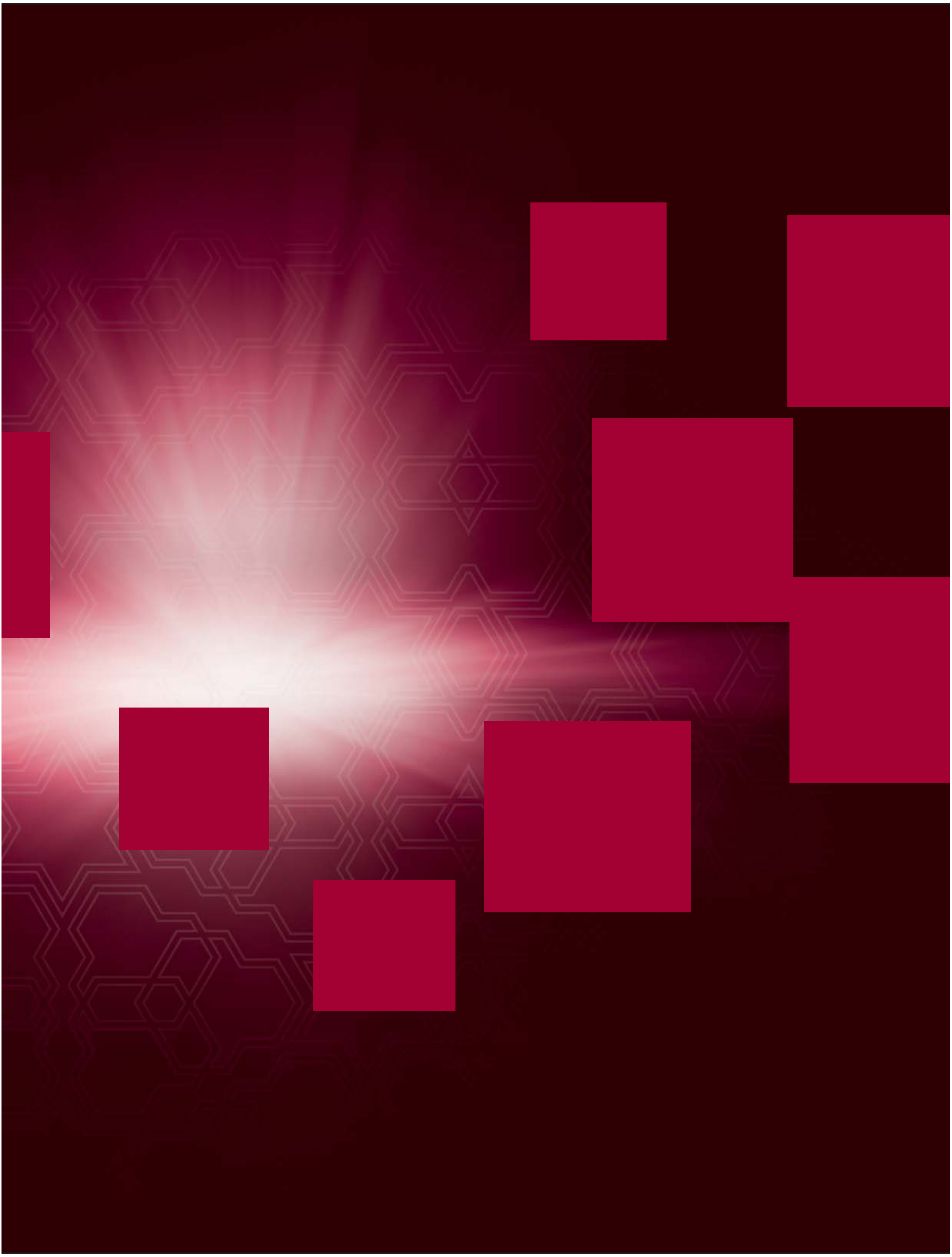
Let the light of prosperity shine

annual report **2012**

Together we Protect

PAK-QATAR GENERAL TAKAFUL

Together we Protect



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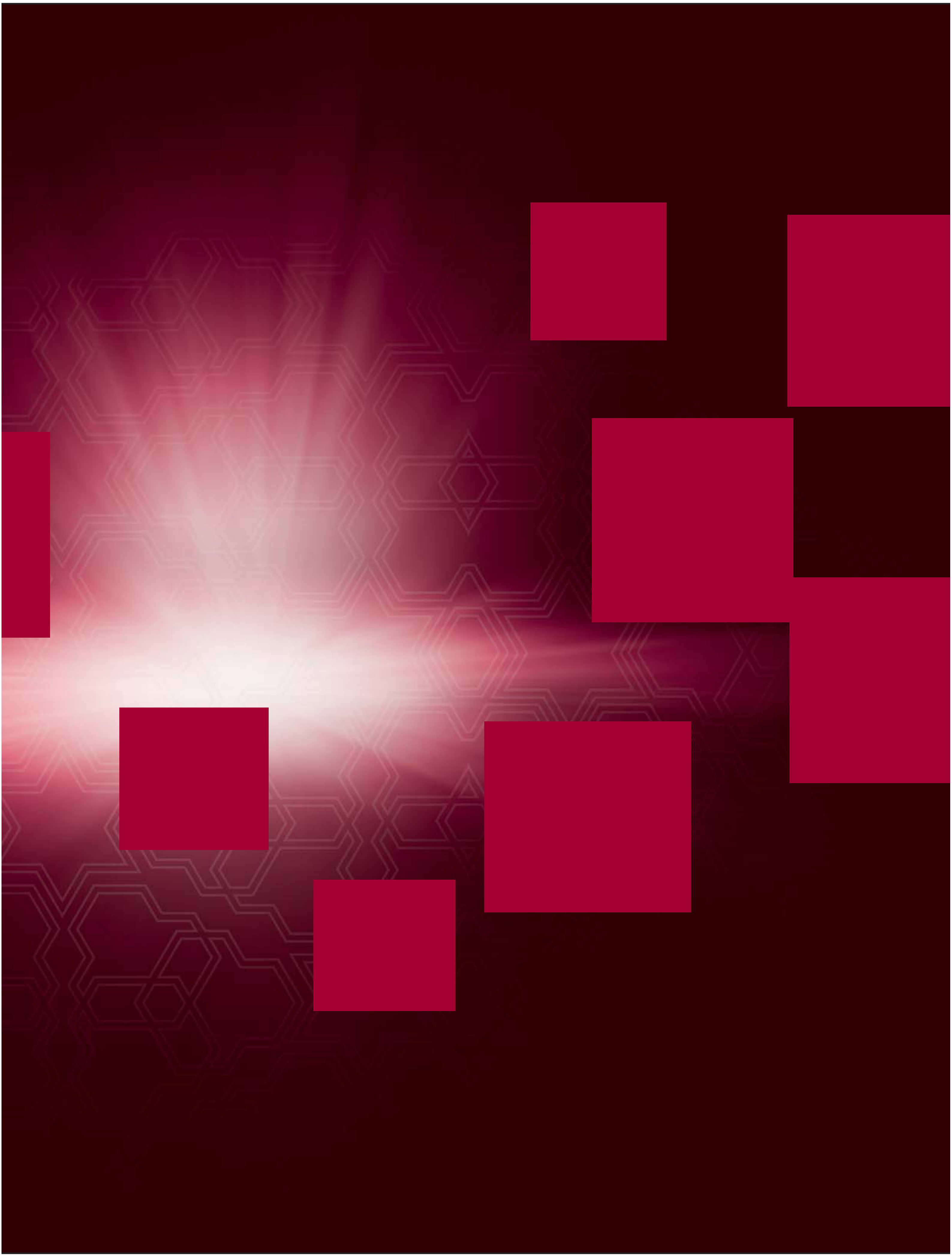
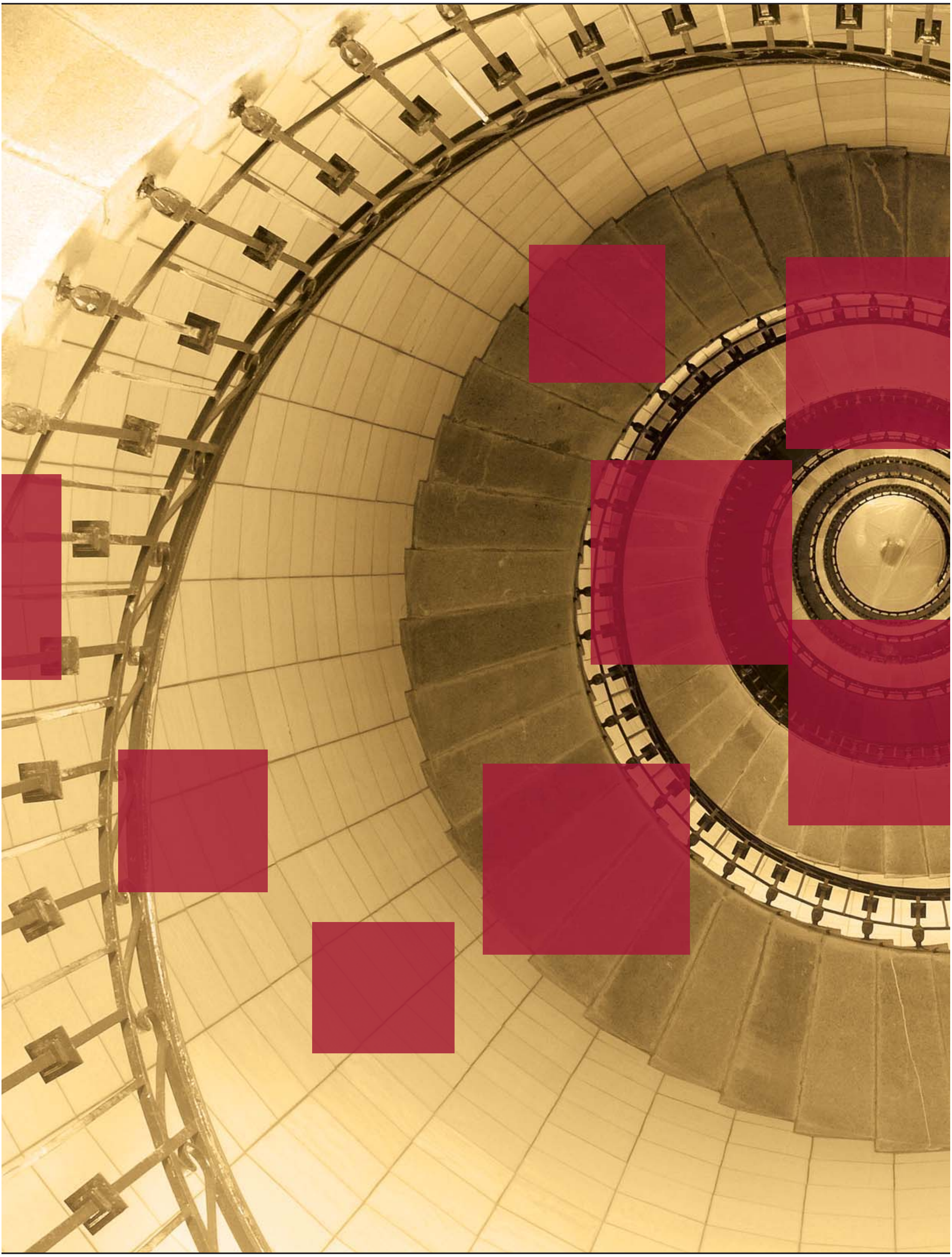


INTRODUCTION

Pak-Qatar General Takaful Limited is one of the leading General Takaful Company in Pakistan, being established in 2006 and commenced operation in 2007. Since inception, by the grace of Allah, we have gone from strength to strength, with a current credit rating of "BBB+ (Having Positive Outlook)" from JCR-VIS Credit Rating Co. Ltd., 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, 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, Qatar National Bank, Qatar Islamic Bank and Masraf Al Rayan. Registered and supervised by the Securities and Exchange Commission of Pakistan and with the paid-up capital of the Company Standing today at more than Rs. 337 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 practice as 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 10 major cities in Pakistan, and are looking to broaden our outreach in 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 best ethical practices in all aspects of our operations, while abiding by the Shariah and the law of the land
- Empower our employees by inspiring, guiding, enabling, and supporting them
- Ensure our support to the community and the environment with excellence
- Ensure customer satisfaction by offering quality products and services driven by their needs
- Ensure optimum returns to the shareholders

COMPANY INFORMATION

Board of Directors

H. E. Sheikh Ali Bin Abdullah Al-Thani	Chairman
Ali Abdullah Darwesh	Vice Chairman
Abdul Basit Al-Shaibei	Director
Said Gul	Managing Director & CEO
Fawad Yusuf	Director
Zahid Hussain Awan	Director
Muhammad Maher Al-Jabari	Director

Executive Committee

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

Audit Committee

Fawad Yusuf	Chairman
Zahid Hussain Awan	Member
Muhammad Maher Al-Jabari	Member

Investment Committee

Fawad Yusuf	Chairman
Said Gul	Member
Zahid Hussain Awan	Member

Shariah Board

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

Chief Financial Officer & Company Secretary

Muhammad Kamran Saleem - LLB, FCA, FCMA

Auditors

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

Legal advisors

Obaidur Rahman & Co.
Sattar & Sattar
Mohsin Tayebaly & Co.

