



A DIAMOND IN THE ROUGH

ANNUAL REPORT 2013





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### A GLITTERING TESTAMENT TO

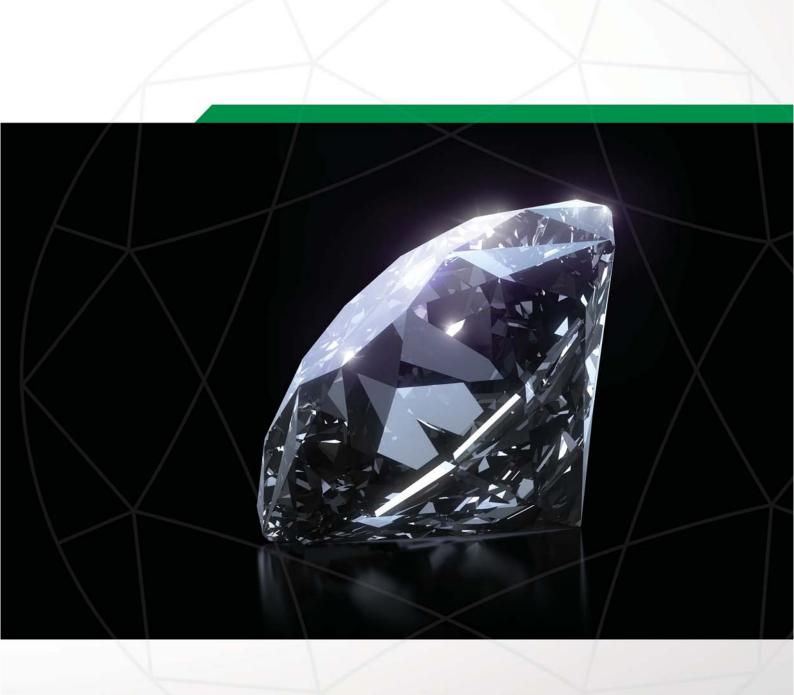
## GROWTH & STABILITY.

Few elements in this world can match the rare beauty of diamonds. No matter how small, a diamond has unprecedented magnificence in its form.

It's hard to realize that this glorious gem was once a lump of coal, and the journey of growth it has seen from its seemingly ordinary form to its final beauty is an inspiration for all who think big.

As one of the hardest substances on the planet, the diamond remains stable in the face of every material and obstacle that comes in its path.

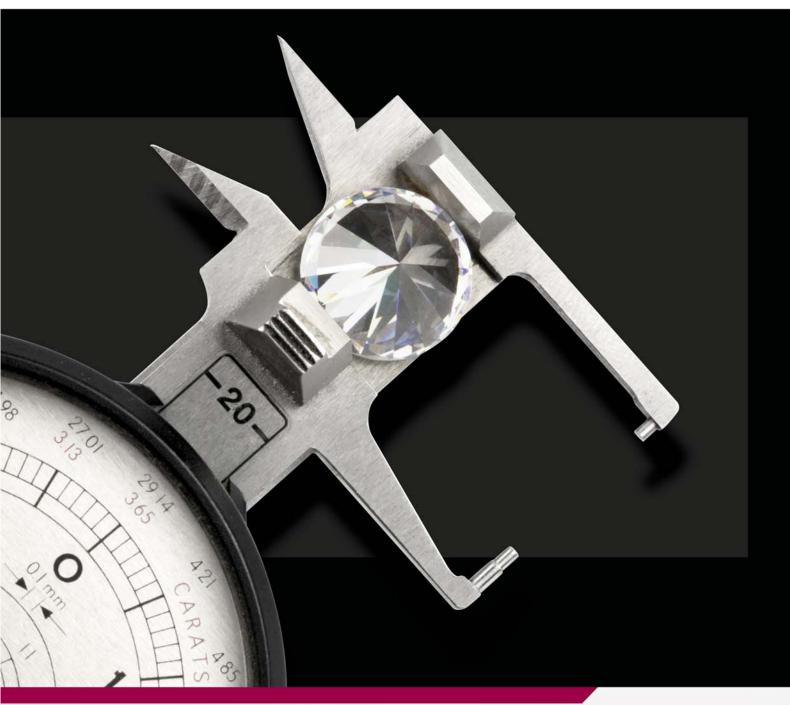
In a world full of lackluster options, we strive to make our company as magnificent and as stable as a diamond, and are determined to showcase to our stakeholders that they have chosen a diamond in the rough.





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#### INTRODUCTION

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

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

We are registered and supervised by the Securities and Exchange Commission of Pakistan with the paid-up capital of the Company standing today at more than Rs. 407.6 million. In such a short span, all financial indicators point towards good performance far into the future.

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



# ISION STATEMENT

Providing financial protection through Takaful, to everyone.



## ISSION STATEMENT

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

#### **TIMELINE**

- Our gross contribution nearly doubled, reaching Rs. 1 billion whilst our paid-up capital rises to Rs. 407.6 million. As a result, we achieved an after tax profit in SHF of Rs. 33.2 million and improve our ranking to A- (A minus) with stable outlook at JCR-VIS.
- Emerged as pioneer of the industry by launching Health Takaful products while strengthening our core with an increase of paid-up-capital to Rs. 337.4 million and the resulting after tax profit in SHF of Rs. 18.7 million.
- We entered into the Banca Takaful agreements. This year saw us to fetch a substantial gains with an after tax profit in SHF of Rs 8.5 million.
- We emerge as the first Takaful operator to implement ERP software such as SAP, and bolster our presence to 8 cities across the country, all the while heralding a BBB+ with stable outlook credit rating from JCR-VIS.
- We escalated our efforts and reaped the results in the form of 100 percent growth in Gross Contribution, reaching to just over Rs. 171 million.
- 2003 In our first full year of business, we posted a gross contribution of Rs. 86.4 million, supported an expansion to 5 cities across Pakistan and a record-breaking live implementation of Penta Takaful within just 8 months.
- Started our operations after receiving a Certificate of Registration. With paid-up capital worth Rs. 307.8 million, we began our journey with the revolutionary Penta Takaful Business system.





## TRANSFORMING INTO A RARE

# SYMBOL OF PERFECTION





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

#### HISTORICAL BACKGROUND OF INSURANCE AND TAKAFUL

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

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

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

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

Few of such instances are as follows:

#### 1. DHAMAN KHATR AL-TAREEO:

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

#### 5. ASSURANCE TO TRADERS

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







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

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

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

#### Reasons for the Impermissibility of Conventional Insurance

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

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





## ANNUAL REPORT 2013

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

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

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

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

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

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

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





#### **TAKAFUL**

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

#### REFERENCE OF TAKAFUL CONCEPT IN HOLY QURAN & SUNNAH

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

#### It is mentioned in the Holy Quran:

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

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

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





#### THE MODUS OPERANDI OF TAKAFUL

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

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

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

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

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

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

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

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



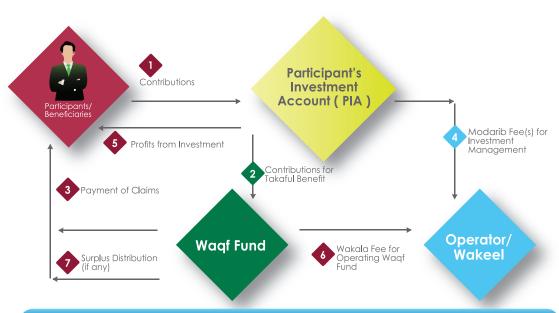




BUSINESS MODEL FOR GENERAL TAKAFUL, GROUP FAMILY AND OTHER TERM BASED COVERAGE

#### 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 Shari'ah-compliant businesses for profits. Since the Operator is the Mudarib (working partner) and the Waqf Fund is the Rabul-ul-Maal (sleeping partner), any profits made from the investments are shared between the two on pre-defined percentages.



BUSINESS MODEL FOR INVESTMENT-LINKED FAMILY TAKAFUL





## DIFFERENCE BETWEEN CONVENTIONAL INSURANCE AND TAKAFUL

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

#### **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 Provides Fire and Allied Perils Takaful coverage against all these risks to make your life and business secure.

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





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

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

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



#### **Marine Takaful**

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

#### Marine Cargo

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



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

These may vary from raw material to finished goods. Our policy is accepted at almost all financial institutions for the purpose of Letter of Credit. The product categories include:

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

#### Marine Inland Transit

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

#### **Motor Takaful**

Vehicles today have become a necessity, whether for personal or commercial needs.

They have, in essence, become assets to us which require protection. PQGTL Motor Takaful offers comprehensive coverage for private and commercial vehicles. The vehicle is protected for losses incurred as a result of traffic accident and liabilities that could incur due to accident. The business is enriched with valued clientele and duly competent staff at the back end for best service provisions.

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





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

#### **Engineering Takaful**

The world of engineering involves a lot of 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 include Contractor's All Risk (CAR), Contactor's Plant & Machinery/Equipment (CPM/CPE) covering civil works like construction of roads, bridges, dams, high rises, housing projects, comprehensive and adequate protection against loss or damage in respect of the construction of plant, equipment and machinery damage arising in connection with the execution of a construction project. Other major covers include Erection All Risk (EAR), Machine Breakdown (MB), and Electronic Equipment Takaful (EET).



#### • Contractor All Risk (CAR) Takaful

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

#### • Electronic Equipment Takaful

Electronic Equipment Takaful covers all equipments with moderate power requirements against material damage. The coverage is extended for all electrical and electronic systems such as Electronic Data Processing (EDP) equipment, Electrical equipment for medical use, Communication facilities, Lighting and navigation facilities and Equipment for research and material 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

Erection 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 possessor.





#### • 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's interest for all such due payments.

#### Employer's Liability Takaful

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

#### **Miscellaneous Takaful**

Other than contemporary offerings, Pak-Qatar General Takaful also adheres to differentiated propositions as required as per the need of clients. This coverage is personalized and tailor made with the corporate requirements. Cash in Safe, Cash in Transit, Fidelity Guarantee and Personal Accident Takaful coverage are prominent



in this section. Differentiated offering of ATM Withdrawal Takaful is also extended for banking clients. Various products offered under miscellaneous portfolio includes:

#### MONEY TAKAFUL

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

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



#### Fidelity Guarantee Takaful

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

#### Personal Accident Takaful

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

#### **Health Takaful**

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

#### The features of our product include:

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

#### 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

Zahid Hussain Awan Director Muhammad Maher Al-Jabari Director Owais Ahmed Yusuf Director

#### **Executive Committee**

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

Zahid Hussain Awan

#### **Audit Committee**

Abdul Basit Al-Shaibei Chairman Zahid Hussain Awan Member Muhammad Maher Al-Jabari Member

#### **Investment Committee**

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

#### **Shariah Board**

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

#### **Chief Financial Officer & Company Secretary**

Muhammad Kamran Saleem, LLB, FCA, FCMA

#### **Head of Internal Audit Auditors**

M. Yousuf Adil Saleem & Co. Muneeb Afzal Lone, MBA **Chartered Accountants** (Member of Deloitte Touche Tohmatsu Limited)

#### **Legal advisors Tax advisors**

**KMS Law Associates** Ernst & Young Ford Rhodes Sidat Hyder **Chartered Accountants** 

#### **Rating Agency**

JCR-VIS Credit Rating Company Limited

#### **Bankers**

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

Bank Al Habib Limited Bank Islami Pakistan Limited Dubai Islamic Bank Pakistan Limited Habib Metropolitan Bank **KASB Bank Limited** Meezan Bank Limited **UBL** - Amin



#### **Registered Office**

Room No. 401-404, 4th Floor, Business Arcade, P.E.C.H.S., Block-6,

Sharea Faisal, Karachi, Pakistan Phone: + 92 21 34380357-61 Fax: +92 21 34386453

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

#### **Branch Offices in:**

Abbottabad Islamabad Peshawar Faisalabad Karachi Quetta Gujranwala Lahore Rawalpindi Hyderabad Multan Sialkot

#### **Management Committee**

Said Gul Managing Director & CEO

M. Kamran Saleem Chief Financial Officer/Company Secretary & Head of HR

Absar Azim Burney Head of Sales
Zaheer Ahmed Qadir Head of Operations

Saifuddin Shaikh Head of Admin, Procurement & ITS

Muneeb Afzal Lone Head of Internal Audit Syed Adnan Hasan Head of Marketing

Muhammad Raza Head of Underwriting & Retakaful

Muhammad Junaid Moti Head of Claims

Muhammad Shakir Siddiqui Shariah Compliance Officer

#### **Underwriting Committee**

Said Gul Chairman
Zaheer Ahmed Qadir Vice Chairman
Absar Azim Burney Member
M. Kamran Saleem Member

Muhammad Raza Member & Secretary

Asadullah Khan Member

#### **Retakaful Committee**

Said Gul Chairman
Zaheer Ahmed Qadir Vice Chairman
M. Kamran Saleem Member

Muhammad Raza Member & Secretary

Muhammad Saleem Member

#### **Claims Committee**

Said Gul Chairman
Zaheer Ahmed Qadir Vice Chairman
M. Kamran Saleem Member
Absar Azim Burney Member
Saifuddin Shaikh Member

Muhammad Junaid Moti Member & Secretary

Muhammad RazaMemberMuhammad SaleemMemberShahzad Muhammad Khan GhilzaiMember



#### PAK-QATAR GENERAL TAKAFUL

#### **Information Technology Committee**

M. Kamran Saleem Chairman Saifuddin Shaikh Vice Chairman Zaheer Ahmed Qadir Member Absar Azim Burnev Member Muneeb Afzal Lone Member Muhammad Raza Member Muhammad Junaid Moti Member Muhammad Saleem Member

Syed Muhammad Anwar Member & Secretary

Kashan Rafique Member

#### **Sales Commitee**

Said Gul Chairman Absar Azim Burney Vice Chairman M. Kamran Saleem Member Zaheer Ahmed Qadir Member Saifuddin Shaikh Member Muhammad Raza Member Muhammad Junaid Moti Member Muhammad Arshad Mehmood Member Muhammad Shakir Siddiqui Member



# ANNUAL REPORT 2013

#### **NOTICE OF 8th ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Eighth Annual General Meeting of **Pak-Qatar General Takaful Limited** (the Company) will be held on Wednesday, 30 April 2014 at 11:00 am at Qatar International Islamic Bank, Grand Hammad Street, Doha, Qatar to transact the following business:

#### **Ordinary Business:**

- 1. To confirm minutes of last general meeting.
- 2. To receive, consider and adopt the annual audited financial statements for the year ended 31st December 2013, together with the Directors' and Auditors' Report thereon.
- 3. To appoint Auditors of the Company for the year ending 31st December 2014 and to fix their remuneration.
- 4. To consider any other business with the permission of the Chair.

