



PAK-QATAR GENERAL TAKAFUL  
*Together we Protect*



# ACHIEVING EXCELLENCE WITH PASSION

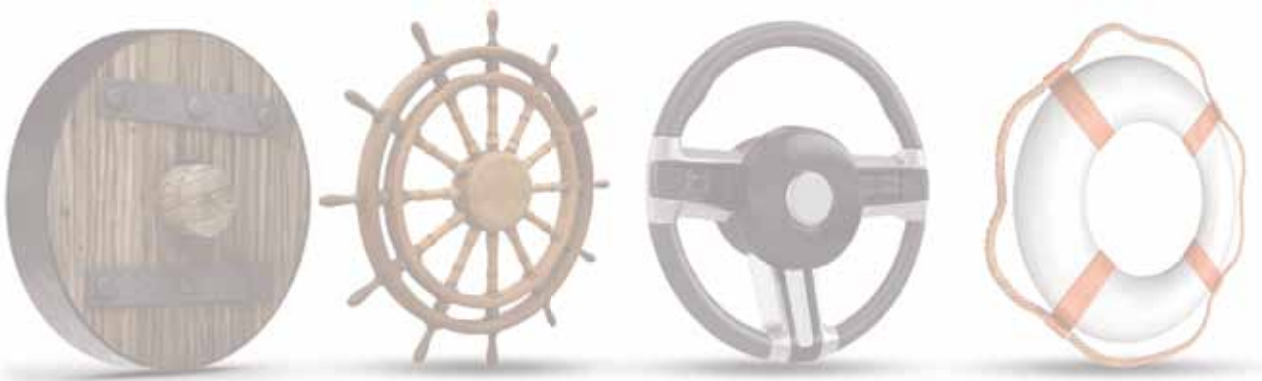
Annual Report 2014

THE HIGHEST IFS\* RATED  
GENERAL TAKAFUL COMPANY OF PAKISTAN  
BY LOCAL RATING AGENCIES.

\*Insurer Financial Strength

**“A”** with Stable Outlook  
by PACRA

**“A-”** with Positive Outlook  
by JCR-VIS



PAK-QATAR GENERAL TAKAFUL  
*Together we Protect*

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# INTRODUCTION

Pak-Qatar General Takaful Limited is one of the leading General Takaful Company in Pakistan, being established in 2006 and commenced operations in 2007. Since inception, by the grace of Allah, we have gone from strength to strength, with a current credit rating of 'A-' (Single A Minus) with 'Positive' Outlook by the JCR-VIS Credit Rating Company Limited and "A" (Single A) with Stable Outlook by PACRA, and have created a name for not only ourselves but also for the concepts of Takaful as a Shariah-compliant risk-mitigation mechanism, an alternative to conventional insurance.

Pak-Qatar General Takaful Limited is chaired by H.E. Sheikh Ali bin Abdullah Al-Thani, a member of Qatar's Royal Family, and sponsored by some of the strongest financial institutions from the State of Qatar, including Qatar Islamic Insurance Company, Qatar International Islamic Bank, Masraf Al-Rayan and from Pakistan, Fawad Yusuf Securities (Private) Limited.

We are registered and supervised by the Securities and Exchange Commission of Pakistan with the paid-up capital of the Company standing today at more than Rs. 432 million. In such a short span, all financial indicators point towards good performance far into the future.

Pak-Qatar General Takaful Limited, by adhering to only the best practices set down in the Islamic Shariah and Pakistani law, is engaged in providing need-based, practical and profitable financial services to its members and participants throughout the nation. We have branches in 12 major cities in Pakistan, and are looking to broaden our outreach in the near future. With hundreds of employees being constantly trained, guided and inspired towards excellence, we are committed to community-development through providing accessible and prudent financial services as well as employment, in a way that complies with the codes of professional and ethical conduct, being in complete accordance with Islamic principles.

## VISION STATEMENT

Providing financial protection through Takaful, to everyone.

## MISSION STATEMENT

- Promote Takaful amongst the masses, encompassing education and awareness, and present an image that is consistent with our ideological values.
- Adhere to the 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.

**IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST  
MERCIFUL. MAY PEACE, BLESSINGS, AND MERCY OF ALLAH BE  
UPON PROPHET MUHAMMAD ﷺ**

### **HISTORICAL BACKGROUND OF INSURANCE AND TAKAFUL**

It is generally believed that the history of insurance began with marine insurance in the fourteenth century. It was invented as a solution to the problem of sea piracy and protect from losses due to the possibility of ships sinking in high waters. Both carried immense financial risk. Insurance served to protect against these and other such financial risks.

However contrary to the general belief, we find attempts to mitigate risk of loss in high waters in Chinese and Babylonian civilizations two to three thousand year before Hazarat Essa (May peace be upon him). The Hammurabi code recorded such practices of Babylonians around 1750 BC. Greeks and Romans created "Benevolent Societies" which were earlier forms of life and health insurance.

Similar institutions were available for welfare of general public and trading fraternities in Islamic Societies. While going through Islamic history, we find the following on risk management techniques being practiced in Islamic societies.

Managing risk is therefore nothing new and is very much permissible in Islam if practiced justly.

*Few of such instances are as follows:*

#### **1. DHAMAN KHATR AL-TAREEQ:**

This is an understanding between two people wherein one of them guarantees the other (a trader) of safety and security in adopting a particular route, and compensation for any losses incurred along the way. So if that person adopts this path on account of the guarantor but then finds himself robbed and his valuables snatched away, the guarantor will then be Shar'an (legally) liable to recompense him.

## 2. DHAMAN AL-DARQ:

If a person was hesitant in purchasing a slave in fear of the possibility of him being a free man, but does so nevertheless on account of another person's guarantee, he was Shar'an (legally) allowed to claim refund either from the guarantor or from the seller of that slave if later the slave was indeed proven a free man. A person who influences a sale by promising to compensate if the item is proved faulty, is legally bound to fulfill his promise if the sale results in loss to the buyer.

## 3. AQILA:

Aqila is a risk-sharing mechanism in which the payment of blood-money (diyat) due on the murderer is, under some situations, paid off collectively by his/her community members.

## 4. AQD-E-MUWALA'AT:

Aqd-e-Muwala'at is when a person embraces Islam at the hand of another person and then makes an agreement with him or with any third person that he will become the inheritor of his wealth after his death and that all liabilities of his wrongdoings during his lifetime will be upon him. That agreeing person will have to comply accordingly. This is a clear example of mutual cooperation. All these risk management techniques are based on the principles of brotherhood & mutual solidarity.

## 5. ASSURANCE TO TRADERS

Seljuk Sultan Gias-ud-din in the 12<sup>th</sup> century compensated those traders from state treasury who were robbed while traveling within the Seljuk territory.

Going forward, conventional insurance contracts in its present forms were introduced in Genoa in the 14<sup>th</sup> Century. First such known contract was issued in 1347 AC.

First known book on insurance was written in 1488 AC by Pedro de Santerna, which was published in 1552 AC.

London being center of global trade had ever increasing demand for Marine insurance in 17<sup>th</sup> century. In 1680 Mr. Edward Lloyd established a coffee house where ship owners, merchants and ship captains would usually visit. The coffee house soon became a source of reliable shipping news and a meeting place for parties wishing to insure cargoes and those ready to underwrite such ventures. The Lloyd of London today is a leading market place for different types of insurance, although it works differently than an insurance company.

From the foregoing, it is evident that insurance started as an act of compassion and a way to promote and safeguard trade and society but was later converted in to a major commercial activity by Europe.

Many believe that conventional insurance first got introduced in Islamic Fiqh in the 20<sup>th</sup> century, but this is not so. Research tells us that the first fatwa issued on the subject was by a renowned Jurist from Syria by the name of Allama Ibn Abideen Shami (may Allah be pleased with him) in his famous book titled "Radul Mukhtar" (which is also known as Fatawa Shamia. This fatwa is regarded as an authentic fatwa).

In fact, we find that insurance was very much a norm in the days of Allama Shami (may Allah be pleased with him). Traders were accustomed to paying additional amount over routine costs for the transportation of their goods overseas. This additional amount was called "Sokara". Sokara means insurance and security. The insurers promised to compensate for any loss to their cargo while at sea against these premiums. This was marine insurance in action.

Allama Shami declared the practice of this form of insurance impermissible. He used the term "Sokara" for Insurance. Since that time Ulema has declared insurance as impermissible in Islam.

### **Reasons for the Impermissibility of Conventional Insurance**

The conventional Insurance Contract is a commutative contract which involves some ills due to lack of its conditions. These ills are ;

- 1. Riba (Interest)**
- 2. Qimar/Maysir (Gambling)**
- 3. Gharar (Uncertainty)**

The conventional insurance contract is a commutative contract (compensatory and bilateral), in which premium is the cost and the sum insured/ assured/ covered is the subject matter. There will always be fluctuations in the money involved, and being a sales contract with money being exchanged from both sides, any such fluctuation will automatically fit the description of "interest". Interest is, staying relevant to a financial institution, defines as one party giving money in exchange for less or more money, which is exactly what happens when a conventional insurance company receives premiums and pays less or more money in return, depending on whether the covered risk materializes.

Likewise, gambling also is a fundamental part of the conventional insurance contract. Gambling is defined as a transaction whereby any of the contracting parties, after placing their goods or money at stake, can win or lose the other's stake depending on an uncertain outcome without compensation. Hence, one party wins the other's amount completely without paying anything in return, or loses everything without being paid anything in return.

Finally, the third damning feature of a conventional insurance contract is "Gharar", translated as "uncertainty". In a technical sense, it means "at least one party's compensation being subject to uncertainty due to an uncertainty in the very object being contracted". In insurance, the insured does not know for sure whether he will be paid his capital with interest, or will be paid the insured sum in case the risk for which he insured materializes, and might end up receiving more than he paid to the insurer. This excessive uncertainty, when coupled with the price he pays, the subject-matter for which he pays or the time period over which his payments are distributed, render the conventional insurance contract impermissible in Islamic Shari'ah.

As noted earlier, helping someone in time of need, which is the underlying benefit of insurance is not only allowed but encouraged by Shari'ah. Muslim Ulema researched on the finding an alternative permissible way to make the system available for the benefit of general public and the economy. This was a general search for finding ways to do financial transactions avoiding Riba and other ills especially establishing a banking system which complies with Islamic Shari'ah. Moreover, Insurance and Modern Financial institutions go hand in hand with each other. It was therefore necessary to propose a Shari'ah Complaint alternative to conventional insurance as well.

Effort on devising such alternatives started in middle of the last century but bore fruits in the seventies when general fatwas were issued in favor of a proposed model of Islamic insurance. First Islamic Insurance (Takaful) company was established in 1979 in Sudan. More companies in different part of the Islamic world were established in later years. In 1984, the first ever law was enacted in Malaysia to regulate the Takaful Industry. Growth of Takaful, while keeping with in the limits imposed by Shari'ah, without having Re-Takaful Companies to enhance the overall capacity of the industry was impossible. Therefore in 1997 ASEAN Re-Takaful International was established.

In 2003, an Ijtimaa of Ulema of Pakistan was held in Jamia Darul Uloom Karachi to discuss the permissibility of Takaful.

In 2005, Government of Pakistan issued first ever Takaful Rules to regulate the Takaful Operators. In 2006 the first Takaful Company was established. In 2007 Pak-Qatar General Takaful was issued license to carryout Takaful business.

## TAKAFUL

Takaful is a community-pooling system based on the principles of brotherhood and mutual help wherein participants contribute in a fund to help those who need it most in times of financial difficulties.

## REFERENCE OF TAKAFUL CONCEPT IN HOLY QURAN & SUNNAH

Takaful is not a recent invention. In fact, its reference is available in the Holy Quran and Sunnah. The reference is in connection with the Divine commandment for brotherhood and mutual solidarity which is exactly what Takaful stands for.

### It is mentioned in the Holy Quran:

- "Cooperate with one another in matters of righteousness and piety." (Surah Maida: 2)
- "Muslims are brothers to one another." (Surah Hujarat: 10)
- "The believers, in their affection, mercy and sympathy to each other, are like the body, if one of its organs suffer and complains, the entire body responds with insomnia and fever." (Hadith Muslim: 4685)
- In the sixth year of the Hijri date, the Prophet Muhammad (PBUH) made a pact with the Jews of Medina which is generally known as the 'Meethaaq-e-Madina'. This pact was based on the principles of brotherhood and mutual solidarity and as such one of the clauses states that "every member will have to pay just compensation for their respective tribe", meaning that the responsibility of freeing the slave will be on the shoulders of those to whose tribe the slave will belong. This is a prime example of the concept of brotherhood and solidarity in Islam.

Such kinds of pacts have been existent during the rule of the Caliphs as well, though not by the name of Takaful. However the spirit of Takaful has always been there: different people through community-pooling help create a common fund which is used to benefit them in times of need.

Therefore, there is no doubt about the permissibility of Takaful given that is functioning on the principles of brotherhood and mutual solidarity and with sincerity.



## THE MODUS OPERANDI OF TAKAFUL

Different models are in practice in different parts of the world. We will briefly introduce you to these models before delving in to details of the model adopted by Takaful Operators in Pakistan. All Takaful Models are based on mutuality and donating for a charitable purpose (Tabbaru).

The model used by Malaysian operators established after promulgation of Takaful Act 1984 is known as Modaraba Model taking its name from the Modaraba arrangement on which the pool is managed. Here the risk is shared on the basis of Tabbaru and underwriting profit (Surplus) are shared on the basis of Modaraba. Another arrangement which is usually practiced in Middle East excluding Saudi Arabia is known as Wakala Model. In this model, the operator manages the pool as an agent of the pool, which has money collected from the participants on the basis of Tabbaru. Saudis use co-operative model, which in essence is a form of mutual insurance with certain conditions to make it Shari'ah Complaint.

The model used in Pakistan is known as Wakala-Waqf Model. This is an enhancement over the Wakala Model where the pool is formed as a Waqf. Waqf is juristic person in Shari'ah, whose ownership rest with Allah (SWT) and no other person can claim its ownership. By creating a Waqf, certain anomalies observed by Ulema are eliminated from the Wakala model.

The shareholders firstly would create a Waqf Pool in order to initiate the Takaful activities. Because they had been the ones to establish this Waqf they are called the Waqif, whereas the ownership of the Waqf is transferred to Allah Almighty. People are able to benefit from it for their risk mitigation purposes after acquiring a membership of this Waqf Pool which is legally referred to as the Participants' Takaful Fund or PTF.

The Shareholders thereafter formalize certain conditions for the Waqf which will form the basis of its operations. Based on the Fiqh ruling these conditions are judged to be as effective and valid as if they would have been laid out by the Shari'ah itself. This means that the Waqif, by virtue of its legal position, can therefore stipulate that financial benefits may only be provided to those who contribute to the Waqf Pool. The relationship of the participant and the Waqf on the other hand is merely a relationship of an Aqd Taburru.

The contributions paid by the participants are recognized as Taburru'at and not as Waqf, and in fact become the property of the Waqf. This is akin to the charity we give to any other Waqf; the charity given is not considered as Waqf but simply as a donation. This means that the participants immediately lose their right of ownership, therefore the laws pertaining Zakat and even the Inheritance law won't apply here.

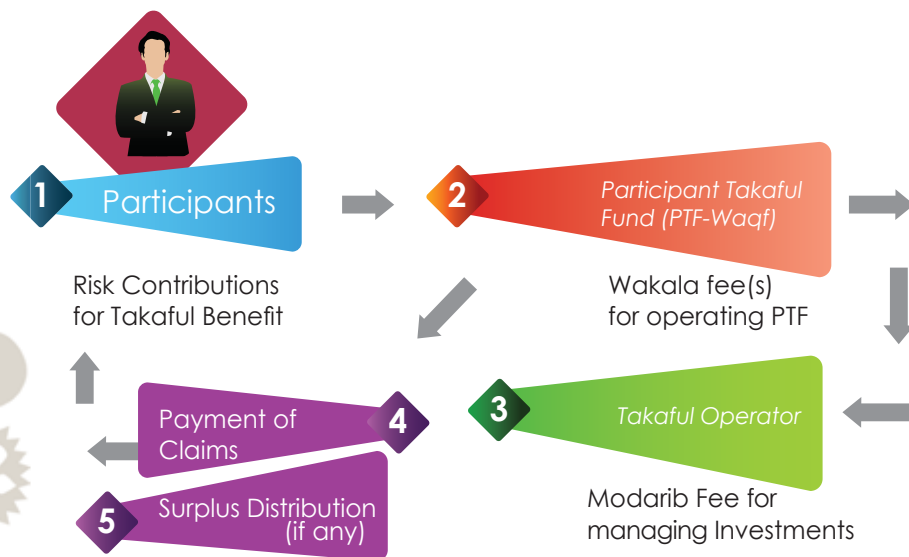
As mentioned earlier, these contributions become the property of the Waqf with immediate effect and thus benefits from it need to be according to the conditions sanctioned by the Waqif, such as utilizing these contributions for the payment of claims, for example. Hence, it is the Waqf Pool which compensates for the participant's loss and not the Takaful Operator.

The funds available in the Waqf Pool are invested in Shari'ah Compliant business avenues. Any profits realized from these investments are returned to the Waqf thereafter.

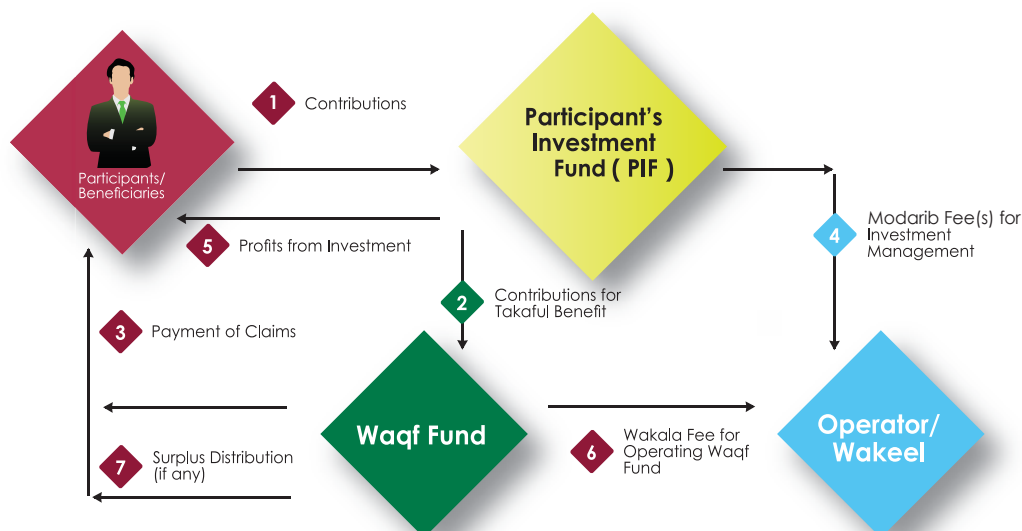


## THE ROLE OF THE COMPANY IN TAKAFUL SYSTEM

The company or the operator serves as the Wakeel or the Manager of the Waqf Fund and charges a 'Wakala fee' for it. This fee is paid from the Waqf Fund. As the Wakeel, the Operator must invest the funds available in the Waqf Pool in Shari'ah-compliant businesses for profits. Since the Operator is the Mudarib (working partner) and the Waqf Fund is the Rabul-ul-Maal (sleeping partner), any profits made from the investments are shared between the two on pre-defined percentages.



### BUSINESS MODEL FOR GENERAL TAKAFUL, GROUP FAMILY AND OTHER TERM BASED COVERAGE



### BUSINESS MODEL FOR INVESTMENT-LINKED FAMILY TAKAFUL

## DIFFERENCE BETWEEN CONVENTIONAL INSURANCE AND TAKAFUL

|                                  | CONVENTIONAL INSURANCE                                                                                                                                                                                                                              | TAKAFUL                                                                                                                                                                                                |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nature of Contract               | Conventional Insurance is a contract of Compensation (Aqd Mua'wza)                                                                                                                                                                                  | Takaful is a Tabarru' based contract                                                                                                                                                                   |
| Contribution/<br>Premium         | The premiums paid by the insured belongs to the insurance company                                                                                                                                                                                   | The Contribution paid to the Waqf belongs to the Waqf; the Operator is not the owner of this amount                                                                                                    |
| Investment Profit                | In conventional insurance, all investment profits belong to the insurance company                                                                                                                                                                   | Since the owner of the Waqf Pool is the Waqf itself, all investment profits also return to the Pool and not to the Operator                                                                            |
| Claims                           | Payable from overall fund of the company                                                                                                                                                                                                            | Payable from Participant's Takaful fund(Waqf Fund)                                                                                                                                                     |
| Surplus /<br>Underwriting Profit | Belongs to Company Shareholders. Insurance companies will make profit if the claims are lesser than the premium                                                                                                                                     | No provision for underwriting profit for the Operator. Can be given to the Participants only                                                                                                           |
| Deficit                          | Financed from shareholders i.e. company                                                                                                                                                                                                             | Qardh-al-Hasan is given to the Participants Takaful fund                                                                                                                                               |
| Shari'ah Supervision             | In conventional insurance, no such kind of supervision takes place nor there is any law concerning it. The insurance company simply invests their funds in any business they deem fit, irrespective if the business is Shari'ah compliant and Halal | A Shari'ah Advisor is an integral part of any Takaful setup which supervises the investment activities of the company. As per the Takaful Rules 2012, external Shariah Compliance audit is compulsory. |

# TIMELINE

**2007**

Started our first year of operations after receiving a Certificate of Registration. With paid-up capital worth Rs. 307.8 million, we begin our journey with the revolutionary Penta Takaful Business system.

**2008**

In our first full year of business, we posted a gross contribution of Rs. 86.4 million, supported an expansion to 5 cities across Pakistan and a record-breaking live implementation of Penta Takaful within just 8 months.

**2009**

We escalated our efforts and reaped the results in the form of 100 percent growth in Gross Contribution, reaching to just over Rs. 171 million.

**2010**

We emerge as the first Takaful operator to implement ERP software such as SAP, and bolster our presence to 8 cities across the country, all the while heralding a BBB+ with stable outlook credit rating from JCR-VIS.

**2011**

As we entered into the Banca Takaful agreements, the year saw us bring in substantial gains with an after tax profit in SHF of Rs 8.5 million.

**2012**

As pioneers of the industry, we launched Health Takaful products while strengthening our core with an increase of paid-up-capital to Rs. 337.4 million and the resulting after tax profit of Rs. 18.7 million.

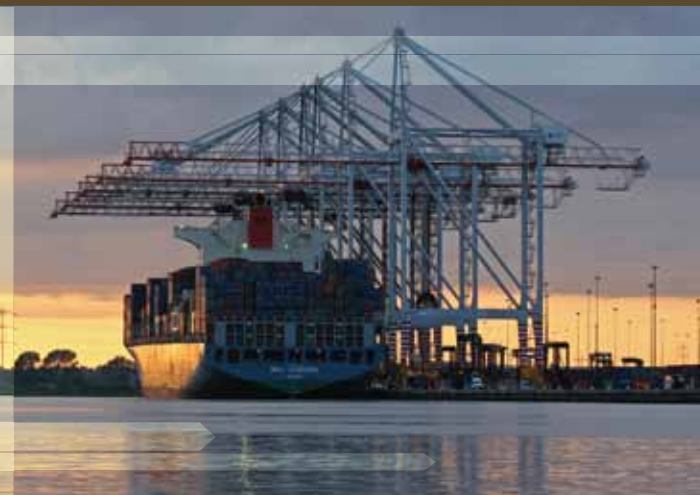
**2013**

Our gross contribution nearly doubled, reaching Rs. 1 billion whilst our paid-up capital rises to Rs. 407.6 million. As a result, we achieved an after tax profit in SHF of Rs. 33.2 million and improve our ranking to A- (A minus) with stable outlook at JCR-VIS.