Tax Advisor

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

Chief Internal Auditor

Muneeb Afzal Lone

Bankers

Al Baraka Bank (Pakistan) Limited
Bank Alfalah Limited (Islamic Banking)
Burj Bank Limited
Faysal Bank Limited - Barkat Islamic Banking
Meezan Bank Limited
UBL Ameen Islamic Banking
Bank Al Habib Limited (Islamic Banking)
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited (Islamic Banking)
Standard Chartered Bank (Pakistan) Limited

Head 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 : info@pakqatar.com.pk Web : www.pakqatar.com.pk

Management Committee

Said Gul	Managing Director & CEO
Najmullah Khan	Chief Operating Officer
M. Kamran Saleem	Chief Financial Officer/Company Secretary & Head of HR
Syed Hassan Nadeem	Head of Country Sales
Saifuddin Shaikh	Head of Admin, Procurment & IT&S
Muneeb Afzal Lone	Head of Internal Audit
Syed Adnan Hasan	Head of Marketing
Muhammad Raza	Head of Operation
Muhammad Junaid Moti	Head of Claims
Dr. Asif Burq	Head of Operation - Health
Abdul Hannan Shadani	Head of Risk Management
M. Shakir Siddiqui	Shariah Compliance Officer

Underwriting Committee

Said Gul	Chairman
Najmullah Khan	Member
M. Kamran Saleem	Member
Muhammad Raza	Member & Secretary
Abdul Hannan Shadani	Member
Asadullah Khan	Member

Retakaful Committee

Said Gul	Chairman
Najmullah Khan	Member
Muhammad Raza	Member & Secretary
Muhammad Junaid Moti	Member
Muhammad Saleem	Member

Claims Committee

Said Gul	Chairman
Najmullah Khan	Member
M. Kamran Saleem	Member
Saifuddin Shaikh	Member
Muhammad Junaid Moti	Member & Secretary
Muhammad Raza	Member
Muhammad Saleem	Member
Rashid Shah Khan	Member

Information Technology Committee

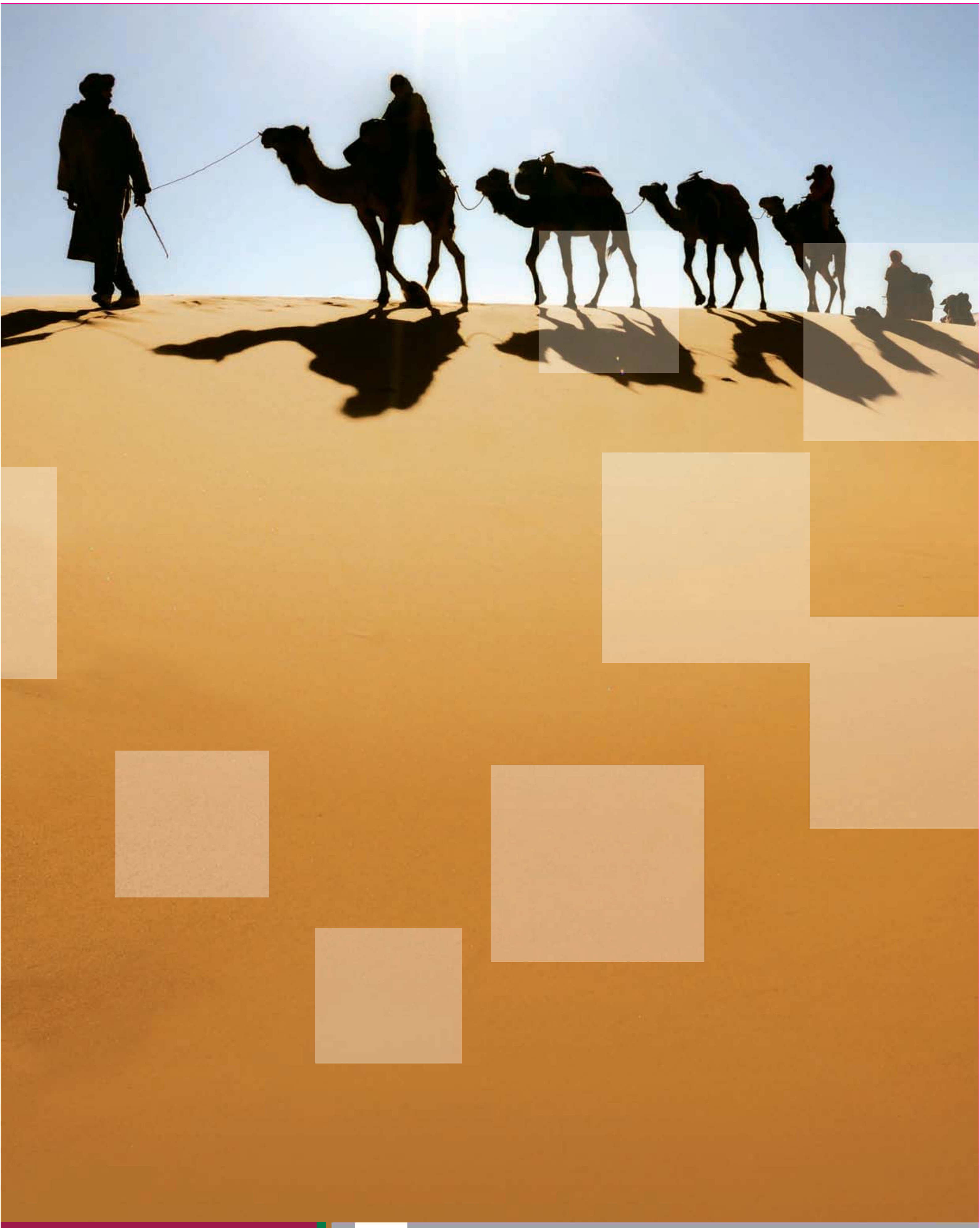
Najmullah Khan	Chairman
M. Kamran Saleem	Member
Saifuddin Shaikh	Member
Syed Muhammad Anwar	Member & Secretary
Muneeb Afzal Lone	Member
Muhammad Raza	Member
Muhammad Junaid Moti	Member
Dr. Asif Burq	Member
Muhammad Saleem	Member
Abdul Hannan Shadani	Member

Sales Commitee

Said Gul	Chairman
Najmullah Khan	Member
Syed Hassan Nadeem	Member
M. Kamran Saleem	Member
Saifuddin Shaikh	Member
Muhammad Raza	Member
Muhammad Junaid Moti	Member
Abdul Hannan Shadani	Member & Secretary
Arshad Mehmood	Member
Tanveer Ahmed	Member

TAKAFUL

WHERE EVERYONE REAPS EQUAL BENEFITS



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 ship 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-DARK:
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-eMuwal'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 Giyas ud din in 12th century compensated those traders from state treasury who were robbed while travelling within Seljuk territory.

Going forward, conventional insurance contracts in its present forms were introduced in Genoa in 14th 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 17th 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 twentieth 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 "Sokrah" 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 Shariah. 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 Shariah. Moreover, Insurance and Modern Financial institutions go hand in hand with each other. It was therefore necessary to propose a Shariah 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 Shariah, 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 Ijtima of Ulema of Pakistan was held in Jamia Darul Uloom Karachi to discussed permissibility of Takaful.

In 2005, Government of Pakistan issued first ever Takaful Rules to regulate the Takaful Operators. In 2006 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 Modraba 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 Modraba.
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 Shariah Complaint.

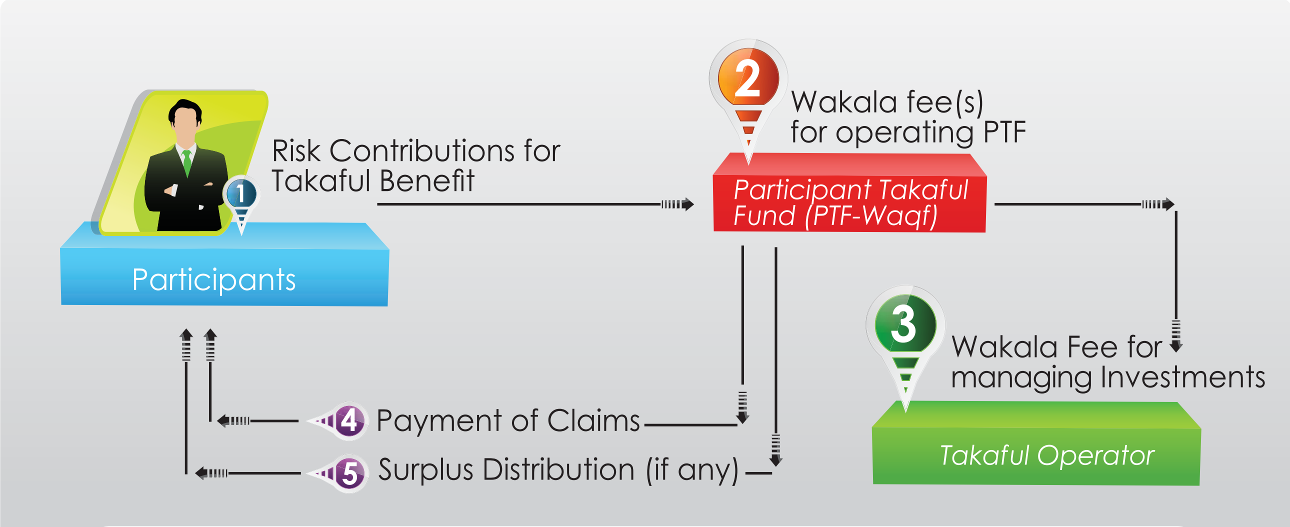
The model used in Pakistan is known as Wakala-Waqf Model. This is an enhancement over the Wakala Model where the pool is formed as a Waqf. Waqf is juristic person in Shariah, whose ownership rest with Allah (SWT) and no other person can claim it ownership. By creating a Waqf, certain anomalies observed 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 Shariah 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.

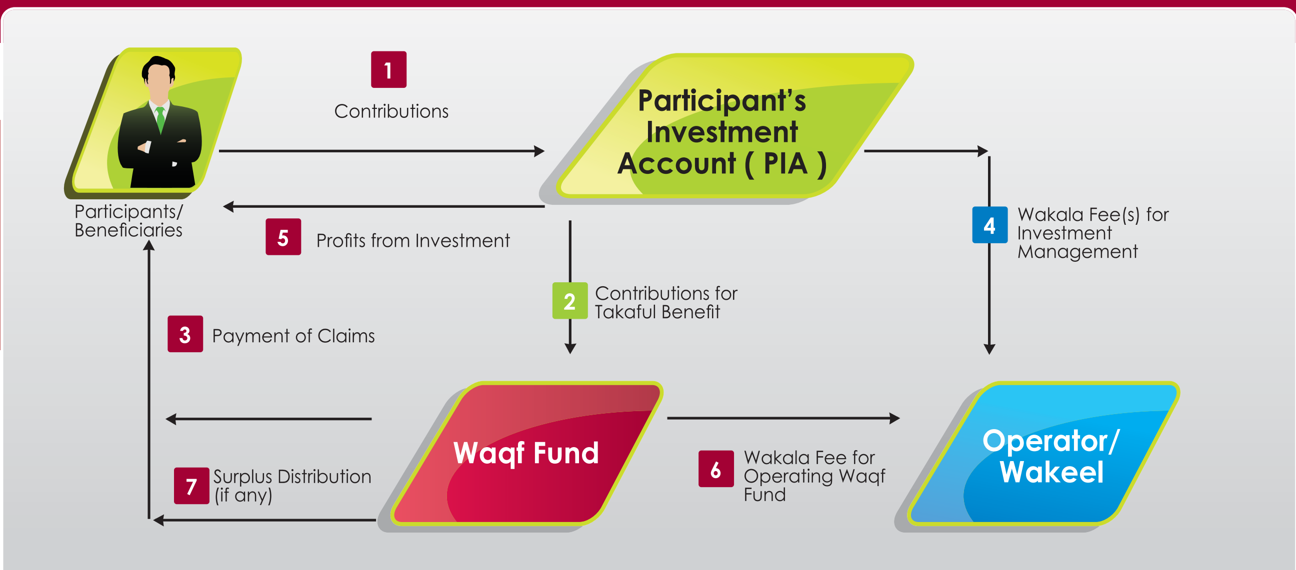
The funds available in the Waqf Pool are invested in Shariah Compliant business avenues. Any profits realized from these investments are returned to the Waqf thereafter.



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

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 Shariah-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 INVESTMENT-LINKED FAMILY TAKAFUL


TAKAFUL

DIFFERENCE BETWEEN CONVENTIONAL INSURANCE AND TAKAFUL

	TAKAFUL	CONVENTIONAL INSURANCE
Nature of Contract	contract	Conventional Insurance is a contract of Compensation (Aqd Mua'wza)
Contribution/ Premium	The Contribution paid to the Waqf belongs to the Waqf; the Operator is not the owner of this amount.	The premiums paid by the insured belongs to the insurance company
Investment Profit	Since the owner of the Waqf Pool is the Waqf itself, all investment profits also return to the Pool and not to the Operator.	In conventional insurance, all investment profits belong to the insurance company.
Claims	Payable from Participant's Takaful fund(Waqf Fund).	Payable from overall fund of the company
Surplus /Underwriting Profit	No provision for underwriting profit for the Operator. Can be given to the Participants only	Belongs to Company Shareholders. Insurance companies will make profit if the claims are lesser than the premium
Deficit	Qardh-al-Hasan is given to the Partici-pants Takaful fund.	Financed from shareholders i.e. company
Shariah Supervision	A Shariah Board is an integral part of any Takaful setup which supervises the investment activities of the company. As per the Takaful Rules 2005, a Shariah Board comprising of at least 3 scholars is compulsory.	In conventional insurance, no such kind of supervision takes place nor is there any law concerning it. The insurance company simply invests their funds in any business they deem fit, irrespective if the business is Shariah-compliant and Halal.



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 & Lightening
- 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 backend 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 includes,

- 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 incontrollable 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 includes 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 bourse 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 feature of our product includes.

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

NOTICE OF 7th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Pak-Qatar General Takaful Limited (the Company) will be held on Tuesday, 30 April 2013 at 11:00 am at Qatar International Islamic Bank, Grand Hammad Street, Doha, Qatar to transact the following businesses:

Ordinary Business:

1. To confirm minutes of the last general meeting.

2. To receive, consider and adopt the annual audited financial statements for the year ended 31st December 2012, together with the Directors' and Auditors' Report thereon.

3. To appoint Auditors of the Company for the year ending 31st December 2013 and to fix their remuneration.

4. To elect seven directors for the next three years.

5. To consider any other business with the permission of the Chair.

Date: 09 April 2013

By Order of the Board

Muhammad Kamran Saleem
Company Secretary

Place: Doha

NOTES:

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

2. Members are requested to immediately notify the change in their addresses, if any.

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Chairman and the Board of Directors of Pak-Qatar General Takaful Limited (hereinafter referred to as "the Company" or "PQGTL"), I welcome you all to the 7th Annual General Meeting of PQGTL for the year 2012.

1. Economic Overview

The economy continues to struggle with low growth and high inflation imposed by energy shortages, security issues, and macroeconomic imbalances. In FY2012, consumption continued to drive the economy, as investment declined. Fiscal and external imbalances intensified, as the budget deficit reached 8.5% of GDP.

At present, security issues, energy shortages, financial imbalances, and governance concerns are holding the country back and undermining the business confidence needed for supporting a dynamic and growing private sector. Pakistan holds potential for higher growth. Wide scope exists for improving agricultural productivity and expanding manufacturing and services. The country has natural resources and a rapidly growing working-age population with a strategic location at the crossroads of Europe, Asia, and Africa.

Currently caretaker government is in-place to serve the pre-election period and the election will be held on 11th May 2013.

Internal factors are surely influenced by a combination of political and domestic challenges that have led to a low GDP growth, now hovering around 3 percent, with bank lending to private sector drying up. Inflation, though a notch or two below 8 percent after many years of a double-digit phenomenon, looks threatening.

Debt burden is enormous, hovering well above 60 percent. Tax-to-GDP ratio of around 9 percent is at an alarmingly low level. National savings ratio is on constant decline. Foreign Direct Investment (FDI) is woefully disappointing. In view of macroeconomic conditions, SBP has decided to maintain the policy rate at the existing level of 9.5, and the current width of the interest rate corridor is being reduced from 300bps to 250bps.