Date: 03 April 2014

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 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 8th Annual General Meeting of PQGTL for the year 2013.

#### 1. ECONOMIC OVERVIEW

The new government that took office in June 2013 quickly signaled restoring economic sustainability and rapid growth as high priorities for its 5-year term. It emphasized dealing with the energy crisis, boosting investment and trade, upgrading infrastructure, and ceding most economic functions to the private sector. To address low foreign exchange reserves, fiscal and external imbalances, and low growth, the government agreed on a wide ranging economic reform program with the International Monetary Fund, supported by a 3-year loan worth \$6.7 billion.

The program aims to eliminate power subsidies in fiscal consolidation that includes strengthening the country's notorious weak revenue base and ending the drain from loss-making public enterprises. Other structural reforms hope to strengthen the financial system and improve the business climate. Fiscal consolidation is expected to limit GDP growth in Fiscal Year (FY) 2014 to 3.0%. The current account deficit forecast remains at 0.8% of GDP, as the foreign reserve position strengthens. The monetary program is likely to limit average inflation to 8.0% for the year.

Pakistan faces significant economic, governance and security challenges to achieve durable development outcomes. The GDP growth in fiscal year 2013 was 3.6 pc, compared with 4.4pc in fiscal year 2012. Large service sector, which saw growth slow to 3.7% from 5.3%. Within services, markedly weaker growth in transportation and general government services substantially outweighed faster growth of financial services and wholesale and retail trade. Agriculture expanded by 3.3%, slightly less than the 3.5% gain posted in 2012. Robust 5.2% growth in construction, reflecting flood rehabilitation, helped to boost industry growth to 3.5%. Despite severe power load shedding, large-scale manufacturing edged upward by 2.8%, following several years of near stagnation. Electricity and gas fell by 3.2%. Unpredictable and severe power load shedding continued, knocking an estimated 2 percentage points from GDP. Fixed investment deteriorated again, declining to 12.6% of GDP, as private investment slipped further to only 8.7% of GDP, a drop of 4.1 percentage points in the past 5 years. Headline inflation in FY2013 averaged 7.4%, down from 11.0% in 2013. Bank lending to the government continued to increase rapidly, raising broad money growth to 15.9% even as net foreign assets declined markedly.

#### 2. INVESTMENT CLIMATE

The Consumer Price Index (CPI) decreased from 10.9% in November to 9.2% in December 2013. This means the difference between the monetary policy rate and inflation stood at 207 basis points (2.07%).

The foreign exchange reserves of SBP have increased noticeably. Increase in SBP's foreign exchange reserves has improved market sentiments, dispirited speculators and resulted in an appreciation of rupee vis-à-vis US dollar by 6.0 percent.

The Karachi Stock Exchange (KSE) remained the 10th best stock market in 2013 with its benchmark index posting an annual return of 49.4%, translating into a 37% return in dollar terms.

This is the second consecutive year when the Karachi stock market has been one of the world's best-performing markets by posting a phenomenal return. The KSE-100 Index rose 48.9% in 2012 in rupee terms while the increase was 37% in dollar terms.

The best-performing stock market in 2013 in dollar terms was Venezuela, which posted a return of 296%. It was followed by Dubai (108%), Abu Dhabi (63%), Bulgaria (48%), Ghana (44%), Nigeria (44%), Kenya (43%), Argentina (42%) and Ireland (39%).

Higher foreign inflows played a significant role in making KSE one of the best-performing markets in the world. The outgoing year saw an annual improvement of 29% to 223 million shares a day while the value traded depicted an increase of 64%. Cement and textile sectors remained the biggest outperformers in 2013 as per the changes in market capitalization.

#### 3. OUTLOOK 2014

Pakistan's economy is showing signs of improved economic activity. Services and manufacturing are driving better-than-expected GDP growth, as reforms in the electricity sector seem to be bearing fruit with electricity shortages and unscheduled load-shedding declining. Led by large scale manufacturing and service sectors, growth is picking up and is now expected to reach about 3.1 percent for FY2013/14

The State Bank of Pakistan (SBP) projected gross domestic product (GDP) growth between 3.0 percent to 4.0 percent in fiscal year 2013-14 (FY14), which is higher than the International Monetary Fund's (IMF) growth forecast of 2.5 percent to 3.0 percent.

Robust growth in construction activity and capacity enhancement in a few sub-sectors supported the industrial sector. Global prices helped contain Pakistan's import bill, and there was some improvement in exports. Furthermore, higher than anticipated Coalition Support Fund (CSF) inflows, and modest growth in workers remittances, reduced the current account deficit to 1.0 percent of GDP in FY13.

With the approval of a three-year (\$6.64 billion) Extended Fund Facility from the IMF, and expected financial support from other international financial institutions, should bring stability to the domestic foreign exchange market in FY14.

#### 4. INDUSTRY OVERVIEW

The vibrant Takaful industry has continued to display strong growth in recent years with many of the key markets still exhibiting double digit growth. The two biggest markets Saudi Arabia and Malaysia have considerably higher populations and gross written contributions (GWC) per operator, with profitability increasing through a combination of scale, risk diversification and improvements in claims and expense ratios.

Although there may be a threat of slowing growth across select markets, nevertheless emerging high-growth business areas such as Family Takaful, Health Takaful and General Takaful are providing huge opportunities for Takaful operators.

Achieving growth in the Takaful sector and breaking through into the mainstream might be easier said than done. This is especially true because the Takaful industry faces enormous challenges to achieve growth and build mass coverage globally. Yet, the growing industry has a number of opportunities to set the stage for both short- and long-term growth and achieve Takaful inclusion.

#### PAK-QATAR GENERAL TAKAFUL

The practitioners as well as regulators need to work together to ensure that the industry specific standards find their way in a real, practical sense. It presents a model for positioning of new Takaful solutions which is largely driven by core influences, which include governance competence, risk management function, Sharia compliance, product governance and process, strategic target market and sales and marketing capabilities. These influences can aid in the design of 'generic' Takaful solutions, which can then be facilitated by enablers including regulators and operators.

Growth rates of Takaful penetration are slowing due to a lack of customer education and inadequate product awareness programs. This has been further hindered by a lack of clear strategies from Takaful providers, and lack of research and development (R&D) in product innovation and marketability.

According to recent estimates the global Takaful business will reach US\$ 20 billion by 2017. The GCC market contributes more than 62 percent of the world's gross Takaful premiums.

#### 5. BUSINESS CHALLENGES AND FUTURE OUTLOOK

In some countries with majority Muslim populations, such as Nigeria, Pakistan, Egypt and Bangladesh, the Takaful market can be considered very much in the embryonic stage. These are almost totally untapped markets, in which insurance penetration hovers somewhere below 2% of GDP.

With low insurance penetration rates across key Muslim developing markets, there is huge growth potential for Takaful products. The growth of Takaful market reflects the broader performance and prospects of the Islamic banking and finance sector in these countries.

Growth forecasts for Takaful vary, but the consensus amongst most market forecasters is for the current level of worldwide contributions written by Takaful insurers to soar to \$7.0 billion or more by 2015.

There is also a global need for strong and credible Retakaful operators to assist the growth and expansion of Takaful sector.

The potential for Takaful is beyond question. But there are many hurdles to overcome if this market is to realise its potential. Human resources pose a major obstacle to growth, as the market is facing a severe shortage of qualified staff that understand both technical insurance principles and have an adequate awareness of Shariah finance. One of the biggest challenges is creating customer awareness.

Along with these challenges, Takaful providers must enhance their product innovation and continue to offer a high level of customer service. They must be able to understand evolving customer and market-specific needs and be willing to renew or re-engineer product design and consumer benefit packages, as well as expand customer reach across various distribution channels.

#### 6. OUR STRATEGIC ACHIEVEMENTS

Pak-Qatar General Takaful has embraced the billion mark only within 6 years of its inception. This remarkable growth has been achieved by constant focus on bundled product offerings with Financial Institutions specifically commercial Banks and leasing companies in consumer, SME and BancaTakaful lines of business. In the corporate sector, PQGTL has witnessed an overwhelming response in diverse industries such as Food, Pharmaceuticals, Garments, Distribution, Service Sector and other Manufacturing concerns. The exponential inclination of our business growth over the years has also been steadily diversifying our business mix which has created a positive impact on ReTakaful Treaties, ratings and bank limits.

The Management has fully supported its aggressive sales and marketing team by supporting new ideas of service distribution under the umbrella of dynamic underwriting capabilities and robust technological infrastructure. In 2014 Pak-Qatar General Takaful Ltd focuses on fully exploiting the potential of its upcoming and existing Banca and non-Banca distribution channels with fresh customized offerings suitable for a diverse market. With susceptible improvement in the economic conditions of Pakistan and promotion of entrepreneurship, PQGTL is eyeing to grasp these new booming industries in the SME sector.

#### 7. YOUR COMPANY'S PERFORMANCE

#### 7.1. Financial Highlights:

The following are the financial highlights of the company:

	2013	2012
	Rupees	Rupees
Wakala Income	321,393,542	193,850,664
Commission Expense	(58,787,861)	(34,007,335)
Management Expenses	(174,609,393)	(107,085,082)
	87,996,288	52,758,247
Modarib Share of PTF Investment Income	4,956,330	2,555,208
Net Investment Income	23,199,108	22,014,167
General & Administrative Expenses	(75,739,047)	(46,146,475)
Other Income/ (charges)	960,906	32,000
Worker's Welfare Fund	(827,472)	(624,263)
Profit before Taxation	40,546,113	30,588,884
Provision for Taxation - current	(3,294,510)	(998,493)
- deferred	(3,984,665)	(10,818,434)
Profit after Taxation	33,266,938	18,771,957
Earnings per share	0.82	0.56

During the year 2013, Wakala income has been increased by 66% while commission and management expenses had also been increased almost by same ratio of 73% and 63% respectively.

As per finance bill of 2013, turnover tax has been increased from 0.5% to 1%. Therefore, due to increase in contribution and tax rate, provision for taxation for the fiscal year 2013 (tax year 2014) had been increased by 230%.

Provision for deferred taxation has been decreased by 72% due to reduction in brought forward tax losses and taxable profit for the year.

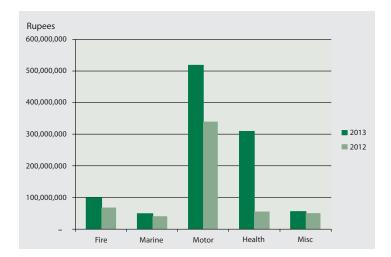
#### 7.2. Contribution:

During the sixth year of operation, PQGTL was able to achieve a gross contribution of Rs. 1.029 billion. It is an increase of 87% over the preceding year's figure of Rs.549 million. Segment-wise comparisons are provided below:

Fire
Marine
Motor
Health
Misc

2013 Rupees	2012 Rupees
98,410,465	66,002,032
49,000,178	39,506,606
516,854,336	339,128,456
309,051,500	55,588,372
55,669,580	48,983,613
1,028,986,059	549,209,079

2012



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

In the Insurance sector, conventional companies had taken decades to enter club of Rs.1.0 billion gross contribution but Pak Qatar General Takaful Limited has achieved the gross contribution of Rs.1.0 billion in the sixth year of it's operation.

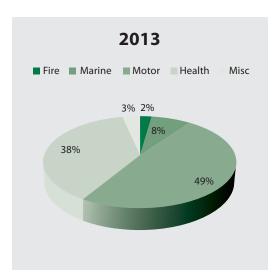
The motor segment continued to be a major contributor to the overall business volume. During the year 2013, the company has underwritten a meager contribution of Rs.309 million in health segment.

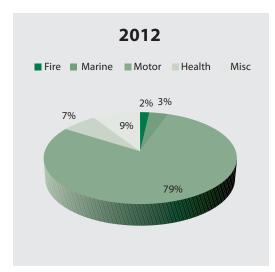
#### 7.3. Claims:

During the fiscal year 2013, PQGTL incurred Gross claims' expense amounted to Rs.540.6 million as compared to 229.8 million in 2012. Following is the claim and its comparisons with the previous year:

	2013 Rupees	2012 Rupees
Fire	12,405,619	3,971,866
Marine	41,183,492	7,768,323
Motor	263,621,564	181,074,260
Health	204,796,005	15,477,785
Misc	18,690,739	21,545,448
	540,697,419	229,837,682







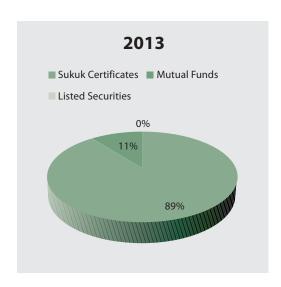
An improvement in motor segment in terms of low gross ratio as compared to 2012 has been resulted in motor segment while a high gross ratio is experienced in the health segment during the year 2013.

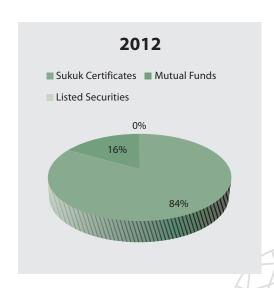
#### 7.4. Investment Income

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

	2	013	2012			
	Year-end	Income for	Year-end	Income for		
	Investment	the Year	Investment	the Year		
	Ru	pees	Rupees			
Shareholders' Fund	257,991,447	23,199,107	199,634,484	22,014,167		
Participant Takaful Fund	86,785,022	12,390,833	56,393,510	6,388,020		
	344,776,469	35,589,940	256,027,994	28,402,187		

Above data includes effect of deposits maturing within twelve months.

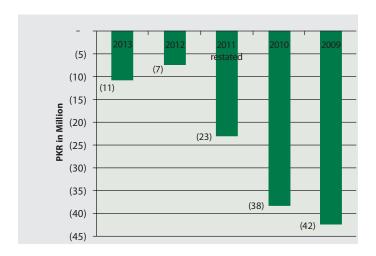




#### 7.5. Participant Takaful Fund

#### PARTICIPANT'S TAKAFUL FUND (PTF) REVENUE ACCOUNT

	2013	2012
	Rupees	Rupees
Net Contribution Revenue	426,431,803	165,903,005
Net Claims	(465,704,090)	(197,169,918)
	(39,272,287)	(31,266,913)
Contribution deficiency reserve	(11,294,372)	(942,864)
Direct Expenses	(1,495,706)	(1,419,725)
Rebate Commission from re-takaful	39,306,048	25,766,118
Deficit before participant's Investment Income	(12,756,317)	(7,863,384)
Net Investment Income	7,434,502	3,832,812
Provision for doubtful Contribution net of Wakala	(5,355,509)	(3,342,237)
Other Income/(charges)	(6,615)	(10,062)
Deficit transferred to participant's equity	(10,683,939)	(7,382,871)



#### 7.6. Shareholders' Fund

Analyzing profit before tax, 2013 was the profitable year for Pak Qatar General Takaful Limited. Accumulated losses as at December 31, 2012 amounted to Rs. 13,730,671 and the outgoing year has resulted in to accumulated profit of Rs. 19,536,267 posting a profit of Rs. 33,266,938. Strong foundation has been led to witness successive profitable years, eliminating deficits and realizing surpluses. During the 2013, right shares were issued amounted to Rs. 70,246,960/-, thus increasing share capital to Rs. 407,676,190.