**2014**

During the year, Company's financial strength rating has been reaffirmed by JCR-VIS Credit Rating Company Limited at 'A-' (Single A Minus) with Positive Outlook.

Consistent performance is witnessed by achieving Rs 1 billion Gross Contribution whilst our paid-up capital rises to 432.7 million. As a result, Pakistan Credit Rating Agency Limited (PACRA) has assigned rating of "A" (Single A) with Stable Outlook subsequent to year end.



## PRODUCT INFORMATION

### Fire & Property Takaful

We need safety and security for our business place, home, wealth and everyday casualties. Natural calamities, fire, lightening, burglary, other moral hazards are associated to our everyday life. Pak-Qatar General Takaful Fire and Allied Perils Takaful provides vast coverage against all these risks to make your life and business secure.

Fire Takaful policy provides compensation to the individual participant or firm in the event of damage to the property (i.e. buildings, stock, machinery and other contents) caused by fire, lightning and explosion. We have extended customized coverage for diversified industrial sector companies as per their needs. Risk management services are also extended for the clients with assessing and recommending improvement in risk exposure to mitigate the risks. Our Fire Takaful coverage is extended for losses due to:

- Fire & Lightning
- Domestic Explosion
- Riot and Strike
- Malicious Damage
- Standard Explosion
- Atmospheric Disturbance
- Earthquake (Fire & Shock)
- Aircraft Damage
- Impact Damage
- Burglary and Housebreaking
- Electrical Clause "B"

Differentiated product range is also designed to cater to the unmet needs of SMEs and individual business owners including

- Property All Risk
- Comprehensive Machinery Takaful
- Home Takaful
- Shop owners' Takaful

### Marine Takaful

Our Marine Takaful products cater to the needs of business such as traders, shipping agents, courier services, and transport related companies. Marine Cargo is extended for losses /damages pertaining to cargo / freight carried on the vessels, aircraft or road transportation. We provide all risks coverage as well as tailor made products depending upon the needs of our customers. There are various coverage available for the following types of cargo:

- **Marine Cargo**

All trading businesses linked with goods imports and exports are covered under this policy. These may vary from raw material to finished goods. Our policy is accepted at



almost all financial institutions for the purpose of Letter of Credit. The product categories include:

1. All Risks as per Institute Cargo Clause 'A'
2. Institute Cargo Clause 'B'
3. Institute Cargo Clause 'C'

- **Marine Inland Transit**

We comprehensively cover movement of all kinds of raw material, finished goods and other items pertaining to the business of our clients under the Marine Inland Transit policies. These policies have been designed for damage to the cargo during domestic transit, whether by Road/Rail or by Air.

### Motor Takaful

Vehicles today have become a necessity, whether for personal or commercial needs. They have, in essence, become assets to us which require protection. PQGTL Motor Takaful

offers comprehensive coverage for private and commercial vehicles. The vehicle is protected for losses incurred as a result of traffic accident and liabilities that could incur due to accident. The business is enriched with valued clientele and duly competent staff at the back end for best service provisions.

Pak-Qatar's comprehensive Motor Takaful policy gives you the maximum coverage against theft, accidental damage and third party liability inclusive of Terrorism coverage with greater benefits, innovative features and hassle free post and pre takaful processing. The major scope of our cover includes accidental external means, fire external explosion, snatch and theft, malicious act, riot & strike damage and natural calamities. Terrorism and Third Party liability i.e., Property Damage, Bodily Injury, & Death are additional features of the policy. The package also includes Satellite Tracking system arranged through qualified tracking companies for round the clock surveillance of your vehicle. The special features of our product include:

- Satellite car tracking device
- Competitive pricing
- Proficient claim staff
- Dedicated claim hotlines
- Minimum claim settlement time
- Credit facility at all major workshops across the country

### Engineering Takaful

The world of engineering involves a lot of uncontrollable factors which make it occupied with all sorts of incidents. Accidents whether minor or major can cause major setbacks and can cause costly delays that endanger the schedule and integrity of the project. PQGTL Engineering Takaful provides your construction site the protection you need to safeguard the unforeseen incidents. Risk management services are also extended for the clients with assessing and recommending important areas to mitigate the risks.

Our offerings are customized and based on the actual need of the client. It include Contractor's All Risk (CAR), Contactor's Plant & Machinery/Equipment (CPM/CPE) covering civil works like construction of roads, bridges, dams, high rises, housing projects, comprehensive and adequate protection against loss or damage in respect of the construction of plant, equipment and machinery damage arising in connection with the execution of a construction project. 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 the risks involved in the construction of civil works of any kind, including surrounding property and third-party claims in respect of property damage or bodily injury arising in connection with the execution of a project.

- **Electronic Equipment Takaful**

Electronic Equipment Takaful covers all equipments 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.



- **Machinery Breakdown Takaful**

The Machinery Breakdown Takaful policy covers sudden and unforeseen physical damage or loss due to any accidental electrical or mechanical breakdowns to the Participant machinery whilst being at work or rest and during any cleanup, inspection, overhauling or subsequent re-erection and removal to another position within the premises.

- **Erection All Risk Takaful**

Erections All-Risk's (EAR) Takaful provides cover against all the risks involved in the erection of machinery, plant and steel structures. If the Participant suffer any unforeseen and sudden physical loss or damage from any cause, other than those specifically excluded, in a manner necessitating repair or replacement, the Participant shall be indemnified in respect of such loss or damage in anyone event the limit of indemnity where applicable and not exceeding in all the total sum expressed in the Schedule as hereby covered.



### Liability Takaful

Liability Takaful provides coverage against legal liability to pay compensation to any third party for accidental bodily injury or death and/or direct damage to the material property of any third party arising due to any accident caused by Participant's business activities. Our Liability Takaful product provides compensation in respect of legal liability by law to third party for Bodily injury and / or death and Property damage.

- **Premises Liability (Third Party/ Public Liability) Takaful**

Exposures arise from the legal duties associated with the ownership, use, occupancy, and/or possession and control of land. These include the duties an owner owes to a tenant, the duties a tenant owes to an owner, the duties one tenant owes to other tenants, and the duties a possessor owes to a "third person" - that is, a person who is not a party to the lease and who is on the premises (or in the vicinity thereof) 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 user or consumer of a product. The liability arises out of the manufacture, distribution, or sale of an unsafe, dangerous, or defective product, and the failure of the manufacturer, distributor, or retailer to meet the legal duties imposed with respect to the particular product. PQGTL safeguards Participant interest for all such due payments.

- **Employer's Liability Takaful**

An employer may become liable to his employee if due to the negligence of the employer the employee is injured at work. Our Employer's Liability Takaful policy will protect the employer in such a case and will pay all sums that the employer becomes legally liable to pay to his employee as compensation. In addition, it will pay for legal fees incurred in preparing a defense in a court of law. Any penalties herein are not covered.

### Miscellaneous Takaful

Other than contemporary offerings, Pak-Qatar General Takaful also adheres to differentiated propositions as required as per the need of clients. This coverage is personalized and tailor made with the corporate requirements. Cash in Safe, Cash in Transit, Fidelity Guarantee and Personal Accident Takaful coverage are prominent in this section. Differentiated offering of ATM Withdrawal Takaful is also extended for banking clients. Various products offered under miscellaneous portfolio includes:

- **MONEY TAKAFUL**

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

- i. Cash in Safe: Coverage of Cash/Money whilst in Safe at participants premises at home, office or shop under lock & key.
- ii. Cash in Transit: Coverage of Loss due to cash/money whilst in transit (Office to Bank & vice versa, etc.)
- iii. Cash on Counter: Loss coverage of cash/money during hold-ups within the business premises while placed on counter

- **Fidelity Guarantee Takaful**

The product is offered to employers to cover infidelity of their employees who hold position of trust like handling cash, stocks, store keeping, etc. This policy is designed to avoid misappropriation and embezzlement risk committed by permanent employees during the course of business.

- **Personal Accident Takaful**

This Takaful covers the 'Death', bodily injury, Total and Partial Disablement directly or indirectly caused by an accident.

**Health Takaful**

Health is an irreplaceable blessing. To safeguard it, Pak-Qatar General Takaful Limited has started to provide the best facilities for any major or minor health-related issues. Group Health Takaful allows employees and their covered dependents to be treated by the best doctors at the best medical institution nationwide.

**The features of our product include:**

- In-Patient Benefits
- Out-Patient Benefits
- Maternity Benefits



## CORPORATE INFORMATION

### Board of Directors

|                                        |                         |
|----------------------------------------|-------------------------|
| H. E. Sheikh Ali Bin Abdullah Al-Thani | Chairman                |
| Abdul Basit Al-Shaibei                 | Director                |
| Said Gul                               | Managing Director & CEO |
| Zahid Hussain Awan                     | Director                |
| Ali Ibrahim Al Abdul Ghani             | Director                |
| Ali Abdullah Darwesh                   | Director                |
| Owais Ahmed Yusuf                      | Director                |

### Executive Committee

|                        |        |
|------------------------|--------|
| Abdul Basit Al-Shaibei | Member |
| Said Gul               | Member |
| Zahid Hussain Awan     | Member |

### Audit Committee

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

### Investment Committee

|                        |          |
|------------------------|----------|
| Abdul Basit Al-Shaibei | 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, LLB, FCA, FCMA

### Head of Internal Audit

Muneeb Afzal Lone, MBA

### Auditors

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
(Member of Deloitte Touche Tohmatsu Limited)

### Legal advisors

KMS Law Associates

### Tax advisors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### Rating Agency

JCR-VIS Credit Rating Company Limited  
The Pakistan Credit Rating Agency Limited

### Bankers

Al Baraka Bank (Pakistan) Limited  
Bank Alfalah Limited  
Burj Bank Limited  
Faysal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited

Bank Al Habib Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Metropolitan Bank Limited  
KASB Bank Limited  
Meezan Bank Limited  
Silk Bank Limited  
United Bank Limited

**Re Takaful Operators**

Labuan Reinsurance (L) Ltd  
Takaful Re Limited  
Emirates Retakaful Limited  
Saudi Reinsurance Company  
African Retakaful Limited  
Hannover Retakaful B.S.C. (C)

**Re Takaful Broker**

AON BENEFIELD ASIA PTE LTD.  
JB BODA & CO. (S) PTE LTD.

**Registered Office**

Room No. 401-404, 4th Floor, Business Arcade, P.E.C.H.S., Block-6,  
Sharea Faisal, Karachi, Pakistan  
Phone: + 92 21 34380357-61  
Fax: +92 21 34386453  
Email: generaltakaful@pakqatar.com.pk  
Web: www.pakqatar.com.pk

**Branch Offices in:**

Abbottabad  
Faisalabad  
Gujranwala  
Hyderabad

Islamabad  
Karachi  
Lahore  
Multan

Peshawar  
Quetta  
Rawalpindi  
Sialkot

**Management Committee**

Said Gul  
M. Kamran Saleem  
Absar Azim Burney  
Zaheer Ahmed Qadir  
Saifuddin Shaikh  
Muneeb Afzal Lone  
Syed Adnan Hasan  
Muhammad Junaid Moti  
Muhammad Shakir Siddiqui

Managing Director & CEO  
Chief Financial Officer/Company Secretary & Head of Legal  
Head of Sales  
Head of Operations  
Head of Admin., Procurment & ITS  
Head of Internal Audit  
Head of Marketing  
Head of Claims  
Shariah Compliance Officer

**Underwriting Committee**

Said Gul  
Zaheer Ahmed Qadir  
Absar Azim Burney  
M. Kamran Saleem  
Asadullah Khan

Chairman  
Vice Chairman  
Member  
Member  
Member & Secretary

**Retakaful Committee**

Said Gul  
Zaheer Ahmed Qadir  
M. Kamran Saleem  
Asad Ali  
Muhammad Saleem

Chairman  
Vice Chairman  
Member  
Member & Secretary  
Member

**Claims Committee**

Said Gul  
Zaheer Ahmed Qadir  
M. Kamran Saleem  
Absar Azim Burney  
Muhammad Junaid Moti  
Muhammad Saleem  
Rashid Shah Khan  
Shahzad Muhammad Khan Ghilzai

Chairman  
Vice Chairman  
Member  
Member  
Member & Secretary  
Member  
Member  
Member

**Information Technology Committee**

M. Kamran Saleem  
Saifuddin Shaikh  
Zaheer Ahmed Qadir  
Absar Azim Burney  
Muneeb Afzal Lone  
Muhammad Junaid Moti  
Muhammad Saleem  
Syed Muhammad Anwar  
Asadullah Khan  
Kashan Rafique

Chairman  
Vice Chairman  
Member  
Member  
Member  
Member  
Member  
Member & Secretary  
Member  
Member

**NOTICE OF 9<sup>th</sup> ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the ninth Annual General Meeting of **Pak-Qatar General Takaful Limited** (the Company) will be held on Thursday, 30 April 2015 at 11:00 am at Qatar International Islamic Bank, Grand Hammad Street, Doha, Qatar to transact the following business:

**Ordinary Business:**

1. To confirm minutes of last general meeting.
2. To receive, consider and adopt the annual audited financial statements for the year ended 31st December 2014, together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending 31st December 2015 and to fix their remuneration.
4. To consider any other business with the permission of the Chair.

Date: 09 April 2015

By Order of the Board



**Muhammad Kamran Saleem**  
Company Secretary

Place: Doha

**NOTES:**

1. A member of the Company entitled to attend the 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 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.

## DIRECTORS REPORT

*Dear Shareholders,*

The Board of Directors of Pak-Qatar General Takaful Limited (hereinafter referred to as "the Company" or "PQGTL") is pleased to present its Ninth Annual Report, containing audited financial statements of the Company together with auditors' reports thereon for the year ended December 31, 2014.

### 1. ECONOMIC OVERVIEW

Pakistan's GDP growth accelerated to 4.14 per cent in 2013-14, against the growth of 3.7 per cent recorded in the previous year, which is also the highest when compared to the last six years.

The agriculture sector grew at the rate of 2.12 per cent against the growth of 2.88 per cent in the previous year. The industrial sector expanded by 5.84 per cent against the growth of 1.37 per cent in previous year, while large scale manufacturing posted a growth of 5.31 per cent against the growth of 4.08 per cent the year before. Growth in the services sector was recorded at 4.29 per cent as compared to 4.85 per cent in the previous year.

Per capita income in dollar terms recorded a growth of 3.5 per cent in 2013-14 as compared to 1.44 per cent the year before. The main factors, which are responsible for increase in per capita income, include acceleration in real GDP growth, relatively lower growth in population and the appreciation of Pakistani Rupee.

The total investment witnessed a growth of 8.45 per cent as compared to 8.41 per cent the previous year, which is an indicator that investment activities are taking place and confidence of investors is improving.

Inflation moved at slow pace on account of improved supply position of essential items and declining trend in major global commodities prices.

The economy has taken a turnaround on account of following serious economic agenda and striving sincerely to implement it. Early positive results, particularly stabilizing foreign exchange reserves, appreciation of exchange rate, stability in prices despite heavy adjustments, industrial growth on account of improved energy supply, exceptional increases in remittances, historical heights of Karachi Stock Exchange, shift in market based (T-Bills and PIB) public debt toward medium to long term, successful launching of Euro Bond and auction of 3G/4G licenses reinforced this view. The international financial institutions are also acknowledging and appreciating the positive improvements in national economy.

### 2. INVESTMENT CLIMATE

The present government's resolve is to restore investor confidence and create an enabling environment for foreign direct investment (FDI), which remained slow over the past few years due to a number of internal and external factors.

Significant signs of recovery can be seen in the capital market growth, which has reached to new height and is emitting positive signals. The Investment Policy has been designed to provide a comprehensive framework for creating a conducive business environment for the attraction of FDI.

China and Pakistan entered into a comprehensive plan to create a new "economic corridor" between the two nations. The list of projects to be completed in Pakistan is under consideration, and joint working groups have been formed. The corridor will serve as a driver for connectivity between South Asia and East Asia. These new trade linkages are expected to increase, and Pakistan will benefit from key export markets. Undoubtedly, the Pakistan economy has a bright future.

The positive response from international investor to Pakistan's first Sovereign Bond issuance has shown that the international market appreciated the economic direction of the country. This transaction is Pakistan's largest international sovereign bond, which attracted significant investment.

The transaction represents the largest ever international bond offering by Pakistan. The 5 years bonds are distributed across all major geographic regions: 59% in the US, 19% in the UK, 10% in Europe, 10% in Asia and 2% in other locations. The success of the transaction highlights investor's confidence about the recent changes in country's leading economic indicators, external finances and structural reforms undertaken by the present government.

The other achievement is the successful auction of 3G/4G spectrum, which has opened the new avenues of socio economic development in the country. The auction for 3G/4G spectrum licenses were carried out in a transparent manner, and the new technology is expected to generate 900,000 new job opportunities in the next four years, along with other direct and indirect benefits to the economy.

### **3. ECONOMIC OUTLOOK FOR 2015**

Since the outgoing year witnessed global recovery, the global outlook indicates some optimism in economic activities.

The International Monetary Fund has predicted five per cent growth for Pakistan in the medium-term and easing of inflation to below 8 per cent in fiscal 2014-15; however, political and security conditions in the country continued to pose a serious challenge to the national economy.

Foreign exchange reserves are expected to exceed \$14 billion by the end of June 2015. Sustained decline in oil prices also poses an upside risk, which may help ease balance of payments pressures and boost growth.

Trade reform is focusing on simplifying tariff rates, shifting most items to a lower rate and eliminating trade statutory regulatory orders that establish special rates and/or non-tariff barriers.

### **4. INDUSTRY OVERVIEW**

The Islamic financial services industry has grown significantly, and the choice of Shariah-compliant investments has also increased. Banks and other service providers are offering to customers Shariah-compliant products.

It is noteworthy that Islamic retail banking and finance products have gained popularity within non-Muslim communities, due to their transparency and competitive edge. According to a study, a few banks in Europe have begun offering its individual customers Shariah-compliant current accounts and home finance products.

The Takaful industry has grown significantly as an alternative to conventional insurance, thus evolving from regional to global level. Major markets currently include Malaysia, Iran, Pakistan, Saudi Arabia and other GCC countries. At present, the General Takaful business has a dominant market share of the overall product mix in Iran and the Middle East region.

The penetration rate of Takaful business is low due to the lack of Takaful product offerings and diversity of products. Takaful companies will have to design products as per consumer needs and formulate strategies to reach mass markets with respect to recent competition in the industry. According to a research, Pakistan is amongst the countries, where there is high potential for Takaful industry.

## 5. BUSINESS CHALLENGES AHEAD

The global Takaful industry is fairly small in comparison to conventional insurance. The major challenges faced by the national and cross border Takaful suppliers include: raising customer awareness and education, expanding product innovation, creative product design and marketing, offering attractive investment choices.

It is of utmost importance to better understand the needs of customers and offer products with exceptional customer service. The Takaful industry needs to cater to the growing needs of both the Muslim and non-Muslim customers.

Islamic countries with product excellence include Malaysia, Bahrain and the UAE; however, also Indonesia, Saudi Arabia and Pakistan are fast evolving and building their product expertise in this important business segment.

As the Takaful industry is becoming increasingly challenging and competitive, leading Takaful operators are busy working to overcome the challenge of maintaining the growth rate of the previous years. Takaful players will have to focus on increasing product demand based on consumer insights, demographics and demand for Shariah-compliant products.

The leading Takaful players will have to tackle the challenges of an increasingly competitive market by offering innovative Takaful solutions, providing opportunities for moving products faster to market through BancaTakaful and alternative distribution channels.

With launch of Window Takaful operations, penetration of Takaful will increase due to the resources, capacity and reach of conventional insurance companies. Window Takaful operations will increase the number of Takaful service providers, which will play a pivotal role in the growth of Takaful industry and boost the competition, hence creating appeal in consumers for Shariah Complaint products.

There is no doubt that the future of the global Takaful industry remains bright. Recent research studies indicate that Takaful contributions will continue to grow at an even faster rate but in a healthy competitive environment.

## 6. COMPANY'S OUTLOOK

Pak-Qatar General Takaful Limited has the privilege to have a dedicated management team with rich experience of Takaful and has achieved milestones, due to its professional approach with sheer commitment, dedication and hard-work.

The company has a strong structure and dedicated team for disseminating knowledge of Takaful amongst the masses. Takaful training sessions are held regularly, and in the year 2014, more than 200 trainings were conducted focusing on product and Shariah understanding. Since the inception of the company, Shariah audit is also being conducted regularly. This makes the company proud of having transparency in the business system monitored by renowned scholars.

### 6.1 Credit Rating:

During the year, Company's financial strength rating has been reaffirmed by JCR-VIS Credit Rating Company Limited at 'A-' (Single A Minus) with Positive Outlook.

Consistent performance has been witnessed by achieving Rs. 1 billion Gross Contribution, whilst our paid-up capital has risen to 432.7 million as at 31 December 2014, which subsequent to the year end has reached to Rs. 470.3 million. As a result, Pakistan Credit Rating Agency Limited (PACRA) has assigned rating of "A" (Single A) with Stable Outlook subsequent to year end. The assigned rating denotes strong capacity to meet policyholders and contract obligations.

PQGTL is the only Takaful operator, which has been graded by both rating companies operating in Pakistan, namely JCR-VIS Credit Rating Company and PACRA.

## 6.2. Our Strategic Achievements:

2014 has been a year of resilience and determination for Pak-Qatar General Takaful Limited. Our financial position has become firm with long-term business prospects from existing clients and channel partners, which include some of the top Islamic financial institutions of Pakistan. Despite rising competition and market pressure, our commitment to high service quality and standards has enabled us to sustain our growth. The Re-Takaful partners of Pak-Qatar General Takaful Limited have reinforced their trust in our business strategy and have provided us a healthy expansion in treaty capacity with some stronger new entrants in our Re-Takaful panel.

In the year 2015, PQGTL has an aggressive strategy to boost market penetration with innovation and creativity tagged with rational products that provide genuine benefit to the end customer for creating a wow factor. Our dedication to Shariah compliance remains our crown for successful delivery of Takaful services for our participants and strategic partner.