Despite global slowdown and heavy rains in Sindh and parts of Baluchistan, which cost US$ 3.7 billion, the country's economy still performed better than many developed and developing economies around the world.

Pakistan's economic problems are mostly pertinent to management and not resource-oriented. The problem could be addressed by strengthening of economic institutions and progressive devolution of revenue and expenditure authority for the sustainability of economic growth.

2. Industry Overview

Pakistan is among the top 10 most populous nations in the world. Takaful is the latest "wave" in financial protection. Pakistan saw its first Takaful operator, in the General side, started in 2004. Since then, two operators in General and one in Family have entered in the market.

Although Pakistan is the world's second most populous Muslim nation, Takaful's share of the total insurance market is only 2 to 3 per cent. The overall share of Takaful in Pakistan could reach 25 to 30 percent for general coverage and 15 to 20 percent in family/life coverage within five to seven years.

The Takaful market is currently concentrated in Malaysia and the Middle East and has been experiencing significant growth. There are currently more than 130 Takaful companies in operation worldwide, of which nearly half are located in the GCC countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. The Takaful growth rate in these countries is well ahead of the conventional insurance market in the region. At the present rate of expansion, the Takaful market is expected to be worth US$4 billion in the next few years, compared with about US$170 million today. Considering the US$3.7 trillion level of global premiums for conventional insurance, the enormous growth potential for Takaful becomes obvious.

The industry is constantly seeking for avenues of enhancing its competitiveness, meeting the Shari'ah requirements, and treating customers and Takaful operators fairly.

3. Your company's performance

3.1. Financial Highlights:

The following are the financial highlights of the company:

	2012 Rupees	2011 (re-stated) Rupees
Wakala Income	**193,850,664**	121,755,631
Commission Expense	**(34,007,335)**	(19,446,325)
Management Expense	**(107,085,082)**	(86,177,569)
	52,758,247	16,131,737
Modarib Share of PTF Investment Income	**2,555,208**	1,496,403
Net Investment Income	**22,014,167**	28,903,885
General & Administrative Expense	**(46,146,475)**	(35,052,553)
Other Income / (charges)	**32,000**	(3,308)
Worker's Welfare Fund	**(624,263)**	(229,523)
Profit before Taxation	**30,588,884**	11,246,641
Provision of Taxation - current	**(998,493)**	(1,379,104)
- deferred	**(10,818,434)**	(1,310,214)
Profit after Taxation	**18,771,957**	8,557,323
Earnings per share	**0.56**	0.28

3.2. Contribution:

During the fifth year of operation, PQGTL was able to achieve a gross contribution of Rs. 549 million. It is an increase of 66% over the preceding year's figure of Rs. 330 million. Segment-wise comparisons are provided below:

	2012 Rupees	2011 Rupees
Fire	**66,002,032**	43,091,563
Marine	**39,506,606**	24,111,861
Motor	**339,128,456**	234,229,501
Health	**55,588,372**	-
Misc	**48,983,613**	29,039,003
	549,209,079	330,471,928

A reasonable growth is witnessed in all segments, keeping in view the challenges of a new company and the competitive environment of the industry.

3.3. Business Mix:

	2012 Rupees	%	2011 Rupees	%
Fire	**66,002,032**	12%	43,091,563	13%
Marine	**36,506,606**	7%	24,111,861	7%
Motor	**339,128,456**	62%	234,229,501	71%
Health	**55,588,372**	10%	-	-
Miscellaneous	**48,983,613**	9%	29,039,003	9%
	549,209,079	100%	330,471,928	100%

The motor segment continued to be a major contributor to the overall business volume. The miscellaneous segment showed a marginal increase in its weightage from FY 2011.

During the year 2012, PQGTL has also started underwriting Takaful policies in health segment. In 2012, the company has underwritten a meager contribution of Rs. 55.5 million in health segment.

3.4. Claims

During the fiscal year 2012, PQGTL incurred Gross claims' expense amounted to Rs. 229.8 million as compared to Rs. 187.4 million in 2011. The percentage decrease in claims was kept under the check as it was decreased by 14.9% from 2011. The improvements are a result of prudent underwriting that has helped in achieving such results for the motor segment. Following is the claim and its comparisons with the previous year:

	2012 Rupees	%	2011 Rupees	%
Fire	**3,971,866**	2%	11,413,669	6%
Marine	**7,768,323**	3%	10,682,914	6%
Motor	**181,074,260**	79%	154,998,410	83%
Health	**15,477,785**	7%	-	-
Miscellaneous	**21,545,448**	9%	10,302,684	5%
	229,837,682	100%	187,397,677	100%

A high gross ratio was addressed as a concern in the motor segment during the year 2011. The figure for 2012 shows significant improvement: the increase is not only in gross contribution - control over claims has also played an equally important role. The overall status displays an improved performance, reducing this ratio.

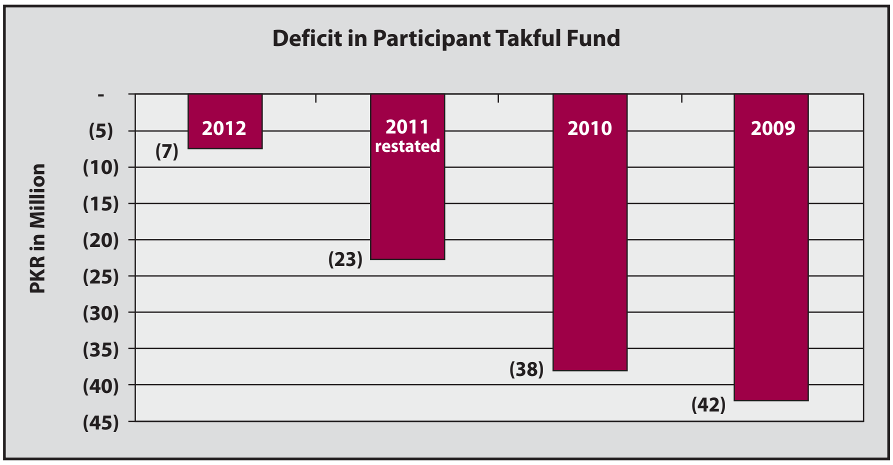
3.5. Investment Income

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

	2012		2011	
	Year-end Investment	Income for the Year	Year-end Investment	Income for the Year
	Rupees		Rupees	
Shareholders' Fund	**199,634,484**	**22,014,167**	180,092,113	28,903,885
Participant Takaful Fund	**56,393,510**	**6,388,020**	15,905,759	3,741,007
	256,027,994	**28,402,187**	195,997,872	32,644,892

Above data includes effect of deposits maturing within twelve months .

3.6. Participant Takaful Fund



The statistics above present an improved performance of the fund as it is on its way to achieve a break even. The improved performance owes a lot to the efforts in non motor segment.

3.7. Shareholders' Fund

Analyzing profit before tax, 2012 was the profitable year for the Pak-Qatar General Takaful Limited. Accumulated losses as at December 31, 2011 amounted to Rs. 32,502,628 and the outgoing year has brought this to Rs.13,730,671 posting a profit of Rs. 18,771,957. Strong foundation has been laid to witness successive profitable years, eliminating deficits and realizing surpluses. During the year 2012, right shares were issued amounted to Rs. 29,629,150/-, thus increasing the share capital to Rs. 337,429,230/-.

4. Credit Rating

The JCR-VIS Credit Rating Company Limited has reaffirmed the Insurer Financial Strength (IFS) rating of Pak-Qatar General Takaful Limited to ‘BBB+’ and revised the outlook to 'Positive'.

5. Human Resource

During the year 2012, the Human Resources Department remained committed and resolute in pursuit of the well-being and upkeep of the group's most important and crucial asset - its workforce.

The key focus area of HR in 2012 was to recruit quality human resource by following rigorous assessment procedures in order to build a strong, competent workforce for meeting the ever-increasing business needs and to achieve operational excellence. In addition, several training sessions related to Takaful and soft skills were arranged for employees.

Other HR ventures of key importance include formulation of Employee Handbook, successful operation of SAP-HCM Payroll Module, setting up of an HR Portal, which was developed in-house, and revision of important policies to align them with the industry standards.

6. Marketing

The Marketing Department of the company carried out various activities during 2012. Successful completion of branch branding in South led to tremendous response. It has changed the entire outlook of the branches and has further enhanced corporate identity of the company. The re-branding helped PQGTL to further promote itself as a strong brand in the market and facilitated to attract existing and potential customers.

7. Annual Sales Conference

The company held its Annual Sales Conference 2013 in Islamabad, subsequent to the year-end. The event was attended by employees from the entire region. The conference marked the success of the company and its achievements during the outgoing year. The senior management highlighted company's progress and appreciated the efforts of the employees.

8. Other Strategic Achievements

During 2012, Pak-Qatar General Takaful has been the brand of choice in market, especially in banking sector of Pakistan. We have witnessed a remarkable growth in personal lines business with Islamic and conventional banks, which also include BancaTakaful arrangements. We are steadily diversifying our business mix by exploring mass market through our "Channel Development Strategy", which is based on developing alternate and unconventional business lines in banking and non-banking sector for maximum reach and volume business growth. A highly creative and professional sales and development team is working on this front with experienced underwriters, providing the management with desirable results.

On BancaTakaful front, Pak-Qatar Group feels proud to be the largest service provider in the market with the fastest growing portfolio. Through banking channel, thousands of valued customers of leading Islamic and conventional banks are availing our Takaful products and contributing to the growth of the group's both companies. Based on very extensive business development work done during 2012 by our teams, more attention will be given to new initiatives with strong focus on MicroTakaful, Agriculture Takaful, and BancaTakaful throughout the year 2013.

9. Business Challenges and Future Outlook

The potential for Takaful is beyond question. However, many hurdles must be overcome, if this market is to realize its potential. Human resources pose a major obstacle to growth, as the market is facing a severe shortage of qualified staff that can understand the technical insurance principles and have an adequate awareness of Shariah compliant financial needs.

One of the biggest challenge is creating awareness among the masses. Many Muslims live under the misconception that protection (insurance) is contrary to the principles of "Tawakkal" in Islam, more particularly with regard to life coverage (insurance). People have to be made aware that Takaful provides an acceptable and religiously validated solution.

There is also a global need for strong and credible Retakaful operators to assist the growth and expansion of Takaful. There is currently a shortage of Retakaful capacity - this lack of companies in the market presents a challenge as well as an opportunity. Takaful companies have actively promoted co-Takaful but still have a significant need of Retakaful Companies.

The industry in the country can be expanded by introducing new, innovative products and exploring more of Shariah compliant investment options.

10. 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.

11. Board of Directors

#	Director	Number of meetings attended
1	Sheikh Ali Bin Abdullah Al-Thani	1
2	Ali Abdullah Darwesh	2
3	Abdul Basit Al-Shaibei	2
4	Said Gul	4
5	Fawad Yusuf	4
6	Zahid Hussain Awan	4
7	Mohammed Maher Al Jaabri	4

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

12. 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 ended 31 December 2012, 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.
- Key operating and financial data for the last five years is attached.
- The accumulated balance in provident fund account as at 31 December 2012 was Rs. 13,568,710/-.
- 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 159,199 shares and 438,161 shares to Mr. Zahid Hussain Awan and spouse of Mr. Said Gul respectively.

13. 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.

14. 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 31 December 2013.

15. Earnings per Shares

The basic and diluted earnings per share of the Company were Rs. 0.56 (2011: Earnings per Share Rs. 0.28) per ordinary share of Rs. 10/- each.

16. Pattern of Shareholding

The pattern of shareholdings of the company is attached.

17. Appreciation

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

18. 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.

19. Conclusion

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

For and on behalf of the
Board of Directors
Pak-Qatar General Takaful Limited

SAID GUL
Chief Executive Officer

Doha - 09 April 2013

PAK QATAR GENERAL TAKAFUL LIMITED
KEY FINANCIAL DATA

Rupees in Thousand

	FY12	FY11 (Restated)	FY10	FY09	FY08
Gross Contribution	549,209	330,472	217,182	171,702	86,421
REVENUE ACCOUNT					
Contribution-Net of Re-Takaful	165,903	91,317	87,425	52,146	6,765
Earned Wakala Fee	193,851	121,756	75,803	51,511	16,459
Claims less Re-Takaful	(197,170)	(135,742)	(138,370)	(100,552)	(22,835)
Commission & Expenses	(8,241)	(491)	(1,820)	913	3,439
Investment Income less Impairment	28,402	32,645	29,050	44,095	1,957
Cede money contributed to Waqf Fund	-	-	-	-	-
Management & General Admin. Expense	(158,618)	(123,195)	(131,866)	(89,853)	(46,448)
Other Income/(Loss)	32	(3)	183	(1)	(189)
Others Reserves	(943)	2,066	(2,440)	(2,576)	(306)
Consolidated Profit/(Loss) Before Tax	23,206	(11,648)	(82,035)	(44,317)	(41,158)
Provision for tax	(11,817)	(2,689)	15,069	5,593	10,890
Consolidated Profit/(Loss) After Tax	11,389	(14,337)	(66,966)	(38,724)	(30,268)
BALANCE SHEET					
Investments	224,528	131,274	183,764	221,674	122,485
Cash & Bank balances	139,378	81,817	14,316	30,164	135,543
Deferred Tax Asset	10,760	21,579	22,889	15,554	965
Other Assets	224,985	164,796	100,567	74,729	42,361
Fixed Assets	44,808	48,619	53,836	52,458	32,919
Issued, subscribed & paid up capital	337,429	307,800	307,800	307,800	307,800
Advance against future issue of Share Capital	-	-	2,661	2,661	2,661
Accumulated surplus/(loss)	(137,765)	(149,154)	(134,817)	(85,048)	(29,128)
General Reserve	322,479	218,374	150,385	118,279	40,912
Other Liabilities	122,316	71,065	49,344	50,888	12,028

PAK QATAR GENERAL TAKAFUL LIMITED
KEY FINANCIAL RATIOS

	FY 2012	FY 2011 (Restated)	FY 2010	FY 2009	FY 2008
Growth in:					
Gross Contribution	66%	52%	26%	99%	5231%
Contribution-Net of Re-Takaful	82%	4%	68%	671%	543%
Earned Wakala Fee	59%	61%	47%	213%	-
Claims less Re-Takaful	45%	-2%	38%	340%	-5921%
Commission and Expenses	35%	-7%	50%	107%	-315%
Investment Income (without Impairment)	-13%	12%	-34%	87%	59%
Current Ratio	4.79	5.30	6.03	6.37	8.49
Fixed assets turnover	136%	61%	-51%	13%	-118%
Revenue per share (Rs.)	1.89	1.01	(0.88)	0.19	(0.91)
Earning per shares (Rs.)	0.56	0.28	(0.93)	0.02	(0.61)
Gross Claim to Gross Contribution (Less Retakaful)	46%	53%	88%	75%	-35%
Management Expenses to Gross Contribution	28%	37%	61%	52%	54%
Management Expenses to Wakala Fee	80%	100%	174%	174%	117%
Gross Commission Expense to Gross Contribution	-30%	-37%	-62%	5%	3%
Wakala fee to Gross Contribution	35%	37%	35%	30%	46%
Retakaful to Gross Contribution	21%	7%	28%	24%	24%
REVENUE DISTRIBUTION (PTF)					
Claims (Including IBNR)	119%	149%	158%	193%	338%
Other Reserve	1%	-2%	3%	6%	5%
Direct expenses	3%	2%	1%	0%	3%
Rebate	-16%	-21%	-15%	-15%	-71%
Net Investment income	-2%	-2%	-3%	-2%	-5%
Deficit for the year	-4%	-25%	-44%	-82%	-169%
	100%	100%	100%	100%	100%
REVENUE DISTRIBUTION (SHF)					
Commission	18%	16%	20%	14%	8%
Management expenses	55%	71%	122%	130%	192%
Modarib share	-1%	-1%	-2%	-1%	-1%
Net investment income	-11%	-24%	-33%	-86%	-9%
General and administrative expenses	24%	29%	51%	51%	89%
Other (Loss) / Gain	0%	0%	0%	0%	1%
Cede money	0%	0%	0%	0%	0%
Taxation	6%	2%	-20%	-9%	-66%
Profit / (Loss) after Taxation	10%	7%	-38%	1%	-114%
	100%	100%	100%	100%	100%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December, 2012

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. No casual vacancy occurred during the year.

