 10001 to 15000 shares	40,800
1	shareholding from 15001 to 20000 shares	16,320
2	shareholding from 20001 to 25000 shares	40,800
4	shareholding from 40001 to 45000 shares	163,202
1	shareholding from 70001 to 75000 shares	73,500
1	shareholding from 115001 to 120000 shares	120,000
3	shareholding from 125001 to 130000 shares	378,000
2	shareholding from 235001 to 240000 shares	480,000
2	shareholding from 240001 to 245000 shares	489,800
1	shareholding from 260001 to 265000 shares	262,500
1	shareholding from 300001 to 305000 shares	302,400
3	shareholding from 475001 to 480000 shares	1,440,000
1	shareholding from 510001 to 515000 shares	513,750
1	shareholding from 565001 to 570000 shares	566,250
1	shareholding from 1085001 to 1090000 shares	1,109,433
1	shareholding from 2345001 to 2350000 shares	2,350,000
2	shareholding from 2495001 to 2500000 shares	5,000,000
1	shareholding from 3073001 to 3078000 shares	3,078,000
1	shareholding from 3250001 to 3255000 shares	3,251,250
1	shareholding from 4995001 to 5000000 shares	5,000,000
1	shareholding from 5995001 to 6000000 shares	6,000,000
59	Total	30,780,008

I.	Categories of shareholders	Shares held	Percentage
I.1	Directors, Chief Executive Officer, and their spouse and minor children.		
I.1.1.	Sheikh Ali Bin Abdullah	1,109,433	3.60%
I.1.2.	Said Gul & Spouse	1,080,000	3.51%
I.1.3.	Zahid H. Awan	40,801	0.13%
I.1.4.	M. Vaqaruddin	1,000	0.00%
I.1.5.	Izzat M. Al-Rashid	1	0.00%
I.1.6.	Abdul Basit Al-Shaibei	1	0.00%
I.1.7.	Chowdhry M. Wasi	1	0.00%
I.2	Associated Companies, undertakings and related parties.		
a)	Qatar National Bank	5,000,000	16.24%
b)	Masraf Al-Rayan	6,000,000	19.49%
I.3	NIT and ICP	-	0.00%
I.4	Banks, Development Financial Institutions, Non Banking Financial Institutions.		
I.4.1.	Qatar National Bank	5,000,000	16.24%
I.4.2.	Masraf Al-Rayan	6,000,000	19.49%
I.4.3.	Qatar Islamic Bank	2,500,000	8.12%
I.4.4.	Qatar International Islamic Bank	2,500,000	8.12%
I.4.5.	Amwal QSC	2,350,000	7.63%
I.4.6.	Doha Bank	302,400	0.98%
I.5	Insurance Companies		
I.5.1.	Qatar Islamic Insurance Co.	3,251,250	10.56%
I.6	Modarabas and Mutual Funds	-	0.00%

Categories of shareholders	Shares held	Percentage
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I.7 Share holders holding 10%

I.7.1. Qatar Islamic Insurance Co.	3,251,250	10.56%
I.7.2. Fawad Yusuf Securities (Pvt.) Ltd.	3,078,000	10.00%
I.7.3. Qatar National Bank	5,000,000	16.24%
I.7.4. Masraf Al-Rayan	6,000,000	19.49%

I.8 General Public

a. Local	6,080	0.02%
b. Foreign	3,562,041	11.57%

I.9 Others (to be specified)	-	-
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PROXY FORM

The Company Secretary
Pak-Qatar General Takaful Limited
Suite # 402-404, Business Arcade
Sharea Faisal, Karachi-75400
Pakistan

I / We _____ of _____ being the member(s) of **Pak-Qatar General Takaful Limited** and holder of _____ ordinary shares as per share register **Folio No.** _____ appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to vote and act for me/us on my/our behalf at the **5th Annual General Meeting of Pak-Qatar General Takaful Limited** to be held on 27 April 2011 and at any adjournment thereof.

Signed this _____ day of April 2011

(Witnesses)

1. _____ (Signature)

_____ (CNIC / Passport No.)

Please affix
Rupees five
revenue
stamp

Signature of
member(s)

2. _____ (Signature)

_____ (CNIC / Passport No.)

Notes: Proxies in order to be effective must be received by the company not less than 48 hours before the meeting.

PAK-QATAR GENERAL TAKAFUL LIMITED

Head Office

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