#### 7.7. Further subscription of share capital

During the year 2013, further shares of 7,024,696 right shares of Rs.10 each had been issued by increasing share capital to 40,767,619 numbers of shares of Rs.10 each.



#### 7.8. Credit Rating

The JCR-VIS Credit Rating Company has upgraded the Insurers financial strength (IFS) rating of Pak Qatar General Takaful Limited from 'BBB+' to 'A-'due to stable outlook during the fiscal year 2013.

#### 8. HUMAN RESOURCES DEPARTMENT

During the year 2013, the Human Resources department's primary focus areas were talent management, Human Resources Information System (HRIS) and organizational development.

Harnessing the fast and organic growth of the company is a challenge. Job roles and responsibilities are in a flux and job assignments are changing fast to cater to the organization's needs. HR's role has been to manage this change effectively to keep employees motivated and engaged. A strong culture of openness, compassion and performance focus is maintained and this has aided in retaining top talent - while taking the company forward towards its objective of becoming an employer of choice.

HRIS requirements are being met through SAP-HCM which has included the successful roll out of payroll, organizational management and personnel administration modules. A performance management revamp has increased focus on team building and leadership traits as these are essential to successfully expand business operations.

The Company participated in Annual Job Fair 2013 organized by IQRA University held on October 02, 2013. Students/Graduates from various disciplines of different campuses of Iqra University attended the event. The Human Resources department represented the company at the event in close co-ordination with the Marketing department.

#### 9. MARKETING ACTIVITIES

The Marketing department carried out various activities during the year 2013.

New branches were opened in 2013 where branch branding activities were carried out. The branding & signages of branches has enhanced the corporate identity of the company. One of the major tasks assigned to the Marketing department was to redesign the old website in order to give a new corporate look. Alhamdulillah, the assigned task was successfully completed on time and the website was re-launched on August 14, 2013.

Following year, the first issue of bi-annual Newsletter with the name of 'Takaful Insight' was issued. The purpose was to publicize the ongoing activities of the company and serve as a source of communication to share knowledge. This task was also accomplished successfully and it marked the beginning of new communication channel that aimed at keeping the readers updated about the happenings.

#### 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.



#### PAK-QATAR GENERAL TAKAFUL

#### 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	2
6	Zahid Hussain Awan	4
7	Mohammed Maher Al Jaabri	4
8	Owais Ahmed Yusuf	1

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 2013, 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 six years is attached.
- The accumulated balance in provident fund account as at 31 December 2013 was Rs. 20,678,667/-
- 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 60,480 shares to spouse of Mr. Said Gul.

#### 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 2014.

#### 15. Earnings per Shares

The basic and diluted earnings per share of the Company were Rs. 0.82 (2012: Earnings per Share Rs. 0.56) 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 - 03 April 2014



# PAK QATAR GENERAL TAKAFUL LIMITED KEY FINANCIAL DATA

**Rupees in Thousand** 

				,	upees III I	iiousuilu
	FY13	FY12	FY11	FY10	FY09	FY08
Gross Contribution	1,028,986	549,209	330,472	217,182	171,702	86,421
REVENUE ACCOUNT						
Contribution-Net of Re-Takaful	426,432	165,903	91,317	87,425	52,146	6,765
Earned Wakala Fee	321,394	193,851	121,756	75,803	51,511	16,459
Claims less Re-Takaful	(465,704)	(197,170)	(135,742)	(138,370)	(100,552)	(22,835)
Commission & Expenses	(19,482)	(8,241)	(491)	(1,820)	913	3,439
Investment Income less Impairment	35,590	28,402	32,645	29,050	44,095	1,957
Management C. Canadal Admin Function	(250.027)	(150 (10)	(122.105)	(121.066)	(00.053)	(46.440)
Management & General Admin. Expense	(258,027)	(158,618)	(123,195)	(131,866)		(46,448)
Other Income/(Loss)	954	32	(3)	183	(1)	(189)
Others Reserves	(11,294)	(943)	2,066	(2,440)	(2,576)	(306)
Consolidate Profit/(Loss) Before Tax	29,862	23,206	(11,648)	(82,035)		(41,158)
Provision for tax	(7,279)	(11,817)	(2,689)	15,069	5,593	10,890
Consolidate Profit/(Loss) After Tax	22,583	11,389	(14,337)	(66,966)	(38,724)	(30,268)
DALANCE CHEET						
BALANCE SHEET						
Investments	319,366	224,528	131,274	183,764	221,674	122,485
Cash & Bank balances	219,194	139,378	81,817	14,316		135,543
Deferred Tax Asset	7,694	10,760	21,579	22,889	15,554	965
Other Assets	466,978	224,985	164,796	100,567	74,729	42,361
Fixed Assets	46,879	44,808	48,619	53,836	52,458	32,919
Issued, subscribed & paid up capital	407,676	337,429	307,800	307,800	307,800	
Advance against future issue of	107,070	337,123	307,000	307,000	307,000	307,000
Share Capital	34	_	_	2,661	2,661	2,661
Share Capital	34			2,001	2,001	2,001
Accumulated surplus/(loss)	(114,263)	(137,765)	(149,154)	(134,817)	(85,048)	(29,128)
General Reserve	565,326	322,479	218,374	150,385	118,279	40,912
	,	,	,	,	,	,
Other Liabilities	201,339	122,316	71,065	49,344	50,888	12,028
	•	•	•	•	•	•



## PAK QATAR GENERAL TAKAFUL LIMITED KEY FINANCIAL RATIOS

	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Growth in:						
Gross Contribution	87%	66%	52%	26%	99%	5231%
Contribution-Net of Re-Takaful	157%	82%	4%	68%	671%	543%
Earned Wakala Fee	66%	59%	61%	47%	213%	_
Claims less Re-Takaful	136%	45%	-2%	38%	340%	5921%
Commission and Expenses	66%	35%	-7%	50%	107%	-315%
Investment Income (without						
Impairment)	25%	-13%	12%	-34%	87%	59%
Current Ratio	4.97	4.79	5.30%	6.03	6.37	8.49
Fixed assets turnover	216%	136%	61%	-51%	13%	-118%
Revenue per share (Rs.)	2.93	1.89	1.01	(0.88)	0.19%	(0.91)
Earning per shares (Rs.)	0.82	0.56	0.28	-0.93	0.02	(0.61)
Gross Claim to Gross Contribution	0.02	0.00	0.20	0.20	0.02	(0.0.7)
(Less Retakaful)	54%	46%	53%	88%	75%	-35%
Management Expenses to Gross	3170	.070	33,0	3373	7370	3370
Contribution	25%	28%	37%	61%	52%	54%
Management Expenses to Wakala Fee	80%	80%	100%	174%	174%	117%
Gross Commission Expense to						
Gross Contribution	-27%	-30%	-37%	-62%	5%	3%
Wakala fee to Gross Contribution	31%	35%	37%	35%	30%	46%
Retakaful to Gross Contribution	17%	21%	7%	28%	24%	24%
REVENUE DISTRIBUTION (PTF)						
Claims (Including IBNR)	109%	119%	149%	158%	193%	338%
Other Reserve	3%	1%	-2%	3%	6%	5%
Direct expenses	2%	3%	2%	1%	0%	3%
Rebate	-9%	-16%	-21%	-15%	-15%	-71%
Net Investment income	-2%	-2%	-2%	-3%	-2%	-5%
Deficit for the year	-3%	-4%	-25%	-44%	-82%	-169%
ŕ	100%	100%	100%	100%	100%	100%
REVENUE DISTRIBUTION (SHF)						
Commission	18%	18%	16%	20%	14%	8%
Management expenses	54%	55%	71%	122%	130%	192%
Modarib share	-2%	-1%	-1%	-2%	-1%	-1%
Net investment income	-7%	-11%	-24%	-33%	-86%	-9%
General and administrative expense		24%	29%	51%	51%	89%
Other (Loss) / Gain	0%	0%	0%	0%	0%	1%
Cede money	0%	0%	0%	0%	0%	0%
Taxation	2%	6%	2%	-20%	-9%	-66%
Profit / (Loss) after Taxation	11%	10%	7%	-38%	1%	-114%
	100%	100%	100%	100%	100%	100%

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December, 2013

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 on the board 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 include all the necessary aspects of internal control given in the code.
- 9. Directors being seasoned bankers, insurance & investments professionals and experienced businessmen are aware of their responsibilities as directors. They are provided briefings on the changes in laws and regulations in Board meetings. However, no formal orientation course for the directors during the year was arranged.
- 10. There was no 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 2013

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

We have examined the accompanying financial statements of **Pak-Qatar General Takaful Limited** (hereafter referred to as "the Company") for the year ended 31 December 2013.

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

The primary scope of 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 2013.

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

- (i) Financial transactions undertaken by the Company for the year ended 31 December 2013 were in accordance with guidelines issued by Shariah Advisory Board as well as the requirements of Takaful Rules 2005.
- (ii) The Operations Department has performed much better in 2013 and has discharged its duties responsibly, except those few cases which had some irregularities from the Shariah perspective and these issues have been discussed with the Management and duly resolved. Furthermore, the management of the company has been advised to strictly follow Shariah compliance in future. It has been decided that the relevant proportion of Wakalah will be disbursed in the charity Fund.
- (iii) Consequently, we have found that the Company is in accordance with the Shariah principles in all transactional aspects. Moreover, we also agree with the accounting principles adopted for incorporation of Participant Takaful Fund (Waqf Fund) into the accompanying financial statements.

"And Allah Knows Best"

On behalf of Chairman of Shariah Advisory Board

Dr. Mufti Ismatullah

**Shariah Advisory Board Member** 

Dr. Mufti Muhammad Zubair Usmani

**Shariah Advisory Board Member** 

KARACHI 18 March, 2014



## شریعه آڈٹ رپورٹ برائے بورڈ آف ڈائریکٹرز

نحمده ونصلى ونسلم على رسوله الكريم وعلىٰ آله وأصحابه أجمعين، وبعد!

الحمد للد، ہم نے پاک قطر جنرل تکافل لمیٹڈ ( کمپنی ) کے مالیا تی الٹیٹٹنٹس برائے سال 1013 ہے کا شرعی نقط منظر سے جائزہ لیا۔
ہم کمپنی کے شریعہ ایڈوائزری بورڈ کی حیثیت سے اس بات سے بخو بی باخبر ہیں کہ کمپنی اور شرکاءِ تکافل سے متعلق تمام مالی معاملات اور مختلف عقو دومعا بدات کوشر عی قواعد وضوابط کے مطابق بقیٹی بنانا ہماری بنیادی ذمہ داری ہے۔ اسی طرح کمپنی کی منتظمہ کمپٹی کی بھی بیذ مہداری ہے کہ وہ شریعہ بورڈ کی طرف سے جاری کردہ اُصول وضوابط اور گائیڈ لائنز پر اہتمام کے ساتھ کمل کرانے کو یقینی بنائے۔ مزید برآل میہ کہ تمام تکافل پالیسیز اور تکافل خدمات شرعی قواعد وضوابط کے مطابق اور با قاعدہ شریعہ بورڈ سے منظور شدہ ہوں۔ بہر حال اس ضمن میں کمپنی کے شریعہ کمپلائنس ہونے کا جائزہ لینا ہمارے شریعہ آڈٹ کا حصہ ہے۔

یہ بات اہم ہے کہ کمپٹی 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 فنڈ زکی سرمایہ کاری شرعی قواعد وضوابط کے مطابق انجام دی جائے اور یہ با قاعدہ طور پرشریعہ بورڈ سے منظور شدہ بھی ہوں۔

بہرحال ہماری معلومات کے مطابق:

ا ۔۔۔۔۔سال <u>20</u>13ء میں کمپنی کی جانب سے کیے گئے تمام مالی معاملات شریعہ ایڈوائزری بورڈ کی جانب سے دی گئی گائیڈلائنز اور تکافل رولز <u>20</u>05ء کے مطابق تھے۔

۲.....گذشتہ سال کی بنسبت رواں سال کمپٹی کے آپریشن ڈیپارٹمنٹ نے شریعہ بورڈ کی جانب سے وقیا فوقیا دی جانے والی ہدایات کے مطابق اپنی ذمہ داریوں کو بحسن وخوبی انجام دیا اور حتی الامکان غیر شرعی معاملات سے احتر از کیا گیا۔ سوائے اُن چند معاملات کے جوشر عی اعتبار سے درست نہ تھے، جن کے بارے میں کمپٹی انتظامیہ کو نہ صرف تنبیہ کردی گئی ہے بلکہ ان سے حاصل ہونے والی آمدنی کو بھی چیریٹی فنڈ میں دینے کا حکم دے دیا گیا ہے۔

سسسالحمدللد، بحیثیت مجموعی کمپنی کے معاملات نثر بعیہ بورڈ کی جانب سے جاری کردہ نثر بعد گائیڈ لائنز اور قواعدو ضوابط کے مطابق تھے ، نیز وقف فنڈ کے لئے اختیار کی گئی اکا وَنٹنگ اصول وضوابط نصرف اطمینان بخش ہیں بلکہ ان اختیار دہ شدہ اصول وضوابط سے بھی ہم اتفاق کرتے ہیں۔ واللّٰداُعلم بالصواب وعلمہ اُتم واُحکم

در نیابت چیئر مین شر بعداید وائز ری بورد ٔ

ڈاکٹر مفتی عصمت اللّٰد ممبرش بعدایٹہ وائز ری پورڈ

حمهرز رکر مرمر مرار کا در اکثر مفتی محمد زبیرعثمانی ممبر شریعه ایدوائز ری پورڈ



## Deloitte.

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

Phone : + 92 (0) 21 34546494-97 Fax : + 92 (0) 21 34541314 Web : www.deloitte.com

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

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

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance (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, 2013.