4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. 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 includes all the necessary aspects of internal control given in the Code.

9. No orientation course for the directors during the year was arranged, however, directors being 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.

10. There was no new 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 Chief Executive Officer and Chief Financial Officer 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 shareholding.

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 AUDIT REPORT
TO THE BOARD OF DIRECTORS
for the year ended 31 December 2012

الحمد لله رب العٰلمين والصلاة والسلام على سيد الأنبياء والمرسلين

محمد النبى الأمى وعلى آلهٖ 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 2012.

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 clients and stakeholders are in compliance with the requirements of Shariah rules and principles. It is the responsibility of the Company' management to ensure that the rules, 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 our 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 2012.

It is noteworthy that the Company, since its very beginning, has made efforts to ensure compliance with the instructions issued by the Shariah Advisory Board, and that all policies and services being offered are duly approved.

In that regard, a permanent Shariah Compliance Department has been instituted, comprising of scholars who are working in close concert with the Shariah Advisory Board to ensure overall Shariah compliance. To date, Shariah Advisory Board has issued guidelines dealing with the following areas:

i. Shariah Guidelines regarding Halal & Haram Business Venues
ii. Shariah Guidelines regarding Re-Takaful Arrangements
iii. Shariah Guidelines regarding Investments
iv. Shariah Guidelines regarding Charity Fund
v. Shariah Guidelines regarding Advertising & Marketing
vi. Shariah Guidelines regarding Surplus Distribution
vii. Shariah Guidelines regarding Co-Takaful, and etc.

During the year, different issues were presented to Shariah Advisory Board for guidance, the solutions for which were duly implemented. On that basis, Shariah compliance at the Company level is declared as being satisfactory.

It is also commendable that the Company has, throughout the year and with assistance from Shariah Department, worked continuously to spread Takaful by arranging for Shariah training sessions as well as training courses in the Head Office as well as different branches. These courses were also held for Company employees as well as business communities and Chambers of Commerce. These efforts were very timely and played an important role in broadening the reach and understanding of Takaful.

None of the various funds were in any way invested in any conventional commercial bank or conventional mutual fund. Waqf Funds were invested in sukuk, different Islamic banks and share on the basis of wakalat-ul-istismar and Mudharabah.

All transactions in shares were undertaken according to the issued instructions, and not a single instance of non-compliance transaction has been found. A paltry sum of Rs.543 will be given in charity to purify the dividends received on shares. All such money for charity is promptly channeled towards a dedicated charity fund especially instituted for this purpose, from which the available charity funds are utilized under Shariah Advisory Board's approval.

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

(i) Financial transactions undertaken by the Company during the year ended 31 December 2012 were in accordance with guidelines issued by Shariah Advisory Board as well as the requirements of Takaful Rules 2005. Performance of Finance Department in this regard is appreciated;

(ii) The Operations Department has performed much better in 2012 and has discharged its duties responsibly, except those few cases which had some irregularities from the Shariah point of view and these issues have been discussed with the Management and duly resolved. Furthermore, the company management has been strictly instructed not to repeat any slight non-compliance instance in future at all.

(iii) Consequently, we found the Company to be in accordance with the Shariah principles in all transactional respects. Moreover, we also concur with the accounting policies 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 Advisory Board Member

Dr. Mufti Muhammad Zubair Ashraf Usmani
Shariah Advisory Board Member

KARACHI
4 April 2013

یہ بات بھی قابل ستائش ہے کہ تکافل کے فروغ کے لئے کمپنی نے پورے سال مستقل بنیادوں پر اہتمام کیساتھ شریعہ ڈپارٹمنٹ کی معاونت سے مرکزی آفس اور تکافل کی مختلف برانچز میں تکافل کی شریعہ ٹریننگ کا اہتمام کیا، اس ضمن میں دوران سال درجنوں تربیتی کورسز کا انعقاد کیا گیا۔ یہ کورسز کمپنی ملازمین کے ساتھ ساتھ مختلف کاروباری طبقات اور مختلف چیمبرز آف کامرس کے لئے بھی منعقد کیے گئے جو کہ تکافل نظام کو سمجھنے اور پھیلانے میں بہت معاون ثابت ہوئے۔

مختلف فنڈز کی سرمایہ کاری کے سلسلے میں کسی بھی کنونشنل بینک یا کنونشنل میوچل فنڈ میں کوئی بھی رقم سرمایہ کاری میں نہیں لگائی گئی۔ وکالۃ الاستثمار کی بنیاد پر شرکاءِ تکافل کے سرمایہ کاری فنڈ اور مضاربہ کی بنیاد پر وقف فنڈ کی سرمایہ کاری مختلف صکوک، مختلف اسلامی بینکوں اور شیئرز میں کی گئی۔

شیئرز میں سرمایہ کاری کے لئے شرعی ہدایات کو مدنظر رکھا گیا اور بیع قبل القبض کی کوئی ایک ٹرانزیکشن بھی نہیں پائی گئی۔ شیئرز سے حاصل ہونے والے ڈیویڈنڈ کی تطہیر کے نتیجے میں محض مبلغ 543 روپے قابل تصدق ہیں۔ کمپنی میں باقاعدہ ایک چیریٹی فنڈ قائم کیا گیا ہے جہاں اس طرح کی رقوم کو منتقل کر دیا جاتا ہے اور شرعیہ گائیڈ لائنز کے مطابق اس فنڈ کو شریعہ کی منظوری کیساتھ مستحق افراد پر خرچ کیا جاتا ہے۔

بہرحال ہماری معلومات کے مطابق:

۱......سال 2012ء میں کمپنی کی جانب سے کیے گئے تمام مالی معاملات شریعہ ایڈوائزری بورڈ کی جانب سے دی گئی گائیڈ لائنز اور تکافل رولز 2005ء کے مطابق تھے۔ اس اہتمام کے لئے کمپنی کے فائنانس ڈپارٹمنٹ کی کارکردگی قابل ستائش ہے۔

۲......گذشتہ سال کی بنسبت رواں سال کمپنی کے آپریشن ڈیپارٹمنٹ نے شریعہ بورڈ کی جانب سے وقتاً فوقتاً دی جانے والی ہدایات کے مطابق اپنی ذمہ داریوں کو بحسن وخوبی انجام دیا اور حتی الامکان غیر شرعی معاملات سے احتراز کیا گیا۔ (سوائے اُن چند معاملات کے جو شرعی اعتبار سے درست نہ تھے، جن کے بارے میں کمپنی انتظامیہ کو صرف تنبیہ کر دی گئی ہے۔

۳......الحمدللہ، بحیثیت مجموعی کمپنی کے معاملات شریعہ بورڈ کی جانب سے جاری کردہ شریعہ گائیڈ لائنز اور قواعد وضوابط کے مطابق تھے، نیز وقف فنڈ کے لئے اختیار کی گئی اکاؤنٹنگ پالیسیز نہ صرف اطمینان بخش ہیں بلکہ ان اختیار دہ شدہ پالیسیز سے بھی ہم اتفاق کرتے ہیں۔ واللہ أعلم بالصواب وعلمہ أتم وأحکم

در نیابت چیئرمین شریعہ ایڈوائزری بورڈ

ڈاکٹر مفتی محمد زبیر اشرف عثمانی	ڈاکٹر مفتی عصمت اللہ
ممبر شریعہ ایڈوائزری بورڈ	ممبر شریعہ ایڈوائزری بورڈ

شریعہ آڈٹ رپورٹ برائے بورڈ آف ڈائریکٹرز

نحمده و نصلی و نسلم علی رسوله الكريم وعلىٰ آلهٖ وأصحابه أجمعين، وبعد !

الحمدللہ،ہم نے پاک قطر جنرل تکافل لمیٹڈ(کمپنی) کے مالیاتی اسٹیٹمنٹس برائے سال 2012ء کا شرعی نقطۂ نظر سے جائزہ لیا۔

ہم کمپنی کے شریعہ ایڈوائزری بورڈ کی حیثیت سے اس بات سے بخوبی باخبر ہیں کہ کمپنی اور شرکاءِ تکافل سے متعلق 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 منتظمہ کمیٹی کی بھی یہ ذمہ داری ہے کہ وہ شریعہ بورڈ کی طرف سے جاری کردہ اُصول وضوابط اور گائیڈ لائنز پر اہتمام کے ساتھ عمل کرانے کو یقینی بنائے۔مزید برآں یہ کہ تمام تکافل پالیسیز اور تکافل خدمات شرعی قواعد وضوابط کے مطابق اور باقاعدہ شریعہ بورڈ سے منظور شدہ ہوں۔ بہرحال اس ضمن میں کمپنی کے شریعہ کمپلائنس ہونے کا جائزہ لینا ہمارے شریعہ آڈٹ کا حصہ ہے۔

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 وضوابط کے مطابق انجام دی جائے اور یہ باقاعدہ طور پر شریعہ بورڈ سے منظور شدہ بھی ہوں۔

اس سلسلے میں کمپنی میں ایک مستقل شریعہ کمپلائنس ڈپارٹمنٹ کا قیام عمل میں لایا گیا جہاں اس وقت مستند مفتیان کرام خدمات انجام دے رہے ہیں، جو شریعہ بورڈ کی مشاورت کیساتھ مجموعی اعتبار سے شریعہ کمپلائنس کو یقینی بنانے میں اپنی ذمہ داریاں احسن طریقے سے پوری کررہے ہیں۔

شریعہ ایڈوائزی بورڈ کی جانب سے اب تک کمپنی کے لئے مندرجہ ذیل شریعہ گائیڈ لائنز جاری کی گئیں ہیں:

۱......شرعی رہنما اُصول برائے حلال وحرام بزنس

۲......شرعی رہنما اُصول برائے ری تکافل

۳......شرعی رہنما اُصول برائے سرمایہ کاری

۴......شرعی رہنما اُصول برائے چیریٹی فنڈ

۵......شرعی رہنما اُصول برائے تشہیر و مارکیٹنگ

۶......شرعی رہنما اُصول برائے تقسیم سرپلس

۷......شرعی رہنما اُصول برائے کو- تکافل اور دیگر موقع بموقع جاری کردہ ہدایات

دورانِ سال موقع بموقع مختلف مسائل کو شریعہ بورڈ کے سامنے پیش کیا گیا اور شرعی رہنمائی لی گئی اور باقاعدہ اس کو نافذ کرلیا گیا۔جس کی بنیاد پر یہ کہا جاسکتا ہے کہ شرعی اعتبار سے بحیثیت مجموعی کمپنی کی صورتحال اطمینان بخش ہے۔

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court, A-35, Block 7 & 8,
KCHSU., Sharea Faisal,
Karachi-75350, Pakistan

Phone : + 92 (0) 21 4546494-97
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REVIEW REPORT TO THE MEMBERS 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 (the Statement) reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2012.

M. Yousuf Adil Saleem & Co.

KARACHI
09 April 2013

M. Yousuf Adil Saleem & Co.,
Chartered Accountants,

Deloitte.

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court, A-35, Block 7 & 8,
KCHSU., Sharea Faisal,
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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 contributions;
(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, 2012** 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 Auditing Standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial 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, 2012 and of its profit, 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 Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Other matter

The financial statements of the Company for the year ended December 31, 2011 were audited by another firm of Chartered Accountants who vide their report dated April 09, 2012 issued an unqualified opinion thereon.