## 7. YOUR COMPANY'S PERFORMANCE

### 7.1 Financial Highlights:

The following are the financial highlights of the Company:

|                                        | 2014<br>Rupees     | 2013<br>Rupees |
|----------------------------------------|--------------------|----------------|
| <b>Wakala Income</b>                   | <b>344,919,206</b> | 321,393,542    |
| Commission Expense                     | (61,551,527)       | (58,787,861)   |
| Management Expenses                    | (197,451,949)      | (174,609,393)  |
|                                        | <b>85,915,730</b>  | 87,996,288     |
| Modarib Share of PTF Investment Income | <b>4,621,555</b>   | 4,956,330      |
| Net Investment Income                  | <b>32,722,630</b>  | 23,199,108     |
| General & Administrative Expenses      | (92,996,658)       | (75,739,047)   |
| Other Income/ (charges)                | <b>2,783,798</b>   | 960,906        |
| Worker's Welfare Fund                  | (878,244)          | (827,472)      |
| <b>Profit before Taxation</b>          | <b>32,168,811</b>  | 40,546,113     |
| Provision for Taxation - current       | (3,558,305)        | (3,294,510)    |
| - deferred                             | (10,083,287)       | (3,984,665)    |
| <b>Profit after Taxation</b>           | <b>18,527,219</b>  | 33,266,938     |
| Earnings per share                     | <b>0.43</b>        | 0.82           |

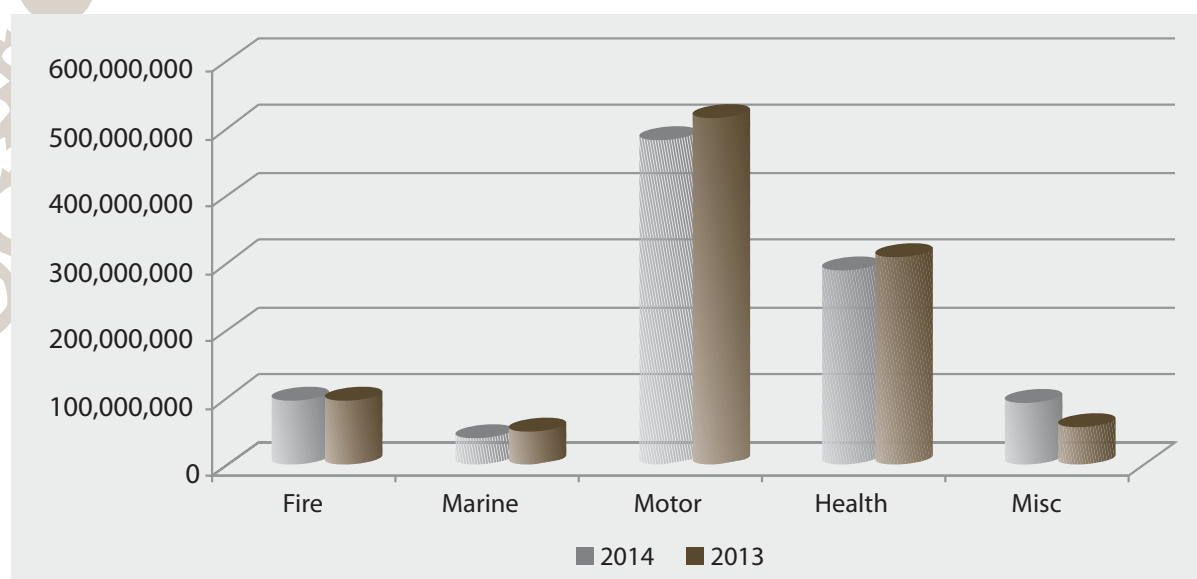
During the year 2014, Wakala income has been increased by 7%, while commission and management & admin expenses have also been increased almost by ratio of 4.7% and 16% respectively.

Due to the increase in Wakala, provision for taxation for the fiscal year 2014 (tax year 2015) has been increased by 8%. Provision for deferred taxation has been increased by 153% due to reduction in brought forward tax losses and taxable profit for the year.

## 7.2 Contribution:

During the seventh year of operation, PQGTL witnessed consistent performance by posting gross contribution of Rs. 1.002 billion. There is a nominal decrease of 2.5% over with the preceding year's figure of Rs. 1.028 billion. Segment-wise comparisons are provided below:

|        | 2014<br>Rupees       | 2013<br>Rupees       |
|--------|----------------------|----------------------|
| Fire   | 97,054,708           | 98,410,465           |
| Marine | 38,792,956           | 49,000,178           |
| Motor  | 484,261,333          | 516,854,336          |
| Health | 289,725,102          | 309,051,500          |
| Misc   | 92,568,046           | 55,669,580           |
|        | <b>1,002,402,145</b> | <b>1,028,986,059</b> |



A consistent performance can be witnessed in all segments, keeping in view the challenges of a new company and the competitive environment of the industry.

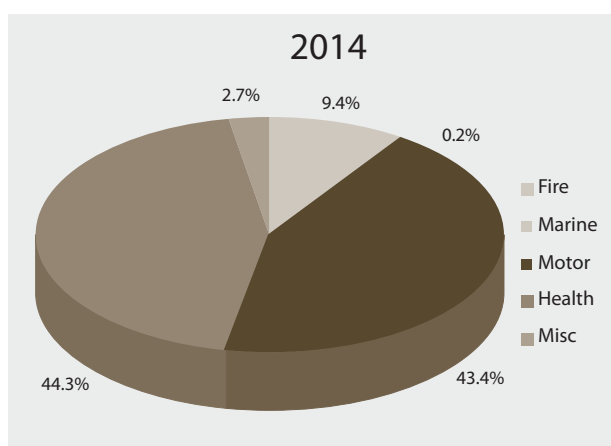
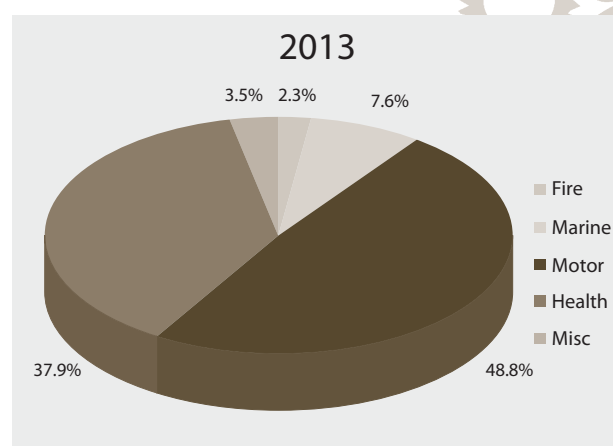
In the insurance sector, conventional companies had taken decades to enter the club of Rs.1.0 billion gross contribution, while Pak-Qatar General Takaful Limited has achieved the gross contribution of Rs.1.0 billion in the sixth year of its operation.

The motor segment continued to be a major contributor to the overall business volume. During the year 2014, the company has underwritten a contribution of Rs.289.7 million in health segment.

### 7.3 Claims:

During the fiscal year 2014, PQGTL incurred Gross claims' expense amounting to Rs.633.2 million as compared to 540.7 million in 2013. Following is the claim and its comparisons with the previous year:

|        | 2014<br>Rupees     | 2013<br>Rupees     |
|--------|--------------------|--------------------|
| Fire   | 59,257,325         | 12,405,619         |
| Marine | 1,293,370          | 41,183,492         |
| Motor  | 274,717,196        | 263,621,565        |
| Health | 280,712,537        | 204,796,005        |
| Misc   | 17,266,166         | 18,690,741         |
|        | <b>633,246,594</b> | <b>540,697,422</b> |



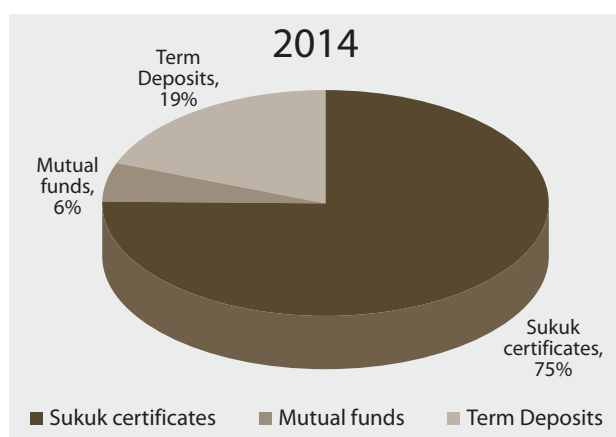
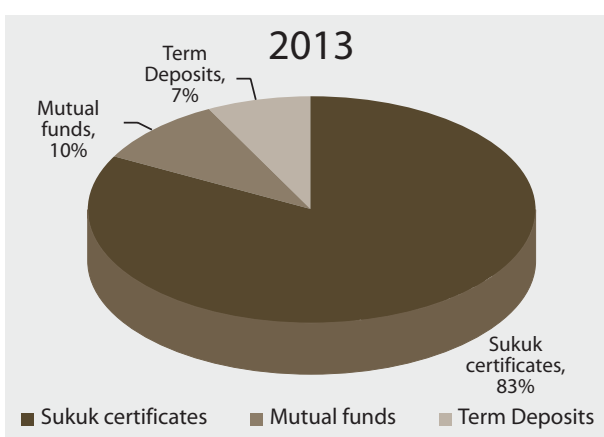
In motor segment in terms of gross ratio, almost similar trend is observed as compared to 2013, while a high gross ratio is experienced in the health segment during the year 2014.

### 7.4. Investment Income:

With limited compliant mode of investments available in Pakistan, the Company was able to post reasonable performance during the outgoing year. Analysis is given below:

|                          | 2014                             |                                  | 2013                             |                                  |
|--------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|                          | Year-end<br>Investment<br>Rupees | Income for<br>the Year<br>Rupees | Year-end<br>Investment<br>Rupees | Income for<br>the Year<br>Rupees |
| Shareholders' Fund       | <b>*326,674,925</b>              | 32,722,630                       | <b>*257,991,458</b>              | 23,199,108                       |
| Participant Takaful Fund | -                                | 11,553,887                       | <b>86,785,022</b>                | 12,390,833                       |
|                          | <b>326,674,925</b>               | <b>44,276,517</b>                | <b>344,776,480</b>               | <b>35,589,941</b>                |

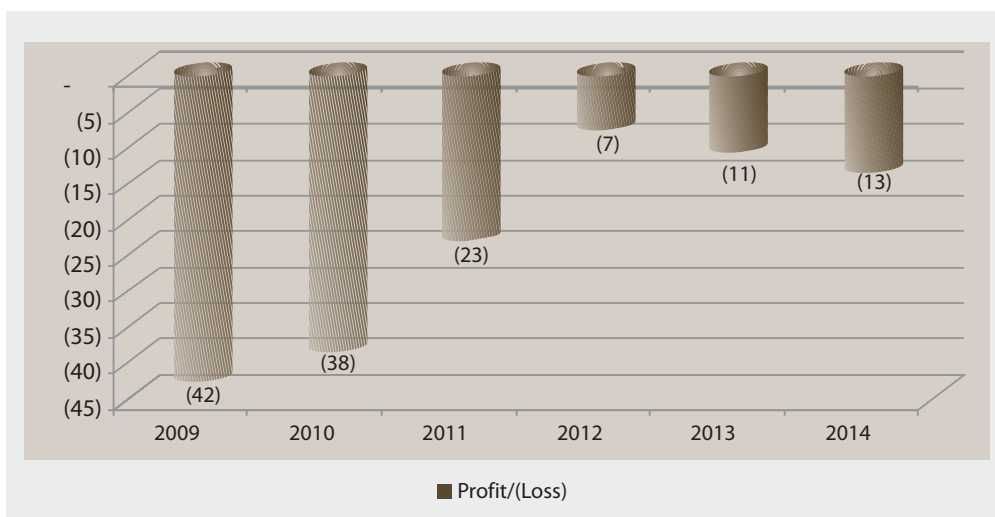
\*Above data includes effect of deposits maturing within twelve months.



## 7.5. Participant Takaful Fund

### Participants' Takaful Fund (PTF) Revenue Account

|                                                       | 2014<br>Rupees       | 2013<br>Rupees |
|-------------------------------------------------------|----------------------|----------------|
| Net Contribution Revenue                              | <b>506,242,345</b>   | 426,431,803    |
| Net Claims                                            | <b>(543,036,384)</b> | (465,704,090)  |
|                                                       | <b>(36,794,039)</b>  | (39,272,287)   |
| Contribution deficiency reserve                       | <b>2,589,304</b>     | (11,294,372)   |
| Direct Expenses                                       | <b>(866,048)</b>     | (1,495,706)    |
| Rebate commission from re-takaful                     | <b>41,262,410</b>    | 39,306,048     |
| <b>Deficit before participants' investment income</b> | <b>6,191,627</b>     | (12,756,317)   |
| Net Investment Income                                 | <b>6,932,332</b>     | 7,434,502      |
| Provision for doubtful contribution net-off Wakala    | <b>(26,264,659)</b>  | (5,355,509)    |
| Other charges                                         | <b>(1,044)</b>       | (6,615)        |
| <b>Deficit transferred to participant's equity</b>    | <b>(13,141,744)</b>  | (10,683,939)   |



**7.6. Shareholders' Fund:**

Analyzing profit before tax, 2014 was a profitable year for Pak-Qatar General Takaful Limited. Accumulated profit as at December 31, 2013, amounted to Rs.19,536,267 and the outgoing year has resulted in accumulated profit of Rs.38,063,486 posting a profit of Rs.18,527,219. Strong foundation has been laid to witness successive profitable years, eliminating deficits and realizing surpluses. During 2014, right shares were issued amounted to Rs.25,072,080, thus, increasing share capital to Rs. 432,748,270.

**7.7. Further Subscription of Share Capital:**

During the year 2014, further shares of 2,507,208 right shares of Rs.10 each had been issued by increasing share capital to 43,274,827 numbers of shares of Rs.10 each.

**8. HUMAN RESOURCES DEPARTMENT**

During the year 2014, Human Resources focused on strengthening our talent management practices, as this holds the key to maintaining a strong, performance-oriented culture in an industry that needs significant investment in developing quality human talent.

Recruitment strategy on the lower rungs has been to induct fresh talent from renowned institutions of learning to foster new ideas and perspectives and mold this talent based on the company's core values.

A significant investment is made in targeted employee development initiatives with a number of employees being supported towards acquiring professional certifications and memberships in globally recognized institutions of learning. Thus, a learning and development environment is promoted and supported through appropriate policy.

A revamp of the performance management function has increased focus on communications and feedback, while instituting 6 months follow-up on conversations held during feedback meetings. This process enables identification of improvement areas that are adequately addressed through requisite training and development.

**9. COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE**

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

**10. BOARD OF DIRECTORS**

| # | Director                         | Number of meetings attended |
|---|----------------------------------|-----------------------------|
| 1 | Sheikh Ali Bin Abdullah Al-Thani | 3                           |
| 2 | Ali Abdullah Darwesh             | 1                           |
| 3 | Abdul Basit Al-Shaibei           | 1                           |
| 4 | Said Gul                         | 6                           |
| 5 | Owais Ahmad Yousuf               | 6                           |
| 6 | Zahid Hussain Awan               | 6                           |
| 7 | Mohammed Maher Al Jaabri*        | 2                           |
| 8 | Ali Ibrahim Al Abdul Ghani**     | -                           |

\*Resigned during the year

\*\*Appointed to fill casual vacancy

Leave of absence was granted to directors, who could not attend the board meetings.

**11. CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- 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 that ended on December 31, 2014, 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 six years is attached.
- The accumulated balance in provident fund account as at December 31, 2014, was Rs.30,589,505/-.
- No trading in shares has been made by the Directors, Chief Executive Officer, Chief Financial Officer & Company Secretary, their spouses and minor children, except for the transfer of 67,000 and 1,486,600 shares to Mr. Said Gul and his spouse respectively.

**12. 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.

**13. AUDITORS**

The present auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and are eligible for reappointment. Based on the recommendation of the Audit Committee, the Board of Directors are proposing the M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, member firm of Deloitte Touche Tohmatsu Limited for the reappointment as auditors of the company for the year ending on December 31, 2015.

**14. EARNINGS PER SHARES**

The basic and diluted earnings per share of the Company were Rs. 0.43 (2013: Earnings per Share Rs. 0.82) per ordinary share of Rs. 10/- each.

**15. PATTERN OF SHAREHOLDING**

The pattern of shareholdings of the company is attached.

**16. APPRECIATION**

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

**17. VOTE OF THANKS**

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

**18. CONCLUSION**

In Conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Ar-Rahim, for the continued showering of His blessings, 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 of**  
**Pak-Qatar General Takaful Limited**



**SAID GUL**  
Chief Executive Officer

Doha - 09 April 2015

**KEY FINANCIAL DATA***Rupees in Thousand*

|                            | FY14      | FY13      | FY12    | FY11     | FY10    | FY09     |
|----------------------------|-----------|-----------|---------|----------|---------|----------|
|                            |           |           |         | Restated |         | Restated |
| Gross Contribution written | 1,002,402 | 1,028,986 | 549,209 | 330,472  | 217,182 | 171,702  |

**REVENUE ACCOUNT**

|                                        |           |           |           |           |           |           |
|----------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Contribution Earned                | 506,242   | 426,432   | 165,903   | 91,317    | 87,425    | 52,146    |
| Wakala Income                          | 344,919   | 321,394   | 193,851   | 121,756   | 75,803    | 51,511    |
| Net Claims including IBNR              | (543,036) | (465,704) | (197,170) | (135,742) | (138,370) | (100,552) |
| Net Commission expense                 | (20,289)  | (19,482)  | (8,241)   | (491)     | (1,820)   | 913       |
| Investment Income                      | 44,277    | 35,590    | 28,402    | 32,645    | 29,050    | 44,095    |
| Management & General Admin.<br>Expense | (318,458) | (258,027) | (158,627) | (123,195) | (131,866) | (89,853)  |
| Other Income/(loss)                    | 2,783     | 954       | 32        | (3)       | 183       | (1)       |
| Other Reserves                         | 2,589     | (11,294)  | (943)     | 2,066     | (2,440)   | (2,576)   |
| Consolidate Profit/(Loss) before Tax   | 19,027    | 29,862    | 23,206    | (11,648)  | (82,035)  | (44,317)  |
| Taxation - Net                         | (13,642)  | (7,279)   | (11,817)  | (2,689)   | 15,069    | 5,593     |
| Consolidate Profit/(Loss) after Tax    | 5,385     | 22,583    | 11,389    | (14,337)  | (66,966)  | (38,724)  |

**BALANCE SHEET**

|                                                  |           |           |           |           |           |          |
|--------------------------------------------------|-----------|-----------|-----------|-----------|-----------|----------|
| Investments                                      | 264,175   | 319,366   | 224,528   | 131,274   | 183,764   | 221,674  |
| Cash & Bank Deposits                             | 179,177   | 219,194   | 139,378   | 81,817    | 14,316    | 30,164   |
| Deferred Tax Asset                               | -         | 6,775     | 10,760    | 21,579    | 22,889    | 6,805    |
| Other Assets                                     | 572,376   | 463,279   | 224,985   | 164,796   | 100,567   | 74,729   |
| Fixed Assets                                     | 42,262    | 46,879    | 44,808    | 48,619    | 53,836    | 52,458   |
| Paid-up Capital                                  | 432,748   | 407,676   | 337,429   | 307,800   | 307,800   | 307,800  |
| Advance against future issue of<br>share capital | 34        | 34        | -         | -         | 2,661     | 2,661    |
| Consolidated surplus/(loss)                      | (109,797) | (115,182) | (137,765) | (149,154) | (134,817) | (67,850) |
| Other Reserves                                   | 550,069   | 565,326   | 322,479   | 218,374   | 150,385   | 117,353  |
| Other Liabilities                                | 184,935   | 197,641   | 122,316   | 71,065    | 49,344    | 25,869   |

## KEY FINANCIAL RATIOS

|                                                          | FY 2014 | FY 2013 | FY 2012 | FY 2011  | FY 2010 | FY 2009  |
|----------------------------------------------------------|---------|---------|---------|----------|---------|----------|
|                                                          |         |         |         | Restated |         | Restated |
| <b>Growth in:</b>                                        |         |         |         |          |         |          |
| Gross Contribution written                               | -3%     | 87%     | 66%     | 52%      | 26%     | 99%      |
| Net Contribution Earned                                  | 19%     | 157%    | 82%     | 4%       | 68%     | 671%     |
| Wakala Income                                            | 7%      | 66%     | 59%     | 61%      | 47%     | 213%     |
| Net Claims                                               | 17%     | 136%    | 45%     | -2%      | 38%     | 340%     |
| Commission & Management/<br>Admin Expenses               | 22%     | 66%     | 35%     | -7%      | 50%     | 107%     |
| Investment Income                                        | 24%     | 25%     | -13%    | 12%      | -34%    | 87%      |
| Current Ratio (times)                                    | 1.43    | 1.36    | 1.34    | 1.32     | 1.54    | 2.33     |
| Fixed assets turnover (times)                            | 22.49   | 22.45   | 11.76   | 6.45     | 4.09    | 3.27     |
| Gross Contribution per share (Rs.)                       | 23.16   | 25.24   | 16.28   | 10.74    | 7.06    | 5.58     |
| Earning per shares (Rs.)                                 | 0.43    | 0.82    | 0.56    | 0.28     | (0.93)  | 0.12     |
| Net Claim to Gross Contribution<br>less Retakaful        | 64%     | 54%     | 46%     | 56%      | 89%     | 77%      |
| Net Claim to Net Contribution<br>Earned including Wakala | 64%     | 62%     | 55%     | 64%      | 85%     | 97%      |
| Management & Admin Expenses to<br>Gross Contribution     | 32%     | 25%     | 29%     | 37%      | 61%     | 52%      |
| Management & Admin Expenses to<br>Wakala Fee             | 92%     | 80%     | 82%     | 101%     | 174%    | 174%     |
| Commission Expense to Gross<br>Contribution              | 2%      | 2%      | 2%      | 0.1%     | 1%      | -1%      |
| Wakala income to Gross Contribution                      | 34%     | 31%     | 35%     | 37%      | 35%     | 30%      |
| Retakaful to Gross Contribution                          | 15%     | 17%     | 21%     | 27%      | 28%     | 24%      |
| <b>REVENUE DISTRIBUTION (PTF)</b>                        |         |         |         |          |         |          |
| Claims (Including IBNR)                                  | 107%    | 119%    | 119%    | 149%     | 158%    | 193%     |
| Other Reserve                                            | -1%     | 1%      | 1%      | -2%      | 3%      | 5%       |
| Direct expenses                                          | 5%      | 3%      | 3%      | 2%       | 1%      | 0%       |
| Rebate commission                                        | -8%     | -16%    | -16%    | -21%     | -15%    | -15%     |
| Net Investment income                                    | -1%     | -2%     | -2%     | -2%      | -3%     | -2%      |
| Deficit for the year                                     | -3%     | -4%     | -4%     | -25%     | -44%    | -81%     |
|                                                          | 100%    | 100%    | 100%    | 100%     | 100%    | 100%     |
| <b>REVENUE DISTRIBUTION (SHF)</b>                        |         |         |         |          |         |          |
| Commission                                               | 18%     | 18%     | 18%     | 16%      | 20%     | 13%      |
| Management expenses                                      | 57%     | 55%     | 55%     | 71%      | 122%    | 125%     |
| Modarib share                                            | -1%     | -1%     | -1%     | -1%      | -2%     | -1%      |
| Net investment income                                    | -9%     | -11%    | -11%    | -24%     | -33%    | -83%     |
| General and admin expenses                               | 27%     | 24%     | 24%     | 29%      | 51%     | 49%      |
| Other (Loss) / Gain                                      | -1%     | 0%      | 0%      | 0%       | 0%      | 0%       |
| Cede money                                               | 0%      | 0%      | 0%      | 0%       | 0%      | 0%       |
| Taxation                                                 | 4%      | 6%      | 6%      | 2%       | -20%    | -11%     |
| Profit / (Loss) after Taxation                           | 5%      | 10%     | 10%     | 7%       | -38%    | 7%       |
|                                                          | 100%    | 100%    | 100%    | 100%     | 100%    | 100%     |

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December, 2014

This statement is being presented to comply with the Code of Corporate Governance (the Code) applicable on unlisted insurance companies as required under Section B of S.R.O 68(1) /2003 dated January 21, 2003 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. All 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 Development Financial Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of Stock Exchange, has been declared as a defaulter by a Stock Exchange.
3. A casual vacancy occurring on the Board on September 23, 2014 was filled up by the directors within 30 days thereof.
4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and key employees of the Company.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All 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 Chief Executive Officer, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by 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 include all the necessary aspects of internal control given in the Code.
9. Directors being seasoned bankers, insurance & investments professionals and experienced businessmen are aware of their responsibilities as directors. They are provided briefings on the changes in laws and regulations in Board meetings; however, no formal orientation course for the directors during the year was arranged.
10. There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.