KARACHI 03 April 2014

Chartered Accountants





M. Yousuf Adil Saleem & Co.

Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU., Sharea Faisal, Karachi-75350, Pakistan

Phone : + 92 (0) 21 34546494-97 Fax : + 92 (0) 21 34541314 Web : www.deloitte.com

#### **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, 2013 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, 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with international accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d. no zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: April 03, 2014 Karachi Chartered Accountants

Engagement Partner: Mushtag Ali Hirani

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## **BALANCE SHEET**

As at December 31, 2013

	Note	2013	2012 Dees) ————
SHARE CAPITAL AND RESERVES		———(nu	Jees) ———
[SHAREHOLDERS' FUND (SHF)]			
[SHAKEHOLDERS FOND (SHF)]			
Authorized share capital	8	500,000,000	500,000,000
Issued, subscribed and paid-up share capital	8	407,676,190	337,429,230
Unappropriated profit/ (accumulated loss)		19,536,267	(13,730,671)
		427,212,457	323,698,559
		, , ,	<b>, ,</b>
WAQF / PARTICIPANTS' EQUITY			
[PARTICIPANTS' TAKAFUL FUND (PTF)]			
Cede money		500,000	500,000
Accumulated deficit		(134,718,365)	(124,034,426)
		(134,218,365)	(123,534,426)
PTF UNDERWRITING PROVSIONS			
Reserve for claims - IBNR		13,628,266	5,327,411
Provision for outstanding claims	9	220,306,421	126,949,661
Reserve for unearned contributions	-	301,146,979	176,765,538
Reserve for unearned retakaful rebate		15,523,656	10,010,536
Contributions deficiency reserve		14,220,684	2,926,312
,		564,826,006	321,979,458
CREDITORS AND ACCRUALS			
Amount due to contakaful / retakaful enerators (PTE)		111,903,683	68 827 202
Amount due to co-takaful / retakaful operators (PTF) Accrued expenses (SHF)	10		68,837,293
Other creditors and accruals	10 11	4,266,258 81,505,212	3,139,786 50,339,481
Other Creditors and accidans	11	197,675,153	122,316,560
		197,073,133	122,310,300
TOTAL EQUITY AND LIABILITIES		1,055,495,251	644,460,151
CONTINGENCIES AND COMMITMENTS	12		

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

Chairman

Chief Executive

Director

# ANNUAL REPORT

## **BALANCE SHEET**

As at December 31, 2013

Tangible Furniture and fixtures Office equipment Motor vehicles Computer equipment Total fixed assets  Furniture and fixtures  11,484,662 7,878,041 4,330,400 6,677,526 10,206,621 9,664,876 32,079,938  12,658,342  7,878,041 4,330,400 10,206,621 10,770,252 34,825,179 32,079,938  12,658,342		Note	2013	2012	
Cash and other equivalents   Current and other accounts   Deposits maturing within 12 months   25,410,000   31,500,000			————(Rupees) ————		
192,521,904   25,410,000   31,500,000   219,194,131   13,500,000   219,194,131   13,500,000   219,194,131   13,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   12,622,7994   10,760,173   10,770,173	CASH AND BANK DEPOSITS	13			
192,521,904   25,410,000   31,500,000   219,194,131   13,500,000   219,194,131   13,500,000   219,194,131   13,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   31,500,000   139,378,210   10,7282,319   12,622,7994   10,760,173   10,770,173	Cash and other equivalents		1 262 227	595 891	
Deposits maturing within 12 months	•				
14   319,366,480   224,527,994					
LONG-TERM SECURITY DEPOSITS	,				
DEFERRED TAX ASSET (SHF)   15   6,775,508   10,760,173	INVESTMENTS	14	319,366,480	224,527,994	
CURRENT ASSETS - OTHERS  Contributions due but unpaid (PTF) 16 296,379,345 Accrued investment income 17 4,163,549 3,381,189 Taxation - payment less provision (SHF) 8,869,810 8,409,826 Retakaful and other recoveries in respect of outstanding claims (PTF) 26,204,203 16,848,446 Prepayments 18 49,866,577 34,440,239 Sundry receivables 19 5,885,818 3,480,236 459,243,555 221,459,230  FIXED ASSETS (SHF) 20  Tangible Furniture and fixtures Office equipment 5,892,739 4,330,400 Motor vehicles 6,677,526 10,206,621 9,664,876 32,079,938 Intangible Computer software 12,053,951 12,658,342  Capital work in progress - 70,000 Total fixed assets 44,808,280	LONG-TERM SECURITY DEPOSITS		4,036,447	3,526,264	
Contributions due but unpaid (PTF)	DEFERRED TAX ASSET (SHF)	15	6,775,508	10,760,173	
Accrued investment income Taxation - payment less provision (SHF) Retakaful and other recoveries in respect of outstanding claims (PTF) Deferred commission expense (SHF) Prepayments Sundry receivables  FIXED ASSETS (SHF)  Tangible Furniture and fixtures Office equipment Motor vehicles Computer equipment Computer software  Capital work in progress Total fixed assets  A,809,826  8,869,810 8,409,826 8,40,828 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,8	CURRENT ASSETS - OTHERS				
Accrued investment income Taxation - payment less provision (SHF) Retakaful and other recoveries in respect of outstanding claims (PTF) Deferred commission expense (SHF) Prepayments Sundry receivables  FIXED ASSETS (SHF)  Tangible Furniture and fixtures Office equipment Motor vehicles Computer equipment Computer software  Capital work in progress Total fixed assets  A,809,826  8,869,810 8,409,826 8,40,828 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,826 8,409,8	Contributions due but unpaid (PTF)	16	296,379,345	124,432,319	
Retakaful and other recoveries in respect of outstanding claims (PTF)       67,874,253       30,466,975         Deferred commission expense (SHF)       26,204,203       16,848,446         Prepayments       18       49,866,577       34,440,239         Sundry receivables       19       5,885,818       3,480,236         EVEXED ASSETS (SHF)       20         Tangible <ul> <li>Furniture and fixtures</li> <li>Office equipment</li> <li>Motor vehicles</li> <li>Computer equipment</li> <li>11,484,662</li> <li>6,677,526</li> <li>10,206,621</li> <li>10,770,252</li> <li>34,825,179</li> </ul> Intangible       12,053,951       12,658,342         Capital work in progress       -       70,000         Total fixed assets       46,879,130       44,808,280	·	17			
of outstanding claims (PTF)       67,874,253       30,466,975         Deferred commission expense (SHF)       26,204,203       16,848,446         Prepayments       18       49,866,577       34,440,239         Sundry receivables       19       5,885,818       3,480,236         459,243,555       221,459,230    FIXED ASSETS (SHF) 20 Tangible Furniture and fixtures Office equipment Motor vehicles Computer equipment 11,484,662 5,892,739 4,330,400 6,677,526 10,206,621 10,770,252 34,825,179 32,079,938 Intangible Computer software 12,053,951 12,658,342 Capital work in progress Total fixed assets 46,879,130 44,808,280	Taxation - payment less provision (SHF)		8,869,810	8,409,826	
Deferred commission expense (SHF)   26,204,203   49,866,577   34,440,239   3,480,236   221,459,230   20   20   20   20   20   20   20	Retakaful and other recoveries in respect				
Prepayments       18       49,866,577       34,440,239       3,480,236       221,459,230         FIXED ASSETS (SHF)       20         Tangible <ul> <li>Furniture and fixtures</li> <li>Office equipment</li> <li>Motor vehicles</li> <li>Computer equipment</li> <li>Computer software</li> </ul> 11,484,662       7,878,041         Motor vehicles       6,677,526       10,206,621         10,770,252       34,825,179       32,079,938         Intangible         Computer software       12,053,951       12,658,342         Capital work in progress       -       70,000         Total fixed assets       46,879,130       44,808,280	of outstanding claims (PTF)		67,874,253	30,466,975	
Sundry receivables       19       5,885,818 459,243,555       3,480,236 221,459,230         FIXED ASSETS (SHF)       20         Tangible	Deferred commission expense (SHF)		26,204,203	16,848,446	
## A 59,243,555   221,459,230    FIXED ASSETS (SHF) 20  Tangible  Furniture and fixtures		18	49,866,577	34,440,239	
FIXED ASSETS (SHF)         Tangible	Sundry receivables	19	5,885,818		
Tangible Furniture and fixtures Office equipment Motor vehicles Computer equipment Total fixed assets  Furniture and fixtures  11,484,662 7,878,041 4,330,400 6,677,526 10,206,621 10,770,252 9,664,876 32,079,938  12,658,342  7,878,041 4,330,400 10,206,621 10,206,62			459,243,555	221,459,230	
Furniture and fixtures Office equipment Office equipment Motor vehicles Computer equipment  Computer software  Capital work in progress Total fixed assets  11,484,662 7,878,041 4,330,400 10,206,621 10,770,252 9,664,876 32,079,938 12,053,951 12,658,342  - 70,000 44,808,280	FIXED ASSETS (SHF)	20			
Furniture and fixtures Office equipment Office equipment Motor vehicles Computer equipment  Computer software  Capital work in progress Total fixed assets  11,484,662 7,878,041 4,330,400 10,206,621 10,770,252 9,664,876 32,079,938 11,484,662 10,206,621 10,770,252 11,484,662 10,206,621 10,206,820 1	Tangible				
Office equipment       5,892,739       4,330,400         Motor vehicles       6,677,526       10,206,621         Computer equipment       34,825,179       32,079,938         Intangible       Tomputer software       12,053,951       12,658,342         Capital work in progress       -       70,000         Total fixed assets       46,879,130       44,808,280	-		11,484,662	7.878.041	
Motor vehicles       6,677,526       10,206,621         Computer equipment       9,664,876         34,825,179       32,079,938         Intangible       12,053,951       12,658,342         Capital work in progress       -       70,000         Total fixed assets       46,879,130       44,808,280					
Computer equipment       10,770,252       9,664,876         34,825,179       32,079,938         Intangible Computer software       12,053,951       12,658,342         Capital work in progress Total fixed assets       -       70,000         44,808,280       -       44,808,280					
Intangible       34,825,179       32,079,938         Computer software       12,053,951       12,658,342         Capital work in progress       -       70,000         Total fixed assets       46,879,130       44,808,280	Computer equipment				
Computer software       12,053,951       12,658,342         Capital work in progress       -       70,000         Total fixed assets       46,879,130       44,808,280				32,079,938	
Capital work in progress         -         70,000           Total fixed assets         46,879,130         44,808,280	=				
Total fixed assets 46,879,130 44,808,280	Computer software		12,053,951	12,658,342	
			-	70,000	
TOTAL ASSETS 1.055 405 251 644 460 151	Total fixed assets		46,879,130	44,808,280	
1,033,433,231 044,400,131 ===================================	TOTAL ASSETS		1,055,495,251	644,460,151	

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

Chairman

Chief Executive

Director



Note

Fire and

## **PROFIT AND LOSS ACCOUNT**

For the year ended December 31, 2013

Motor

Health

Miscellaneous

2013

2012

Marine,

	Note	property	warine, aviation and	Wotor	Health	Miscellaneou	Aggregate	Aggregate
			transport					
				(	Rupees) ——			
PTF REVENUE ACCOUNT								
Net contributions revenue		(10,321,181)	6,203,369	235,188,246	183,475,145	11,886,224	426,431,803	165,903,005
Net claims - reported/settled		(3,321,966)	(10,167,906)	(226,699,240)		(12,418,118)	(457,403,235)	(193,692,507)
- IBNR		100,000	(1,200,000)	(600,000)		(400,000)	(8,300,855)	(3,477,411)
		(3,221,966)	(11,367,906)	(227,299,240)	(210,996,860)	(12,818,118)	(465,704,090)	(197,169,918)
		(13,543,147)	(5,164,537)	7,889,006	(27,521,715)	(931,894)	(39,272,287)	(31,266,913)
Contributions deficiency								
(expense) / reversal		2,926,312	-	-	(14,220,684)	-	(11,294,372)	(942,864)
Direct expenses		(517,139)	(25,486)	(885,060)	-	(68,021)	(1,495,706)	(1,419,725)
Net retakaful rebate		23,869,401	8,526,977	344,712	-	6,564,958	39,306,048	25,766,118
Surplus / (deficit) before								
investment income		12,735,427	3,336,954	7,348,658	(41,742,399)	5,565,043	(12,756,317)	(7,863,384)
Investment income							12,390,832	6,388,020
less : Modarib's Share							(4,956,330)	(2,555,208)
Net investment income							7,434,502	3,832,812
Provision for doubtful								
contribution net of wakala	21						(5,355,509)	(3,342,237)
Other charges							(6,615)	(10,062)
Deficit transferred to participa	nts' equit	y					(10,683,939)	(7,382,871)
SHF REVENUE ACCOUNT								
Wakala income		29,479,541	14,687,152	206,736,428	46,357,725	24,132,696	321,393,542	193,850,664
Commission expense		(16,955,078)	(7,454,439)	(13,114,194)	(11,144,945)	(10,119,205)	(58,787,861)	(34,007,335)
Management expenses	22	(16,699,343)	(8,314,876)	(87,705,388)	(52,443,174)	(9,446,612)	(174,609,393)	(107,085,082)
		(4,174,880)	(1,082,163)	105,916,846	(17,230,394)	4,566,879	87,996,288	52,758,247
Modarib share of PTF								
investment income							4,956,330	2,555,208
Net investment income							23,199,108	22,014,167
General and administrative							(	(
expenses	23						(75,739,047)	(46,146,475)
Other income Workers' welfare fund	24						960,906 (827,472)	32,000 (624,263)
Profit before taxation							40,546,113	30,588,884
Provision for taxation - current	25						(3,294,510)	(998,493)
- deferred	15.2						(3,984,665)	(10,818,434)
							(7,279,175)	(11,816,927)
Profit after taxation							33,266,938	18,771,957

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

Chairman

Chief Executive

Director



## **STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2013

	2013	2012
	———(Ru	pees) ————
SHAREHOLDERS' FUND (SHF)		
Profit after taxation	33,266,938	18,771,957
Other comprehensive income	-	-
Total comprehensive income for the year	33,266,938	18,771,957

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

Chairman

Chief Executive





## **STATEMENT OF CASH FLOWS**

For the year ended December 31, 2013

Note 2013 2012 ————(Rupees) ————

#### **OPERATING CASH FLOWS**

(a)	Takaful activities			
	Contributions received		847,825,716	508,756,093
	Claims paid		(447,340,662)	(213,822,670)
	Payment to retakaful operator		(81,812,783)	(58,033,685)
	Commission paid-net of rebate		(4,775,031)	(6,701,588)
	Other retakaful payments		(1,495,706)	(1,419,725)
	Net cash inflow from takaful activities		312,401,534	228,778,425
(1.)				
(b)	Other operating activities		(2.754.404)	(2.736.600)
	Income tax paid		(3,754,494)	(2,736,699)
	General and other expenses paid		(224,687,012)	(125,472,495)
	Advances and deposits		(2,405,582)	(1,636,439)
	Long term security deposits		(510,183)	(2,480,589)
	Net cash used in other operating activities		(231,357,271)	(132,326,222)
Total	cash generated from all operating activities		81,044,263	96,452,203
INVE	STMENT ACTIVITIES			
	Profit / return received		31,284,937	11,184,434
	Investments made		(165,746,382)	(205,150,895)
	Proceeds from disposal / redemption of investments		74,430,539	130,657,977
	Receipt on disposal of fixed assets		2,376,818	10,000
	Fixed capital expenditure		(13,821,214)	(5,221,980)
Total	cash used in investing activities		(71,475,302)	(68,520,464)
FINA	NCING ACTIVITIES			
	Proceeds from issuance of share capital		70,246,960	29,629,150
Total	cash generated from financing activities		70,246,960	29,629,150
Net c	ash inflows from all activities		79,815,921	57,560,889
Cash	at beginning of the year		139,378,210	81,817,321
Cash	at end of the year	13	219,194,131	139,378,210



...... Continued ......