M. Yousuf Adil Saleem & Co.

Date: April 09, 2013
Karachi

Chartered Accountants
Engagement Partner: Mushtaq Ali Hirani

BALANCE SHEET

As at December 31, 2012

	Note	2012	2011
		———(Rupees) ———	
			(Restated)
SHARE CAPITAL AND RESERVES			
[SHAREHOLDERS' FUND (SHF)]			
Authorized share capital	9	**500,000,000**	400,000,000
Issued, subscribed and paid-up share capital	9	**337,429,230**	307,800,080
Accumulated loss		**(13,730,671)**	(32,502,628)
		323,698,559	275,297,452
WAQF / PARTICIPANTS' EQUITY			
[PARTICIPANTS' TAKAFUL FUND (PTF)]			
Cede money		**500,000**	500,000
Accumulated deficit		**(124,034,426)**	(116,651,555)
		(123,534,426)	(116,151,555)
PTF UNDERWRITING PROVISIONS			
Reserve for claims - IBNR		**5,327,411**	1,850,000
Provision for outstanding claims	10	**126,949,661**	110,934,649
Reserve for unearned contribution		**176,765,538**	95,755,507
Reserve for unearned retakaful rebate		**10,010,536**	7,350,880
Contribution deficiency reserve		**2,926,312**	1,983,448
		321,979,458	217,874,484
CREDITORS AND ACCRUALS			
Amount due to co-takaful / retakaful operators (PTF)		**68,837,293**	49,345,208
Accrued expenses (SHF)	11	**3,139,786**	1,012,997
Other creditors and accruals	12	**50,339,481**	20,707,221
		122,316,560	71,065,426
TOTAL EQUITY AND LIABILITIES		**644,460,151**	448,085,807
COMMITMENTS	13		

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman	**Chief Executive**	**Director**	**Director**

BALANCE SHEET

As at December 31, 2012

	Note	2012	2011
		———(Rupees) ———	
			(Restated)
CASH AND BANK DEPOSITS	14		
Cash and other equivalents		**595,891**	690,949
Current and other accounts		**107,282,319**	16,402,872
Deposits maturing within 12 months		**31,500,000**	64,723,500
		139,378,210	81,817,321
INVESTMENTS	15	**224,527,994**	131,274,372
LONG-TERM SECURITY DEPOSITS		**3,526,264**	1,045,675
DEFERRED TAX ASSET (SHF)	16	**10,760,173**	21,578,607
CURRENT ASSETS - OTHERS			
Contribution due but unpaid (PTF)	17	**124,432,319**	80,597,535
Accrued investment income	18	**3,381,189**	4,924,140
Taxation - payment less provision (SHF)		**8,409,826**	6,671,620
Retakaful and other recoveries in respect of outstanding claims (PTF)		**30,466,975**	33,727,183
Deferred commission expense (SHF)		**16,848,446**	10,454,713
Prepayments	19	**34,440,239**	25,531,557
Sundry receivables	20	**3,480,236**	1,843,797
		221,459,230	163,750,545
FIXED ASSETS (SHF)	21		
Tangible			
Furniture and fixtures		**7,878,041**	9,255,378
Office equipment		**4,330,400**	4,969,629
Motor vehicles		**10,206,621**	12,758,277
Computer equipment		**9,664,876**	3,580,343
		32,079,938	30,563,627
Intangible			
Computer software		**12,658,342**	6,929,987
Capital work in progress		**70,000**	11,125,673
Total fixed assets		**44,808,280**	48,619,287
TOTAL ASSETS		**644,460,151**	448,085,807

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman **Chief Executive** **Director** **Director**

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2012

	Note	Fire and property	Marine, aviation and transport	Motor	Health	Miscellaneous	2012 Aggregate	2011 Aggregate
		(Rupees)						(Restated)
PTF REVENUE ACCOUNT								
Net contribution revenue		(10,401,234)	5,832,631	154,565,658	12,632,819	3,273,131	**165,903,005**	91,316,843
Net claims - reported/settled		(1,062,806)	(1,911,413)	(164,746,139)	(15,477,785)	(10,494,364)	**(193,692,507)**	(136,142,072)
- IBNR		-	-	(700,000)	(1,327,411)	(1,450,000)	**(3,477,411)**	400,000
		(1,062,806)	(1,911,413)	(165,446,139)	(16,805,196)	(11,944,364)	**(197,169,918)**	(135,742,072)
		(11,464,040)	3,921,218	(10,880,481)	(4,172,377)	(8,671,233)	**(31,266,913)**	(44,425,229)
Contribution deficiency (expense) / reversal		(942,864)	-	-	-	-	**(942,864)**	2,065,575
Direct expenses		(383,506)	(31,563)	(817,232)	-	(187,424)	**(1,419,725)**	(706,949)
Net retakaful rebate		14,263,572	5,141,213	119,139	-	6,242,194	**25,766,118**	18,955,728
Surplus / (deficit) before investment income		1,473,162	9,030,868	(11,578,574)	(4,172,377)	(2,616,463)	**(7,863,384)**	(24,110,875)
Investment income							**6,388,020**	3,741,006
less : Modarib's Share							**(2,555,208)**	(1,496,403)
Net investment income							**3,832,812**	2,244,603
Provision for doubtful contribution net of Wakala	22						**(3,342,237)**	(1,027,914)
Other charges							**(10,062)**	-
Deficit transferred to participants' equity							**(7,382,871)**	(22,894,186)
SHF REVENUE ACCOUNT								
Wakala income		26,375,652	15,781,858	118,701,617	11,249,365	21,742,172	**193,850,664**	121,755,631
Commission expense		(8,342,833)	(5,970,067)	(10,105,121)	(909,120)	(8,680,194)	**(34,007,335)**	(19,446,325)
Management expenses	23	(12,869,112)	(7,703,019)	(66,123,449)	(10,838,651)	(9,550,851)	**(107,085,082)**	(86,177,569)
		5,163,707	2,108,772	42,473,047	(498,406)	3,511,127	**52,758,247**	16,131,737
Modarib share of PTF investment income							**2,555,208**	1,496,403
Net investment income							**22,014,167**	28,903,885
General and administrative expenses	24						**(46,146,475)**	(35,052,553)
Other income / (charges)	25						**32,000**	(3,308)
Worker's welfare fund							**(624,263)**	(229,523)
Profit before taxation							**30,588,884**	11,246,641
Provision for taxation - current	26						**(998,493)**	(1,379,104)
- deferred	16.2						**(10,818,434)**	(1,310,214)
							(11,816,927)	(2,689,318)
Profit after taxation							**18,771,957**	8,557,323

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman **Chief Executive** **Director** **Director**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

	2012	2011
	(Rupees)	
SHAREHOLDERS' FUND (SHF)		
Profit after taxation	**18,771,957**	8,557,323
Other comprehensive income	**-**	-
Total comprehensive income for the year	**18,771,957**	8,557,323

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman	Chief Executive	Director	Director

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	Note	2012	2011
		————(Rupees) ————	
OPERATING CASH FLOWS			
(a) Takaful activities			
Contributions received		**508,756,093**	292,125,813
Claims paid		**(213,822,670)**	(156,355,498)
Payment to retakaful operator		**(58,033,685)**	(19,476,055)
Commission paid-net of rebate		**(6,701,588)**	(20,780,603)
Other retakaful payments		**(1,419,725)**	(706,949)
Net cash inflow from takaful activities		**228,778,425**	94,806,708
(b) Other operating activities			
Income tax paid		**(2,736,699)**	(1,617,396)
General and other expenses paid		**(125,472,495)**	(101,082,762)
Advances and deposits		**(1,636,439)**	-
Long term security deposits		**(2,480,589)**	-
Net cash used in other operating activities		**(132,326,222)**	(102,700,158)
Total cash generated from / (used in) all operating activities		**96,452,203**	(7,893,450)
INVESTMENT ACTIVITIES			
Profit / return received		**11,184,434**	24,762,889
Payment for investments		**(205,150,895)**	(167,802,888)
Proceeds from disposal / redemption of investments		**130,657,977**	225,372,889
Receipt on disposal of fixed assets		**10,000**	29,023
Fixed capital expenditure		**(5,221,980)**	(4,306,853)
Total cash (used in) / generated from investing activities		**(68,520,464)**	78,055,060
FINANCING ACTIVITIES			
Advance against issue of share capital		**-**	(2,660,568)
Issue of share capital		**29,629,150**	-
Total cash generated from / (used in) financing activities		**29,629,150**	(2,660,568)
Net cash inflows from all activities		**57,560,889**	67,501,042
Cash at beginning of the year		**81,817,321**	14,316,279
Cash at end of the year	14	**139,378,210**	81,817,321

.... Continued ....

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	2012	2011
	(Rupees)	
		(Restated)
Reconciliation to profit and loss account		
Operating cash flows	**96,452,203**	(7,893,450)
Depreciation and amortization expenses	**(9,013,174)**	(8,681,517)
Exchange gain	**48,522**	9,682
Loss on disposal of fixed assets	**(9,810)**	(12,990)
Provision for doubtful debts	**(4,938,647)**	(1,219,788)
Investment income	**28,402,187**	32,644,892
Increase in liabilities	**(155,356,108)**	(45,387,807)
Increase in assets	**145,894,172**	54,778,784
Increase in unearned contribution	**(81,010,031)**	(37,502,747)
Income tax paid	**2,736,699**	1,617,396
Profit / (loss) before taxation	**23,206,013**	(11,647,545)
Deficit in participants' equity	**(7,382,871)**	(22,894,186)
Profit before tax attributable to shareholders	**30,588,884**	11,246,641
	23,206,013	(11,647,545)

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.

	2012	2011
	(Rupees)	
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents		
Cash in hand	**476,661**	361,044
Stamps in hand	**119,230**	329,905
	595,891	690,949
Current and other accounts		
Current accounts	**10,208,239**	1,469,212
Saving accounts	**97,074,080**	14,933,660
	107,282,319	16,402,872
Deposits maturing within 12 months (encashable on demand)	**31,500,000**	64,723,500
	139,378,210	81,817,321

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman	**Chief Executive**	**Director**	**Director**

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2012

(SHF)

	Issued, subscribed and paid-up capital	Accumulated loss	Total
	————————	(Rupees)	————————
Balance at January 01, 2011	**307,800,080**	**(41,059,951)**	**266,740,129**
Total comprehensive income for the year ended December 31, 2011			
Profit for the year	-	8,557,323	8,557,323
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	8,557,323	8,557,323
Balance at December 31, 2011	**307,800,080**	**(32,502,628)**	**275,297,452**
Total comprehensive income for the year ended December 31, 2012			
Profit for the year	-	18,771,957	18,771,957
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	18,771,957	18,771,957
Transactions with the owners			
Issue of right shares at Rs. 10 per share	29,629,150	-	29,629,150
Balance at December 31, 2012	**337,429,230**	**(13,730,671)**	**323,698,559**

(PTF)

	Cede money	Accumulated deficit	Total
	————————	(Rupees)	————————
Balance at January 01, 2011	**500,000**	**(93,757,369)**	**(93,257,369)**
Deficit for the year ended December 31, 2011 - Restated	-	(22,894,186)	(22,894,186)
Balance at December 31, 2011 - Restated	**500,000**	**(116,651,555)**	**(116,151,555)**
Deficit for the year ended December 31, 2012	-	(7,382,871)	(7,382,871)
Balance at December 31, 2012	**500,000**	**(124,034,426)**	**(123,534,426)**

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman **Chief Executive** **Director** **Director**

STATEMENT OF CONTRIBUTIONS

For the year ended December 31, 2012

Takaful business underwritten inside Pakistan

	Contributions written	Wakala Fee	Net contributions	Unearned contribution reserve		Contributions earned	Retakaful ceded	Prepaid retakaful ceded		Retakaful expense	2012 Net Contribution revenue	2011 Net Contribution revenue
				Opening	Closing			Opening	Closing			
	(Rupees)											(Restated)
Direct and facultative												
Fire and property	66,002,032	26,375,652	39,626,380	11,686,708	18,957,459	32,355,629	51,974,744	14,550,738	23,768,619	42,756,863	**(10,401,234)**	(10,046,544)
Marine, aviation and transport	39,506,606	15,781,858	23,724,748	2,259,715	3,450,145	22,534,318	17,082,256	2,414,167	2,794,736	16,701,687	**5,832,631**	(1,740,596)
Motor	339,128,456	118,701,617	220,426,839	73,914,961	111,426,241	182,915,559	28,349,901	-	-	28,349,901	**154,565,658**	100,156,648
Health	55,588,373	11,249,365	44,339,008	-	31,706,189	12,632,819	-	-	-	-	**12,632,819**	-
Miscellaneous	48,983,612	21,742,172	27,241,440	7,894,123	11,225,504	23,910,059	19,524,252	5,994,686	4,882,010	20,636,928	**3,273,131**	2,947,335
Total	549,209,079	193,850,664	355,358,415	95,755,507	176,765,538	274,348,384	116,931,153	22,959,591	31,445,365	108,445,379	**165,903,005**	91,316,843
Treaty												
Proportional / Non-proportional	-	-	-	-	-	-	-	-	-	-	**-**	-
Grand Total	549,209,079	193,850,664	355,358,415	95,755,507	176,765,538	274,348,384	116,931,153	22,959,591	31,445,365	108,445,379	**165,903,005**	91,316,843

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman | Chief Executive | Director | Director

STATEMENT OF CLAIMS

For the year ended December 31, 2012

Takaful business underwritten inside Pakistan

	Claims Paid	Provision for outstanding claims Opening	Provision for outstanding claims Closing	Claims expense	Retakaful and other recoveries received	Retakaful and other recoveries in respect of outstanding claims Opening	Retakaful and other recoveries in respect of outstanding claims Closing	Retakaful and other recoveries revenue	2012 Net claims expense	2011 Net claims expense (Restated)
	(Rupees)									
Direct and facultative										
Fire and property	4,517,362	7,317,835	6,772,339	3,971,866	3,019,863	4,960,035	4,849,232	2,909,060	**1,062,806**	3,273,098
Marine, aviation and transport	6,834,172	8,779,098	9,713,249	7,768,323	4,658,062	5,267,459	6,466,307	5,856,910	**1,911,413**	4,273,175
Motor	185,982,307	90,766,945	85,858,898	181,074,260	26,653,321	21,095,100	10,769,900	16,328,121	**164,746,139**	125,604,829
Health	6,931,069	-	8,546,716	15,477,785	-	-	-	-	**15,477,785**	-
Miscellaneous	9,557,760	4,070,771	16,058,459	21,545,448	5,074,137	2,404,589	8,381,536	11,051,084	**10,494,364**	2,990,970
Total	213,822,670	110,934,649	126,949,661	229,837,682	39,405,383	33,727,183	30,466,975	36,145,175	**193,692,507**	136,142,072
Treaty										
Proportional / Non-proportional	-	-	-	-	-	-	-	-	**-**	-
	213,822,670	110,934,649	126,949,661	229,837,682	39,405,383	33,727,183	30,466,975	36,145,175	**193,692,507**	136,142,072

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman | Chief Executive | Director | Director

STATEMENT OF EXPENSES

For the year ended December 31, 2012

Takaful business underwritten inside Pakistan

	Commission paid or payable	Deferred Commission Opening	Deferred Commission Closing	Net commission expense	Direct expenses	Takaful expense	Rebate from retakaful operators	2012 Net takaful expense	2011 Net takaful expense
	(Rupees)								
Direct and facultative									
Fire and property	11,221,285	2,400,680	5,279,132	8,342,833	383,506	8,726,339	14,263,572	**(5,537,233)**	(3,974,294)
Marine, aviation and transport	6,332,270	513,837	876,040	5,970,067	31,563	6,001,630	5,141,213	**860,417**	(2,013,435)
Motor	10,158,783	4,816,565	4,870,227	10,105,121	817,232	10,922,353	119,139	**10,803,214**	8,157,164
Health	3,126,480	-	2,217,360	909,120	-	909,120	-	**909,120**	-
Miscellaneous	9,562,249	2,723,632	3,605,687	8,680,194	187,424	8,867,618	6,242,194	**2,625,424**	(971,888)
	40,401,067	10,454,714	16,848,446	34,007,335	1,419,725	35,427,060	25,766,118	**9,660,942**	1,197,547
Treaty									
Proportional / Non-proportional	-	-	-	-	-	-	-	**-**	-
	40,401,067	10,454,714	16,848,446	34,007,335	1,419,725	35,427,060	25,766,118	**9,660,942**	1,197,547

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman | Chief Executive | Director | Director

STATEMENT OF INVESTMENT INCOME

For the year ended December 31, 2012

	2012	2011
	(Rupees)	
Income from non-trading investments		
Available-for-sale		
PTF		
Return on bank balances and deposits	**3,409,971**	1,633,928
Return on Government securities	**1,593,135**	1,943,229
Gain on sale of investments	**1,384,914**	-
Amortisation of discount on Government securities	**-**	163,850
	6,388,020	3,741,007
Less: Modarib's fee	**(2,555,208)**	(1,496,403)
Net investment income	**3,832,812**	2,244,604
SHF		
Return on bank balances and deposits	**5,020,883**	3,755,930
Gain on sale of investments	**2,476,482**	6,792,247
Dividend income	**100,000**	506,500
Return on Government securities	**14,763,312**	11,869,984
Return on other securities	**665,848**	8,126,067
Net amortization of premium on government and other securities	**(1,012,358)**	(339,880)
Impairment in the value of available for sale investments	**-**	(1,806,963)
	14,416,802	17,849,208
Net investment income	**22,014,167**	28,903,885

The annexed notes from 1 to 31 form an integral part of these financial statements

Chairman   Chief Executive   Director   Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

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 takaful business. The Company operates with 10 (2011: 8) 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) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Ordinance, 1984, the requirements of Companies Ordinance , 1984, the Insurance Ordinance , 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2005 and directives issued by the SECP. Wherever the requirements of Companies Ordinance, 1984, the Insurance Ordinance , 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2005 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, 2005 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 MEASURMENT

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

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS

5.1 Adoption of amended standards

During the year, amendments to following standards became effective, however, their application did not have material impact on the financial statements of the Company:

- Amendments to IAS 12 - Income Taxes - Deferred Tax: Recovery of Underlying Assets

- Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of financial assets

5.2 Amendments to published standards and new interpretation to existing standard that are not yet effective and have not been early adopted by the Company

The following amendments to published standards and new interpretation to existing standard are effective for annual periods, beginning on or after the date mentioned against them:

- IAS 1 -'Presentation of Financial Statements' (effective for annual periods beginning on or after July 1, 2012) - retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

- IAS 19 -'Employee Benefits' (effective for annual periods beginning on or after January 1, 2013) - The amendments require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19.