11. 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.
12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer of the Company before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed Underwriting, Claim Settlement and Re-takaful Committees.
16. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive directors including the Chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Audit Committee have been formed and advised to the Committee for compliance.
18. The Board has established an effective internal audit function. Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
19. 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 the Institute of Chartered Accountants of Pakistan.
20. 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.
21. The actuary appointed by the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.
22. The Board ensures that the appointed actuary complied with the requirements set out for him in this Code.
23. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors



**SAID GUL**  
Chief Executive Officer

## SHARIAH ADVISORY REPORT TO THE BOARD OF DIRECTORS

for the year ended 31 December 2014

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

We have examined the accompanying financial statements of **Pak-Qatar General Takaful Limited** (hereafter referred to as "the Company") for the year ended 31 December 2014.

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 participants and stakeholders are in compliance with the requirements of Shariah rules and principles. It is the responsibility of the Company's management to ensure that the rules, principles and guidelines set by the Shariah Advisory Board are complied with, and that all policies and services being offered are duly approved by the Shariah Advisory Board.

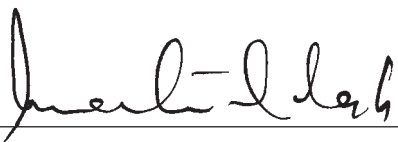
The primary scope of Shariah Audit is to review the Company's compliance with Shariah Guidelines, and includes the examination of the appropriate evidence of transactions undertaken by the Company during the year 2014.

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 the provided information and explanations, below are the findings:

- (i) Financial transactions undertaken by the Company for the year ended 31 December 2014 were in accordance with guidelines issued by Shariah Advisory Board as well as the requirements of Takaful Rules 2012.
- (ii) Few cases which had some irregularities from the Shariah perspective were discussed with the Management and duly resolved. Furthermore, the management of the company has been advised to strictly follow Shariah compliance in future.
- (iii) Consequently, we have found that the Company is in accordance with the Shariah principles in all transactional aspects. Moreover, we also agree with the Accounting principles adopted for incorporation of Participant Takaful Fund (Waqf Fund) into the accompanying financial statements.

**"And Allah Knows Best"**

On behalf of Chairman of Shariah Advisory Board



**Dr. Mufti Ismatullah**

Shariah Advisor & Shariah Advisory Board Member



**Dr. Mufti Muhammad Zubair Usmani**

Shariah Advisory Board Member

KARACHI

## شریعہ ایڈوائزری رپورٹ برائے بورڈ آف ڈائریکٹرز

نحمدہ ونصلی ونسلم علی رسولہ الکریم وعلی آلہ وأصحابہ أجمعین، وبعد !

الحمد للہ، ہم نے پاک قطر جنرل تکافل لمیٹڈ (آئندہ اسے ”کمپنی“ کہا جائے گا) کے مالیاتی اسٹیٹمنٹس برائے سال ۲۰۱۴ء کا شرعی نقطہ نظر سے جائزہ لیا۔

ہم کمپنی کے شریعہ ایڈوائزری بورڈ کی حیثیت سے اس بات سے بخوبی باخبر ہیں کہ کمپنی کے شرکاء تکافل اور اسٹیک ہولڈرز کے مابین تمام مالی معاملات اور مختلف عقود و معاہدات کو شرعی قواعد و ضوابط کے مطابق یقینی بنانا ہماری بنیادی ذمہ داری ہے۔ اسی طرح کمپنی کی منظمہ کمیٹی کی بھی یہ ذمہ داری ہے کہ وہ شریعہ بورڈ کی طرف سے جاری کردہ اصول و ضوابط اور گائیڈ لائنز پر اہتمام کے ساتھ عمل کرانے کو یقینی بنائے۔ مزید برآں یہ کہ تمام تکافل پالیسیز اور تکافل خدمات شرعی قواعد و ضوابط کے مطابق اور باقاعدہ شریعہ بورڈ سے منظور شدہ ہوں۔

یہ بات اہم ہے کہ کمپنی نے تقریباً اپنی ابتداء ہی سے اس بات کا اہتمام کیا ہے کہ شریعہ بورڈ کی جانب سے جاری کردہ ہدایات پر اہتمام سے عمل کیا جائے اور تمام تکافل پالیسیز، تکافل خدمات اور مختلف فنڈز کی سرمایہ کاری شرعی قواعد و ضوابط کے مطابق انجام دی جائے اور یہ باقاعدہ طور پر شریعہ بورڈ سے منظور شدہ بھی ہوں۔

بہر حال ہماری معلومات کے مطابق:

۱..... سال ۲۰۱۴ء کے اختتام تک کمپنی کی جانب سے کیے گئے تمام مالی معاملات شریعہ ایڈوائزری بورڈ کی جانب سے دی گئی گائیڈ لائنز اور تکافل روڈ ۲۰۱۲ء کے مطابق تھے۔

۲..... البتہ کمپنی کے چند معاملات ایسے تھے، جو شریعت کی رو سے درست نہ تھے، کمپنی کی منظمہ کمیٹی سے ان معاملات پر بات چیت کی گئی اور باقاعدہ انہیں حل بھی کرا لیا گیا، نیز مستقبل میں مزید اہتمام سے شریعہ گائیڈ لائنز پر عمل کرنے کی ہدایات بھی کر دی گئیں۔

۳..... الحمد للہ، بحیثیت مجموعی کمپنی کے تمام معاملات کو ہم نے شریعہ گائیڈ لائنز اور قواعد و ضوابط کے مطابق پایا، نیز ہم وقف فنڈ کے لئے اختیار کئے گئے اکاؤنٹنگ کے اصول و ضوابط جو کہ مالیاتی اسٹیٹمنٹس کے لئے کلیدی حیثیت رکھتے ہیں، سے اتفاق کرتے ہیں۔

واللہ اعلم بالصواب وعلمہ اتم وأحکم

در نیابت چیئر مین شریعہ ایڈوائزری بورڈ



ڈاکٹر مفتی عصمت اللہ

شریعہ ایڈوائزری بورڈ ممبر شریعہ ایڈوائزری بورڈ



ڈاکٹر مفتی محمد زبیر عثمانی

ممبر شریعہ ایڈوائزری بورڈ

## **INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS AND SHARIAH ADVISOR OF THE COMPANY IN RESPECT OF COMPANY'S COMPLIANCE WITH THE TAKAFUL RULES, 2012 AND SHARIAH RULES AND PRINCIPLES PRESCRIBED BY THE SHARIAH ADVISOR**

We have performed an independent assurance engagement (Shariah Compliance Audit) of **Pak Qatar General Takaful Limited** (the Company) to ensure that the Company has complied with the Takaful Rules 2012 and Shariah rules and principles prescribed by the Shariah Advisor/Board of the Company during the year ended **December 31, 2014**.

### **2. Management's Responsibility for Shariah Compliance**

It is the responsibility of the Company to ensure that the financial arrangements, contracts, products and transactions entered into by the Company and Pak Qatar General Takaful Limited Waqf Fund (the Waqf) with participants, other financial institutions and stakeholders are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles as determined by the Shariah Advisor/Board and the Takaful Rules, 2012.

### **3. Our Responsibility**

- 3.1 Our responsibility in connection with this engagement is to express an opinion, based on the procedures performed on a sample basis, whether these financial arrangements, contracts, products and transactions are in compliance with the requirements of the Shariah rules and principles as prescribed by the Company's Shariah Advisor/Board and the Takaful Rules, 2012.
- 3.2 The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the said Shariah rules and principles. In making those risk assessments, we considered such internal control procedures as were relevant to the Company's compliance with the Shariah rules and principles. Our engagement was, however, not intended for expressing opinion on the effectiveness of the Company's internal controls for purposes of compliance with the Shariah rules and principles.
- 3.3 We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

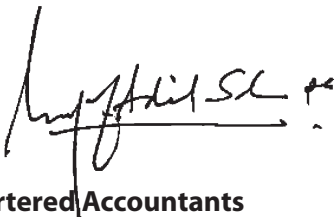
- 3.4 During the course of our assignment, we came across certain matters that have been brought to the attention of the Shariah Advisor/Board and the management of the Company entailing certain Shariah issues. We were informed that it was the opinion of the Shariah Advisor/Board that such matters have no materially adverse Shariah compliance effect. In addition, interpretation and conclusion of the Shariah Advisor/Board of the Company is considered final for the purpose of interpretation of the Shariah matters mentioned in the Takaful Rules, 2012.

#### 4. Framework for the Engagement

We have conducted our engagement in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Advisor of the International Federation of Accountants. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Company's compliance with the Shariah rules and principles as determined by the Shariah Advisor/Board and the Takaful Rules, 2012.

#### 5. Our Opinion

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended December 31, 2014, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Advisor/Board and the Takaful Rules, 2012 in all material respects.



**Chartered Accountants**

Date: April 09, 2015  
Karachi:

## **REVIEW REPORT ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) applicable on unlisted insurance companies prepared by the Board of Directors of **Pak Qatar General Takaful Limited** (the Company) to voluntarily comply with the best practices of the Code, as required under Section B of S.R.O 68(1) /2003 dated January 21, 2003.

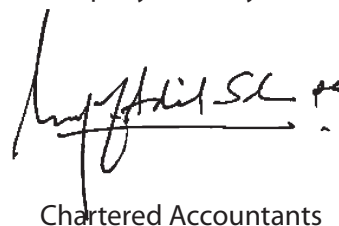
The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the audit committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of 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 December 31, 2014.

KARACHI  
Dated: 09 April 2015

A handwritten signature in black ink, appearing to read "M. Yousuf Adil Saleem".

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 comprehensive income;
- (iv) statement of changes in equity;
- (v) statement of cash flows;
- (vi) statement of contribution;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income.

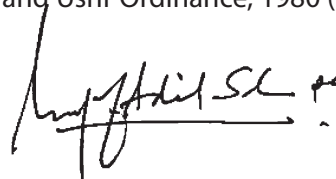
of **Pak-Qatar General Takaful Limited** ("the Company") as at December 31, 2014 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the International Accounting Standards as applicable in Pakistan and requirement 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 International Standards on Auditing 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 statements 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;
- c. the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with International 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).



Chartered Accountants  
**Engagement Partner: Mushtaq Ali Hirani**

Date: 09 April 2015  
Karachi

**BALANCE SHEET**

As at December 31, 2014

|                                                      | Note | 2014<br>————(Rupees)———— | 2013          |
|------------------------------------------------------|------|--------------------------|---------------|
| <b>SHARE CAPITAL AND RESERVES</b>                    |      |                          |               |
| <b>[SHAREHOLDERS' FUND (SHF)]</b>                    |      |                          |               |
| Authorized share capital                             | 8    | <b>600,000,000</b>       | 500,000,000   |
| Issued, subscribed and paid-up share capital         | 8    | <b>432,748,270</b>       | 407,676,190   |
| Unappropriated profit                                |      | <b>38,063,486</b>        | 19,536,267    |
|                                                      |      | <b>470,811,756</b>       | 427,212,457   |
| <b>WAQF / PARTICIPANTS' EQUITY</b>                   |      |                          |               |
| <b>[PARTICIPANTS' TAKAFUL FUND (PTF)]</b>            |      |                          |               |
| Cede money                                           |      | <b>500,000</b>           | 500,000       |
| Accumulated deficit                                  |      | <b>(147,860,109)</b>     | (134,718,365) |
|                                                      |      | <b>(147,360,109)</b>     | (134,218,365) |
| <b>PTF UNDERWRITING PROVISIONS</b>                   |      |                          |               |
| Reserve for claims - IBNR                            |      | <b>14,379,687</b>        | 13,628,266    |
| Provision for outstanding claims                     | 9    | <b>214,103,128</b>       | 220,306,421   |
| Reserve for unearned contributions                   |      | <b>292,834,347</b>       | 301,146,979   |
| Reserve for unearned retakaful rebate                |      | <b>13,312,741</b>        | 15,523,656    |
| Contributions deficiency reserve                     |      | <b>11,631,380</b>        | 14,220,684    |
|                                                      |      | <b>546,261,283</b>       | 564,826,006   |
| <b>DEFERRED TAX LIABILITY (SHF)</b>                  | 10   | <b>3,307,779</b>         | -             |
| <b>CREDITORS AND ACCRUALS</b>                        |      |                          |               |
| Amount due to co-takaful / retakaful operators (PTF) |      | <b>70,780,340</b>        | 111,903,683   |
| Accrued expenses (SHF)                               | 11   | <b>5,099,788</b>         | 4,266,258     |
| Other creditors and accruals                         | 12   | <b>109,089,040</b>       | 81,505,212    |
|                                                      |      | <b>184,969,168</b>       | 197,675,153   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                  |      | <b>1,057,989,877</b>     | 1,055,495,251 |
| <b>CONTINGENCIES AND COMMITMENTS</b>                 | 13   |                          |               |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

**BALANCE SHEET**

As at December 31, 2014

|                                                                       | Note | 2014<br>————(Rupees)———— | 2013          |
|-----------------------------------------------------------------------|------|--------------------------|---------------|
| <b>CASH AND BANK DEPOSITS</b>                                         | 14   |                          |               |
| Cash and other equivalents                                            |      | 1,026,193                | 1,262,227     |
| Current and other accounts                                            |      | 115,650,848              | 192,521,904   |
| Deposits maturing within 12 months                                    |      | 62,500,000               | 25,410,000    |
|                                                                       |      | <b>179,177,041</b>       | 219,194,131   |
| <b>INVESTMENTS</b>                                                    | 15   | <b>264,174,925</b>       | 319,366,480   |
| <b>LONG-TERM SECURITY DEPOSITS</b>                                    |      | <b>4,531,686</b>         | 4,036,447     |
| <b>DEFERRED TAX ASSET(SHF)</b>                                        | 10   | -                        | 6,775,508     |
| <b>CURRENT ASSETS - OTHERS</b>                                        |      |                          |               |
| Contributions due but unpaid (PTF)                                    | 16   | <b>378,363,658</b>       | 296,379,345   |
| Accrued investment income                                             | 17   | <b>4,781,896</b>         | 4,163,549     |
| Taxation - payment less provision (SHF)                               |      | <b>10,153,723</b>        | 8,869,810     |
| Retakaful and other recoveries in respect of outstanding claims (PTF) |      | <b>98,146,874</b>        | 67,874,253    |
| Deferred commission expense (SHF)                                     |      | <b>25,986,461</b>        | 26,204,203    |
| Prepayments                                                           | 18   | <b>46,599,200</b>        | 49,866,577    |
| Sundry receivables                                                    | 19   | <b>3,812,623</b>         | 5,885,818     |
|                                                                       |      | <b>567,844,435</b>       | 459,243,555   |
| <b>FIXED ASSETS (SHF)</b>                                             | 20   |                          |               |
| <b>Tangible</b>                                                       |      |                          |               |
| Furniture and fixtures                                                |      | <b>12,521,347</b>        | 11,484,662    |
| Office equipment                                                      |      | <b>5,473,137</b>         | 5,892,739     |
| Motor vehicles                                                        |      | <b>4,072,061</b>         | 6,677,526     |
| Computer equipment                                                    |      | <b>9,835,515</b>         | 10,770,252    |
|                                                                       |      | <b>31,902,060</b>        | 34,825,179    |
| <b>Intangible</b>                                                     |      |                          |               |
| Computer software                                                     |      | <b>10,359,730</b>        | 12,053,951    |
| <b>Total fixed assets</b>                                             |      | <b>42,261,790</b>        | 46,879,130    |
| <b>TOTAL ASSETS</b>                                                   |      | <b>1,057,989,877</b>     | 1,055,495,251 |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2014

| Note                                              | Fire and property | Marine, aviation and transport | Motor         | Health        | Miscellaneous | 2014 Aggregate       | 2013 Aggregate |
|---------------------------------------------------|-------------------|--------------------------------|---------------|---------------|---------------|----------------------|----------------|
| (Rupees)                                          |                   |                                |               |               |               |                      |                |
| <b>PTF REVENUE ACCOUNT</b>                        |                   |                                |               |               |               |                      |                |
| Net contributions revenue                         | (5,743,809)       | 436,625                        | 245,867,202   | 252,942,351   | 12,739,976    | <b>506,242,345</b>   | 426,431,803    |
| Net claims - reported/settled - IBNR              | (5,977,737)       | (2,889,372)                    | (243,184,589) | (280,712,537) | (9,520,728)   | <b>(542,284,963)</b> | (457,403,235)  |
|                                                   | (300,000)         | -                              | -             | (451,421)     | -             | <b>(751,421)</b>     | (8,300,855)    |
|                                                   | (6,277,737)       | (2,889,372)                    | (243,184,589) | (281,163,958) | (9,520,728)   | <b>(543,036,384)</b> | (465,704,090)  |
|                                                   | (12,021,546)      | (2,452,747)                    | 2,682,613     | (28,221,607)  | 3,219,248     | <b>(36,794,039)</b>  | (39,272,287)   |
| Contributions deficiency reversal / (expense)     | -                 | -                              | -             | 2,589,304     | -             | <b>2,589,304</b>     | (11,294,372)   |
| Direct expenses                                   | (327,884)         | (21,552)                       | (457,154)     | (34,881)      | (24,577)      | <b>(866,048)</b>     | (1,495,706)    |
| Net retakaful rebate                              | 24,068,578        | 10,054,991                     | 65,886        | -             | 7,072,955     | <b>41,262,410</b>    | 39,306,048     |
| Net underwriting results before investment income | 11,719,148        | 7,580,692                      | 2,291,345     | (25,667,184)  | 10,267,626    | <b>6,191,627</b>     | (12,756,317)   |
| Investment income less : Modarib's Share          |                   |                                |               |               |               | <b>11,553,887</b>    | 12,390,832     |
| Net investment income                             |                   |                                |               |               |               | <b>(4,621,555)</b>   | (4,956,330)    |
| Provision for doubtful contribution net of wakala | 21                |                                |               |               |               | <b>6,932,332</b>     | 7,434,502      |
| Other charges                                     |                   |                                |               |               |               | <b>(26,264,659)</b>  | (5,355,509)    |
| Deficit transferred to participants' equity       |                   |                                |               |               |               | <b>(1,044)</b>       | (6,615)        |
|                                                   |                   |                                |               |               |               | <b>(13,141,744)</b>  | (10,683,939)   |
| <b>SHF REVENUE ACCOUNT</b>                        |                   |                                |               |               |               |                      |                |
| Wakala income                                     | 29,071,652        | 11,620,723                     | 217,892,532   | 43,458,766    | 42,875,533    | <b>344,919,206</b>   | 321,393,542    |
| Commission expense                                | (17,235,272)      | (6,834,365)                    | (14,329,989)  | (12,326,843)  | (10,825,058)  | <b>(61,551,527)</b>  | (58,787,861)   |
| Management expenses                               | 22                | (19,117,718)                   | (7,641,389)   | (95,389,205)  | (57,069,696)  | <b>(18,233,941)</b>  | (174,609,393)  |
|                                                   | (7,281,338)       | (2,855,031)                    | 108,173,338   | (25,937,773)  | 13,816,534    | <b>85,915,730</b>    | 87,996,288     |
| Modarib share of PTF investment income            |                   |                                |               |               |               | <b>4,621,555</b>     | 4,956,330      |
| Net investment income                             |                   |                                |               |               |               | <b>32,722,630</b>    | 23,199,108     |
| General and administrative expenses               | 23                |                                |               |               |               | <b>(92,996,658)</b>  | (75,739,047)   |
| Other income                                      | 24                |                                |               |               |               | <b>2,783,798</b>     | 960,906        |
| Worker's welfare fund                             |                   |                                |               |               |               | <b>(878,244)</b>     | (827,472)      |
| Profit before taxation                            |                   |                                |               |               |               | <b>32,168,811</b>    | 40,546,113     |
| Provision for taxation - current                  | 25                |                                |               |               |               | <b>(3,558,305)</b>   | (3,294,510)    |
| - deferred                                        | 10.1              |                                |               |               |               | <b>(10,083,287)</b>  | (3,984,665)    |
|                                                   |                   |                                |               |               |               | <b>(13,641,592)</b>  | (7,279,175)    |
| Profit after taxation                             |                   |                                |               |               |               | <b>18,527,219</b>    | 33,266,938     |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

|                                                | 2014               | 2013              |
|------------------------------------------------|--------------------|-------------------|
|                                                | —————(Rupees)————— |                   |
| <b>SHAREHOLDERS' FUND (SHF)</b>                |                    |                   |
| Profit after taxation                          | 18,527,219         | 33,266,938        |
| Other comprehensive income                     | -                  | -                 |
| <b>Total comprehensive income for the year</b> | <b>18,527,219</b>  | <b>33,266,938</b> |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

Note

2014

2013

————(Rupees)————

## OPERATING CASH FLOWS

### (a) Takaful activities

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| Contributions received                  | 882,379,588   | 847,825,716   |
| Claims paid                             | (639,449,887) | (447,340,662) |
| Payment to retakaful operators          | (135,185,907) | (81,812,783)  |
| Commission paid-net of rebate           | (12,753,159)  | (4,775,031)   |
| Other retakaful payments                | (866,048)     | (1,495,706)   |
| Net cash inflow from takaful activities | 94,124,587    | 312,401,534   |

### (b) Other operating activities

|                                             |               |               |
|---------------------------------------------|---------------|---------------|
| Income tax paid                             | (4,842,218)   | (3,754,494)   |
| General and other expenses paid             | (252,443,988) | (224,687,012) |
| Advances and deposits                       | 2,073,195     | (2,405,582)   |
| Long term security deposits                 | (495,239)     | (510,183)     |
| Net cash used in other operating activities | (255,708,250) | (231,357,271) |

### Total cash (used in) / generated from all operating activities

|               |            |
|---------------|------------|
| (161,583,663) | 81,044,263 |
|---------------|------------|

## INVESTMENT ACTIVITIES

|                                                    |              |               |
|----------------------------------------------------|--------------|---------------|
| Profit / return received                           | 43,658,169   | 31,284,937    |
| Payment for investments                            | (89,960,254) | (165,746,382) |
| Proceeds from disposal / redemption of investments | 102,651,809  | 74,430,539    |
| Receipt on disposal of fixed assets                | 8,646,676    | 2,376,818     |
| Fixed capital expenditure                          | (11,001,907) | (13,821,214)  |

### Total cash generated from / (used in) investing activities

|            |              |
|------------|--------------|
| 53,994,493 | (71,475,302) |
|------------|--------------|

## FINANCING ACTIVITIES

|                                         |            |            |
|-----------------------------------------|------------|------------|
| Proceeds from issuance of share capital | 25,072,080 | 70,246,960 |
|-----------------------------------------|------------|------------|

### Total cash generated from financing activities

|            |            |
|------------|------------|
| 25,072,080 | 70,246,960 |
|------------|------------|

### Net cash (outflows) / inflows from all activities

|              |            |
|--------------|------------|
| (82,517,090) | 79,815,921 |
|--------------|------------|

Cash at beginning of the year

|             |             |
|-------------|-------------|
| 219,194,131 | 139,378,210 |
|-------------|-------------|

Cash at end of the year

|             |             |
|-------------|-------------|
| 136,677,041 | 219,194,131 |
|-------------|-------------|

..... Continued .....

# STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

2014                      2013  
 —————(Rupees) —————

## Reconciliation to profit and loss account

|                                                |               |               |
|------------------------------------------------|---------------|---------------|
| Operating cash flows                           | (161,583,663) | 81,044,263    |
| Depreciation and amortization expenses         | (9,750,805)   | (10,180,518)  |
| Exchange gain                                  | 5,564         | 153,935       |
| Gain on disposal of fixed assets               | 2,778,234     | 806,971       |
| Provision for doubtful debts                   | (36,880,899)  | (8,014,022)   |
| Investment income                              | 44,276,517    | 35,589,940    |
| Increase / (decrease) in liabilities           | 22,958,076    | (193,823,700) |
| Increase in assets                             | 144,069,193   | 244,912,252   |
| Increase / (decrease) in unearned contribution | 8,312,632     | (124,381,441) |
| Income tax paid                                | 4,842,218     | 3,754,494     |
| Profit before taxation                         | 19,027,067    | 29,862,174    |
| Deficit in participants' equity                | (13,141,744)  | (10,683,939)  |
| Profit before tax attributable to shareholders | 32,168,811    | 40,546,113    |
|                                                | 19,027,067    | 29,862,174    |

## 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 day-to-day basis.

2014                      2013  
 —————(Rupees) —————

## Cash for the purposes of the statement of cash flows consists of:

### Cash and other equivalents

|                |           |           |
|----------------|-----------|-----------|
| Cash in hand   | 632,371   | 498,674   |
| Stamps in hand | 393,822   | 763,553   |
|                | 1,026,193 | 1,262,227 |

### Current and other accounts

|                  |            |             |
|------------------|------------|-------------|
| Current accounts | 32,443,251 | 12,075,540  |
| Saving accounts  | 83,207,597 | 180,446,364 |

|  |             |             |
|--|-------------|-------------|
|  | 115,650,848 | 192,521,904 |
|--|-------------|-------------|

### Deposits maturing within 3 months (encashable on demand)

|  |             |             |
|--|-------------|-------------|
|  | 20,000,000  | 25,410,000  |
|  | 136,677,041 | 219,194,131 |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

(SHF)

|                                                                        | Issued,<br>subscribed and<br>paid-up capital | Unappropriated<br>Profit/<br>Accumulated<br>loss | Total              |
|------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------|
|                                                                        | (Rupees)                                     |                                                  |                    |
| <b>Balance at January 01, 2013</b>                                     | <b>337,429,230</b>                           | <b>(13,730,671)</b>                              | <b>323,698,559</b> |
| <b>Total comprehensive income for the year ended December 31, 2013</b> |                                              |                                                  |                    |
| Profit for the year                                                    | -                                            | 33,266,938                                       | 33,266,938         |
| Other comprehensive income for the year                                | -                                            | -                                                | -                  |
| Total comprehensive income for the year                                | -                                            | 33,266,938                                       | 33,266,938         |
| <b>Transactions with the owners</b>                                    |                                              |                                                  |                    |
| Issue of right shares at Rs. 10 per share                              | 70,246,960                                   | -                                                | 70,246,960         |
| <b>Balance at December 31, 2013</b>                                    | <b>407,676,190</b>                           | <b>19,536,267</b>                                | <b>427,212,457</b> |
| <b>Total comprehensive income for the year ended December 31, 2014</b> |                                              |                                                  |                    |
| Profit for the year                                                    | -                                            | 18,527,219                                       | 18,527,219         |
| Other comprehensive income for the year                                | -                                            | -                                                | -                  |
| Total comprehensive income for the year                                | -                                            | 18,527,219                                       | 18,527,219         |
| <b>Transactions with the owners</b>                                    |                                              |                                                  |                    |
| Issue of right shares at Rs. 10 per share                              | 25,072,080                                   | -                                                | 25,072,080         |
| <b>Balance at December 31, 2014</b>                                    | <b>432,748,270</b>                           | <b>38,063,486</b>                                | <b>470,811,756</b> |

(PTF)

|                                              | Cede money     | Accumulated<br>deficit | Total                |
|----------------------------------------------|----------------|------------------------|----------------------|
|                                              | (Rupees)       |                        |                      |
| <b>Balance at January 01, 2013</b>           | <b>500,000</b> | <b>(124,034,426)</b>   | <b>(123,534,426)</b> |
| Deficit for the year ended December 31, 2014 | -              | (10,683,939)           | (10,683,939)         |
| <b>Balance at January 01, 2014</b>           | <b>500,000</b> | <b>(134,718,365)</b>   | <b>(134,218,365)</b> |
| Deficit for the year ended December 31, 2014 | -              | (13,141,744)           | (13,141,744)         |
| <b>Balance at December 31, 2014</b>          | <b>500,000</b> | <b>(147,860,109)</b>   | <b>(147,360,109)</b> |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# STATEMENT OF CONTRIBUTIONS

For the year ended December 31, 2014

Takaful business underwritten inside Pakistan

|                                      | contri-<br>butions<br>written | Wakala<br>Fee | Net<br>contri-<br>butions | Unearned contribution<br>reserve |             |                      | Contri-<br>butions<br>earned | Retakaful<br>ceded | Prepaid retakaful ceded      |                              |             | 2014         | 2013 |
|--------------------------------------|-------------------------------|---------------|---------------------------|----------------------------------|-------------|----------------------|------------------------------|--------------------|------------------------------|------------------------------|-------------|--------------|------|
|                                      |                               |               |                           | Opening                          | Closing     | Retakaful<br>expense |                              |                    | Contri-<br>bution<br>revenue | Contri-<br>bution<br>revenue |             |              |      |
|                                      |                               |               |                           |                                  |             |                      |                              |                    |                              |                              |             |              |      |
| (Rupees)                             |                               |               |                           |                                  |             |                      |                              |                    |                              |                              |             |              |      |
| Direct and facultative               |                               |               |                           |                                  |             |                      |                              |                    |                              |                              |             |              |      |
| Fire and<br>property                 | 97,054,708                    | 29,071,652    | 67,983,056                | 29,945,536                       | 31,572,747  | 66,355,845           | 74,265,307                   | 30,909,388         | 33,075,041                   | 72,099,654                   | (5,743,809) | (10,321,181) |      |
| Marine,<br>aviation and<br>transport | 38,792,956                    | 11,620,723    | 27,172,233                | 5,805,844                        | 1,602,591   | 31,375,486           | 26,918,965                   | 5,520,628          | 1,500,732                    | 30,938,861                   | 436,625     | 6,203,369    |      |
| Motor                                | 484,261,333                   | 217,892,532   | 266,368,801               | 141,893,299                      | 126,538,584 | 281,723,516          | 35,868,056                   | 4,698              | 16,440                       | 35,856,314                   | 245,867,202 | 235,188,246  |      |
| Health                               | 289,725,102                   | 43,458,766    | 246,266,336               | 110,924,819                      | 104,248,804 | 252,942,351          | -                            | -                  | -                            | -                            | 252,942,351 | 183,475,145  |      |
| Miscellaneous                        | 92,568,046                    | 42,875,533    | 49,692,513                | 12,577,481                       | 28,871,621  | 33,398,373           | 17,699,246                   | 8,997,460          | 6,038,309                    | 20,658,397                   | 12,739,976  | 11,886,224   |      |
| Total                                | 1,002,402,145                 | 344,919,206   | 657,482,939               | 301,146,979                      | 292,834,347 | 665,795,571          | 154,751,574                  | 45,432,174         | 40,630,522                   | 159,553,226                  | 506,242,345 | 426,431,803  |      |
| Treaty                               |                               |               |                           |                                  |             |                      |                              |                    |                              |                              |             |              |      |
| Proportional /<br>Non-proportional   | -                             | -             | -                         | -                                | -           | -                    | -                            | -                  | -                            | -                            | -           | -            |      |
| Grand<br>Total                       | 1,002,402,145                 | 344,919,206   | 657,482,939               | 301,146,979                      | 292,834,347 | 665,795,571          | 154,751,574                  | 45,432,174         | 40,630,522                   | 159,553,226                  | 506,242,345 | 426,431,803  |      |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# STATEMENT OF CLAIMS

For the year ended December 31, 2014

Takaful business underwritten inside Pakistan

|                                 | Claims Paid | Provision for outstanding claims |             | Claims expense | Retakaful and other recoveries received | Retakaful and other recoveries in respect of outstanding claims |            | Retakaful and other recoveries revenue | 2014 Net claims expense | 2013 Net claims expense |
|---------------------------------|-------------|----------------------------------|-------------|----------------|-----------------------------------------|-----------------------------------------------------------------|------------|----------------------------------------|-------------------------|-------------------------|
|                                 |             | Opening                          | Closing     |                | (Rupees)                                | Opening                                                         | Closing    |                                        |                         |                         |
| Direct and facultative          |             |                                  |             |                |                                         |                                                                 |            |                                        |                         |                         |
| Fire and property               | 14,757,647  | 15,789,857                       | 60,289,535  | 59,257,325     | 10,418,838                              | 11,044,343                                                      | 53,905,093 | 53,279,588                             | 5,977,737               | 3,321,966               |
| Marine, aviation and transport  | 27,258,773  | 36,491,088                       | 10,525,685  | 1,293,370      | 18,367,490                              | 27,441,592                                                      | 7,478,100  | (1,596,002)                            | 2,889,372               | 10,167,906              |
| Motor                           | 299,138,716 | 127,016,703                      | 102,595,183 | 274,717,196    | 26,474,495                              | 21,704,025                                                      | 26,762,137 | 31,532,607                             | 243,184,589             | 226,699,240             |
| Health                          | 287,878,833 | 22,586,195                       | 15,419,899  | 280,712,537    | -                                       | -                                                               | -          | -                                      | 280,712,537             | 204,796,005             |
| Miscellaneous                   | 10,415,918  | 18,422,578                       | 25,272,826  | 17,266,166     | 5,428,187                               | 7,684,293                                                       | 10,001,544 | 7,745,438                              | 9,520,728               | 12,418,118              |
| Total                           | 639,449,887 | 220,306,421                      | 214,103,128 | 633,246,594    | 60,689,010                              | 67,874,253                                                      | 98,146,874 | 90,961,631                             | 542,284,963             | 457,403,235             |
| Treaty                          |             |                                  |             |                |                                         |                                                                 |            |                                        |                         |                         |
| Proportional / Non-proportional | -           | -                                | -           | -              | -                                       | -                                                               | -          | -                                      | -                       | -                       |
| Grand Total                     | 639,449,887 | 220,306,421                      | 214,103,128 | 633,246,594    | 60,689,010                              | 67,874,253                                                      | 98,146,874 | 90,961,631                             | 542,284,963             | 457,403,235             |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# STATEMENT OF EXPENSES

For the year ended December 31, 2014

Takaful business underwritten inside Pakistan

|                                 | Commission<br>paid or<br>payable | Deferred Commission |                   | Net<br>commission<br>expense | Direct<br>expenses | Takaful<br>expense | Rebate from<br>retakaful<br>operators | 2014<br>Net takaful<br>expense | 2013<br>Net takaful<br>expense |
|---------------------------------|----------------------------------|---------------------|-------------------|------------------------------|--------------------|--------------------|---------------------------------------|--------------------------------|--------------------------------|
|                                 |                                  | Opening             | Closing           |                              |                    |                    |                                       |                                |                                |
| (Rupees)                        |                                  |                     |                   |                              |                    |                    |                                       |                                |                                |
| <b>Direct and facultative</b>   |                                  |                     |                   |                              |                    |                    |                                       |                                |                                |
| Fire and property               | 16,895,052                       | 7,770,952           | 7,430,732         | 17,235,272                   | 327,884            | 17,563,156         | 24,068,578                            | (6,505,422)                    | (6,397,184)                    |
| Marine, aviation and transport  | 5,818,146                        | 1,356,591           | 340,372           | 6,834,365                    | 21,552             | 6,855,917          | 10,054,991                            | (3,199,074)                    | (1,047,052)                    |
| Motor                           | 12,829,338                       | 7,282,241           | 5,781,590         | 14,329,989                   | 457,154            | 14,787,143         | 65,886                                | 14,721,257                     | 13,654,542                     |
| Health                          | 13,126,013                       | 6,524,990           | 7,324,160         | 12,326,843                   | 34,881             | 12,361,724         | -                                     | 12,361,724                     | 11,144,945                     |
| Miscellaneous                   | 12,665,236                       | 3,269,429           | 5,109,607         | 10,825,058                   | 24,577             | 10,849,635         | 7,072,955                             | 3,776,680                      | 3,622,268                      |
|                                 | 61,333,785                       | 26,204,203          | 25,986,461        | 61,551,527                   | 866,048            | 62,417,575         | 41,262,410                            | 21,155,165                     | 20,977,519                     |
| <b>Treaty</b>                   |                                  |                     |                   |                              |                    |                    |                                       |                                |                                |
| Proportional / Non-proportional | -                                | -                   | -                 | -                            | -                  | -                  | -                                     | -                              | -                              |
| <b>Grand Total</b>              | <u>61,333,785</u>                | <u>26,204,203</u>   | <u>25,986,461</u> | <u>61,551,527</u>            | <u>866,048</u>     | <u>62,417,575</u>  | <u>41,262,410</u>                     | <u>21,155,165</u>              | <u>20,977,519</u>              |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# STATEMENT OF INVESTMENT INCOME

For the year ended December 31, 2014

|                                            | 2014        | 2013        |
|--------------------------------------------|-------------|-------------|
|                                            | (Rupees)    |             |
| <b>Income from non-trading investments</b> |             |             |
| <b>Available-for-sale</b>                  |             |             |
| <b>PTF</b>                                 |             |             |
| Return on bank balances and deposits       | 4,011,283   | 6,858,584   |
| Return on Government securities            | 6,032,137   | 3,762,503   |
| Gain on sale of investments                | 1,510,467   | 1,769,745   |
|                                            | 11,553,887  | 12,390,832  |
| Less: Modarib's fee                        | (4,621,555) | (4,956,330) |
| Net investment income                      | 6,932,332   | 7,434,502   |
| <b>SHF</b>                                 |             |             |
| Return on bank balances and deposits       | 9,465,466   | 3,413,604   |
| Gain on sale of investments                | 771,418     | 1,704,871   |
| Return on Government securities            | 20,102,508  | 17,707,795  |
| Return on other securities                 | 2,383,238   | 372,838     |
|                                            | 22,485,746  | 18,080,633  |
| Net investment income                      | 32,722,630  | 23,199,108  |

The annexed notes from 1 to 32 form an integral part of these financial statements



Chairman



Chief Executive



Director



Director

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 1. CORPORATE INFORMATION

Pak-Qatar General Takaful Limited (the Company) was incorporated in Pakistan as an unquoted public company limited by shares on March 15, 2006 under the Companies Ordinance, 1984. 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., Sharae Faisal, Karachi. The main activity of the Company is to undertake general takaful business. The Company operates with 13 (2013: 13) 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 advice of Shariah Board of the Company.

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

## 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 International Accounting Standards Board (IASB), as are notified under the Companies Ordinance, 1984, and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), the requirements of Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 and directives issued by the SECP. Wherever the requirements of Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 and directives issued by the SECP differ with the requirement of IFRS/IFAS, the requirements of Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 or said directives shall prevail.

The SECP has allowed the insurance / takaful 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. ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS****5.1 Accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2014**

The following standards, amendments and interpretations are effective for the year ended December 31, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

|                                                                                                                          | <b>Effective from accounting period<br/>beginning on or after</b> |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities         | January 01, 2014                                                  |
| IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets                                    | January 01, 2014                                                  |
| IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting | January 01, 2014                                                  |
| IFRIC 21 - Levies                                                                                                        | January 01, 2014                                                  |

**5.2 Standards, amendments and interpretations to the published standards that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

|                                                                                                                          | <b>Effective from accounting period<br/>beginning on or after</b> |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization<br>January 01, 2016 |                                                                   |
| Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants                                                               | January 01, 2016                                                  |
| Amendments to IAS 19 Employee Benefits: Employee contributions                                                           | July 01, 2014                                                     |
| IAS 27 (Revised 2011) – Separate Financial Statements                                                                    | January 01, 2015                                                  |
| IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures                                                     | January 01, 2015                                                  |
| IFRS 10 – Consolidated Financial Statements                                                                              | January 01, 2015                                                  |
| IFRS 11 – Joint Arrangements                                                                                             | January 01, 2015                                                  |
| IFRS 12 – Disclosure of Interests in Other Entities                                                                      | January 01, 2015                                                  |
| IFRS 13 – Fair Value Measurement                                                                                         | January 01, 2015                                                  |

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended December 31, 2014. Significant accounting policies are enumerated as follows:

### 6.1 Takaful contracts

The takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the 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 expired.

The PTF underwrites non-life takaful contracts that can be categorised into Fire and Property, Marine, Aviation and Transport, Motor, Health 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 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.

Health takaful provides basic hospital care and major medical care including maternity care and outpatient care.

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

Claim expense include all claims occurring during the year, whether reported or not, related internal and external claim handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

### 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. The reserve for claims - IBNR in respect of Health Takaful is calculated in accordance with the advice of Actuary.

#### 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.

Contribution due but unpaid represents the amount due from participants on account of takaful contracts. These are recognised at cost, which is the fair value of the consideration to be received less provision for impairment, if any.

#### 6.6 Reserve for unearned contribution

The unearned portion of contribution written net of wakala is set aside as a reserve and is recognized as a liability. 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. The Unearned portion of Health Takaful is calculated in accordance with the advice of Actuary.

#### 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 liability after re-takaful from claims, and other supplementary expenses 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, excluding health 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 liability of contribution deficiency in relation to Health Takaful is calculated in accordance with the advice of actuary.

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              | 26 |
| Marine, Aviation and Transport | 24 |
| Motor                          | 52 |
| Health                         | 95 |
| Miscellaneous                  | 17 |

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 reporting date and are adjusted to reflect the current best estimate.

## 6.10 Investments

### Classification

Investments with fixed or determinable payments and fixed maturity, where the Company has positive intent and ability to hold to maturity, are classified as Held-to-Maturity. Investments which are intended to be held for an indefinite period but may be sold in response to the need for liquidity or change in mark-up / interest rates are classified as available for sale.

### Initial recognition

All investments are initially recognized at cost, being the fair value of the consideration given and includes transaction costs.

### Subsequent measurement

#### Held to maturity

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective interest method.

#### Available-for-sale

Investments classified as available-for-sale are subsequently measured at 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 the SEC (Insurance) Rules, 2002.

#### Fair / market value measurement

For investment in Sukuks, fair / market value is determined by reference to quotations obtained from brokers. The fair / market value of mutual fund units is determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP).

#### Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

**6.11 Fair values**

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

**6.12 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.

**6.13 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.

**6.14 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 20.1 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.

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably.

### **Intangible**

These are stated at cost less accumulated amortization and any provision for impairment loss. Amortisation on intangible assets is charged to income applying the reducing balance method at the rates specified in note 20.2 to the financial statements after taking into account residual value, if any. However, ERP software is amortized on straight line method.

Full month's amortisation is calculated from the month the assets are available for use, 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.

### **Capital work-in-progress**

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. It also includes advances to suppliers in respect of tangible and intangible assets. These are transferred to specific assets as and when assets are available for use. Capital work-in-progress is stated at cost less any impairment in value, if any.

### **Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to profit and loss account.

## **6.18 Financial instruments**

Financial assets and financial liabilities other than those arising out of takaful contracts are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition, financial assets and liabilities are measured at fair values which is the cost of consideration given or received for it. Financial assets are derecognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are derecognized when obligation specified in the contract is discharged, cancelled or expired. Any gains or losses on derecognition of the financial assets and liabilities are recognized 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****PTF**

- Contribution income under a policy is recognised over the period of takaful net off wakala fee. Administrative surcharge recovered from insurer is recognised as part of contribution in the case of co-takaful policies (Leader Follower Case) on proportionate basis.
- 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.

**SHF**

- The shareholders of the Company manage the general takaful operations for the participants and charges 30% for fire and property, 30% for marine, 60% for cash withdrawal, 45% for miscellaneous, 45% for motor, 15% for health and 30% for engineering, of the gross contribution written net of administrative surcharge on co-takaful inward as wakala fee against the services. It is recognized upfront on the issue of takaful policy.
- The Takaful Operator also manages the participants' investment as Modarib and charges 40% of the investment income earned by the participants' fund as Modarib's fee. It is recognized on the same basis on which related revenue is recognised.

**PTF / SHF**

- Profit on islamic investment products is recognised on 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 or one percent of turnover, whichever is higher and tax paid on final tax regime basis.

**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 Ijarah**

Ijarah rentals are recognised as an expense on accrual basis as and when the rentals become due.

**6.23 Commission**

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.

**6.24 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.

**6.25 Other management expenses**

Expenses allocated to the takaful business represent directly attributable expenses and these are allocated to various classes of business as deemed equitable by management. Expenses not directly allocable to takaful business are charged to SHF. Allocation between General and Administration Expenses and Management Expenses is performed by management as deemed equitable and Management Expenses are allocated on the basis of gross contribution written during the year.

**6.26 Foreign currency transaction**

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.

**6.27 Business segment**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expense that relate to transaction with any of the Company's other component. The Company accounts for segment reporting using the classes or sub classes of business (Takaful Business Statutory Funds) as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

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.

Health takaful provides basic hospital care and major medical care including maternity care and outpatient care.

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

## 6.28 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves and charity. Allocation to participants, if applicable, is made after deducting the claims paid to them during the year.