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2012

30,588,884

23,206,013

2012

2013

40,546,113

29,862,174

2013

-(Rupees) -

### **STATEMENT OF CASH FLOWS**

For the year ended December 31, 2013

Reconciliation to profit and loss account		
Operating cash flows	81,044,263	96,452,203
Depreciation and amortization expenses	(10,180,518)	(9,013,174)
Exchange gain	153,935	48,522
Gain / (loss) on disposal of fixed assets	806,971	(9,810)
Provision for doubtful debts	(8,014,022)	(4,938,647)
Investment income	35,589,940	28,402,187
Increase in liabilities	(193,823,700)	(155,356,108)
Increase in assets	244,912,252	145,894,172
Increase in unearned contribution	(124,381,441)	(81,010,031)
Income tax paid	3,754,494	2,736,699
Profit / (loss) before taxation	29,862,174	23,206,013
Deficit in participants' equity	(10,683,939)	(7,382,871)

#### **Definition of cash**

Profit before tax attributable to shareholders

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.

	———(Ru <sub>l</sub>	pees) ————
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents		
Cash in hand	498,674	476,661
Stamps in hand	763,553	119,230
	1,262,227	595,891
Current and other accounts		
Current accounts	12,075,540	10,208,239
Saving accounts	180,446,364	97,074,080
	192,521,904	107,282,319
Deposits maturing within 3 months (encashable on demand)	25,410,000	31,500,000
	219,194,131	139,378,210

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

Chairman









## **STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2013

		(SHF)					
	Issued, subscribed and paid-up capital	Unappropriated Profit/ Accumulated loss	Total				
		—— (Rupees) —–					
Balance at January 01, 2012	307,800,080	(32,502,628)	275,297,452				
Total comprehensive income for the year ended December 31, 2012							
Profit for the year Other comprehensive income for the year		18,771,957	18,771,957				
Total comprehensive income for the year	-	18,771,957	18,771,957				
<b>Transactions with the owners</b> 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				
Total comprehensive income for the year ended December 31, 2013							
Profit for the year Other comprehensive income for the year		33,266,938	33,266,938				
Total comprehensive income for the year	-	33,266,938	33,266,938				
<b>Transactions with the owners</b> Issue of right shares at Rs. 10 per share	70,246,960	-	70,246,960				
Balance at December 31, 2013	407,676,190	19,536,267	427,212,457				
		(PTF)					
	Cede money	Accumulated deficit	Total				
		—— (Rupees) —-					
Balance at January 01, 2012	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)				
Deficit for the year ended December 31, 2013	-	(10,683,939)	(10,683,939)				
Balance at December 31, 2013	500,000	(134,718,365)	(134,218,365)				

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

Chairman

Chief Executive

Director

## **STATEMENT OF CONTRIBUTIONS**

For the year ended December 31, 2013

#### Takaful business underwritten inside Pakistan

					l contribution	n		Prepaid ret	akaful cedec	i	2013 Net	2012 Net
	contri- butions written	Wakala Fee	Net contri- butions	Opening	Closing	Contri- butions earned ——— (Rupe	Retakaful ceded	Opening	Closing	Retakaful expense	Contri- bution revenue	Contri- bution revenue
Direct and	facultative											
Fire and property	98,410,465	29,479,541	68,930,924	18,957,459	29,945,536	57,942,847	75,404,797	23,768,619	30,909,388	68,264,028	(10,321,181)	(10,401,234)
Marine,	d											
transport	49,000,178	14,687,152	34,313,026	3,450,145	5,805,844	31,957,327	28,479,850	2,794,736	5,520,628	25,753,958	6,203,369	5,832,631
Motor	516,854,336	206,736,428	310,117,908	111,426,241	141,893,299	279,650,850	44,467,302	-	4,698	44,462,604	235,188,246	154,565,658
Health	309,051,500	46,357,725	262,693,775	31,706,189	110,924,819	183,475,145	-	-	-	-	183,475,145	12,632,819
Miscellaneo	ous 55,669,580	24,132,696	31,536,884	11,225,504	12,577,481	30,184,907	22,414,133	4,882,010	8,997,460	18,298,683	11,886,224	3,273,131
Total	1,028,986,059	321,393,542	707,592,517	176,765,538	301,146,979	583,211,076	170,766,082	31,445,365	45,432,174	156,779,273	426,431,803	165,903,005
Treaty												
Proportiona Non-propo		-	-	-	-	-	-	-	-	-		-
	1,028,986,059	321,393,542	707,592,517	176,765,538	301,146,979	583,211,076	170,766,082	31,445,365	45,432,174	156,779,273	426,431,803	165,903,005

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

Chairman

Chief Executive

Director



## **STATEMENT OF CLAIMS**

For the year ended December 31, 2013

#### Takaful business underwritten inside Pakistan

	Claims	outs	vision for tanding aims	Claims	Retakaful and other recoveries	recoveri	ul and other es in respect inding claims	Retakaful and other recoveries	2013 Net claims	2012 Net claims
	Paid	Opening	Closing	expense	received – (Rupees) –	Opening		revenue	expense	expense
Direct and facultative										
Fire and property	3,388,101	6,772,339	15,789,857	12,405,619	2,888,542	4,849,232	11,044,343	9,083,653	3,321,966	1,062,806
Marine, aviation and transport	14,405,653	9,713,249	36,491,088	41,183,492	10,040,301	6,466,307	27,441,592	31,015,586	10,167,906	1,911,413
Motor	222,463,760	85,858,898	127,016,703	263,621,565	25,988,200	10,769,900	21,704,025	36,922,325	226,699,240	164,746,139
Health	190,756,526	8,546,716	22,586,195	204,796,005	-	-	-	-	204,796,005	15,477,785
Miscellaneous	16,326,622	16,058,459	18,422,578	18,690,741	6,969,866	8,381,536	7,684,293	6,272,623	12,418,118	10,494,364
Total	447,340,662	126,949,661	220,306,421	540,697,422	45,886,909	30,466,975	67,874,253	83,294,187	457,403,235	193,692,507
Treaty										
Proportional / Non-proportional	-	-	-	-	-	-	-	-	-	-
	447,340,662	126,949,661	220,306,421	540,697,422	45,886,909	30,466,975	67,874,253	83,294,187	457,403,235	193,692,507

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

Chairman

Chief Executive

Director

## **STATEMENT OF EXPENSES**

For the year ended December 31, 2013

#### Takaful business underwritten inside Pakistan

	Commission	Deferred Co	mmission	Net	Direct	Takaful	Rebate from	2013	2012
	paid or	Opening	Closing	commission	expenses	expense	retakaful	Net takaful	Net takaful
	payable			expense			operators	expense	expense
				——— (Rupee	s) ————				
Direct and facultative									
Fire and property	19,446,898	5,279,132	7,770,952	16,955,078	517,139	17,472,217	23,869,401	(6,397,184)	(5,537,233)
Marine, aviation and transport	7,934,990	876,040	1,356,591	7,454,439	25,486	7,479,925	8,526,977	(1,047,052)	860,417
Motor	15,526,208	4,870,227	7,282,241	13,114,194	885,060	13,999,254	344,712	13,654,542	10,803,214
Health	15,452,575	2,217,360	6,524,990	11,144,945	-	11,144,945	-	11,144,945	909,120
Miscellaneous	9,782,947	3,605,687	3,269,429	10,119,205	68,021	10,187,226	6,564,958	3,622,268	2,625,424
	68,143,618	16,848,446	26,204,203	58,787,861	1,495,706	60,283,567	39,306,048	20,977,519	9,660,942
Treaty									
Proportional / Non-proportional	-	-	-	-	-	-	-	-	-
	68,143,618	16,848,446	26,204,203	58,787,861	1,495,706	60,283,567	39,306,048	20,977,519	9,660,942

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

Chairman

**Chief Executive** 

Director



## **STATEMENT OF INVESTMENT INCOME**

For the year ended December 31, 2013

	2013 ————(Ru	2012 pees) ———
Income from non-trading investments	(	pees,
Available-for-sale		
PTF		
Return on bank balances and deposits	6,858,584	3,409,971
Return on Government securities	3,762,503	1,593,135
Gain on sale of investments	1,769,745	1,384,914
	12,390,832	6,388,020
Less: Modarib's fee	(4,956,330)	(2,555,208)
Net investment income	7,434,502	3,832,812
SHF		
Return on bank balances and deposits	3,413,604	5,020,883
Gain on sale of investments	1,704,871	2,476,482
Dividend income	-	100,000
Return on Government securities	17,707,795	13,750,954
Return on other securities	372,838	665,848
	18,080,633	14,416,802
Net investment income	23,199,108	22,014,167

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

Chairman

Chief Executive

Director

# ANNUAL REPORT 2013

#### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

#### 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 13 (2012: 10) 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.

On July 16, 2012, the Securities and Exchange Commission of Pakistan (SECP) notified Takaful Rules, 2012. The Company along with other takaful operators filed a constitutional petition in the Honourable High Court of Sindh (the Court) challenging the said rules on various grounds. The Court vide its order dated August 01, 2012 has directed all parties to maintain status-quo. The matter is currently pending with the Court. Accordingly, these financial statements have been prepared in compliance with the Takaful Rules, 2005.

#### 4. BASIS OF MEASURMENT

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



# 5. ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2013

During the year amendment to the following new / revised standards, amendments and interpretations to accounting standards became effective:

# IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The requirements of other IFRSs continue to apply in this regard. However, the amendment does not have any impact on the financial statements of the Company.

#### IFRS 7 - Financial Instruments: Disclosures - (Amendments)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments do not have any impact on the financial statements of the Company.

#### IAS 19 - Employee Benefits - (Amendment)

Significant changes have been made in the requirements of IAS 19 (Revised 2011) Employee Benefits. These changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in Other Comprehensive Income with no subsequent recycling to profit and loss.
- Expected returns on plan assets are calculated using the discount rate used to measure the present value of defined benefit obligation, instead of expected rate of return.
- Unvested past service cost can no longer be deferred and recognized over the future vesting period. Instead, all past service costs will be recognized at the earlier of when the amendment/curtailment occurs or when the entity recognizes related restructuring or termination costs.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Further, objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

However, the above amendments do not have any impact on the financial statements of the Company.





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

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

#### Effective from accounting period

#### beginning on or after

- Amendments to IAS 32 Financial Instruments: Presentation -

Offsetting financial assets and financial liabilities

January 01, 2014

- IAS 36 Impairment of Assets - Recoverable Amount Disclosures

for Non-Financial Assets

January 01, 2014

- IAS 39 Financial Instruments: Recognition and Measurement -

Novation of Derivatives and Continuation of Hedge Accounting

January 01, 2014

IFRIC 21 - Levies

January 01, 2014

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

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 (Revised 2011) Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11



#### 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	17
Marine, Aviation and Transport	49
Motor	51
Miscellaneous	34

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.

#### PAK-OATAR GENERAL TAKAFUL

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

#### 6.10 Investments

#### Classification

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

#### **Initial recognition**

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

#### **Subsequent measurement**

#### **Held to maturity**

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

#### Available-for-sale

Investments classified as available-for-sale are subsequently measured at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the Securities and Exchange Commission(Insurance) Rules, 2002.

#### Fair / market value measurement

For investment in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) where applicable. The fair / market value of mutual fund units is determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP).

#### **Date of recognition**

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

#### 6.11 Fair values

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



#### 6.12 Retakaful contracts

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

#### 6.13 Retakaful recoveries against outstanding claims

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

#### 6.14 Rebate from retakaful

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

#### 6.15 Prepaid retakaful

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

#### 6.16 Amount due to / from retakaful operators

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

#### 6.17 Fixed assets and depreciation

#### **Tangible**

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged using reducing balance method at the rates specified in note 20.1 to the financial statements. Depreciation on additions is charged from the month of addition while no depreciation is charged in the month of disposal.

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

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

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

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



#### PAK-OATAR GENERAL TAKAFUL

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

#### Intangible

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

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

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

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, 45% for miscellaneous, 40% for motor, 15% for health and 30% for engineering and 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 or one percent of turnover, whichever is higher and tax paid on final tax regime basis.