- IAS 32 'Financial Instruments: Presentation' - (effective for annual periods beginning on or after January 1, 2014) - These amendments clarify the meaning of `currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' - (effective for annual periods beginning on or after January 1, 2013) - This interpretation applies to all types of natural resources that are extracted using a surface mine activity process, and addresses the issues pertaining to the recognition of production stripping cost as an asset, initial measurement of stripping activity at cost and subsequent measurement of stripping activity asset at depreciated or amortized cost based on a systematic basis over the expected useful life of the identified component of ore body.

The above mentioned amendments to published standards and new interpretation to existing standard 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 increase in disclosure in certain cases.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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	7
Marine, Aviation and Transport	9
Motor	60
Miscellaneous	42

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

Recognition

All investments are initially recognised at the fair value of the consideration given and include transaction costs, except for held for trading investments in which case transaction costs are charged to profit and loss account.

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

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The investments are classified upon recognition as follows:

Investments at fair value through profit and loss

These include held for trading investments and those designated under this category upon initial recognition. Subsequent to initial recognition, these are carried at fair value. Gain/loss on remeasurement are recognised in profit and loss account.

Held to maturity

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

Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale. Any permanent decline recognized in profit and loss account shall not be reversed through profit and loss account.

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the reporting date to determine the market value.

A fall in market value of a security is treated as "other than temporary (i.e. impaired)", if there is a significant or prolonged decline in fair value of security below its cost.

Unquoted

Unquoted investments are stated at cost less accumulated impairment (if any), in the value of such investments.

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 21.1 to the financial statements. Depreciation on additions is charged from the month of addition while no depreciation is charged in the month of disposal.

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

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

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

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

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible 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 fixed assets is charged to income applying the reducing balance method at the rates specified in note 21.2 to the financial statements after taking into account residual value, if any.

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

Capital work-in-progress

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

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 60% for cash withdrawal, 35% for motor, 20% for health and 40% for others of the gross contribution written net off 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.

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 an expense.

6.25 Other management expenses

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

6.26 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 Securities and Exchange Commission (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	6.17
Provision for taxation - current and deferred	6.21
Allocation of management expenses	6.25

8. During the year, the Company has carried out an exercise to reconcile the retakaful balances. Based on this exercise it has identified certain adjustments in retakaful contribution ceded and amount due to/from retakaful companies which have been accounted for in accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of such adjustments on the balances relating to prior year is given below.

	2011 (Rupees)
8.1 The effect of the retrospective restatement on the profit and loss account is tabulated below:	
- Decrease in net contribution revenue – fire	11,734,337
- Increase contribution deficiency expense – fire	810,622
8.2 The effect of the retrospective restatement on the balance sheet is tabulated below:	
- Increase in 'amount due to retakaful Companies'	16,198,369
- Increase in retakaful and other recoveries in respect of outstanding claim – fire	4,464,032
- Increase contribution deficiency reserve – fire	810,622
- Increase in accumulated deficit in Waqf / Participants' Takaful Fund	12,544,959

The above restatements do not have any impact on the deficit and accumulated deficit of waqf / Participants' Takaful Fund for the year ended December 31, 2010, therefore, the Company has not presented the balance sheet as at December 31, 2010.

	2012	2011
	———(Rupees) ———	

9. SHARE CAPITAL

9.1 Authorised

Number of shares 2012	Number of shares 2011		2012 (Rupees)	2011 (Rupees)
50,000,000	40,000,000	Ordinary shares of Rs. 10/- each.	**500,000,000**	400,000,000

9.2. Issued, subscribed and paid up capital

Number of shares 2012	Number of shares 2011		2012 (Rupees)	2011 (Rupees)
33,742,923	30,780,008	Ordinary share of Rs. 10 /- each fully paid in cash	**337,429,230**	307,800,080

9.3. Reconciliation of number of ordinary shares of Rs. 10/- each

	2012	2011
	Number of Shares	
At beginning of the year	**30,780,008**	30,780,008
Add : Issued during the year as right shares	**2,962,915**	-
At end of the year	**33,742,923**	30,780,008

9.4 Major share holders of the Company are:

	2012		2011	
	Ordinary shares of Rs. 10 each	Percentage of holding	Ordinary shares of Rs. 10 each	Percentage of holding
Qatar National Bank	5,000,000	14.82	5,000,000	16.25
Masraf Al Rayan	6,000,000	17.78	6,000,000	19.5
Qatar Islamic Insurance	4,274,514	12.67	3,251,250	10.25
Fawad Yousuf Securities (Private) Limited	3,078,000	9.12	3,078,000	10

	2012	2011
	———(Rupees) ———	

10. PROVISION FOR OUTSTANDING CLAIMS

	2012	2011
Related parties	**297,608**	379,175
Others	**126,652,053**	110,555,474
	126,949,661	110,934,649

11. ACCRUED EXPENSES

	2012	2011
Legal and professional	**280,000**	38,200
Rent, rates and electricity	**96,000**	84,116
Communications	**360,000**	196,667
Printing and stationery	**30,000**	19,914
Workers' welfare fund	**853,786**	229,523
Salaries and other benefits	**425,000**	90,000
Auditors' remuneration	**420,000**	300,000
Consultancy	**290,000**	-
Vehicles running and maintenance	**385,000**	-
Travelling and entertainment	**-**	54,577
	3,139,786	1,012,997

12. OTHER CREDITORS AND ACCRUALS

	2012			2011		
	PTF	SHF	Total	PTF	SHF	Total
	(Rupees)					
Commission	**-**	**15,952,503**	**15,952,503**	-	10,678,797	10,678,797
Trakker charges / refundable	**17,966,739**	**-**	**17,966,739**	9,455,697	-	9,455,697
Accrued salaries	**-**	**8,567,571**	**8,567,571**	-	-	-
Advance contribution	**6,724,035**	**-**	**6,724,035**	-	-	-
Stale cheques	**72,331**	**327,037**	**399,368**	71,566	338,527	410,093
EOBI	**-**	**86,400**	**86,400**	-	43,260	43,260
Charity	**-**	**181,837**	**181,837**	-	118,376	118,376
Other	**-**	**461,028**	**461,028**	998	-	998
	24,763,105	**25,576,376**	**50,339,481**	9,528,261	11,178,960	20,707,221

13. COMMITMENTS

13.1 Commitment for the ERP software implementation amounting to Rs Nil (Rs. 1,335,775/-)

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

	2012	2011
	(Rupees)	
Not later than one year	**4,328,391**	1,132,641
Later than one year but not later than five years	**14,516,277**	3,262,338
	18,844,668	4,394,979

14. CASH AND BANK DEPOSITS

	Note	2012			2011		
		PTF	SHF	Total	PTF	SHF	Total
		(Rupees)					
Cash and other equivalents							
Cash in hand		**-**	**476,661**	**476,661**	-	361,044	361,044
Stamps in hand		**119,230**	**-**	**119,230**	329,905	-	329,905
		119,230	**476,661**	**595,891**	329,905	361,044	690,949
Current and other accounts							
- Current accounts		**8,621,473**	**1,586,766**	**10,208,239**	716,006	753,206	1,469,212
- Saving accounts	14.1	**38,213,181**	**58,860,899**	**97,074,080**	9,378,660	5,555,000	14,933,660
		46,834,654	**60,447,665**	**107,282,319**	10,094,666	6,308,206	16,402,872
Deposits maturing within twelve months	14.2	**4,500,000**	**27,000,000**	**31,500,000**	5,318,916	59,404,584	64,723,500
		51,453,884	**87,924,326**	**139,378,210**	15,743,487	66,073,834	81,817,321

14.1 These carry profit ranging from 5% to 10.35% (2011: 5.00% to 8.00%) per annum.

14.2 These carry profit ranging from 9.5% to 11.5% (2011: 12.70% to 12.90%) per annum.

15. INVESTMENTS

	Note	2012			2011		
		PTF	SHF	Total	PTF	SHF	Total
		(Rupees)					
Available for sale							
Sukuk certificates	15.1	**29,162,539**	**158,914,027**	**188,076,566**	5,940,784	95,625,885	101,566,669
Mutual fund	15.2	**22,730,971**	**13,720,457**	**36,451,428**	4,646,059	13,050,931	17,696,990
Listed securities	15.3	**-**	**-**	**-**	-	12,010,713	12,010,713
		51,893,510	**172,634,484**	**224,527,994**	10,586,843	120,687,529	131,274,372

15.1 Details of investments in sukuk certificates

Number of certificates 2012	Number of certificates 2011	Investment in Sukuk Certificates	Profit	2012 PTF	2012 SHF	2012 Total	2011 PTF	2011 SHF	2011 Total
				---(Rupees)---					
-	5,000	WAPDA 1st Sukuk certificates	6 month Kibor plus 0.35%	-	-	-	-	26,116,816	26,116,816
3,000	3,000	WAPDA 2nd Sukuk certificates (face value of Rs. 5,000 each)	6 month Kibor minus 0.25%	-	**12,500,000**	**12,500,000**	-	15,031,821	15,031,821
250	250	Government of Pakistan Ijarah Sukuk - VIII	6 month Treasury bills	-	**25,000,000**	**25,000,000**	-	25,000,000	25,000,000
150	-	Government of Pakistan Ijarah Sukuk - IX	6 month Treasury bills	-	**15,000,000**	**15,000,000**	-	-	-
420	-	Government of Pakistan Ijarah Sukuk - X	6 month Treasury bills	**20,162,539**	**22,178,793**	**42,341,332**	-	-	-
170	-	Government of Pakistan Ijarah Sukuk - XI	6 month Treasury bills	**7,000,000**	**10,000,000**	**17,000,000**	-	-	-
650	-	Government of Pakistan Ijarah Sukuk - XII	6 month Treasury bills	-	**65,000,000**	**65,000,000**	-	-	-
75	-	Government of Pakistan Ijarah Sukuk - XIII	6 month Treasury bills minus 0.25%	**2,000,000**	**5,500,000**	**7,500,000**	-	-	-
2,000	2,000	Century Paper & Board Mills Limited - Sukuk (face value of Rs. 3,000 each)	6 month Kibor plus 1.35%	-	**3,735,234**	**3,735,234**	-	5,607,777	5,607,777
-	15,000	Sui Southern Gas Company Limited - sukuk	3 month Treasury bills plus 0.20%	-	-	-	5,940,784	23,869,471	29,810,255
				29,162,539	**158,914,027**	**188,076,566**	5,940,784	95,625,885	101,566,669

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

15.1.2 Government of Pakistan Ijarah Sukuk certificates amounting to Rs. 40,000,000/- (December, 31 2011: WAPDA Sukuk certificates amounting to Rs. 31,000,000) are held under lien with the State Bank of Pakistan in compliance with requirements of Section 29 of the Insurance Ordinance, 2000.

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

15.2 Details of investments in mutual funds

2012 Number of units	2011 Number of units	Investment in Mutual Funds	2012 PTF	2012 SHF	2012 Total	2011 PTF	2011 SHF	2011 Total
			---(Rupees)---					
900,918	6,043	ABL Islamic Income Fund (face value of Rs. 10 each)	**5,000,000**	**4,006,150**	**9,006,150**	-	60,193	60,193
149,644	15,678	Meezan Cash Fund	**1,423,421**	**6,058,775**	**7,482,196**	505,068	200,910	705,978
177,069	225,314	Meezan Sovereign Fund	**8,635,225**	**225,901**	**8,861,126**	4,140,991	6,748,854	10,889,845
110,906	62,150	UBL Islamic Savings Fund (face value of Rs. 100 each)	**7,672,325**	**3,429,631**	**11,101,956**	-	6,040,974	6,040,974
			22,730,971	**13,720,457**	**36,451,428**	4,646,059	13,050,931	17,696,990

15.2.1 Face value of Rs. 50 each unless otherwise stated.

15.3 Details of investments in listed securities

Number of Shares 2012	Number of Shares 2011	Investment in Listed Securities	2012 PTF	2012 SHF	2012 Total	2011 PTF	2011 SHF	2011 Total
-	90,000	DG Khan Cement Company Limited	-	-	-	-	2,605,050	2,605,050
-	105,000	Nishat Mills Limited	-	-	-	-	7,073,164	7,073,164
-	200,000	Lotte Pakistan PTA Limited	-	-	-	-	3,233,377	3,233,377
-	50,000	Sitara Peroxide Limited	-	-	-	-	906,085	906,085
			-	-	-	-	13,817,676	13,817,676
		Less : Impairment in the value of available for sale listed securities	-	-	-	-	(1,806,963)	(1,806,963)
			-	-	-	-	12,010,713	12,010,713
			51,893,510	**172,634,484**	**224,527,994**	10,586,843	120,687,529	131,274,372

15.4 Market value of investment

		PTF 2012	PTF 2011	SHF 2012	SHF 2011
		(Rupees)			
Available-for-sale	- Sukuks	**29,327,125**	**6,061,004**	160,457,750	95,858,702
	- Mutual fund	**22,837,212**	**4,935,071**	13,702,958	13,837,508
	- Listed securities	-	-	-	8,292,450
		52,164,337	**10,996,075**	174,160,708	117,988,660

	Note	2012	2011
		———(Rupees) ———	

16. DEFERRED TAX ASSETS

	Note	2012	2011
Deductible temporary difference arising in respect of:			
Available tax losses	16.1	**13,783,557**	24,086,744
Taxable temporary difference arising in respect of:			
Accelerated depreciation		**(3,023,384)**	(2,508,137)
		10,760,173	21,578,607

16.1 The management, based on five year financial projections, estimates that sufficient taxable profits would be available in future against which this deferred tax assets would be utilized.