## 6.29 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.

## 6.30 Cash and cash equivalents

For the purpose of Statement of Cash Flow, cash and cash equivalents consist of cash and stamps in hand, balances with banks, short term deposits maturing within three months of the year end and highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

## 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     |
| Useful lives of assets and method of depreciation and amortization | 6.17     |
| Provision for taxation - current and deferred                      | 6.21     |
| Allocation of management expenses                                  | 6.25     |
|                                                                    | 2014     |
|                                                                    | 2013     |
|                                                                    | (Rupees) |

## 8. SHARE CAPITAL

### 8.1 Authorised

| Number of shares  |                   |                                  |                    |                    |
|-------------------|-------------------|----------------------------------|--------------------|--------------------|
| 2014              | 2013              |                                  |                    |                    |
| <u>60,000,000</u> | <u>50,000,000</u> | Ordinary share of Rs. 10 /- each | <u>600,000,000</u> | <u>500,000,000</u> |

2014                      2013  
—————(Rupees)—————

**8.2 Issued, subscribed and paid-up**

| Number of shares  |                   |                                                    |                    |                    |
|-------------------|-------------------|----------------------------------------------------|--------------------|--------------------|
| 2014              | 2013              |                                                    |                    |                    |
| <u>43,274,827</u> | <u>40,767,619</u> | Ordinary share of Rs. 10/- each fully paid in cash | <u>432,748,270</u> | <u>407,676,190</u> |

**8.3 Reconciliation of number of ordinary shares of Rs. 10/- each**

|                                              | 2014<br>Number of Shares | 2013<br>Number of Shares |
|----------------------------------------------|--------------------------|--------------------------|
| At beginning of the year                     | 40,767,619               | 33,742,923               |
| Add : Issued during the year as right shares | <u>2,507,208</u>         | <u>7,024,696</u>         |
| At end of the year                           | <u>43,274,827</u>        | <u>40,767,619</u>        |

**8.4 Major share holders of the Company are:**

|                                           | 2014                           |                       | 2013                           |                       |
|-------------------------------------------|--------------------------------|-----------------------|--------------------------------|-----------------------|
|                                           | Ordinary shares of Rs. 10 each | Percentage of holding | Ordinary shares of Rs. 10 each | Percentage of holding |
| Masraf Al Rayan                           | 6,000,000                      | 13.86                 | 6,000,000                      | 14.72                 |
| Qatar International Islamic Bank          | 5,413,458                      | 12.51                 | 2,906,250                      | 7.13                  |
| Sheikh Ali Bin Abdullah                   | 5,409,102                      | 12.5                  | 5,409,102                      | 13.27                 |
| Qatar Islamic Insurance Co.               | 4,274,514                      | 9.88                  | 4,274,514                      | 10.49                 |
| Fawad Yousuf Securities (Private) Limited | 3,077,999                      | 7.11                  | 3,077,999                      | 7.55                  |

2014                      2013  
—————(Rupees)—————

**9. PROVISION FOR OUTSTANDING CLAIMS**

|                 |                    |                    |
|-----------------|--------------------|--------------------|
| Related parties | 1,070,000          | 1,882,503          |
| Others          | <u>213,033,128</u> | <u>218,423,918</u> |
|                 | <u>214,103,128</u> | <u>220,306,421</u> |

**10. DEFERRED TAX (LIABILITY) / ASSET****Taxable temporary difference arising in respect of**

|                          |             |             |
|--------------------------|-------------|-------------|
| Accelerated depreciation | (3,307,779) | (4,125,924) |
|--------------------------|-------------|-------------|

**Deductible temporary difference arising in respect of**

|                         |                    |                  |
|-------------------------|--------------------|------------------|
| Available tax losses    | -                  | 3,967,393        |
| Minimum tax on turnover | -                  | 6,934,039        |
|                         | <u>(3,307,779)</u> | <u>6,775,508</u> |

**10.1 Reconciliation of deferred tax**

|                                                                  | Balance at<br>January 01,<br>2013 | Recognized<br>in profit and<br>loss | Balance at<br>December 31,<br>2013 | Recognized<br>in profit and<br>loss | Balance at<br>December 31,<br>2014 |
|------------------------------------------------------------------|-----------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| <b>Deductible temporary difference<br/>arising in respect of</b> |                                   |                                     |                                    |                                     |                                    |
| Available tax losses                                             | 13,783,557                        | (9,816,164)                         | 3,967,393                          | (3,967,393)                         | -                                  |
| Minimum turnover taxes                                           | -                                 | 6,934,039                           | 6,934,039                          | (6,934,039)                         | -                                  |
| <b>Taxable temporary difference<br/>arising in respect of</b>    |                                   |                                     |                                    |                                     |                                    |
| Accelerated depreciation allowance                               | (3,023,384)                       | (1,102,540)                         | (4,125,924)                        | 818,145                             | (3,307,779)                        |
|                                                                  | <b>10,760,173</b>                 | <b>(3,984,665)</b>                  | <b>6,775,508</b>                   | <b>(10,083,287)</b>                 | <b>(3,307,779)</b>                 |

2014                      2013  
—————(Rupees)—————

**11. ACCRUED EXPENSES**

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Workers' welfare fund            | 2,559,502        | 1,681,258        |
| Salaries & other benefit         | -                | 630,000          |
| Rent, rates and electricity      | 533,000          | 325,000          |
| Communication                    | 400,500          | 345,000          |
| Vehicles running and maintenance | 400,000          | 530,000          |
| Auditors' remuneration           | 722,000          | 550,000          |
| Consultancy                      | 422,786          | 150,000          |
| Printing and stationery          | 62,000           | 45,000           |
| Legal and professional           | -                | 10,000           |
|                                  | <b>5,099,788</b> | <b>4,266,258</b> |

**12. OTHER CREDITORS AND ACCRUALS**

|                              | 2014               |                   |                    | 2013              |                   |                   |
|------------------------------|--------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
|                              | PTF                | SHF               | Total              | PTF               | SHF               | Total             |
|                              | —————(Rupees)————— |                   |                    |                   |                   |                   |
| Commission                   | -                  | 44,031,053        | 44,031,053         | -                 | 34,501,922        | 34,501,922        |
| Trakker charges / refundable | 32,033,503         | -                 | 32,033,503         | 31,295,757        | -                 | 31,295,757        |
| F.E.D. payable               | 15,885,507         | -                 | 15,885,507         | 9,985,039         | -                 | 9,985,039         |
| Accrued salaries             | -                  | 10,401,713        | 10,401,713         | -                 | -                 | -                 |
| Advance contribution         | 1,708,882          | -                 | 1,708,882          | 2,866,227         | -                 | 2,866,227         |
| Stale cheques                | 924,489            | 484,927           | 1,409,416          | 550,001           | 329,740           | 879,741           |
| Car ijarah payable           | -                  | 320,577           | 320,577            | -                 | 166,091           | 166,091           |
| Charity                      | -                  | 143,147           | 143,147            | -                 | 143,147           | 143,147           |
| EOBI                         | -                  | 90,240            | 90,240             | -                 | 108,000           | 108,000           |
| Other                        | 771,358            | 2,293,644         | 3,065,002          | 986,911           | 572,377           | 1,559,288         |
|                              | <b>51,323,739</b>  | <b>57,765,301</b> | <b>109,089,040</b> | <b>45,683,935</b> | <b>35,821,277</b> | <b>81,505,212</b> |

**13. CONTINGENCIES AND COMMITMENTS**

**13.1** In 2014, the Assistant Commissioner (AC) - Sindh Revenue Board (SRB) passed an order for taxability of facultative reinsurance and thereby raised demand of Rs. 1,099,648. However, the Company filed appeal against the said order before Commissioner (Appeals) - SRB which is pending for adjudication. Based on the opinion of tax advisors of the Company, the management is confident that the matter will ultimately be decided in its favour and accordingly no provision is required to be made in these financial statements.

**13.2** Commitments under ijarah arrangements and the period in which these payments will become due are:

|                                                   | 2014<br>—————(Rupees)————— | 2013<br>—————(Rupees)————— |
|---------------------------------------------------|----------------------------|----------------------------|
| Not later than one year                           | <b>3,794,065</b>           | 5,330,114                  |
| Later than one year but not later than five years | <b>6,399,362</b>           | 13,385,604                 |
|                                                   | <u><b>10,193,427</b></u>   | <u>18,715,718</u>          |

#### 14. CASH AND BANK DEPOSITS

| Note                                         | 2014                     |                    |                           | 2013              |                    |                    |
|----------------------------------------------|--------------------------|--------------------|---------------------------|-------------------|--------------------|--------------------|
|                                              | PTF                      | SHF                | Total                     | PTF               | SHF                | Total              |
|                                              | —————(Rupees)—————       |                    |                           |                   |                    |                    |
| <b>Cash and other equivalents</b>            |                          |                    |                           |                   |                    |                    |
| Cash in hand                                 | -                        | 632,371            | 632,371                   | -                 | 498,674            | 498,674            |
| Stamps in hand                               | <b>393,822</b>           | -                  | <b>393,822</b>            | 763,553           | -                  | 763,553            |
|                                              | <u><b>393,822</b></u>    | <u>632,371</u>     | <u><b>1,026,193</b></u>   | <u>763,553</u>    | <u>498,674</u>     | <u>1,262,227</u>   |
| <b>Current and other accounts</b>            |                          |                    |                           |                   |                    |                    |
| - Current accounts                           | <b>32,317,115</b>        | 126,136            | <b>32,443,251</b>         | 10,011,702        | 2,063,838          | 12,075,540         |
| - Saving accounts                            | <b>25,213,553</b>        | <b>57,994,044</b>  | <b>83,207,597</b>         | 72,643,853        | 107,802,511        | 180,446,364        |
|                                              | <u><b>57,530,668</b></u> | <u>58,120,180</u>  | <u><b>115,650,848</b></u> | <u>82,655,555</u> | <u>109,866,349</u> | <u>192,521,904</u> |
| <b>Deposit maturing within twelve months</b> |                          |                    |                           |                   |                    |                    |
|                                              | -                        | <b>62,500,000</b>  | <b>62,500,000</b>         | -                 | 25,410,000         | 25,410,000         |
|                                              | <u><b>57,924,490</b></u> | <u>121,252,551</u> | <u><b>179,177,041</b></u> | <u>83,419,108</u> | <u>135,775,023</u> | <u>219,194,131</u> |

**14.1** These carry profit ranging from 4.50% to 7.04% (2013: 4.10% to 9.35%) per annum.

**14.2** It carries profit at the rate of 10% (2013: 9.5%) per annum.

#### 15. INVESTMENTS

| Note                      | 2014               |                           |                           | 2013              |                    |                    |
|---------------------------|--------------------|---------------------------|---------------------------|-------------------|--------------------|--------------------|
|                           | PTF                | SHF                       | Total                     | PTF               | SHF                | Total              |
|                           | —————(Rupees)————— |                           |                           |                   |                    |                    |
| <b>Available for sale</b> |                    |                           |                           |                   |                    |                    |
| Sukuk certificates        | -                  | <b>246,075,000</b>        | <b>246,075,000</b>        | 62,296,152        | 222,798,229        | 285,094,381        |
| Mutual funds              | -                  | <b>18,099,925</b>         | <b>18,099,925</b>         | 24,488,870        | 9,783,229          | 34,272,099         |
|                           | <u><b>-</b></u>    | <u><b>264,174,925</b></u> | <u><b>264,174,925</b></u> | <u>86,785,022</u> | <u>232,581,458</u> | <u>319,366,480</u> |

## 15.1 Details of investments in sukuk certificates

(Face value of Rs. 100,000 each unless otherwise stated)

|                        |       |                                                             |                                    | 2014     |             |             | 2013       |             |             |
|------------------------|-------|-------------------------------------------------------------|------------------------------------|----------|-------------|-------------|------------|-------------|-------------|
|                        |       |                                                             |                                    | PTF      | SHF         | Total       | PTF        | SHF         | Total       |
|                        |       |                                                             |                                    | (Rupees) |             |             |            |             |             |
| 2014                   | 2013  | Investment in Sukuk Certificates                            | Profit                             |          |             |             |            |             |             |
| Number of certificates |       |                                                             |                                    |          |             |             |            |             |             |
| 3,000                  | 3,000 | WAPDA 2nd Sukuk certificates (face value of Rs. 5,000 each) | 6 month Kibor minus 0.25%          | -        | 7,500,000   | 7,500,000   | -          | 10,000,000  | 10,000,000  |
| -                      | 250   | Government of Pakistan Ijarah Sukuk - VIII                  | 6 month Treasury bills             | -        | -           | -           | -          | 25,000,000  | 25,000,000  |
| 601                    | 931   | Government of Pakistan Ijarah Sukuk - IX                    | 6 month Treasury bills             | -        | 60,075,000  | 60,075,000  | 33,176,878 | 60,133,609  | 93,310,487  |
| 670                    | 670   | Government of Pakistan Ijarah Sukuk - X                     | 6 month Treasury bills             | -        | 67,000,000  | 67,000,000  | 20,119,274 | 47,164,620  | 67,283,894  |
| 170                    | 170   | Government of Pakistan Ijarah Sukuk - XI                    | 6 month Treasury bills             | -        | 17,000,000  | 17,000,000  | 7,000,000  | 10,000,000  | 17,000,000  |
| 650                    | 650   | Government of Pakistan Ijarah Sukuk - XII                   | 6 month Treasury bills             | -        | 65,000,000  | 65,000,000  | -          | 65,000,000  | 65,000,000  |
| 75                     | 75    | Government of Pakistan Ijarah Sukuk - XIII                  | 6 month Treasury bills minus 0.25% | -        | 7,500,000   | 7,500,000   | 2,000,000  | 5,500,000   | 7,500,000   |
| 1,320                  | -     | K-Electric AZM - 2 (Face value of Rs. 5,000 each)           | 3 month Kibor plus 2.25%           | -        | 6,600,000   | 6,600,000   | -          | -           | -           |
| 3,080                  | -     | K-Electric AZM - 3 (Face value of Rs. 5,000 each)           | 3 month Kibor plus 2.75%           | -        | 15,400,000  | 15,400,000  | -          | -           | -           |
|                        |       |                                                             |                                    | -        | 246,075,000 | 246,075,000 | 62,296,152 | 222,798,229 | 285,094,381 |

**15.1.1** Government of Pakistan Ijarah Sukuk certificates having face value of Rs. 47,000,000/- (December, 31 2013: Rs. 42,000,000) are held under lien with the State Bank of Pakistan in compliance with requirements of Section 29 of the Insurance Ordinance, 2000.

**15.1.2** WAPDA 2nd sukuk certificates are backed by the Government of Pakistan's (GOP) Sovereign Guarantee. GOP Ijarah sukus are backed by pari passu charge without any preference over specified assets including airport land and motorway land. Other sukus are secured by way of mortgage of immovable properties, ranking of hypothecation charge over the assets.

## 15.2 Details of investments in mutual funds

|                 |         |                                                                       | 2014                       |            |            | 2013       |           |            |
|-----------------|---------|-----------------------------------------------------------------------|----------------------------|------------|------------|------------|-----------|------------|
|                 |         |                                                                       | PTF                        | SHF        | Total      | PTF        | SHF       | Total      |
|                 |         |                                                                       | (Rupees)                   |            |            |            |           |            |
| 2014            | 2013    |                                                                       |                            |            |            |            |           |            |
| Number of units |         |                                                                       | Investment in Mutual Funds |            |            |            |           |            |
| 24,596          | 21,300  | Meezan Islamic Fund<br>(face value of Rs. 50 each)                    | -                          | 1,099,925  | 1,099,925  | -          | 1,099,933 | 1,099,933  |
| 1,464,175       | -       | NAFA Islamic Aggressive<br>Saving Fund<br>(face value of Rs. 10 each) | -                          | 14,000,000 | 14,000,000 | -          | -         | -          |
| 31,038          | -       | Al Ameen Shariah<br>Stock Fund<br>(face value of Rs. 100 each)        | -                          | 3,000,000  | 3,000,000  | -          | -         | -          |
| -               | 537,790 | ABL Islamic Income Fund<br>(face value of Rs. 10 each)                | -                          | -          | -          | 5,369,960  | -         | 5,369,960  |
| -               | 186,991 | Meezan Cash Fund<br>(face value of Rs. 50 each)                       | -                          | -          | -          | 9,330,999  | -         | 9,330,999  |
| -               | 30,246  | Meezan Sovereign Fund<br>(face value of Rs. 50 each)                  | -                          | -          | -          | 1,518,091  | -         | 1,518,091  |
| -               | 145,602 | UBL Islamic Savings Fund<br>(face value of Rs. 100 each)              | -                          | -          | -          | 8,269,820  | 6,383,584 | 14,653,404 |
| -               | 4,403   | Atlas Islamic Stock Fund<br>(face value of Rs. 500 each)              | -                          | -          | -          | -          | 1,840,701 | 1,840,701  |
| -               | 898     | Atlas Islamic Income Fund<br>(face value of Rs. 500 each)             | -                          | -          | -          | -          | 459,011   | 459,011    |
| -               | -       |                                                                       | -                          | 18,099,925 | 18,099,925 | 24,488,870 | 9,783,229 | 34,272,099 |

## 15.3 Market value of investment

|                    |             | PTF      |            | SHF         |             |
|--------------------|-------------|----------|------------|-------------|-------------|
|                    |             | 2014     | 2013       | 2014        | 2013        |
|                    |             | (Rupees) |            |             |             |
| Available-for-sale |             |          |            |             |             |
| -                  | Sukus       | -        | 62,488,794 | 247,164,082 | 223,906,598 |
| -                  | Mutual fund | -        | 24,569,263 | 19,121,595  | 9,806,891   |
| -                  |             | -        | 87,058,057 | 266,285,677 | 233,713,489 |

|                                        | Note | 2014<br>—————(Rupees)————— | 2013<br>—————(Rupees)————— |
|----------------------------------------|------|----------------------------|----------------------------|
| <b>16. CONTRIBUTION DUE BUT UNPAID</b> |      |                            |                            |
| <b>Considered good</b>                 |      |                            |                            |
| Related party                          |      | 346,531                    | 732,874                    |
| Others                                 |      | 378,017,127                | 295,646,471                |
| <b>Considered doubtful</b>             |      | <u>52,682,642</u>          | <u>15,801,743</u>          |
|                                        |      | <b>431,046,300</b>         | <b>312,181,088</b>         |
| Less: Provision for doubtful balances  | 16.1 | <u>(52,682,642)</u>        | <u>(15,801,743)</u>        |
|                                        |      | <b>378,363,658</b>         | <b>296,379,345</b>         |

**16.1 Provision for doubtful balances**

|                                |    |                   |                   |
|--------------------------------|----|-------------------|-------------------|
| At beginning of the year       |    | 15,801,743        | 7,787,721         |
| Provision made during the year | 21 | 36,880,899        | 8,014,022         |
| At end of the year             |    | <u>52,682,642</u> | <u>15,801,743</u> |

**17. ACCRUED INVESTMENT INCOME**

|     |                  |                  |
|-----|------------------|------------------|
| PTF | 124,127          | 1,336,929        |
| SHF | <u>4,657,769</u> | <u>2,826,620</u> |
|     | <b>4,781,896</b> | <b>4,163,549</b> |

|      | 2014               |     |       | 2013 |     |       |
|------|--------------------|-----|-------|------|-----|-------|
| Note | PTF                | SHF | Total | PTF  | SHF | Total |
|      | —————(Rupees)————— |     |       |      |     |       |

**18. PREPAYMENTS**

|                                   |                   |                  |                   |                   |                  |                   |
|-----------------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
| Prepaid retakaful ceded           | 40,630,522        | -                | 40,630,522        | 45,432,174        | -                | 45,432,174        |
| Prepaid rent                      | -                 | 1,931,712        | 1,931,712         | -                 | 1,874,259        | 1,874,259         |
| Prepayment – services contract    | -                 | 1,363,767        | 1,363,767         | -                 | 1,883,597        | 1,883,597         |
| Prepaid takaful contribution 18.1 | -                 | 2,673,199        | 2,673,199         | -                 | 676,547          | 676,547           |
|                                   | <u>40,630,522</u> | <u>5,968,678</u> | <u>46,599,200</u> | <u>45,432,174</u> | <u>4,434,403</u> | <u>49,866,577</u> |

**18.1** This includes prepaid contribution to a related party of Rs. 2,485,627 (2013 : Rs. 662,426).

**19. SUNDRY RECEIVABLES - Considered good**

|                      | 2014           |                  |                  | 2013           |                  |                  |
|----------------------|----------------|------------------|------------------|----------------|------------------|------------------|
|                      | PTF            | SHF              | Total            | PTF            | SHF              | Total            |
|                      | (Rupees)       |                  |                  |                |                  |                  |
| Security deposits    | -              | 860,950          | 860,950          | -              | 450,950          | 450,950          |
| Advance to employees | -              | 401,299          | 401,299          | -              | 175,943          | 175,943          |
| Tender deposit       | -              | 556,003          | 556,003          | -              | 4,222,007        | 4,222,007        |
| Others               | 623,594        | 1,370,777        | 1,994,371        | 632,398        | 404,520          | 1,036,918        |
|                      | <b>623,594</b> | <b>3,189,029</b> | <b>3,812,623</b> | <b>632,398</b> | <b>5,253,420</b> | <b>5,885,818</b> |

**20. FIXED ASSETS**

|            | Note | 2014              | 2013              |
|------------|------|-------------------|-------------------|
|            |      | (Rupees)          |                   |
| Tangible   | 20.1 | 31,902,060        | 34,825,179        |
| Intangible | 20.2 | 10,359,730        | 12,053,951        |
|            |      | <b>42,261,790</b> | <b>46,879,130</b> |

**20.1. Tangible**

| Particulars            | 2014                   |                        |                         |                          |                                           |                         |            | Carrying value at December 31, 2014 | Depreciation Rates (%) |
|------------------------|------------------------|------------------------|-------------------------|--------------------------|-------------------------------------------|-------------------------|------------|-------------------------------------|------------------------|
|                        | Cost                   |                        |                         | Accumulated depreciation |                                           |                         |            |                                     |                        |
|                        | As at January 01, 2014 | Addition / (disposals) | As at December 31, 2014 | As at January 01, 2014   | For the year / (adjustment for disposals) | As at December 31, 2014 |            |                                     |                        |
|                        | (Rupees)               |                        |                         |                          |                                           |                         |            |                                     |                        |
| Furniture and fixtures | 18,954,639             | 2,878,642              | 21,833,281              | 7,469,977                | 1,841,957                                 | 9,311,934               | 12,521,347 | 15                                  |                        |
| Office equipment       | 9,737,133              | 520,109                | 10,229,742              | 3,844,394                | 925,119                                   | 4,756,605               | 5,473,137  | 15                                  |                        |
|                        |                        | (27,500)               |                         |                          | (12,908)                                  |                         |            |                                     |                        |
| Motor vehicles         | 19,566,642             | 4,380,070              | 15,285,029              | 12,889,116               | 1,181,766                                 | 11,212,968              | 4,072,061  | 20                                  |                        |
|                        |                        | (8,661,683)            |                         |                          | (2,857,914)                               |                         |            |                                     |                        |
| Computer equipment     | 21,730,816             | 2,912,136              | 24,497,152              | 10,960,564               | 3,796,792                                 | 14,661,637              | 9,835,515  | 30                                  |                        |
|                        |                        | (145,800)              |                         |                          | (95,719)                                  |                         |            |                                     |                        |
|                        | 69,989,230             | 10,690,957             | 71,845,204              | 35,164,051               | 7,745,634                                 | 39,943,144              | 31,902,060 |                                     |                        |
|                        |                        | (8,834,983)            |                         |                          | (2,966,541)                               |                         |            |                                     |                        |

| Particulars            | 2013                         |                           |                               |                              |                                                 |                               |                                              | Depre-<br>ciation<br>Rates<br>(%) |
|------------------------|------------------------------|---------------------------|-------------------------------|------------------------------|-------------------------------------------------|-------------------------------|----------------------------------------------|-----------------------------------|
|                        | Cost                         |                           |                               | Accumulated depreciation     |                                                 |                               | Carrying<br>value at<br>December<br>31, 2013 |                                   |
|                        | As at<br>January<br>01, 2013 | Addition /<br>(disposals) | As at<br>December<br>31, 2013 | As at<br>January<br>01, 2013 | For the year /<br>(adjustment<br>for disposals) | As at<br>December<br>31, 2013 |                                              |                                   |
|                        | (Rupees)                     |                           |                               |                              |                                                 |                               |                                              |                                   |
|                        |                              |                           |                               |                              |                                                 |                               |                                              |                                   |
| Furniture and fixtures | 13,700,168                   | 5,254,471                 | 18,954,639                    | 5,822,127                    | 1,647,850                                       | 7,469,977                     | 11,484,662                                   | 15                                |
| Office equipment       | 7,323,293                    | 2,413,840                 | 9,737,133                     | 2,992,893                    | 851,501                                         | 3,844,394                     | 5,892,739                                    | 15                                |
| Motor vehicles         | 23,535,542                   | -                         | 19,566,642                    | 13,328,921                   | 1,966,057                                       | 12,889,116                    | 6,677,526                                    | 20                                |
|                        |                              | (3,968,900)               |                               |                              | (2,405,862)                                     |                               |                                              |                                   |
| Computer equipment     | 17,053,829                   | 4,721,906                 | 21,730,816                    | 7,388,953                    | 3,609,721                                       | 10,960,564                    | 10,770,252                                   | 30                                |
|                        |                              | (44,919)                  |                               |                              | (38,110)                                        |                               |                                              |                                   |
|                        | 61,612,832                   | 12,390,217                | 69,989,230                    | 29,532,894                   | 8,075,129                                       | 35,164,051                    | 34,825,179                                   |                                   |
|                        |                              | (4,013,819)               |                               |                              | (2,443,972)                                     |                               |                                              |                                   |