#### **Deferred**

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

#### 6.22 Ijarah

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

#### PAK-OATAR GENERAL TAKAFUL

#### 6.23 Commission

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

#### 6.24 Staff retirement benefits

#### **Defined contribution plan**

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

#### 6.25 Other management expenses

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

#### 6.26 Foreign currency transaction

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

#### 6.27 Business segment

"An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expense that relate to transaction with any of the Company's other component. The Company accounts for segment reporting using the classes or sub classes of business (Takaful Business Statutory Funds) as specified under the Insurance Ordinance, 2000 and 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	
	2013	2012
	———(Rup	ees) ———

#### 8. SHARE CAPITAL

#### 8.1 Authorised

Numbe	r of shares		
2013	2012		
50,000,000	50,000,000	Ordinary share of Rs. 10 /- each	500,000,000



							20	13 ——(Rupees	2012
	8.2	Issued, subs	cribed and paid-u	ıp				(Hupce.	•)
		Numbe	r of shares						
		2013	2012						
		40,767,619	33,742,923	Ordinary fully paid	share of Rs. 10 in cash	/- each	107,67	6,190	337,429,230
	8.3	Reconciliation	on of number of o	rdinary sh	ares of Rs. 10/	- each			
							20	13 Number of S	2012 Shares
		At beginning Add : Issued o At end of the	during the year as r	right shares	5	_ =	33,74 7,02 40,76	4,696	30,780,008 2,962,915 33,742,923
	8.4	Major share	holders of the Co	mpany are					
					Ordinary 20	)13 Percent	age	20 Ordinary	12 Percentage
					shares of Rs. 10 each	of holdir	•	shares of Rs. 10 each	of holding
		Masraf Al Ray	an		6,000,000	14.7	72	6,000,000	17.78
		Sheikh Ali Bin			5,409,102	13.2		2,078,433	6.16
		Qatar Nationa			4,999,999	12.2		4,999,999	14.82
			Insurance Co. f Securities (Private	a) Limited	4,274,514 3,077,999	10.4 7.5		4,274,514 3,077,999	12.67 9.12
			tional Islamic Bank		2,906,250	7.1		2,500,000	7.41
		Qatar Islamic			2,500,000	6.1		2,500,000	7.41
							20	13 ——(Rupees	2012
9.	PRO	VISION FOR O	UTSTANDING CLA	IMS				(nupee:	, ————————————————————————————————————
	Rela Oth	ted parties ers					1,88 218,42 220,30		297,608 126,652,053 126,949,661
10.	ACC	RUED EXPENSI	ES						
	Wor	kers' welfare fur	nd				1,68	1,258	853,786
		ries and other b					63	0,000	425,000
		t, rates and elect	tricity					5,000	96,000
		nmunications	d maintanana					5,000	360,000
		icles running an itors' remunerat						0,000 0,000	385,000 420,000
		sultancy	lion					0,000 0,000	290,000
		ting and station	ery					5,000	30,000
		al and profession						0,000	280,000
						:	4,26	6,258	3,139,786



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#### 11. OTHER CREDITORS AND ACCRUALS

		2013		2012			
	PTF	SHF	Total	PTF	SHF	Total	
			(Ruբ	oees) ——–			
Commission	-	34,501,922	34,501,922	-	15,952,503	15,952,503	
Trakker charges / refundable	31,295,757	-	31,295,757	17,966,739	-	17,966,739	
Accrued salaries	-	-	-	-	8,567,571	8,567,571	
Advance contribution	2,866,227	-	2,866,227	6,724,035	-	6,724,035	
Stale cheques	550,001	329,740	879,741	72,331	327,037	399,368	
EOBI	-	108,000	108,000	-	86,400	86,400	
Charity	-	143,147	143,147	-	181,837	181,837	
Car ijarah payable	-	166,091	166,091	-	-	-	
Sales tax payable - provincial	9,985,039	-	9,985,039	-	-	-	
Other	986,911	572,377	1,559,288		461,028	461,028	
	45,683,935	35,821,277	81,505,212	24,763,105	25,576,376	50,339,481	

#### 12. CONTINGENCIES AND COMMITMENTS

13.

- 12.1 In 2013, the Officer Inland Revenue (OIR) has raised demand aggregated to Rs 2,257,260 on account of non- deduction of sales tax on payments made for advertising services. The Company filed appeal against the said order before the Commissioner Inland Revenue (Appeals) which is pending for adjudication. Based on the opinion of tax advisors of the Company, the management is confident that the matter will ultimately be decided in its favour and accordingly no provision has been made in this regard in the financial statements.
- **12.2** Commitments under ijarah arrangements and the period in which these payments will become due are:

				2013	—(Rupee	2012 s) ———
Not later than one year Later than one year but not later th	an five year	rs		5,330,1 13,385,6 18,715,7	04	4,328,391 14,516,277 18,844,668
CASH AND BANK DEPOSITS		2013			2012	
Note	PTF	SHF	Total —— (Rupe	PTF es) ————	SHF	Total

			2013			2012	
	Note	PTF	SHF	Total	PTF	SHF	Total
				——— (Rupe	es) ———		
Cash and other equivalent	s						
Cash in hand		-	498,674	498,674	-	476,661	476,661
Stamps in hand		763,553		763,553	119,230		119,230
		763,553	498,674	1,262,227	119,230	476,661	595,891
Current and other account	:S						
Current accounts		10,011,702	2,063,838	12,075,540	8,621,473	1,586,766	10,208,239
Saving accounts	13.1	72,643,853	107,802,511	180,446,364	38,213,181	58,860,899	97,074,080
-		82,655,555	109,866,349	192,521,904	46,834,654	60,447,665	107,282,319
Deposit maturing within twelve months	12.2		25 410 000	25 410 000	4 500 000	27 000 000	21 500 000
tweive months	13.2	-	25,410,000	25,410,000	4,500,000	27,000,000	31,500,000
	:	83,419,108	135,775,023	219,194,131	51,453,884	87,924,326	139,378,210

### PAK-QATAR GENERAL TAKAFUL

- **13.1** These carry profit ranging from 4.10% to 9.35% (2012: 5% to 10.35%) per annum.
- **13.2** It carries profit at the rate of 9.5% (2012: 9.5% to 11.5%) per annum.

#### 14. INVESTMENTS

	Note		2013			2012	
		PTF	SHF	Total	PTF	SHF	Total
				——— (Rupe	es) ———		
Available for sale							
Sukuk certificates	14.1	62,296,152	222,798,229	285,094,381	29,162,539	158,914,027	188,076,566
Mutual funds	14.2	24,488,870	9,783,229	34,272,099	22,730,971	13,720,457	36,451,428
		86,785,022	232,581,458	319,366,480	51,893,510	172,634,484	224,527,994

#### 14.1 Details of investments in sukuk certificates

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

	2013			2012	
PTF	SHF	Total	PTF	SHF	Total
		(Rupe	es)		

2013 Numb	2012 per of	Investment in							
certifi	icates	Sukuk Certificates	Profit						
3,000	3,000	WAPDA 2nd Sukuk certificates (face value of	6 month Kibor minus 0.25%	-	10,000,000	10,000,000	-	12,500,000	12,500,000
250	250	Rs. 5,000 each) Government of Pakistan Ijarah Sukuk - VIII	6 month Treasury bills	-	25,000,000	25,000,000	-	25,000,000	25,000,000
931	150	Government of Pakistan Ijarah Sukuk - IX	6 month Treasury bills	33,176,878	60,133,609	93,310,487	-	15,000,000	15,000,000
670	420	Government of Pakistan Ijarah Sukuk - X	6 month Treasury bills	20,119,274	47,164,620	67,283,894	20,162,539	22,178,793	42,341,332
170	170	Government of Pakistan Ijarah Sukuk - XI	6 month Treasury bills	7,000,000	10,000,000	17,000,000	7,000,000	10,000,000	17,000,000
650	650	Government of Pakistan Ijarah Sukuk - XII	6 month Treasury bills	-	65,000,000	65,000,000	-	65,000,000	65,000,000
75	75	Government of Pakistan Ijarah Sukuk - XIII	6 month Treasury bills minus 0.25%	2,000,000	5,500,000	7,500,000	2,000,000	5,500,000	7,500,000
-	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





- **14.1.1** Government of Pakistan Ijarah Sukuk certificates having face value of Rs. 42,000,000/- (December, 31 2012: Rs. 40,000,000) are held under lien with the State Bank of Pakistan in compliance with requirements of Section 29 of the Insurance Ordinance, 2000.
- **14.1.2** 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.

#### 14.2 Details of investments in mutual funds

	2013			2012	
PTF	SHF	Total	PTF	SHF	Total
		(Rupe	es)		

### 2013 2012 Number of units Investment in Mutual Funds

537,790	900,918	ABL Islamic Income Fund (face value Rs. 10 each)
186,991	149,644	Meezan Cash Fund (face value Rs. 50 each)
30,246	177,069	Meezan Sovereign Fund (face value Rs. 50 each)
145,602	110,906	UBL Islamic Savings Fund (face value Rs. 100 each)
21,300	-	Meezan Islamic Fund (face value Rs. 50 each)
4,403	-	Atlas Islamic Stock Fund (face value Rs. 500 each)
898	-	Atlas Islamic Income Fund (face value Rs. 500 each)

5,369,960	-	5,369,960	5,000,000	4,006,150	9,006,150
9,330,999	-	9,330,999	1,423,421	6,058,775	7,482,196
1,518,091	-	1,518,091	8,635,225	225,901	8,861,126
8,269,820	6,383,584	14,653,404	7,672,325	3,429,631	11,101,956
-	1,099,933	1,099,933	-	-	-
-	1,840,701	1,840,701	-	-	-
-	459,011	459,011	-	-	-
	9,330,999 1,518,091 8,269,820 -	9,330,999 - 1,518,091 - 8,269,820 6,383,584 - 1,099,933 - 1,840,701	9,330,999 - 9,330,999  1,518,091 - 1,518,091  8,269,820 6,383,584 14,653,404  - 1,099,933 1,099,933  - 1,840,701 1,840,701	9,330,999       -       9,330,999       1,423,421         1,518,091       -       1,518,091       8,635,225         8,269,820       6,383,584       14,653,404       7,672,325         -       1,099,933       1,099,933       -         -       1,840,701       1,840,701       -	9,330,999       -       9,330,999       1,423,421       6,058,775         1,518,091       -       1,518,091       8,635,225       225,901         8,269,820       6,383,584       14,653,404       7,672,325       3,429,631         -       1,099,933       1,099,933       -       -         -       1,840,701       1,840,701       -       -

**24,488,870 9,783,229 34,272,099** 22,730,971 13,720,457 36,451,428

#### 14.3 Market value of investment

		P	PTF		-IF
		2013	2012	2013	2012
Available for sale			(F	Rupees) ———	<del>-</del>
Available-for-sale	- Sukuks	62,488,794	29,327,125	223,906,598	160,457,750
	- Mutual funds	24,569,263	22,837,212	9,806,891	13,702,958
		87,058,057	52,164,337	233,713,489	174,160,708



15.	DEFERRED TAX ASSETS	2013 ————(Rupe	2012 ees) ———
	<b>Deductible temporary difference arising in respect of:</b> Available tax losses Minimum tax on turnover	3,967,393 6,934,039	13,783,557 -
	<b>Taxable temporary difference arising in respect of:</b> Accelerated depreciation	(4,125,924) 6,775,508	(3,023,384)

**15.1** 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.

15.2 Reconciliation of deferred	tax				
	Balance at January 01, 2012	Recognized in profit and loss	Balance at December 31, 2012	Recognized in profit and loss	Balance at December 31, 2013
Deductible temporary difference a	rising in resp	ect of:			
Available tax losses	24,086,744	(10,303,187)	13,783,557	(9,816,164)	3,967,393
Minimum turnover taxes	-	-	-	6,934,039	6,934,039
Taxable temporary difference arisi	ng in respect	of:			
Accelerated depreciation allowance		(515,247)	(3,023,384)	(1,102,540)	(4,125,924)
	21,578,607	(10,818,434)	10,760,173	(3,984,665)	6,775,508
		1	Note 2	2013	2012
			_	———(Rupee	s) ———
CONTRIBUTION DUE BUT UNPAIL	)				
Considered good					
Related party			7	732,874	639,963
Others			295,6	546,471	123,792,356
Considered doubtful				301,743	7,787,721
			312,1	181,088	132,220,040
Less: Provision for doubtful balance	25		16.1 <b>(15,8</b>	301,743)	(7,787,721)
			• • •	379,345	124,432,319
16.1 Provision for doubtful bala	inces				
At beginning of the year			7,7	787,721	2,849,074
Provision made during the y	ear			)14,022	4,938,647
At end of the year				301,743	7,787,721
ACCRUED INVESTMENT INCOME					







16.

				2013			2012	
	No	te	PTF	SHF	Total	PTF	SHF	Total
					—— (Rupees	s) ———		
18.	PREPAYMENTS							
	Prepaid retakaful ceded	45,4	132,174	-	45,432,174	31,445,365	-	31,445,365
	Prepaid rent		-	1,874,259	1,874,259	-	1,205,095	1,205,095
	Prepayment – service contracts		-	1,883,597	1,883,597	-	1,307,023	1,307,023
	Prepaid takaful contribution 18	3.1	-	676,547	676,547	-	332,756	332,756
	Prepayment – takaful ombudsm	nan	-	-	-	-	150,000	150,000
		45,4	132,174	4,434,403	49,866,577	31,445,365	2,994,874	34,440,239

**<sup>18.1</sup>** This includes prepaid contribution to a related party of Rs. 662,426 (2012: Rs. 322,756).

## 19. SUNDRY RECEIVABLES - Considered good

		2013			2012	
	PTF	SHF	Total	PTF	SHF	Total
			—— (Rupees)			
				054500		
Security deposits	-	450,950	450,950	254,523	250,950	505,473
Advance to employees	-	175,943	175,943	-	64,030	64,030
Tender deposit	-	4,222,007	4,222,007	-	-	-
Advance for goods	-	-	-	-	2,442,096	2,442,096
Sales tax - provincial	-	81,799	81,799	-	-	-
Others	632,398	322,721	955,119	222,925	245,712	468,637
	632,398	5,253,420	5,885,818	477,448	3,002,788	3,480,236
			=======================================	,		=, ::0,=00

#### 20. FIXED ASSETS

FIXED ASSETS	Note	2013 ————(Rup	2012 sees) ————
Tangible	20.1	34,825,179	32,079,938
Intangible	20.2	12,053,951	12,658,342
Capital work in progress		-	70,000
		46,879,130	44,808,280

### 20.1. Tangible

2013								
		Cost		Accu	mulated de	preciation	Counting	Dames
Particulars	As at January 01, 2013	Addition / (disposals)		As at January 01, 2013		nr/ As at nt December lls) 31, 2013	Carrying value at December 31, 2013	Depre- ciation Rates (%)
				-— (Rupees	s) ————			
Furniture and fixtures	13,700,168	5,254,471	18,954,639	5,822,127	1,647,850	7,469,977	11,484,662	15
Office equipment	7,323,293	2,413,840	9,737,133	2,992,893	851,501	3,844,394	5,892,739	15
Motor vehicles	23,535,542	-	19,566,642	13,328,921	1,966,057	12,889,116	6,677,526	20
		(3,968,900)			(2,405,862)			
Computer equipment	17,053,829	4,721,906 (44,919)	21,730,816	7,388,953	3,609,721 (38,110)	10,960,564	10,770,252	30
	61,612,832	12,390,217	69,989,230	29,532,894	8,075,129	35,164,051	34,825,179	
		(4,013,819)			(2,443,972	)		
			2	 012				
		Cost		Accu	mulated de	preciation		_
Particulars	As at January 01, 2012	Addition / (disposals)		As at January 01, 2012		nr/ As at nt December lls) 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		5,822,127	7,878,041	15
Office equipment	7,205,622	117,671	7,323,293	2,235,993		2,992,893	4,330,400	15
Motor vehicles	23,535,542	-		10,777,265			10,206,621	20
Computer equipment	8,580,575	8,568,658 (95,404)	17,053,829	5,000,232	2,464,315 (75,594)	7,388,953	9,664,876	30
	53,010,207	8,698,029 (95,404)	61,612,832	22,446,580	7,161,908 (75,594)		32,079,938	
Intangible								
		Cost	2	013 Accu	mulated an	nortisation		
Particulars	As at January 01, 2013	Addition	As at December 31, 2013	•	•	As at December 31, 2013	<ul> <li>Carrying value at December 31, 2013</li> </ul>	Amorti- zation Rates (%)
				-— (Rupees	s) ————			
Computer software	22,597,028	1,500,997	24,098,025	9,938,686	2,105,388	12,044,074	12,053,951	10-20
	22,597,028	1,500,997	24,098,025	9,938,686	2,105,388	12,044,074	12,053,951	
			2	012				
		Cost		Accu	mulated an	nortisation	- Carrying	Amorti-
Particulars	As at January 01, 2012	Addition	As at December 31, 2012	•	•	As at December 31, 2012	value at	zation
				-— (Rupees	s) ————			
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	