16.2 Reconciliation of deferred tax

	Balance at January 01, 2011	Recognized in profit and loss	Balance at December 31, 2011	Recognized in profit and loss	Balance at December 31, 2012
Deductible temporary difference arising in respect of:					
Available tax losses	25,481,651	(1,394,907)	24,086,744	(10,303,187)	13,783,557
Taxable temporary difference arising in respect of:					
Accelerated depreciation allowance	(2,592,830)	84,693	(2,508,137)	(515,247)	(3,023,384)
	22,888,821	**(1,310,214)**	**21,578,607**	**(10,818,434)**	**10,760,173**

	Note	2012	2011
		———(Rupees) ———	

17. CONTRIBUTION DUE BUT UNPAID

	Note	2012	2011
Considered good			
Related party		**639,963**	1,005,402
Others		**123,792,356**	79,592,133
Considered doubtful		**7,787,721**	2,849,074
		132,220,040	83,446,609
Less: Provision for doubtful balances	17.1	**(7,787,721)**	(2,849,074)
		124,432,319	80,597,535

17.1 Provision for doubtful balances

	Note	2012	2011
At beginning of the year		**2,849,074**	1,629,286
Provision made during the year	22	**4,938,647**	1,219,788
At end of the year		**7,787,721**	2,849,074

18. ACCRUED INVESTMENT INCOME

	2012	2011
PTF	**1,086,047**	256,944
SHF	**2,295,142**	4,667,196
	3,381,189	4,924,140

	Note	2012 PTF	2012 SHF	2012 Total	2011 PTF	2011 SHF	2011 Total
		(Rupees)					

19. PREPAYMENTS

	Note	2012 PTF	2012 SHF	2012 Total	2011 PTF	2011 SHF	2011 Total
Prepaid retakaful ceded		**31,445,365**	**-**	**31,445,365**	22,959,591	-	22,959,591
Prepaid rent		**-**	**1,205,095**	**1,205,095**	-	925,917	925,917
Prepaid takaful contribution	19.1	**-**	**332,756**	**332,756**	-	283,968	283,968
Prepayment – takaful ombudsman		**-**	**150,000**	**150,000**	-	125,001	125,001
Prepayment – services contract		**-**	**1,307,023**	**1,307,023**	-	1,237,080	1,237,080
		31,445,365	**2,994,874**	**34,440,239**	22,959,591	2,571,966	25,531,557

19.1 This includes prepaid contribution to a related party of Rs. 322,756 (2011 : Rs. 270,828).

20. SUNDRY RECEIVABLES - Considered good

	2012 PTF	2012 SHF	2012 Total	2011 PTF	2011 SHF	2011 Total
	(Rupees)					
Security deposits	**254,523**	**250,950**	**505,473**	254,523	253,358	507,881
Advance to employees	**-**	**64,030**	**64,030**	-	682,016	682,016
Advance for goods	**-**	**2,442,096**	**2,442,096**	-	137,500	137,500
Claims receivable	**-**	**-**	**-**	-	29,024	29,024
Federal excise duty	**-**	**-**	**-**	11,176	-	11,176
Others	**222,925**	**245,712**	**468,637**	3,206	472,994	476,200
	477,448	**3,002,788**	**3,480,236**	268,905	1,574,892	1,843,797

21. FIXED ASSETS

	Note	2012	2011
		(Rupees)	
Tangible	21.1	**32,079,938**	30,563,627
Intangible	21.2	**12,658,342**	6,929,987
Capital work in progress	21.3	**70,000**	11,125,673
		44,808,280	48,619,287

21.1. Tangible

2012

Particulars	Cost: As at January 01, 2012	Cost: Addition / (disposals)	Cost: As at December 31, 2012	Accumulated depreciation: As at January 01, 2012	Accumulated depreciation: For the year / (adjustment for disposals)	Accumulated depreciation: As at December 31, 2012	Carrying value at December 31, 2012	Depre-ciation Rates (%)
	(Rupees)							
Furniture and fixtures	13,688,468	11,700	13,700,168	4,433,090	1,389,037	5,822,127	**7,878,041**	15
Office equipment	7,205,622	117,671	7,323,293	2,235,993	756,900	2,992,893	**4,330,400**	15
Motor vehicles	23,535,542	-	23,535,542	10,777,265	2,551,656	13,328,921	**10,206,621**	20
Computer equipment	8,580,575	8,568,658	17,053,829	5,000,232	2,464,315	7,388,953	**9,664,876**	30
		(95,404)			(75,594)			
	53,010,207	**8,698,029**	**61,612,832**	**22,446,580**	**7,161,908**	**29,532,894**	**32,079,938**	
		(95,404)			**(75,594)**			

2011

Particulars	Cost: As at January 01, 2011	Cost: Addition / (disposals)	Cost: As at December 31, 2011	Accumulated depreciation: As at January 01, 2011	Accumulated depreciation: For the year / (adjustment for disposals)	Accumulated depreciation: As at December 31, 2011	Carrying value at December 31, 2011	Depre-ciation Rates (%)
	(Rupees)							
Furniture and fixtures	13,171,788	516,680	13,688,468	2,837,783	1,595,307	4,433,090	9,255,378	15
Office equipment	6,697,607	523,445	7,205,622	1,403,039	835,395	2,235,993	4,969,629	15
		(15,430)			(2,441)			
Motor vehicles	23,535,542	-	23,535,542	7,587,689	3,189,576	10,777,265	12,758,277	20
Computer equipment	7,873,700	760,375	8,580,575	3,657,014	1,367,694	5,000,232	3,580,343	30
		(53,500)			(24,476)			
	51,278,637	1,800,500	53,010,207	15,485,525	6,987,972	22,446,580	30,563,627	
		(68,930)			(26,917)			

21.2 Intangible

2012

Particulars	Cost: As at January 01, 2012	Cost: Addition /	Cost: As at December 31, 2012	Accumulated amortisation: As at January 01, 2012	Accumulated amortisation: For the year	Accumulated amortisation: As at December 31, 2012	Carrying value at December 31, 2012	Amorti-zation Rates (%)
	(Rupees)							
Computer software	15,017,407	7,579,621	22,597,028	8,087,420	1,851,266	9,938,686	12,658,342	10-20
	15,017,407	**7,579,621**	**22,597,028**	**8,087,420**	**1,851,266**	**9,938,686**	**12,658,342**	

2011

Particulars	Cost: As at January 01, 2011	Cost: Addition /	Cost: As at December 31, 2011	Accumulated amortisation: As at January 01, 2011	Accumulated amortisation: For the year	Accumulated amortisation: As at December 31, 2011	Carrying value at December 31, 2011	Amorti-zation Rates (%)
	(Rupees)							
Computer software	14,729,817	287,590	15,017,407	6,393,874	1,693,546	8,087,420	6,929,987	20
	14,729,817	287,590	15,017,407	6,393,874	1,693,546	8,087,420	6,929,987	

	Note	2012	2011
		————(Rupees) ————	
21.3 Capital work in progress (CWIP)			
Advance to suppliers and contractors in respect of :			
Data management software		**70,000**	-
ERP software		**-**	11,125,673
		70,000	11,125,673
Movement in CWIP is as follows :			
At beginning of the year		**11,125,673**	9,706,742
Additions during the year		**2,126,703**	1,418,931
		13,252,376	11,125,673
Transfer to : tangible assets		**(6,417,127)**	-
intangible assets		**(6,765,249)**	-
		(13,182,376)	-
At end of the year		**70,000**	11,125,673

21.4 The depreciation charge for the year has been allocated as follow:

	Note	2012	2011
Management expenses	23	**5,013,336**	4,891,580
General and administrative expenses	24	**2,148,572**	2,096,392
		7,161,908	6,987,972

21.5 The amortisation charge for the year has been allocated as follow:

	Note	2012	2011
Management expenses	23	**1,295,886**	1,185,482
General and administrative expenses	24	**555,380**	508,064
		1,851,266	1,693,546

22. PROVISION FOR DOUBTFUL CONTRIBUTION NET OF WAKALA FEE

	Note	2012	2011
Provision for doubtful contribution	17.1	**4,938,647**	1,219,788
Less: Refund of Wakala fee		**(1,596,410)**	(191,874)
		3,342,237	1,027,914

23. MANAGEMENT EXPENSES

	Note	2012	2011
Salaries, allowances and other benefits	23.1	**65,371,947**	47,798,444
Shariah advisors' fee		**1,532,068**	1,397,578
Consultancy fee		**1,425,000**	943,000
Rent, rates and electricity		**6,808,754**	6,775,236
Communication		**2,912,491**	2,159,969
Printing and stationery		**1,661,704**	1,162,316
Traveling and entertainment		**2,399,618**	1,906,056
Depreciation	21.4	**5,013,336**	4,891,580
Amortisation	21.5	**1,295,886**	1,185,482
Repairs and maintenance		**3,646,564**	3,487,559
Vehicles running		**4,473,750**	2,763,745
Car ijarah		**1,358,596**	585,501
Advertisement and sales promotion		**3,971,772**	7,154,940
Legal and professional		**1,566,023**	746,875
Takaful contribution		**1,728,150**	1,746,758
Training		**26,439**	189,692
Fees and subscription		**604,395**	123,786
Bank charges and brokerage		**135,507**	87,202
Call center expenses		**-**	76,851
Office expenses		**161,473**	131,389
Conference and seminar		**207,900**	8,400
EOBI		**412,790**	290,080
Janitorial services		**119,303**	199,036
Others		**251,616**	366,094
		107,085,082	86,177,569

23.1 It includes staff retirement benefits amounting to Rs. 2,365,295/- (2011: Rs. 1,554,660/-)

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2012	2011
		(Rupees)	
Salaries, allowances and other benefits	24.1	**28,016,551**	20,485,048
Shariah advisors' fee		**656,601**	598,962
Rent, rates and electricity		**2,918,037**	2,903,672
Communication		**1,248,211**	958,637
Printing and stationery		**712,159**	498,135
Traveling and entertainment		**1,029,101**	816,881
Depreciation	21.4	**2,148,572**	2,096,392
Amortisation	21.5	**555,380**	508,064
Repairs and maintenance		**1,562,119**	1,494,668
Vehicles running		**1,917,322**	1,184,462
Car ijarah		**582,255**	250,929
Legal and professional		**671,152**	420,089
Takaful contribution		**740,635**	748,611
Training		**11,331**	81,296
Fees and subscription		**259,026**	53,051
Bank charges and brokerage		**58,075**	37,372
Auditors' remuneration	24.2	**893,400**	793,301
Contribution discount		**-**	504,682
Provision for wakala refund		**1,596,410**	191,874
Office expenses		**69,202**	56,309
Conference and seminar		**89,100**	3,600
EOBI		**176,910**	124,320
Janitorial services		**51,130**	85,301
Others		**183,796**	156,897
		46,146,475	35,052,553

24.1 It includes staff retirement benefits amounting to Rs. 1,013,698 /- (2011: Rs. 666,283/-).

24.2 Auditors' remuneration

	Note	2012	2011
		(Rupees)	
Audit fee		**300,000**	300,000
Review and other certifications		**475,000**	395,000
Out of pocket expenses		**118,400**	98,301
		893,400	793,301

25. OTHER INCOME / (CHARGES)

	2012	2011
Exchange gain	**48,522**	9,682
Loss on disposal of fixed assets	**(9,810)**	(12,990)
Other charges	**(6,712)**	-
	32,000	(3,308)

26. TAXATION

26.1 The Company has filed returns upto and including tax year 2012 which are deemed to have been assessed under Section 120 of the Income Tax Ordinance, 2001, unless selected for audit.

26.2 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.

27. REMUNERATION OF EXECUTIVES

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

	2012	2011
	———(Rupees)	———
Managerial remuneration	**8,914,238**	10,016,920
House rent	**4,011,407**	4,507,614
Utilities	**788,567**	886,112
Medical expenses	**135,365**	596,564
Others	**183,584**	508,724
	14,033,161	16,515,934
Number of persons	**11**	11

27.1 No remuneration is paid to the chief executive officer.

27.2 Some executives are provided free use of Company maintained cars.

27.3 Certain directors have been reimbursed boarding and lodging costs amounting to Rs 315,272/- (2011: Rs. 264,322/-) to attend Board meetings of the Company as per Company's policy.

28. RISK MANAGEMENT

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.

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

The 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:

	2012		
	Maximum Gross Risk Exposure	**Maximum Retakaful Cover**	**Highest Net Risk Retention**
		Rupees	
Class			
Fire and property	907,440,000	895,440,000	12,000,000
Marine, aviation and transport	226,980,765	216,980,765	10,000,000
Motor	17,417,105	16,667,105	750,000
Health	409,797,500	-	-
Miscellaneous	55,000,000	53,500,000	1,500,000

	2011		
	Maximum Gross Risk Exposure	**Maximum Retakaful Cover**	**Highest Net Risk Retention**
		Rupees	
Class			
Fire and property	830,000,000	820,000,000	10,000,000
Marine, aviation and transport	92,326,355	86,326,355	6,000,000
Motor	19,515,086	18,765,086	750,000
Miscellaneous	100,000,000	95,000,000	5,000,000

(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 similiar 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:

	2012	**2011**
	%	**%**
		(Restated)
Class		
Fire and property	**7**	46
Marine, aviation and transport	**9**	54
Motor	**60**	69
Health	**65**	-
Miscellaneous	**42**	19

(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.

		2012			
	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	12,694,966	9,648,268	9,648,268	9,648,268

		2011			
	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on PTF revenue	Impact on PTF equity
		(Rupees) (Restated)			
Average claim cost	10% increase	11,093,465	7,720,747	7,720,747	7,720,747

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, 2012.

Accident year	2008	2009	2010	2011	2012
			(Rupees)		
Estimate of ultimate claim cost :					
At the end of accident year	27,197,754	113,227,437	162,400,594	187,397,677	251,812,157
One year later	27,853,073	106,701,790	160,113,370	172,935,642	-
Two years later	26,352,907	101,744,512	153,590,939	-	-
Three years later	26,252,907	100,854,503	-	-	-
Four year later	26,152,907	-	-	-	-
Current estimate of cumulative claims	26,152,907	100,854,503	153,590,939	172,935,642	251,812,157
Cumulative payments to date	(26,152,907)	(100,691,842)	(150,056,034)	(160,732,954)	(140,762,750)
Liability recognised in the balance sheet	-	162,661	3,534,905	12,202,688	111,049,407

28.2 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.