## 20.2 Intangible

| Particulars        | 2014                         |          |                               |                              |                 |                               |                                              | Amorti-<br>zation<br>Rates<br>(%) |
|--------------------|------------------------------|----------|-------------------------------|------------------------------|-----------------|-------------------------------|----------------------------------------------|-----------------------------------|
|                    | Cost                         |          |                               | Accumulated amortisation     |                 |                               | Carrying<br>value at<br>December<br>31, 2014 |                                   |
|                    | As at<br>January<br>01, 2014 | Addition | As at<br>December<br>31, 2014 | As at<br>January<br>01, 2014 | For the<br>year | As at<br>December<br>31, 2014 |                                              |                                   |
|                    | (Rupees)                     |          |                               |                              |                 |                               |                                              |                                   |
|                    |                              |          |                               |                              |                 |                               |                                              |                                   |
| Computer softwares | 24,098,025                   | 310,950  | 24,408,975                    | 12,044,075                   | 2,005,170       | 14,049,245                    | 10,359,730                                   | 10-20                             |
|                    | 24,098,025                   | 310,950  | 24,408,975                    | 12,044,075                   | 2,005,170       | 14,049,245                    | 10,359,730                                   |                                   |

| Particulars       | 2013                         |           |                               |                              |                 |                               |                                              | Amorti-<br>zation<br>Rates<br>(%) |
|-------------------|------------------------------|-----------|-------------------------------|------------------------------|-----------------|-------------------------------|----------------------------------------------|-----------------------------------|
|                   | Cost                         |           |                               | Accumulated amortisation     |                 |                               | Carrying<br>value at<br>December<br>31, 2013 |                                   |
|                   | As at<br>January<br>01, 2013 | Addition  | As at<br>December<br>31, 2013 | As at<br>January<br>01, 2013 | For the<br>year | As at<br>December<br>31, 2013 |                                              |                                   |
|                   | (Rupees)                     |           |                               |                              |                 |                               |                                              |                                   |
|                   |                              |           |                               |                              |                 |                               |                                              |                                   |
| Computer software | 22,597,028                   | 1,500,997 | 24,098,025                    | 9,938,686                    | 2,105,388       | 12,044,074                    | 12,053,951                                   | 10-20                             |
|                   | 22,597,028                   | 1,500,997 | 24,098,025                    | 9,938,686                    | 2,105,388       | 12,044,074                    | 12,053,951                                   |                                   |

|                                                                                | Note | 2014<br>————(Rupees)————  | 2013                      |
|--------------------------------------------------------------------------------|------|---------------------------|---------------------------|
| <b>20.3 The depreciation charge for the year has been allocated as follow:</b> |      |                           |                           |
| Management expenses                                                            | 22   | <b>5,421,944</b>          | 5,652,590                 |
| General and administrative expenses                                            | 23   | <b>2,323,690</b>          | 2,422,539                 |
|                                                                                |      | <b><u>7,745,634</u></b>   | <b><u>8,075,129</u></b>   |
| <b>20.4 The amortisation charge for the year has been allocated as follow:</b> |      |                           |                           |
| Management expenses                                                            | 22   | <b>1,403,620</b>          | 1,473,773                 |
| General and administrative expenses                                            | 23   | <b>601,550</b>            | 631,616                   |
|                                                                                |      | <b><u>2,005,170</u></b>   | <b><u>2,105,389</u></b>   |
| <b>21. PROVISION FOR DOUBTFUL CONTRIBUTION NET OF WAKALA FEE</b>               |      |                           |                           |
| Provision for doubtful contribution                                            | 16.1 | <b>36,880,899</b>         | 8,014,022                 |
| Less: Provision for refund of wakala fee                                       |      | <b>(10,616,240)</b>       | (2,658,513)               |
|                                                                                |      | <b><u>26,264,659</u></b>  | <b><u>5,355,509</u></b>   |
| <b>22. MANAGEMENT EXPENSES</b>                                                 |      |                           |                           |
| Salaries, allowances and other benefits                                        | 22.1 | <b>122,825,020</b>        | 112,309,380               |
| Shariah advisors' fee                                                          |      | <b>1,696,466</b>          | 1,677,535                 |
| Consultancy fee                                                                |      | <b>3,567,014</b>          | 1,969,500                 |
| Rent, rates and taxes                                                          |      | <b>14,690,118</b>         | 11,550,381                |
| Communication                                                                  |      | <b>4,774,164</b>          | 4,219,779                 |
| Printing and stationery                                                        |      | <b>4,797,409</b>          | 3,262,537                 |
| Traveling and entertainment                                                    |      | <b>6,141,329</b>          | 4,600,852                 |
| Depreciation                                                                   | 20.3 | <b>5,421,944</b>          | 5,652,590                 |
| Amortisation                                                                   | 20.4 | <b>1,403,620</b>          | 1,473,773                 |
| Repairs and maintenance                                                        |      | <b>1,278,430</b>          | 1,052,688                 |
| Vehicles running                                                               |      | <b>7,094,374</b>          | 5,777,404                 |
| Car ijarah                                                                     |      | <b>3,871,382</b>          | 3,819,096                 |
| Advertisement and sales promotion                                              |      | <b>3,079,962</b>          | 3,284,333                 |
| Legal and professional                                                         |      | <b>1,592,375</b>          | 1,164,083                 |
| Takaful contribution                                                           |      | <b>3,292,388</b>          | 2,407,735                 |
| Training                                                                       |      | <b>170,848</b>            | 95,694                    |
| Fees and subscription                                                          |      | <b>1,486,599</b>          | 765,049                   |
| Bank charges and brokerage                                                     |      | <b>183,457</b>            | 167,230                   |
| Office expenses                                                                |      | <b>201,468</b>            | 314,580                   |
| Conference and seminar                                                         |      | <b>370,913</b>            | 1,071,496                 |
| Janitorial services                                                            |      | <b>303,613</b>            | 159,903                   |
| Staff welfare                                                                  |      | <b>746,986</b>            | 420,528                   |
| Utilities                                                                      |      | <b>4,074,630</b>          | 3,181,949                 |
| Computer expenses                                                              |      | <b>2,181,778</b>          | 2,805,132                 |
| Actuarial services                                                             |      | <b>950,000</b>            | 1,000,000                 |
| Others                                                                         |      | <b>1,255,662</b>          | 406,166                   |
|                                                                                |      | <b><u>197,451,949</u></b> | <b><u>174,609,393</u></b> |

**22.1** It includes staff retirement benefits amounting to Rs. 4,689,016/- (2013: Rs. 3,903,298/-)

|                                                | Note | 2014<br>—————(Rupees)————— | 2013                     |
|------------------------------------------------|------|----------------------------|--------------------------|
| <b>23. GENERAL AND ADMINISTRATIVE EXPENSES</b> |      |                            |                          |
| Salaries, allowances and other benefits        | 23.1 | <b>52,639,294</b>          | 48,132,592               |
| Shariah advisors' fee                          |      | <b>727,057</b>             | 718,944                  |
| Rent, rates and taxes                          |      | <b>6,295,765</b>           | 4,950,163                |
| Communication                                  |      | <b>2,046,070</b>           | 1,808,477                |
| Printing and stationery                        |      | <b>2,056,033</b>           | 1,398,230                |
| Traveling and entertainment                    |      | <b>2,631,998</b>           | 1,971,794                |
| Depreciation                                   | 20.3 | <b>2,323,690</b>           | 2,422,539                |
| Amortisation                                   | 20.4 | <b>601,550</b>             | 631,616                  |
| Repairs and maintenance                        |      | <b>547,898</b>             | 451,152                  |
| Vehicles running                               |      | <b>3,040,446</b>           | 2,476,030                |
| Car ijarah                                     |      | <b>1,659,164</b>           | 1,636,756                |
| Legal and professional                         |      | <b>682,447</b>             | 498,893                  |
| Takaful contribution                           |      | <b>1,411,023</b>           | 1,031,886                |
| Training                                       |      | <b>73,221</b>              | 41,012                   |
| Fees and subscription                          |      | <b>637,114</b>             | 327,878                  |
| Bank charges and brokerage                     |      | <b>78,625</b>              | 71,670                   |
| Auditors' remuneration                         | 23.2 | <b>1,014,000</b>           | 852,860                  |
| Provision for wakala refund                    |      | <b>10,616,240</b>          | 2,658,513                |
| Penalty                                        |      | -                          | 75,291                   |
| Office expenses                                |      | <b>86,344</b>              | 134,820                  |
| Conference and seminar                         |      | <b>158,963</b>             | 459,212                  |
| Janitorial services                            |      | <b>130,120</b>             | 68,530                   |
| Staff welfare                                  |      | <b>320,137</b>             | 180,226                  |
| Utilities                                      |      | <b>1,746,270</b>           | 1,363,692                |
| Computer expenses                              |      | <b>935,048</b>             | 1,202,200                |
| Others                                         |      | <b>538,141</b>             | 174,071                  |
|                                                |      | <b><u>92,996,658</u></b>   | <b><u>75,739,047</u></b> |

**23.1** It includes staff retirement benefits amounting to Rs. 2,009,578/- (2013: Rs. 1,672,842/-).

**23.2 Auditors' remuneration**

|                                 | 2014<br>—————(Rupees)————— | 2013                  |
|---------------------------------|----------------------------|-----------------------|
| Audit fee                       | <b>416,000</b>             | 400,000               |
| Review and other certifications | <b>548,000</b>             | 373,000               |
| Out of pocket expenses          | <b>50,000</b>              | 79,860                |
|                                 | <b><u>1,014,000</u></b>    | <b><u>852,860</u></b> |

**24. OTHER INCOME**

|                                  |                         |                       |
|----------------------------------|-------------------------|-----------------------|
| Gain on disposal of fixed assets | <b>2,778,234</b>        | 806,971               |
| Exchange gain                    | <b>5,564</b>            | 153,935               |
|                                  | <b><u>2,783,798</u></b> | <b><u>960,906</u></b> |

**25. TAXATION**

**25.1** The Company has filed returns upto and including tax year 2014 which are deemed to have been assessed under Section 120 of the Income Tax Ordinance, 2001, unless selected for audit.

**25.2** The relationship between tax expense and accounting profit has not been presented in these financial statements as the income of the Company is subject to tax under section 113 and section 37A of Income Tax Ordinance, 2001.

**26. REMUNERATION OF EXECUTIVES**

Aggregate amounts charged in the financial statements for remuneration, including all benefits to the executives of the Company are as follows:

|                         | 2014<br>—————(Rupees)————— | 2013<br>—————(Rupees)————— |
|-------------------------|----------------------------|----------------------------|
| Managerial remuneration | <b>12,242,193</b>          | 12,593,641                 |
| House rent              | <b>5,508,924</b>           | 5,667,139                  |
| Utilities               | <b>1,083,002</b>           | 1,114,053                  |
| Medical expenses        | <b>366,334</b>             | 328,300                    |
| Others                  | <b>346,894</b>             | 403,472                    |
|                         | <b><u>19,547,347</u></b>   | <b><u>20,106,605</u></b>   |
| Number of persons       | <b>11</b>                  | 11                         |

**26.1** No remuneration is paid to the Chief Executive Officer (CEO) of the Company.

**26.2** Some executives are provided free use of Company maintained cars.

**26.3** Certain directors including CEO have been reimbursed boarding and lodging costs amounting to Rs. 694,533 /- (2013: Rs. 348,866/-) to attend Board meetings of the Company as per Company's policy.

**27. PROVIDENT FUND**

The Company operates approved contributory provident fund (the Fund) for its permanent employees. Details of net assets and investments of these funds are as follows:

|                                    | 2014<br>—————(Rupees)————— | 2013<br>—————(Rupees)————— |
|------------------------------------|----------------------------|----------------------------|
| Size of the fund - net assets      | <b>32,566,146</b>          | 25,236,960                 |
| Cost of the investments made       | <b>23,750,009</b>          | 18,686,765                 |
| Percentage of the investments made | <b>73%</b>                 | 74%                        |
| Fair value of the investments made | <b>29,853,039</b>          | 22,234,282                 |

The break up of fair value of the investments is :

|                          | 2014<br>Rupees           | %         | 2013<br>Rupees           | %  |
|--------------------------|--------------------------|-----------|--------------------------|----|
| Bank balances            | <b>6,109,968</b>         | <b>20</b> | 3,547,517                | 16 |
| Term deposits with banks | <b>7,500,000</b>         | <b>25</b> | -                        | -  |
| Government securities    | <b>15,737,000</b>        | <b>53</b> | 18,211,417               | 82 |
| Mutual fund              | <b>506,071</b>           | <b>2</b>  | 475,348                  | 2  |
|                          | <b><u>29,853,039</u></b> |           | <b><u>22,234,282</u></b> |    |

The investments have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 28. TAKAFUL AND FINANCIAL RISK MANAGEMENT

The Company issues contracts that transfer takaful risk or financial risk or both to the company. This section summarises these risks and the way the company manages them.

### 28.1 Takaful risk

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

- Fire and property
- Marine, aviation and transport
- Motor
- Health
- 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.

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 Audit Committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by an Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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.

Factors that aggravate takaful risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

**Concentration of takaful risk**

A concentration of risk may also arise from a single takaful contract issued to a particular type of participant, within a geographical location or to a particular types of commercial business. In order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other re-takaful operators, who are dispersed over several geographical regions.

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

|                                | 2014                        |                         |                            |
|--------------------------------|-----------------------------|-------------------------|----------------------------|
|                                | Maximum Gross Risk Exposure | Maximum Retakaful Cover | Highest Net Risk Retention |
|                                | ----- Rupees -----          |                         |                            |
| <b>Class</b>                   |                             |                         |                            |
| Fire and property              | 702,500,000                 | 687,500,000             | 15,000,000                 |
| Marine, aviation and transport | 230,678,229                 | 224,678,229             | 6,000,000                  |
| Motor                          | 25,000,000                  | 24,250,000              | 750,000                    |
| Health                         | 1,583,245,000               | -                       | 1,583,245,000              |
| Miscellaneous                  | 100,000,000                 | 95,000,000              | 5,000,000                  |
|                                |                             |                         |                            |
|                                | 2013                        |                         |                            |
|                                | Maximum Gross Risk Exposure | Maximum Retakaful Cover | Highest Net Risk Retention |
|                                | ----- Rupees -----          |                         |                            |
| <b>Class</b>                   |                             |                         |                            |
| Fire and property              | 750,000,000                 | 735,000,000             | 15,000,000                 |
| Marine, aviation and transport | 229,594,234                 | 209,594,234             | 20,000,000                 |
| Motor                          | 17,417,105                  | 16,667,105              | 750,000                    |
| Health                         | 4,736,300,000               | -                       | 4,736,300,000              |
| Miscellaneous                  | 22,817,218                  | 16,817,218              | 6,000,000                  |

**(a) Frequency and severity of claims**

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example, subsidence claims).

Takaful contracts which is divided into direct and facultative arrangements are further subdivided into four segments: fire and property, marine, aviation and transport, motor, and miscellaneous. The takaful risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of covered properties / assets. The Company underwrites takaful contracts in Pakistan.

The Company manages these risks through its underwriting strategy, adequate re-takaful arrangements and proactive claims handling.

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Takaful contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum covered on occurrence of the covered event.
- The Company has entered into re-takaful cover / arrangements, with local and foreign re-takaful operators having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative re-takaful arrangements are in place to protect the net account in case of a major catastrophe. The effect of such re-takaful arrangements is that the Company recovers the share of claims from re-takaful companies thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional re-takaful arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.
- The Company has claim department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department examines and settles all claims based on survey report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

**(b) Sources of uncertainty in the estimation of future claims payment**

Claims reported and otherwise are analysed separately. The development of large losses / catastrophes is analysed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, re-takaful and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are based on management professional judgements, preliminary survey assessments, loss-ratio-based estimates and information of claims with similar characteristics related to previous periods.

**(c) Process used to decide on assumptions**

The risks associated with takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's claims reports, surveyor's report for particular claim and screening of the actual takaful contracts carried out to derive data for the contracts held.

The principle assumptions underlying the liability estimation of IBNR and deficiency reserve except for health which is determined by the actuary, is that the PTF's future claim developments will follow current pattern for occurrence and reporting. This includes assumptions in respect of loss ratio, expense of claim settlement and provision for IBNR. The management uses judgements to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgements includes external factor for example treatment of one off claim, changes in market factor and economic condition. The internal factor such as portfolio mix, policy conditions and claim handling procedure are also consider in this regard. However, uncertainty prevails with estimated claim liability including IBNR and it is likely that final settlement of these liabilities may be different from initial recognized amount.

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

|                                | 2014<br>% | 2013<br>% |
|--------------------------------|-----------|-----------|
| <b>Class</b>                   |           |           |
| Fire and property              | 26        | 17        |
| Marine, aviation and transport | 24        | 49        |
| Motor                          | 52        | 51        |
| Health                         | 95        | 89        |
| Miscellaneous                  | 17        | 34        |

**(d) Changes in assumptions**

The Company has not changed its assumptions for the takaful contracts as disclosed in above (b) and (c).

**(e) Sensitivity analysis**

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

The risks associated with the takaful contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company considers that the liability for takaful claims recognised in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

As the PTF enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and balance of waqf fund is set out below.

|                    | 2014                 |                             |                           |                       |                      |
|--------------------|----------------------|-----------------------------|---------------------------|-----------------------|----------------------|
|                    | 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         | <u>21,410,313</u>           | <u>11,595,625</u>         | <u>11,595,625</u>     | <u>11,595,625</u>    |
|                    | 2013                 |                             |                           |                       |                      |
|                    | 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         | 22,030,642                  | 15,243,217                | 15,243,217            | 15,243,217           |

### 28.1.1 Claim development table

The following table shows the development of claims over a period of time on gross basis. The disclosure goes back to the period when the outstanding claim arose for which there is uncertainty about the amount and timing of the claims payments. For each class of business, the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2014.

| Accident year                         | 2010               | 2011               | 2012               | 2013               | 2014               | Total                  |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|
| (Rupees)                              |                    |                    |                    |                    |                    |                        |
| Estimate of ultimate claim cost :     |                    |                    |                    |                    |                    |                        |
| At the end of accident year           | 162,400,594        | 187,397,677        | 251,812,157        | 556,369,336        | 645,191,655        | <b>1,803,171,419</b>   |
| One year later                        | 160,113,370        | 172,935,642        | 242,572,781        | 550,138,621        | -                  | <b>1,125,760,414</b>   |
| Two years later                       | 153,590,939        | 168,024,293        | 235,869,401        | -                  | -                  | <b>557,484,633</b>     |
| Three years later                     | 152,130,882        | 169,148,723        | -                  | -                  | -                  | <b>321,279,605</b>     |
| Four years later                      | 151,995,482        | -                  | -                  | -                  | -                  | <b>151,995,482</b>     |
| Current estimate of cumulative claims | <u>151,995,482</u> | <u>169,148,723</u> | <u>235,869,401</u> | <u>550,138,621</u> | <u>645,191,655</u> | <b>1,752,343,882</b>   |
| Cumulative payments to date           | (149,750,982)      | (165,440,723)      | (227,350,946)      | (522,091,657)      | (473,606,446)      | <b>(1,538,240,754)</b> |
| Liability recognised in balance sheet | <u>2,244,500</u>   | <u>3,708,000</u>   | <u>8,518,455</u>   | <u>28,046,964</u>  | <u>171,585,209</u> | <b>214,103,128</b>     |

### 28.2 Retakaful risk

In order to minimise the financial exposure arising from 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.