20.2

				2013	2012
			Note	———(Rup	ees) ————
	20.3	The depreciation charge for the year has been	n allocated as fol	low:	
		Management expenses	22	5,652,590	5,013,336
		General and administrative expenses	23	2,422,539	2,148,572
				8,075,129	7,161,908
					<del></del>
	20.4	The amortisation charge for the year has bee	n allocated as fo	llow:	
		Management expenses	22	1,473,773	1,295,886
		General and administrative expenses	23	631,616	555,380
				2,105,389	1,851,266
21.	PRO	VISION FOR DOUBTFUL CONTRIBUTION NET OF	WAKALA FEE		
		sion for doubtful contribution	16.1	8,014,022	4,938,647
	Less:	Provision for refund of wakala fee		(2,658,513)	(1,596,410)
				5,355,509	3,342,237
22.	MAN	AGEMENT EXPENSES			
	Salar	ies, allowances and other benefits	22.1	112,309,380	65,784,738
		ah advisors' fee		1,677,535	1,532,068
		ultancy fee		1,969,500	1,425,000
		rates and taxes		11,550,381	5,069,375
		munication		4,219,779	2,912,491
	Print	ing and stationery		3,262,537	1,661,704
	Trave	eling and entertainment		4,600,852	2,399,618
	Depr	eciation	20.3	5,652,590	5,014,954
	Amo	rtisation	20.4	1,473,773	1,295,886
	Repa	irs and maintenance		1,052,688	533,924
		cles running		5,777,404	4,473,750
	Car ij			3,819,096	1,358,596
		rtisement and sales promotion		3,284,333	3,143,499
	_	l and professional		1,164,083	1,426,023
		ful contribution		2,407,735	1,728,150
	Train	<u> </u>		95,694	26,439
		and subscription		765,049	604,395
		charges and brokerage		167,230	135,507
		e expenses		314,580	161,473
		erence and seminar		1,071,496	1,036,173
		orial services		159,903	119,303
	Othe	rs welfare		406,166 420,528	99,453
	Starr Utilit			420,528 3,181,949	152,163 1,879,379
		puter expenses		2,805,132	3,111,021
		puter expenses arial services		1,000,000	3,111,UZ1 -
	, ictu	ariai services		174,609,393	107,085,082
					111,100,002

	Note	2013	2012
		———(Rup	ees) ————
23. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	23.1	48,132,592	28,193,459
Shariah advisors' fee		718,944	656,601
Rent, rates and taxes		4,950,163	2,172,589
Communication		1,808,477	1,248,211
Printing and stationery		1,398,230	712,159
Traveling and entertainment		1,971,794	1,028,407
Depreciation	20.3	2,422,539	2,149,266
Amortisation	20.4	631,616	555,380
Repairs and maintenance		451,152	228,825
Vehicles running		2,476,030	1,917,322
Car ijarah		1,636,756	582,255
Legal and professional		498,893	611,153
Takaful contribution		1,031,886	740,635
Training		41,012	11,331
Fees and subscription		327,878	259,026
Bank charges and brokerage		71,670	58,075
Auditors' remuneration	23.2	852,860	893,400
Provision for wakala refund		2,658,513	1,596,410
Penalty		75,291	-
Office expenses		134,820	69,202
Conference and seminar		459,212	89,100
Janitorial services		68,530	51,130
Others		174,071	42,623
Charity		-	75,960
Staff welfare		180,226	65,213
Utilities		1,363,692	805,448
Computer Expenses		1,202,200	1,333,295
		75,739,047	46,146,475

**23.1** It includes staff retirement benefits amounting to Rs. 1,672,842 /- (2012: Rs. 1,013,698/-).

#### 23.2 Auditors' remuneration

		2013	2012
		———(Rupe	es) ———
	Audit fee	400,000	300,000
	Review and other certifications	373,000	475,000
	Out of pocket expenses	79,860	118,400
		852,860	893,400
24.	OTHER INCOME		
	Gain / (loss) on disposal of fixed assets	806,971	(9,810)
	Exchange gain	153,935	48,522
	Other charges	-	(6,712)
	+	960,906	32,000



#### 25. TAXATION

- **25.1** The Company has filed returns upto and including tax year 2013 which are deemed to have been assessed under Section 120 of the Income Tax Ordinance, 2001, unless selected for audit.
- **25.2** The relationship between tax expense and accounting profit has not been presented in these financial statements as the income of the Company is subject to tax under section 113 and section 37A of Income Tax Ordinance, 2001.

#### 26. REMUNERATION OF EXECUTIVES

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

	2013	2012	
	————(Rupees) ————		
Managerial remuneration	12,593,641	8,914,238	
House rent	5,667,139	4,011,407	
Utilities	1,114,053	788,567	
Medical expenses	328,300	135,365	
Others	403,472	183,584	
	20,106,605	14,033,161	
Number of persons	12	11	

- No remuneration is paid to the Chief Executive Officer of the Company.
- Some executives are provided free use of Company maintained cars.
- Certain directors including CEO have been reimbursed boarding and lodging costs amounting to Rs. 348,866/- (2012: Rs. 315,272/-) to attend Board meetings of the Company as per Company's policy.

#### 27. PROVIDENT FUND

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

		2013 ————(Rupee		2012 s) ———
Size of the fund - net assets Cost of the investments made Percentage of the investments made Fair value of the investments made		18	5,236,960 3,686,765 74% 2,234,282	16,711,262 12,152,574 73% 14,629,657
The break up of fair value of the investments is :				
	2013 Rupees	%	2012 Rupees	%
Bank balances Government securities Mutual fund	3,547,517 18,211,417 475,348 22,234,282	16 82 2	2,477,083 11,711,418 441,156 14,629,657	17 80 3



#### PAK-OATAR GENERAL TAKAFUL

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

#### 28. TAKAFUL AND FINANCIAL RISK MANAGEMENT

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

#### 28.1 Takaful risk

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

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

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

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

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

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

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

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

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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:

		2013	
	Maximum	Maximum	Highest
	Gross	Retakaful	Net Risk
	Risk Exposure	Cover	Retention
		—— Rupees ———	
Class			
Fire and property	750,000,000	735,000,000	15,000,000
Marine, aviation and transport	229,594,234	209,594,234	20,000,000
Motor	17,417,105	16,667,105	750,000
Health	4,736,300,000	-	4,736,300,000
Miscellaneous	22,817,218	16,817,218	6,000,000
		2012	
	Maximum	Maximum	Highest
	Gross	Retakaful	Net Risk
	Risk Exposure	Cover	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	-	409,797,500
Miscellaneous	55,000,000	53,500,000	1,500,000

#### (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 only.

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

#### PAK-QATAR GENERAL TAKAFUL

- 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 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 principal 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 considerd 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:

	<b>2013</b> %	2012 %
Class		
Fire and property	17	7
Marine, aviation and transport	49	9
Motor	51	60
Health	89	65
Miscellaneous	34	42

#### (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.



			2013		
	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on PTF revenue	Impact on PTF equity
			(Rupees) ——		
Average claim cost	10% increase	22,030,642	15,243,217	15,243,217	15,243,217
			2012		
	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on PTF revenue	Impact on PTF equity
			(Rupees) ——		<del>-</del>
Average claim cost	10% increase	12,694,966	9,648,268	9,648,268	9,648,268

#### 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, 2013.

Accident year	2009	2010	2011 -—(Rupees) —	2012	2013
Estimate of ultimate claim cost:					
At the end of accident year	113,227,437	162,400,594	187,397,677	251,812,157	556,369,337
One year later	106,701,790	160,113,370	172,935,642	242,572,781	-
Two years later	101,744,512	153,590,939	168,024,293	-	-
Three years later	100,854,503	152,130,882	-	-	-
Four year later	100,793,370	-	-	-	-
Current estimate of cumulative claims Cumulative payments to date	100,793,370 (100,793,370)	152,130,882 (149,750,982)	168,024,293 (164,234,403)	242,572,781 (220,550,652)	556,369,337 (364,254,835)
Liability recognised in the balance sheet		2,379,900	3,789,890	22,022,129	192,114,502

#### 28.2 Retakaful risk

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

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful companies. The Company has obtained Retakaful arrangements with prominent international Re Takaful operator having high credit rating.



#### 28.3 Financial risk management

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

- Liquidity risk
- Credit risk
- Market risk

#### **Risk management framework**

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

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

#### 28.4 Liquidity risk

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

	2	013	2012		
	Carrying Amount	Contractual cash flows upto one year	Carrying Amount	Contractual cash flows upto one year	
		(Rup	oees)		
Non-derivative financial liabilities					
Outstanding claims	220,306,421	220,306,421	126,949,661	126,949,661	
Amount due to retakaful operators	111,903,683	111,903,683	176,765,538	176,765,538	
Amount due to agents	34,501,922	34,501,922	15,952,503	15,952,503	
Creditors, accruals and other liabilities	47,003,290	47,003,290	34,386,978	34,386,978	
	413,715,316	193,408,895	354,054,680	354,054,680	

## Maturity profile of financial assets and liabilities:

				2013			
		Profit Bearing		No	n-Profit Bear	ing —	_
	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	205,856,364		205,856,364	13,337,767	_	13.337.767	219,194,131
Investments	87,500,000	197,594,381	285,094,381	-	34,272,099		319,366,480
Long term security deposits	-	-	-	-	4,036,447	4,036,447	4,036,447
Contribution due but unpaid	-	-	-	296,379,345	-	296,379,345	296,379,345
Retakaful & other recoveries				<b>47 67 6 7 6 7 6 7 8 8 8 9 8 9 9 9 9 9 9 9 9 9 9</b>		42.024.020	<b>4 6 1 1 1 1 1 1 1 1 1 1</b>
in respect of outstanding claims	-	-	-	67,874,253	-	67,874,253	67,874,253
Accrued investment income Sundry receivables	-	-	-	4,163,549 5,804,019	-	4,163,549 5,804,019	4,163,549 5,804,019
Junuty receivables	293,356,364	197,594,381	490,950,745		38,308,546		916,818,224
FINANCIAL LIABILTIES							
Dravician for autotanding claims				220 206 421		220 206 421	220 206 421
Provision for outstanding claims  Amount due to retakaful operators	-	-	_	220,306,421 111,903,683	-	220,306,421 111,903,683	
Accrued expenses	-	-	_	2,585,000	-	2,585,000	2,585,000
Other creditors and accruals	_	-	-	71,412,173	_	71,412,173	71,412,173
	<u> </u>	-		406,207,277		406,207,277	4 <u>06,207,277</u>
				2012			4 <u>06,207,277</u>
		- Profit Bearing Maturity		2012	n-Profit Bear Maturity		406,207,277 ——————————————————————————————————
				2012 No	n-Profit Bear	ing —	
	Maturity up to	Maturity after	Sub	2012 No Maturity up to	n-Profit Bear Maturity after one year	ing Sub	
FINANCIAL ASSETS	Maturity up to	Maturity after	Sub	2012  Maturity up to one year	n-Profit Bear Maturity after one year	ing Sub	
FINANCIAL ASSETS  Cash and bank deposits	Maturity up to	Maturity after	Sub	2012  Maturity up to one year	n-Profit Bear Maturity after one year	ing Sub	
	Maturity up to one year	Maturity after	Sub total	2012  No Maturity up to one year  (Rupees	n-Profit Bear Maturity after one year	ing Sub total	Total
Cash and bank deposits	Maturity up to one year  128,574,080	Maturity after one year	Sub total 128,574,080	2012  No Maturity up to one year  (Rupees)	n-Profit Bear Maturity after one year	Sub total 10,804,130 36,451,427 3,526,264	Total  139,378,210 224,527,994 3,526,264
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid	Maturity up to one year  128,574,080	Maturity after one year	Sub total 128,574,080	2012  No Maturity up to one year  (Rupees)	n-Profit Bear Maturity after one year	Sub total 10,804,130 36,451,427	Total  139,378,210 224,527,994 3,526,264
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries	Maturity up to one year  128,574,080	Maturity after one year	Sub total 128,574,080	2012  No Maturity up to one year  (Rupees)  10,804,130  - 124,432,319	n-Profit Bear Maturity after one year	10,804,130 36,451,427 3,526,264 124,432,319	Total  139,378,210 224,527,994 3,526,264 124,432,319
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries in respect of outstanding claims	Maturity up to one year  128,574,080	Maturity after one year	Sub total 128,574,080	2012  No Maturity up to one year  (Rupees)  10,804,130  - 124,432,319  30,466,975	n-Profit Bear Maturity after one year	10,804,130 36,451,427 3,526,264 124,432,319 30,466,975	Total  139,378,210 224,527,994 3,526,264 124,432,319 30,466,975
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries in respect of outstanding claims Accrued investment income	Maturity up to one year  128,574,080	Maturity after one year	Sub total 128,574,080	2012  No Maturity up to one year  (Rupees)  10,804,130  - 124,432,319  30,466,975 3,381,189	n-Profit Bear Maturity after one year	10,804,130 36,451,427 3,526,264 124,432,319 30,466,975 3,381,189	Total  139,378,210 224,527,994 3,526,264 124,432,319 30,466,975 3,381,189
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries in respect of outstanding claims	Maturity up to one year  128,574,080	Maturity after one year	Sub total 128,574,080	2012  No Maturity up to one year  (Rupees)  10,804,130  - 124,432,319  30,466,975 3,381,189 1,038,140	n-Profit Bear Maturity after one year	10,804,130 36,451,427 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140	Total  139,378,210 224,527,994 3,526,264 124,432,319 30,466,975
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries in respect of outstanding claims Accrued investment income	Maturity up to one year  128,574,080 41,235,235	Maturity after one year	Sub total 128,574,080 188,076,567	2012  No Maturity up to one year  (Rupees)  10,804,130  - 124,432,319  30,466,975 3,381,189 1,038,140	n-Profit Bear Maturity after one year ) ————————————————————————————————————	10,804,130 36,451,427 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140	Total  139,378,210 224,527,994 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries in respect of outstanding claims Accrued investment income Sundry receivables	Maturity up to one year  128,574,080 41,235,235	Maturity after one year	Sub total 128,574,080 188,076,567	2012  No Maturity up to one year  (Rupees)  10,804,130  - 124,432,319  30,466,975 3,381,189 1,038,140  170,122,753	n-Profit Bear Maturity after one year ) ————————————————————————————————————	10,804,130 36,451,427 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140 210,100,444	Total  139,378,210 224,527,994 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140 526,751,091
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries in respect of outstanding claims Accrued investment income Sundry receivables  FINANCIAL LIABILTIES  Provision for outstanding claims	Maturity up to one year  128,574,080 41,235,235	Maturity after one year	Sub total 128,574,080 188,076,567	2012  No Maturity up to one year  (Rupees)  10,804,130  - 124,432,319  30,466,975 3,381,189 1,038,140	n-Profit Bear Maturity after one year ) ————————————————————————————————————	10,804,130 36,451,427 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140	Total  139,378,210 224,527,994 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries in respect of outstanding claims Accrued investment income Sundry receivables	Maturity up to one year  128,574,080 41,235,235	Maturity after one year	Sub total 128,574,080 188,076,567	2012  No Maturity up to one year  (Rupees)  10,804,130  124,432,319  30,466,975 3,381,189 1,038,140 170,122,753	n-Profit Bear Maturity after one year ) ————————————————————————————————————	10,804,130 36,451,427 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140 210,100,444	Total  139,378,210 224,527,994 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140 526,751,091
Cash and bank deposits Investments Long term security deposits Contribution due but unpaid Retakaful & other recoveries in respect of outstanding claims Accrued investment income Sundry receivables  FINANCIAL LIABILTIES  Provision for outstanding claims Amount due to retakaful operators	Maturity up to one year  128,574,080 41,235,235	Maturity after one year	Sub total 128,574,080 188,076,567	2012  Nomaturity up to one year  (Rupees)  10,804,130   124,432,319  30,466,975 3,381,189 1,038,140 170,122,753  126,949,661 68,837,293	n-Profit Bear Maturity after one year ) ————————————————————————————————————	10,804,130 36,451,427 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140 210,100,444	Total  139,378,210 224,527,994 3,526,264 124,432,319 30,466,975 3,381,189 1,038,140 526,751,091