Maturity profile of financial assets and liabilities:

	2012						
	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	Total
	(Rupees)						
FINANCIAL ASSETS							
Cash and bank deposits	128,574,080	-	128,574,080	10,804,130	-	10,804,130	139,378,210
Investments	41,235,235	146,841,332	188,076,567	-	36,451,427	36,451,427	224,527,994
Long term security deposits	-	-	-	-	3,526,264	3,526,264	3,526,264
Contribution due but unpaid	-	-	-	124,432,319	-	124,432,319	124,432,319
Retakaful & other recoveries in respect of outstanding claims	-	-	-	30,466,975	-	30,466,975	30,466,975
Accrued investment income	-	-	-	3,381,189	-	3,381,189	3,381,189
Sundry receivables	-	-	-	1,038,140	-	1,038,140	1,038,140
	169,809,315	146,841,332	316,650,647	170,122,753	39,977,691	210,100,444	526,751,091
FINANCIAL LIABILTIES							
Provision for outstanding claims	-	-	-	126,949,661	-	126,949,661	126,949,661
Amount due to retakaful operators	-	-	-	68,837,293	-	68,837,293	68,837,293
Accrued expenses	-	-	-	2,286,000	-	2,286,000	2,286,000
Other creditors and accruals	-	-	-	50,253,081	-	50,253,081	50,253,081
	-	-	-	248,326,035	-	248,326,035	248,326,035

	2011						
	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	Total
	(Rupees)						
FINANCIAL ASSETS							
Cash and bank deposits	79,657,160	-	79,657,160	2,160,161	-	2,160,161	81,817,321
Investments	55,927,071	45,639,598	101,566,669	-	29,707,703	29,707,703	131,274,372
Long term security deposits	-	-	-	-	1,045,675	1,045,675	1,045,675
Contribution due but unpaid	-	-	-	-	-	80,597,535	80,597,535
Retakaful & other recoveries in respect of outstanding claims	-	-	-	-	-	33,727,183	33,727,183
Accrued investment income	-	-	-	4,924,140	-	4,924,140	4,924,140
Sundry receivables	-	-	-	1,695,121	-	1,695,121	1,695,121
	135,584,231	45,639,598	181,223,829	8,779,422	30,753,378	153,857,518	335,081,347
FINANCIAL LIABILTIES							
Provision for outstanding claims	-	-	-	110,934,649	-	110,934,649	110,934,649
Amount due to retakaful operators	-	-	-	49,345,208	-	49,345,208	49,345,208
Accrued expenses	-	-	-	783,474	-	783,474	783,474
Other creditors and accruals	-	-	-	20,663,961	-	20,663,961	20,663,961
	-	-	-	181,727,292	-	181,727,292	181,727,292

28.3 Profit / mark-up / yield rate risk

Profit / mark-up / yield rate 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**	
	2012	**2011**	**2012**	**2011**
	(Rupees)		**(in Percent)**	
Fixed rate instruments				
- Term deposits	31,500,000	64,723,500	9.5 to 11.5	12.70 - 12.90
Variable rate instruments				
- PLS savings accounts	97,074,080	14,933,660	4.99 - 11.75	5.00 - 8.00
- Sukuk certificates	188,076,566	101,566,669	9.26- 11.77	11.60 - 13.55

28.3.1 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:

	Increase / Decrease In basis points	**Effect on profit before tax**	**Effect on equity**
December 31, 2012	**100**	**244,408**	**158,865**
	(100)	**(244,408)**	**(158,865)**
December 31, 2011	100	253,461	164,750
	(100)	(253,461)	(164,750)

28.3.2 Mismatch of rate of profit sensitivity assets and liabilities / yield / rate of profit risk

	2012									
	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	4.99 - 11.75	97,074,080		31,500,000				128,574,080	10,804,130	139,378,210
Investments	9.26- 11.77	-	-	-	-	188,076,566	-	188,076,566	36,451,428	224,527,994
Long term security deposits		-	-	-	-	-	-	-	3,526,264	3,526,264
Contribution due but unpaid		-	-	-	-	-	-	-	124,432,319	124,432,319
Retakaful & other recoveries in respect of outstanding claims		-	-	-	-	-	-	-	30,466,975	30,466,975
Accrued investment income		-	-	-	-	-	-	-	3,381,189	3,381,189
Sundry receivables		-	-	-	-	-	-	-	1,038,140	1,038,140
		97,074,080	-	31,500,000	-	188,076,566	-	316,650,646	210,100,445	526,751,091
FINANCIAL LIABILITIES										
Provision for outstanding claims		-	-	-	-	-	-	-	126,949,661	126,949,661
Amount due to retakaful operators		-	-	-	-	-	-	-	68,837,293	68,837,293
Accrued expenses		-	-	-	-	-	-	-	2,286,000	2,286,000
Other creditors and accruals		-	-	-	-	-	-	-	50,253,081	50,253,081
		-	-	-	-	-	-	-	248,326,035	248,326,035
Profit rate sensitivity gap		97,074,080	-	31,500,000	-	188,076,566	-	316,650,646	(38,225,590)	278,425,056

	2011									
	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)------------------------------------									
									(Restated)	
FINANCIAL ASSETS										
Cash and bank deposits	5.00 - 12.90	14,933,660	64,723,500	-	-	-	-	79,657,160	2,160,161	81,817,321
Investments	11.60 - 13.55	-	-	-	55,927,071	45,639,598	-	101,566,669	29,707,703	131,274,372
Long term security deposits		-	-	-	-	-	-	-	1,045,675	1,045,675
Contribution due but unpaid		-	-	-	-	-	-	-	80,597,535	80,597,535
Retakaful & other recoveries in respect of outstanding claims		-	-	-	-	-	-	-	33,727,183	33,727,183
Accrued investment income		-	-	-	-	-	-	-	4,924,140	4,924,140
Sundry receivables		-	-	-	-	-	-	-	1,695,121	1,695,121
		14,933,660	64,723,500	-	55,927,071	45,639,598	-	181,223,829	153,857,518	335,081,347
FINANCIAL LIABILITIES										
Provision for outstanding claims		-	-	-	-	-	-	-	110,934,649	110,934,649
Amount due to retakaful operators		-	-	-	-	-	-	-	49,345,208	49,345,208
Accrued expenses		-	-	-	-	-	-	-	783,474	783,474
Other creditors and accruals		-	-	-	-	-	-	-	20,663,961	20,663,961
		-	-	-	-	-	-	-	181,727,292	181,727,292
Profit rate sensitivity gap		14,933,660	64,723,500	-	55,927,071	45,639,598	-	181,223,829	(27,869,774)	153,354,055

28.4 Market risk

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

28.5 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 Re-takaful operator fails to pay a claim for any reason, the Company remains liable for the payment to the participant. The creditworthiness of Re-takaful 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 Re-takaful operators is carried out by the Company's risk department.

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

	2012	2011
	(Rupees)	
		(Restated)
Financial assets		
Retakaful recoveries against outstanding claims	**30,466,975**	33,727,183
Contribution due but unpaid	**124,432,319**	80,597,535
Bank deposits	**138,782,319**	81,126,372
Investments	**188,076,566**	101,566,669
Accrued investment income	**3,381,189**	4,924,140
Sundry receivables	**1,038,140**	1,843,797
	486,177,508	303,785,696
Financial assets		
Secured	**360,707,049**	221,344,364
Unsecured	**125,470,459**	82,441,332
	486,177,508	303,785,696
Not past due	**361,745,189**	223,188,161
Past due	**124,432,319**	80,597,535
	486,177,508	303,785,696

28.5.2 The age analysis of financial assets is as follows:

	2012			2011		
	Gross value	Impairment	Carrying value	Gross value	Impairment	Carrying value
				(Restated)		
Not past due	**361,745,189**	**-**	**361,745,189**	223,188,161	-	223,188,161
Past due						
Upto 1 year	**114,665,630**	**-**	**114,665,630**	70,423,689	-	70,423,689
1-2 year	**6,072,919**	**-**	**6,072,919**	8,451,679	-	8,451,679
over 2 years	**11,481,491**	**7,787,721**	**3,693,770**	4,571,241	2,849,074	1,722,167
Total	**493,965,229**	**7,787,721**	**486,177,508**	306,634,770	2,849,074	303,785,696

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

	2012	2011
	(Rupees)	
Rating		
AAA	**7,082,672**	-
AA+	**22,177,746**	244,664
AA	**3,033,549**	1,768,046
AA-	**50,965,820**	4,484,662
A	**24,022,532**	17,551,522
A-	**-**	57,077,478
	107,282,319	81,126,372

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

In 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 re-takaful / co-takaful arrangements with re-takaful 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 cessions with re-takaful 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 80% of their outward treaty cession 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

	2012		
	Amount due from retakaful operators	**Retakaful recoveries against outstanding claims**	**Other Retakaful Assets**
		Rupees	
Rating			
A or above	**-**	**24,373,580**	**25,156,290**
BBB	**-**	**6,093,395**	**6,289,075**
	-	**30,466,975**	**31,445,365**

	2011		
	Amount due from retakaful operators	**Retakaful recoveries against outstanding claims**	**Other Retakaful Assets**
		Rupees (Restated)	
Rating			
A or above	-	26,981,746	18,367,673
BBB	-	6,745,437	4,591,918
	-	33,727,183	22,959,591

28.5.5 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:

	2012 %	2011 %
Bank	33.68	47.09
Beverage	0.25	0.40
Chemical	0.87	2.49
Construction	2.16	2.79
Engineering	4.60	0.71
Food	2.83	3.35
Hospital	14.78	0.70
Individuals	6.06	5.61
Modarba	2.32	-
Oil and Gas	2.24	1.19
Other	2.51	10.82
Pharmaceutical	2.98	6.51
Printing & Packages	0.32	0.85
Services	11.66	6.33
Sugar	2.34	0.02
Textile	10.40	11.14
	100.00	100.00

28.6 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.

28.7 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.

28.8 Fair value of financial instruments

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

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values except 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)			
Financial assets				
Listed securities - open-end mutual fund units	36,451,428	-	-	36,451,428
Sukuk certificates	-	188,076,566	-	188,076,566
	36,451,428	**188,076,566**	**-**	**224,527,994**

28.9 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. 337,429,230/- 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, 2012.

29. RELATED PARTIES DISCLOSURES

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 chief executive officer, directors and key managment personnel under the terms of employement, are given below:

Relationship	Nature of transactions	2012	2011
		(Rupees)	
Major shareholders	Commission paid	**37,250**	266,049
Group companies	Payment made by / on behalf of related party	**15,897,222**	13,406,002
	Claims expense	**567,387**	2,281,917
	Claim received	**752,823**	354,949
	Contribution paid	**1,238,099**	1,229,784
	Contribution written	**1,981,064**	1,784,889
	Transfer of advance against future issue of shares	**-**	2,660,568
	Purchase of sukuk certificates	**20,087,500**	-
	Sale of sukuk certificates	**20,012,500**	-
Employees provident fund	Contribution paid	**3,378,993**	2,350,628

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 9, 2013 by the Board of Directors of the Company.

31. GENERAL

31.1 Certain figures have been reclassified for a more accurate presentation in these financial statements. However, the figures were not material to be disclosed separately.

31.2 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, 2012

Number of shareholders	Shareholdings	Total shares held
5	shareholding from 1 to 100 shares	5
1	shareholding from 501 to 1000 shares	1,000
8	shareholding from 1001 to 5000	29,885
12	shareholding from 5001 to 10000	74,766
5	shareholding from 10001 to 20000	57,120
2	shareholding from 20001 to 30000	40,800
3	shareholding from 30001 to 45000	122,401
1	shareholding from 45001 to 75000	73,500
1	shareholding from 115001 to 120000	120,000
4	shareholding from 125001 to 200000	578,000
6	shareholding from 230001 to 310000	1,534,700
4	shareholding from 900001 to 1000000	3,672,640
2	shareholding from 1000001 to 2000000	2,007,161
3	shareholding from 2000001 to 3000000	7,078,433
3	shareholding from 3000001 to 5000000	12,352,512
1	shareholding from 5000001 to 6000000	6,000,000
61	**Total**	**33,742,923**

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	2,078,433	6.16%
1.1.2. Said Gul & Spouse	2,007,161	5.95%
1.1.3. Zahid H. Awan	200,000	0.59%
1.1.4. Abdul Basit Al-Shaibei	1	0.00%
1.1.5. Fawad Yusuf	1	0.00%
1.1.6. Muhammad Maher Al-Jabari	1	0.00%
1.1.7. Ali Abdullah Darwish	1	0.00%
1.2 Associated Companies, undertakings and related parties.		
a) Qatar International Islamic Bank	2,500,000	7.41%
b) Fawad Yusuf Securities (Pvt.) Ltd	3,078,000	9.12%
1.3 NIT and ICP	-	0.00%
1.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.		
1.4.1. Masraf Al-Rayan	6,000,000	17.78%
1.4.2. Qatar National Bank	5,000,000	14.82%
1.4.3. Qatar Islamic Bank	2,500,000	7.41%
1.4.4. Qatar International Islamic Bank	2,500,000	7.41%
1.4.5. Doha Bank	302,400	0.90%
1.5 Insurance Companies		
1.5.1. Qatar Islamic Insurance Co.	4,274,514	12.67%
1.6 Modarabas and Mutual Funds	-	0.00%
1.7 Share holders holding 10%		
1.7.1. Masraf Al-Rayan	6,000,000	17.78%
1.7.2. Qatar National Bank	5,000,000	14.82%
1.7.3. Qatar Islamic Insurance Co.	4,274,514	12.67%
1.8 General Public		
a. Local	48,531	0.14%
b. Foreign	5,753,882	17.05%
1.9 Others (to be specified)		

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 **7th Annual General Meeting** of **Pak-Qatar General Takaful Limited** to be held on 30 April 2013 and at any adjournment thereof.

Signed this ______________ day of April 2013

(Witnesses)

1. __________________________________*(Signature)*

__________________________________*(Name)*

__________________________________*(Address)*

__________________________________*(CNIC / Passport No.)*

Please affix Rupees five revenue stamp

Signature of member(s)

2. __________________________________ *(Signature)*

__________________________________*(Name)*

__________________________________*(Address)*

__________________________________*(CNIC / Passport No.)*

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

Together we Protect

PAK-QATAR GENERAL TAKAFUL LIMITED

402-404, Business Arcade, Block-6, P.E.C.H.S., Sharea Faisal, Karachi-75400.

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