### 28.3 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

#### Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee monitors management's compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 28.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The diversified funding sources and assets of the Company are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

|                                             | 2014                 |                                      | 2013               |                                      |
|---------------------------------------------|----------------------|--------------------------------------|--------------------|--------------------------------------|
|                                             | Carrying Amount      | Contractual cash flows upto one year | Carrying Amount    | Contractual cash flows upto one year |
|                                             | ----- (Rupees) ----- |                                      |                    |                                      |
| <b>Non-derivative Financial liabilities</b> |                      |                                      |                    |                                      |
| Outstanding claims                          | 214,103,128          | 214,103,128                          | 220,306,421        | 220,306,421                          |
| Amount due to retakaful operators           | 70,780,340           | 70,780,340                           | 111,903,683        | 111,903,683                          |
| Amount due to agents                        | 44,031,053           | 44,031,053                           | 34,501,922         | 34,501,922                           |
| Accrued expenses                            | 2,540,286            | 2,540,286                            | 1,955,000          | 1,955,000                            |
| Creditors, accruals and other liabilities   | 47,373,358           | 47,373,358                           | 34,674,024         | 34,674,024                           |
|                                             | <u>378,828,165</u>   | <u>378,828,165</u>                   | <u>403,341,050</u> | <u>403,341,050</u>                   |

**Maturity profile of financial assets and liabilities:**

|                                                                 | 2014                    |                         |                    |                         |                         |                    |
|-----------------------------------------------------------------|-------------------------|-------------------------|--------------------|-------------------------|-------------------------|--------------------|
|                                                                 | Profit Bearing          |                         |                    | Non-Profit Bearing      |                         |                    |
|                                                                 | Maturity up to one year | Maturity after one year | Sub total          | Maturity up to one year | Maturity after one year | Sub total          |
|                                                                 | (Rupees)                |                         |                    |                         |                         |                    |
| <b>FINANCIAL ASSETS</b>                                         |                         |                         |                    |                         |                         |                    |
| Cash and bank deposits                                          | 145,707,597             | -                       | 145,707,597        | 33,469,444              | -                       | 33,469,444         |
| Investments                                                     | 216,575,000             | 29,500,000              | 246,075,000        | 18,099,925              | -                       | 18,099,925         |
| Long term security deposits                                     | -                       | -                       | -                  | -                       | 4,531,686               | 4,531,686          |
| Contribution due but unpaid                                     | -                       | -                       | -                  | 349,288,539             | 29,075,119              | 378,363,658        |
| Retakaful and other recoveries in respect of outstanding claims | -                       | -                       | -                  | 98,146,874              | 98,146,874              | 98,146,874         |
| Accrued investment income                                       | -                       | -                       | -                  | 4,781,896               | -                       | 4,781,896          |
| Sundry receivables                                              | -                       | -                       | -                  | 3,812,623               | -                       | 3,812,623          |
|                                                                 | <u>362,282,597</u>      | <u>29,500,000</u>       | <u>391,782,597</u> | <u>507,599,301</u>      | <u>33,606,805</u>       | <u>541,206,106</u> |
|                                                                 |                         |                         |                    |                         |                         | <u>932,988,703</u> |
| <b>FINANCIAL LIABILITIES</b>                                    |                         |                         |                    |                         |                         |                    |
| Provision for outstanding claims                                | -                       | -                       | -                  | 214,103,128             | -                       | 214,103,128        |
| Amount due to retakaful operators                               | -                       | -                       | -                  | 70,780,340              | -                       | 70,780,340         |
| Accrued expenses                                                | -                       | -                       | -                  | 2,540,286               | -                       | 2,540,286          |
| Other creditors and accruals                                    | -                       | -                       | -                  | 91,404,411              | -                       | 91,404,411         |
|                                                                 | <u>-</u>                | <u>-</u>                | <u>-</u>           | <u>378,828,165</u>      | <u>-</u>                | <u>378,828,165</u> |

|                                                                 | 2013                    |                         |                    |                         |                         |                    |
|-----------------------------------------------------------------|-------------------------|-------------------------|--------------------|-------------------------|-------------------------|--------------------|
|                                                                 | Profit Bearing          |                         |                    | Non-Profit Bearing      |                         |                    |
|                                                                 | Maturity up to one year | Maturity after one year | Sub total          | Maturity up to one year | Maturity after one year | Sub total          |
|                                                                 | (Rupees)                |                         |                    |                         |                         |                    |
| <b>FINANCIAL ASSETS</b>                                         |                         |                         |                    |                         |                         |                    |
| Cash and bank deposits                                          | 205,856,364             | -                       | 205,856,364        | 13,337,767              | -                       | 13,337,767         |
| Investments                                                     | 87,500,000              | 197,594,381             | 285,094,381        | 34,272,099              | -                       | 34,272,099         |
| Long term security deposits                                     | -                       | -                       | -                  | -                       | 4,036,447               | 4,036,447          |
| Contribution due but unpaid                                     | -                       | -                       | -                  | 296,379,345             | -                       | 296,379,345        |
| Retakaful and other recoveries in respect of outstanding claims | -                       | -                       | -                  | 67,874,253              | -                       | 67,874,253         |
| Accrued investment income                                       | -                       | -                       | -                  | 4,163,549               | -                       | 4,163,549          |
| Sundry receivables                                              | -                       | -                       | -                  | 5,885,818               | -                       | 5,885,818          |
|                                                                 | <u>293,356,364</u>      | <u>197,594,381</u>      | <u>490,950,745</u> | <u>421,912,831</u>      | <u>4,036,447</u>        | <u>425,949,278</u> |
|                                                                 |                         |                         |                    |                         |                         | <u>916,900,023</u> |
| <b>FINANCIAL LIABILITIES</b>                                    |                         |                         |                    |                         |                         |                    |
| Provision for outstanding claims                                | -                       | -                       | -                  | 220,306,421             | -                       | 220,306,421        |
| Amount due to retakaful operators                               | -                       | -                       | -                  | 111,903,683             | -                       | 111,903,683        |
| Accrued expenses                                                | -                       | -                       | -                  | 1,955,000               | -                       | 1,955,000          |
| Other creditors and accruals                                    | -                       | -                       | -                  | 69,175,946              | -                       | 69,175,946         |
|                                                                 | <u>-</u>                | <u>-</u>                | <u>-</u>           | <u>403,341,050</u>      | <u>-</u>                | <u>403,341,050</u> |

**28.5 Profit / yield rate risk**

Profit / mark-up / yield rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from balances held in profit and loss sharing accounts and term deposits with reputable banks.

At the balance sheet date, the profit rate profile of the Company's significant profit-bearing financial instrument is:

| Financial assets                 | Carrying amount |             | Effective profit rate |              |
|----------------------------------|-----------------|-------------|-----------------------|--------------|
|                                  | 2014            | 2013        | 2014                  | 2013         |
|                                  | (Rupees)        |             | (in Percent)          |              |
| <b>Fixed rate instruments</b>    |                 |             |                       |              |
| - Term deposits                  | 62,500,000      | 25,410,000  | 10.00                 | 9.50         |
| <b>Variable rate instruments</b> |                 |             |                       |              |
| - PLS savings accounts           | 83,207,597      | 180,446,364 | 4.50 - 7.04           | 4.10 - 9.35  |
| - Sukuk Bond                     | 246,075,000     | 285,094,381 | 8.71 - 12.43          | 8.71 - 11.66 |

**28.5.1 Cash flow sensitivity analysis for variable rate instrument**

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:

|                          | Change<br>In basis points | Effect on<br>profit before<br>tax | Effect on<br>equity |
|--------------------------|---------------------------|-----------------------------------|---------------------|
| <b>December 31, 2014</b> | <b>100</b>                | <b>419,946</b>                    | <b>281,364</b>      |
| December 31, 2013        | 100                       | 321,153                           | 211,961             |

**28.5.2 Mismatch of rate of profit sensitivity assets and liabilities / yield / rate of profit risk**

|                                                                  | 2014                             |                   |                                         |                                       |                                      |                                   |                    |              | Non profit<br>bearing | Total       |
|------------------------------------------------------------------|----------------------------------|-------------------|-----------------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|--------------------|--------------|-----------------------|-------------|
|                                                                  | Effective<br>rate %<br>per annum | Upto one<br>month | Over one<br>month to<br>three<br>months | Over three<br>months to<br>six months | Over six<br>months<br>to one<br>year | Over one<br>year to<br>five years | Over five<br>years | Sub<br>Total |                       |             |
|                                                                  |                                  | (Rupees)          |                                         |                                       |                                      |                                   |                    |              |                       |             |
| <b>FINANCIAL ASSETS</b>                                          |                                  |                   |                                         |                                       |                                      |                                   |                    |              |                       |             |
| Cash and bank deposits                                           | 4.50 - 10.00                     | 83,207,597        | 20,000,000                              | 42,500,000                            | -                                    | -                                 | -                  | 145,707,597  | 33,469,444            | 179,177,041 |
| Investments                                                      | 8.71 - 12.43                     | -                 | -                                       | -                                     | 216,575,000                          | 29,500,000                        | -                  | 246,075,000  | 18,099,925            | 264,174,925 |
| Long term security deposits                                      |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 4,531,686             | 4,531,686   |
| Contribution due but unpaid                                      |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 378,363,658           | 378,363,658 |
| Retakaful & other recoveries<br>in respect of outstanding claims |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 98,146,874            | 98,146,874  |
| Accrued investment income                                        |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 4,781,896             | 4,781,896   |
| Sundry receivables                                               |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 3,812,623             | 3,812,623   |
|                                                                  |                                  | 83,207,597        | 20,000,000                              | 42,500,000                            | 216,575,000                          | 29,500,000                        | -                  | 391,782,597  | 541,206,106           | 932,988,703 |
| <b>FINANCIAL LIABILITIES</b>                                     |                                  |                   |                                         |                                       |                                      |                                   |                    |              |                       |             |
| Provision for outstanding claims                                 |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 214,103,128           | 214,103,128 |
| Amount due to retakaful operators                                |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 70,780,340            | 70,780,340  |
| Accrued expenses                                                 |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 2,540,286             | 2,540,286   |
| Other creditors and accruals                                     |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 91,404,411            | 91,404,411  |
|                                                                  |                                  | -                 | -                                       | -                                     | -                                    | -                                 | -                  | -            | 378,828,165           | 378,828,165 |
| Profit rate sensitivity gap                                      |                                  | 83,207,597        | 20,000,000                              | 42,500,000                            | 216,575,000                          | 29,500,000                        | -                  | 391,782,597  | 162,377,941           | 554,160,538 |

| 2013                              |                |                                |                                 |                             |                             |                 |           |                    |             |             |
|-----------------------------------|----------------|--------------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------|-----------|--------------------|-------------|-------------|
| Profit bearing                    |                |                                |                                 |                             |                             |                 |           | Non profit bearing | Total       |             |
| Effective rate % per annum        | Upto one month | Over one month to three months | Over three months to six months | Over six months to one year | Over one year to five years | Over five years | Sub Total |                    |             |             |
| ----- (Rupees) -----              |                |                                |                                 |                             |                             |                 |           |                    |             |             |
| FINANCIAL ASSETS                  |                |                                |                                 |                             |                             |                 |           |                    |             |             |
| Cash and bank deposits            | 4.10 - 9.35    | 180,446,364                    | -                               | 25,410,000                  | -                           | -               | -         | 205,856,364        | 13,337,767  | 219,194,131 |
| Investments                       | 8.71 - 11.66   | -                              | -                               | -                           | 87,500,000                  | 197,594,381     | -         | 285,094,381        | 34,272,099  | 319,366,480 |
| Long term security deposits       |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 4,036,447   | 4,036,447   |
| Contribution due but unpaid       |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 296,379,345 | 296,379,345 |
| Retakaful & other recoveries      |                |                                |                                 |                             |                             |                 |           |                    |             |             |
| in respect of outstanding claims  |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 67,874,253  | 67,874,253  |
| Accrued investment income         |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 4,163,549   | 4,163,549   |
| Sundry receivables                |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 5,885,818   | 5,885,818   |
|                                   |                | 180,446,364                    | -                               | 25,410,000                  | 87,500,000                  | 197,594,381     | -         | 490,950,745        | 425,949,278 | 916,900,023 |
| FINANCIAL LIABILITIES             |                |                                |                                 |                             |                             |                 |           |                    |             |             |
| Provision for outstanding claims  |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 220,306,421 | 220,306,421 |
| Amount due to retakaful operators |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 111,903,683 | 111,903,683 |
| Accrued expenses                  |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 1,955,000   | 1,955,000   |
| Other creditors and accruals      |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 69,175,946  | 69,175,946  |
|                                   |                | -                              | -                               | -                           | -                           | -               | -         | -                  | 403,341,050 | 403,341,050 |
| Profit rate sensitivity gap       |                | 180,446,364                    | -                               | 25,410,000                  | 87,500,000                  | 197,594,381     | -         | 490,950,745        | 22,608,228  | 513,558,973 |

## 28.6 Price risk

Price 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 sukuks and islamic mutual funds.

## 28.7 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.

## Exposure to credit risk

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counter party, or groups of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk are approved by the Investment Committee.

Re-takaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary takaful operator. If a Retakaful operator fails to pay a claim for any reason, the Company remains liable for the payment to the participant. The creditworthiness of Retakaful operators is considered on an annual basis by reviewing their financial strength.

Exposures to individual participants and groups of participants are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual participants, or homogenous groups of participants, a financial analysis is equivalent to that conducted for Retakaful operators is carried out by the Company's risk department.

**28.7.1** The carrying amount of financial assets represents the maximum credit exposure, as specified below:

|                                                 | 2014                      | 2013                      |
|-------------------------------------------------|---------------------------|---------------------------|
|                                                 | —————(Rupees)—————        | —————(Rupees)—————        |
| <b>Financial assets</b>                         |                           |                           |
| Retakaful recoveries against outstanding claims | <b>98,146,874</b>         | 67,874,253                |
| Contribution due but unpaid                     | <b>378,363,658</b>        | 296,379,345               |
| Bank deposits                                   | <b>178,150,848</b>        | 217,931,904               |
| Investments                                     | <b>246,075,000</b>        | 285,094,381               |
| Accrued investment income                       | <b>4,781,896</b>          | 4,163,549                 |
| Sundry receivables                              | <b>3,812,623</b>          | 5,885,818                 |
|                                                 | <b><u>909,330,899</u></b> | <b><u>877,329,250</u></b> |
| <b>Financial assets</b>                         |                           |                           |
| Secured                                         | <b>250,856,896</b>        | 289,257,930               |
| Unsecured                                       | <b>658,474,003</b>        | 588,071,320               |
|                                                 | <b><u>909,330,899</u></b> | <b><u>877,329,250</u></b> |
| Not past due                                    | <b>530,967,241</b>        | 580,949,905               |
| Past due                                        | <b>378,363,658</b>        | 296,379,345               |
|                                                 | <b><u>909,330,899</u></b> | <b><u>877,329,250</u></b> |

**28.7.2** The age analysis of financial assets is as follows:

|                     | 2014                      |                          |                           | 2013                      |                          |                           |
|---------------------|---------------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------------|
|                     | Gross<br>value            | Impairment               | Carrying<br>value         | Gross<br>value            | Impairment               | Carrying<br>value         |
| <b>Not past due</b> | <b>530,967,241</b>        | -                        | <b>530,967,241</b>        | 580,868,106               | -                        | 580,868,106               |
| <b>Past due</b>     |                           |                          |                           |                           |                          |                           |
| Upto 1 year         | <b>349,288,539</b>        | -                        | <b>349,288,539</b>        | 284,860,597               | -                        | 284,860,597               |
| 1-2 year            | <b>29,075,119</b>         | -                        | <b>29,075,119</b>         | 11,518,748                | -                        | 11,518,748                |
| over 2 years        | <b>36,880,899</b>         | <b>36,880,899</b>        | -                         | 15,801,743                | 15,801,743               | -                         |
| <b>Total</b>        | <b><u>946,211,798</u></b> | <b><u>36,880,899</u></b> | <b><u>909,330,899</u></b> | <b><u>893,049,194</u></b> | <b><u>15,801,743</u></b> | <b><u>877,247,451</u></b> |

**28.7.3** The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

|               | 2014                      | 2013                      |
|---------------|---------------------------|---------------------------|
|               | —————(Rupees)—————        | —————(Rupees)—————        |
| <b>Rating</b> |                           |                           |
| AAA           | <b>1,450,197</b>          | 11,997,972                |
| AA+           | <b>309,019</b>            | 494,723                   |
| A+            | <b>284,194</b>            | -                         |
| AA            | <b>112,381,645</b>        | 169,294,837               |
| AA-           | <b>350</b>                | 254                       |
| A             | <b>1,209,889</b>          | 10,734,118                |
| A-            | <b>754</b>                | -                         |
| B             | <b>14,800</b>             | -                         |
|               | <b><u>115,650,848</u></b> | <b><u>192,521,904</u></b> |

**28.7.4 Amount due from other takaful companies, re-takaful recoveries against outstanding claims**

As common with other takaful companies, in order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other re-takaful companies.

The Company enters into retakaful / cotakaful arrangements with retakaful and takaful companies having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 24 / 2010 dated 27 October 2010 issued by SECP which requires a takaful operator to place at least 80% of their outward treaty sessions with retakaful companies rated 'A' or above by Standard & Poor's or equivalent rating by any other reputed international rating agency, with the balance (20%) being placed with entities rated at least 'BBB' by Standard & Poor's or equivalent rating by any other reputed international rating agency. During the year the Company placed 45% of their outward treaty session with retakaful operator having rating of 'A'.

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

**Retakaful assets**

| Rating | 2014                                            |                        |
|--------|-------------------------------------------------|------------------------|
|        | Retakaful recoveries against outstanding claims | Other Retakaful Assets |
|        | ----- Rupees -----                              |                        |
| A-     | 44,166,093                                      | 18,283,735             |
| BBB+   | 22,083,047                                      | 9,141,867              |
| B++    | 12,268,359                                      | 5,078,815              |
| BBB    | 19,629,375                                      | 8,126,104              |
|        | <u>98,146,874</u>                               | <u>40,630,522</u>      |
| Rating | 2013                                            |                        |
|        | Retakaful recoveries against outstanding claims | Other Retakaful Assets |
|        | ----- Rupees -----                              |                        |
| A-     | 32,240,270                                      | 21,580,283             |
| BBB+   | 35,633,983                                      | 23,851,891             |
|        | <u>67,874,253</u>                               | <u>45,432,174</u>      |

**28.7.5 Concentration of credit risk**

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of concentration of credit risk at the reporting date is as follows:

|                     | 2014<br>%     | 2013<br>%     |
|---------------------|---------------|---------------|
| Agriculture         | 0.71          | 0.33          |
| Bank                | 25.75         | 30.29         |
| Beverage            | 1.28          | 0.25          |
| Chemical            | 0.64          | 1.45          |
| Construction        | 4.28          | 2.84          |
| Education           | 0.83          | 1.90          |
| Engineering         | 1.54          | 1.37          |
| Food                | 1.09          | 2.90          |
| Hospital            | 10.83         | 12.53         |
| Individuals         | 1.56          | 2.41          |
| Iron and Steel      | 0.11          | -             |
| Mass Communication  | 0.95          | 5.62          |
| Modarba             | 0.41          | 2.17          |
| NGO                 | 6.39          | 7.83          |
| Oil and Gas         | 1.07          | 1.20          |
| Other               | 3.15          | 3.11          |
| Pharmaceutical      | 3.50          | 2.26          |
| Printing & Packages | 0.18          | 0.28          |
| Public Corporations | 0.15          | 2.98          |
| Services            | 25.85         | 9.07          |
| Sugar               | 1.42          | 1.72          |
| Textile             | 8.32          | 7.49          |
|                     | <u>100.00</u> | <u>100.00</u> |

## 28.8 Foreign exchange risk / Currency 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.

## 28.9 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for stake holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including takaful where this is effective.

Management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

### 28.10 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 for available for sale investments whose fair values have been disclosed in note 15 to the financial statements.

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

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

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

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

The table below analyses the financial instruments measured at the end of reporting period by the level in the fair value hierarchy into the fair value measurement is categorised.

|                                                | Level 1              | Level 2  | Level 3  | Total              |
|------------------------------------------------|----------------------|----------|----------|--------------------|
|                                                | ----- (Rupees) ----- |          |          |                    |
| <b>Financial assets</b>                        |                      |          |          |                    |
| Listed securities - open-end mutual fund units | 18,099,925           | -        | -        | 18,099,925         |
| Sukuk certificates                             | 246,075,000          | -        | -        | 246,075,000        |
|                                                | <b>264,174,925</b>   | <b>-</b> | <b>-</b> | <b>264,174,925</b> |

### 28.11 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently, Company has a paid-up capital of Rs. 432,748,270/- against the minimum required paid-up capital of Rs. 300,000,000/- set by the SECP for the insurance companies / takaful operators for the year ended December 31, 2014.

**29. NUMBER OF EMPLOYEES**

The average number of employees during the year ended December 31, 2014 were 203 (2013: 214) and number of employees as at December 31, 2014 were 196 (2013: 232).

**30. RELATED PARTIES TRANSACTIONS**

Related parties comprise of related group companies, associates, directors and key management personnel. The Company carries out transactions with various related parties in the normal course of business. Details of material transactions with related parties, other than remuneration to key management personnel under the terms of employment, are given below:

| Relationship             | Nature of transactions                          | 2014<br>———— (Rupees) ———— | 2013<br>———— (Rupees) ———— |
|--------------------------|-------------------------------------------------|----------------------------|----------------------------|
| Group companies          |                                                 |                            |                            |
|                          | Payment made by / on behalf<br>of related party | 4,788,590                  | 4,167,541                  |
|                          | Claims paid                                     | 2,775,918                  | 752,959                    |
|                          | Claim received                                  | 2,184,911                  | 1,273,466                  |
|                          | Contribution paid                               | 4,656,034                  | 2,529,310                  |
|                          | Contribution received                           | 4,374,605                  | 1,692,965                  |
|                          | Sale of sukuk certificates                      | 33,049,500                 | -                          |
| Employees provident fund | Contribution paid                               | 6,698,594                  | 5,576,140                  |

**31. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on April 09, 2015 by the Board of Directors of the Company.

**32. GENERAL****32.1 Corresponding figures**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation.

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


Chairman



Chief Executive



Director



Director

# PATTERN OF SHAREHOLDING

As at December 31, 2014

| Number of shareholders | Shareholdings                                | Total shares held |
|------------------------|----------------------------------------------|-------------------|
| 5                      | shareholding from 1 to 100 shares            | 4                 |
| 1                      | shareholding from 501 to 1000 shares         | 1,000             |
| 8                      | shareholding from 1001 to 5000 shares        | 29,885            |
| 12                     | shareholding from 5001 to 10000 shares       | 74,766            |
| 11                     | shareholding from 10001 to 100000 shares     | 293,821           |
| 5                      | shareholding from 100001 to 200000 shares    | 698,000           |
| 5                      | shareholding from 200001 to 300000 shares    | 1,232,300         |
| 1                      | shareholding from 1000001 to 2000000 shares  | 2,844,264         |
| 1                      | shareholding from 2000001 to 3000000 shares  | 2,500,000         |
| 6                      | shareholding from 3000001 to 5000000 shares  | 18,778,227        |
| 3                      | shareholding from 5000001 to 12000000 shares | 16,822,560        |
| <b>58</b>              | <b>Total</b>                                 | <b>43,274,827</b> |

| 1. Categories of shareholders                                                      | Shares held | Percentage |
|------------------------------------------------------------------------------------|-------------|------------|
| 1.1 Directors, Chief Executive Officer, and their spouse and minor children.       |             |            |
| 1.1.1. Sheikh Ali Bin Abdullah                                                     | 5,409,102   | 12.50%     |
| 1.1.2. Said Gul & Spouse                                                           | 4,278,798   | 9.89%      |
| 1.1.3. Zahid H. Awan                                                               | 200,000     | 0.46%      |
| 1.1.4. Abdul Basit Al-Shaibei                                                      | 1           | 0.00%      |
| 1.1.5. Owais Ahmed Yusuf                                                           | 1           | 0.00%      |
| 1.1.6. Ali Abdullah Darwesh                                                        | 1           | 0.00%      |
| 1.1.7. Ali Ibrahim Al Abdul Ghani                                                  | 1           | 0.00%      |
| 1.2 Associated Companies, undertakings and related parties.                        |             |            |
| a. Qatar International Islamic Bank                                                | 5,413,458   | 12.51%     |
| 1.3 NIT and ICP                                                                    | -           | -          |
| 1.4 Banks, Development Financial Institutions, Non Banking Financial Institutions. |             |            |
| 1.4.1. Qatar International Islamic Bank                                            | 5,413,458   | 12.51%     |
| 1.4.2. Masraf Al-Rayan                                                             | 6,000,000   | 13.86%     |
| 1.5 Insurance Companies                                                            |             |            |
| 1.5.1. Qatar Islamic Insurance Co.                                                 | 4,274,514   | 9.88%      |
| 1.6 Modarabas and Mutual Funds                                                     | -           | 0.00%      |
| 1.7 Share holders holding 10%                                                      |             |            |
| 1.7.1. Masraf Al-Rayan                                                             | 6,000,000   | 13.86%     |
| 1.7.2. Qatar International Islamic Bank                                            | 5,413,458   | 12.51%     |
| 1.8 General Public                                                                 |             |            |
| a. Local                                                                           | 48,531      | 0.11%      |
| b. Foreign                                                                         | 17,650,420  | 40.79%     |

# 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 **9<sup>th</sup> Annual General**  
**Meeting** of **Pak-Qatar General Takaful Limited** to be held on 30 April 2015 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2015

## (Witnesses)

1. \_\_\_\_\_ (Signature)

\_\_\_\_\_ (Name)

\_\_\_\_\_ (Address)

\_\_\_\_\_ (CNIC / Passport No.)

2. \_\_\_\_\_ (Signature)

\_\_\_\_\_ (Name)

\_\_\_\_\_ (Address)

\_\_\_\_\_ (CNIC / Passport No.)

Please affix  
Rupees five  
revenue  
stamp

Signature of  
member(s)

**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**  
*Together we Protect*

402-404, Business Arcade, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi-75400.  
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Email: [generaltakaful@pakqatar.com.pk](mailto:generaltakaful@pakqatar.com.pk), [www.pakqatar.com.pk](http://www.pakqatar.com.pk)