#### 28.5 Profit / yield rate risk

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

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

Financial assets	Carryin	g amount	<b>Effective profit rate</b>		
	2013	2012	2013	2012	
	(Ru	ipees)	(in Percent)		
Fixed rate instruments - Term deposits	25,410,000	31,500,000	9 - 9.5	9.5 - 11.5	
Variable rate instruments - PLS savings accounts	180,446,364	97,074,080	4.10 - 9.35	4.99 - 11.75	
- Sukuk Bond	285,094,381	188,076,566	8.71- 11.66	9.26 - 11.77	

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

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

	Change In basis points	Effect on profit before tax	Effect on equity	
December 31, 2013	100	321,153	211,961	
December 31, 2012	100	244,408	158,865	

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

	2013									
_				Profit be	aring					
	Effective rate % per annum	Upto one month	Over one month to three months			year to five years	Over five	Sub Total	Non profit bearing	Total
FINANCIAL ASSETS						(Kupees	,,			
Cash and bank deposits	4.10 - 9.35	180,446,364	-	25,410,000				205,856,364	13,337,767	219,194,131
Investments	8.71- 11.66	-	-	-	87,500,000	197,594,38	81 -	285,094,381	34,272,099	319,366,480
Long term security deposits		-	-	-	-			-	4,036,447	4,036,447
Contribution due but unpaid		-	-	-	-			-	296,379,345	296,379,345
Retakaful & other recoveries in respect of outstanding cla	nims	_	_	_	_			_	67,874,253	67,874,253
Accrued investment income		_	_	_	_			_	4,163,549	4,163,549
Sundry receivables			_	_	_		_	_	5,804,019	5,804,019
Sulfully receivables		180,446,364	-	25,410,000	87,500,000	197,594,38	- 81	490,950,745	425,867,479	
FINACIAL LIABILTIES										
Provision for outstanding clair	ns	-	_	-	-			-	220,306,421	220,306,421
Amount due to retakaful oper	ators	-	-	-	-			-	111,903,683	111,903,683
Accrued expenses		-	-	-	-			-	2,585,000	2,585,000
Other creditors and accruals		-	-	-	-			-	71,412,173	71,412,173
		-	-	-	-			-	406,207,277	406,207,277
Profit rate sensitivity gap		180,446,364	-	25,410,000	87,500,000	197,594,38	31 -	490,950,745	19,660,202	510,610,947

_					2	012				
	Profit bearing							N 60	Total	
	Effective rate % per annum	Upto one month	Over one month to three months	months to six months	Over six months to one year	Over one year to five years	Over five years	Sub Total	Non profit bearing	Total
FINANCIAL ASSETS						(Kupee	5)			
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 cla	aims	_	_	_	-	-	_	_	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	j -	316,650,646	210,100,445	526,751,091
FINANCIAL LIABILITIES										
Provision for outstanding clair	ms	-	-	-	-	-	-	-	126,949,661	126,949,661
Amount due to retakaful oper	rators	-	-	-	-	-	-	-	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	<u>-</u>	316,650,646	(38,225,590)	278,425,056

#### 28.6 Price risk

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

#### 28.7 Credit risk and concentration of credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss and investments. The Company is mainly exposed to credit risk on contribution due but unpaid, amount due from cotakaful, bank balances and retakaful assets. The Company attempts to control credit risk by monitoring credit exposures with counterparties and by continually assessing the credit worthiness of counterparties.

#### **Exposure to credit risk**

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

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

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



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

	2013	2012
	———(Rup	ees) ————
Financial assets		
Retakaful recoveries against outstanding claims Contribution due but unpaid Bank deposits Investments Accrued investment income Sundry receivables	67,874,253 296,379,345 217,931,904 285,094,381 4,163,549 5,804,019 877,247,451	30,466,975 124,432,319 138,782,319 188,076,566 3,381,189 1,038,140 486,177,508
Financial assets		
Secured Unsecured	289,257,930 587,989,521 877,247,451	191,457,755 294,719,753 486,177,508
Not past due Past due	580,868,106 296,379,345 877,247,451	361,745,189 124,432,319 486,177,508

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

	2013		2012			
	Gross value	Impairment	Carrying value	Gross value	Impairment	Carrying value
Not past due Past due	580,868,106	-	580,868,106	361,745,189	-	361,745,189
Upto 1 year	284,860,597	-	284,860,597	114,665,630	-	114,665,630
1-2 year	11,518,748	-	11,518,748	6,072,919	-	6,072,919
over 2 years	15,801,743	15,801,743	-	11,481,491	7,787,721	3,693,770
Total	893,049,194	15,801,743	877,247,451	493,965,229	7,787,721	486,177,508

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

2013 ———(Rug	2012 nees) ————
	·
11,997,972	7,082,672
494,723	22,177,746
169,294,837	3,033,549
254	50,965,820
10,734,118	24,022,532
<u>-</u>	1-/
192,521,904	107,282,319
	————(Rup 11,997,972 494,723 169,294,837 254 10,734,118

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

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

The Company enters into retakaful / cotakaful arrangements with retakaful and takaful companies having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 24 / 2010 dated 27 October 2010 issued by SECP which requires a takaful operator to place at least 80% of their outward treaty cessions with retakaful companies rated 'A' or above by Standard & Poor's or equivalent rating by any other reputed international rating agency, with the balance (20%) being placed with entities rated at least 'BBB' by Standard & Poor's or equivalent rating by any other reputed international rating agency. During the year the Company placed 48% of their outward treaty session with retakaful operator having rating of 'A-'.

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

#### Retakaful assets

Retakatui assets			
		2013	
		Retakaful	
		recoveries	
	Amount due	against	Other
	from retakaful	outstanding	Retakaful
	operators	claims	Assets
	·	—— Rupees ——-	
Rating			
A-	-	32,240,270	21,580,283
BBB+	-	35,633,983	23,851,891
	<u> </u>	67,874,253	45,432,174
		2012	
		Retakaful	
		recoveries	
	Amount due	against	Other
	from retakaful	outstanding	Retakaful
	operators	claims	Assets
		—— Rupees ——-	
Rating			
A or above	-	24,373,580	25,156,290
BBB	<del>_</del>	6,093,395	6,289,075
	<del>-</del>	30,466,975	31,445,365

#### 28.7.5 Concentration of credit risk

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



	<b>2013</b> %	2012 %
Agriculture	0.33	-
Bank	30.29	33.68
Beverage	0.25	0.25
Chemical	1.45	0.87
Construction	2.84	2.16
Education	1.90	-
Engineering	1.37	4.60
Food	2.90	2.83
Hospital	12.53	14.78
Individuals	2.41	6.06
Mass Communication	5.62	-
Modarba	2.17	2.32
NGO	7.83	-
Oil and Gas	1.20	2.24
Other	3.11	2.51
Pharmaceutical	2.26	2.98
Printing & Packages	0.28	0.32
Public Corporations	2.98	-
Services	9.07	11.66
Sugar	1.72	2.34
Textile	7.49	10.40
	100.00	100.00

#### 28.8 Foreign exchange risk

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

#### 28.9 Operational risk

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

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

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

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



#### PAK-OATAR GENERAL TAKAFUL

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

#### 28.10 Fair value of financial instruments

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

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

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	Level 1	<b>Level 2</b> (Rupees)	Level 3	Total
Financial assets Listed securities - open-end				
mutual fund units	34,272,099	-	-	34,272,099
Sukuk certificates	-	285,094,381	-	285,094,381
	34,272,099	285,094,381	_	319,366,480

#### 28.11 Capital Management

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

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

Currently, Company has a paid-up capital of Rs. 407,676,190/- 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, 2013.





#### **NUMBER OF EMPLOYEES** 29.

The average number of employees during the year ended December 31, 2013 were 214 (2012: 129) and number of employees as at December 31, 2013 were 232 (2012: 179).

#### 30. **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	2013 ——— (Ru	2012 pees) ————
Major shareholders	Commission paid	-	37,250
Group companies	Payment made by / on behalf		
	of related party	4,167,541	15,897,222
	Claims expense	752,959	567,387
	Claim received	1,273,466	752,823
	Contribution paid	2,529,310	1,238,099
	Contribution written	1,692,965	1,981,064
	Purchase of sukuk certificates	-	20,087,500
	Sale of sukuk certificates	-	20,012,500
Employees provident fund	Contribution paid	5,576,140	3,378,993

#### 31. **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on April 03, 2014 by the Board of Directors of the Company.

#### **GENERAL** 32.

#### 32.1 Corresponding figures

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

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

Chairman

**Chief Executive** 

Director

Director



## **PATTERN OF SHAREHOLDING**

As at December 31, 2013

Number of shareholders		
5		
1		
8		
12		
5		
2		
3		
1		
1		
4		
5		
4		
2		
3		
3		

Shareholdings		
shareholding from 1 to 100 shares		
shareholding from 501 to 1000 shares		
shareholding from 1001 to 5000		
shareholding from 5001 to 10000		
shareholding from 10001 to 20000		
shareholding from 20001 to 30000		
shareholding from 30001 to 45000		
shareholding from 45001 to 75000		
shareholding from 115001 to 120000		
shareholding from 125001 to 200000		
shareholding from 230001 to 310000		
shareholding from 900001 to 1000000		
shareholding from 1000001 to 2000000		
shareholding from 2000001 to 3000000		
shareholding from 3000001 to 5000000		
shareholding from 5000001 to 6000000		

5
1,000
29,885
74,766
57,120
40,800
122,401
73,500
120,000
578,000
1,232,300
6,544,780
2,725,198
10,815,352
12,352,512
6,000,000

Total shares held

60

1

Total





1.	Categories of shareholders	Shares held	Percentage	
1.1	Directors, Chief Executive Officer,	and their spouse and minor children.		
	a) Sheikh Ali Bin Abdullah	5,409,102	13.27%	
	b) Said Gul & Spouse 2,725,198	6.68%		
	c) Zahid H. Awan	200,000	0.49%	
	d) Abdul Basit Al-Shaibei	1	0.00%	
	e) Owais Ahmed Yusuf	1	0.00%	
	f) Muhammad Maher Al-Jabari	1	0.00%	
	g) Ali Abdullah Darwish	1	0.00%	
1.2	Associated Companies, undertak	ings and related parties.		
	a) Qatar National Bank	5,000,000	12.26%	
	b) Qatar Islamic Bank	2,500,000	6.13%	
	c) Qatar International Islamic Bar	nk 2,906,250	7.13%	
1.3	NIT and ICP	-	0.00%	
1.4	4 Banks, Development Financial Institutions, Non Banking Financial Institutions.			
	1.4.1. Masraf Al-Rayan	6,000,000	14.72%	
	1.4.2. Qatar National Bank	5,000,000	12.26%	
	1.4.3. Qatar Islamic Bank	2,500,000	6.13%	
	1.4.4. Qatar International Islamic	Bank 2,906,250	7.13%	
1.5	Insurance Companies			
	1.5.1. Qatar Islamic Insurance Co.	4,274,514	10.49%	
1.6	Modarabas and Mutual Funds	-	0.00%	
1.7	Share holders holding 10%			
	1.7.1. Masraf Al-Rayan	6,000,000	14.72%	
	1.7.2. Qatar National Bank	5,000,000	12.26%	
	1.7.3. Qatar Islamic Insurance Co.	4,274,514	10.49%	
1.8	General Public			
	a. Local	48,531	0.12%	
	b. Foreign	8,626,022	21.16%	



# ANNUAL REPORT

# **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 1	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 m	ne/us on my/our behalf at the <b>8<sup>th</sup> Annual General</b>
Meeting of Pak-Qata	r General Takaful Limited to be held on	30 April 2014 and at any adjournment thereof.
Signed this	day of April 2014	
signed this	day of April 2014	
(Witnesses)		
1	(Signature)	
	(Name)	Please affix Rupees five
	(Address)	revenue stamp
	(CNIC / Passport No.)	stump
		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