PAK-QATAR GENERAL TAKAFUL

Together we Protect

TOGETHER WE STAND FIRM

Annual Report | **2015**

PAK-QATAR GENERAL TAKAFUL

Together we Protect

THE HIGHEST IFS* RATED

"GENERAL TAKAFUL COMPANY"

OF PAKISTAN BY LOCAL RATING AGENCIES.

*INSURER FINANCIAL STRENGTH

"A"

with Stable Outlook
by PACRA

"A-"

with Stable Outlook
by JCR-VIS

OUR RESOURCES, EXPERIENCE & KNOWLEDGE TO CATER TO ALL YOUR TAKAFUL NEEDS

BEST TAKAFUL OPERATOR IN PAKISTAN

Contents

Introduction

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

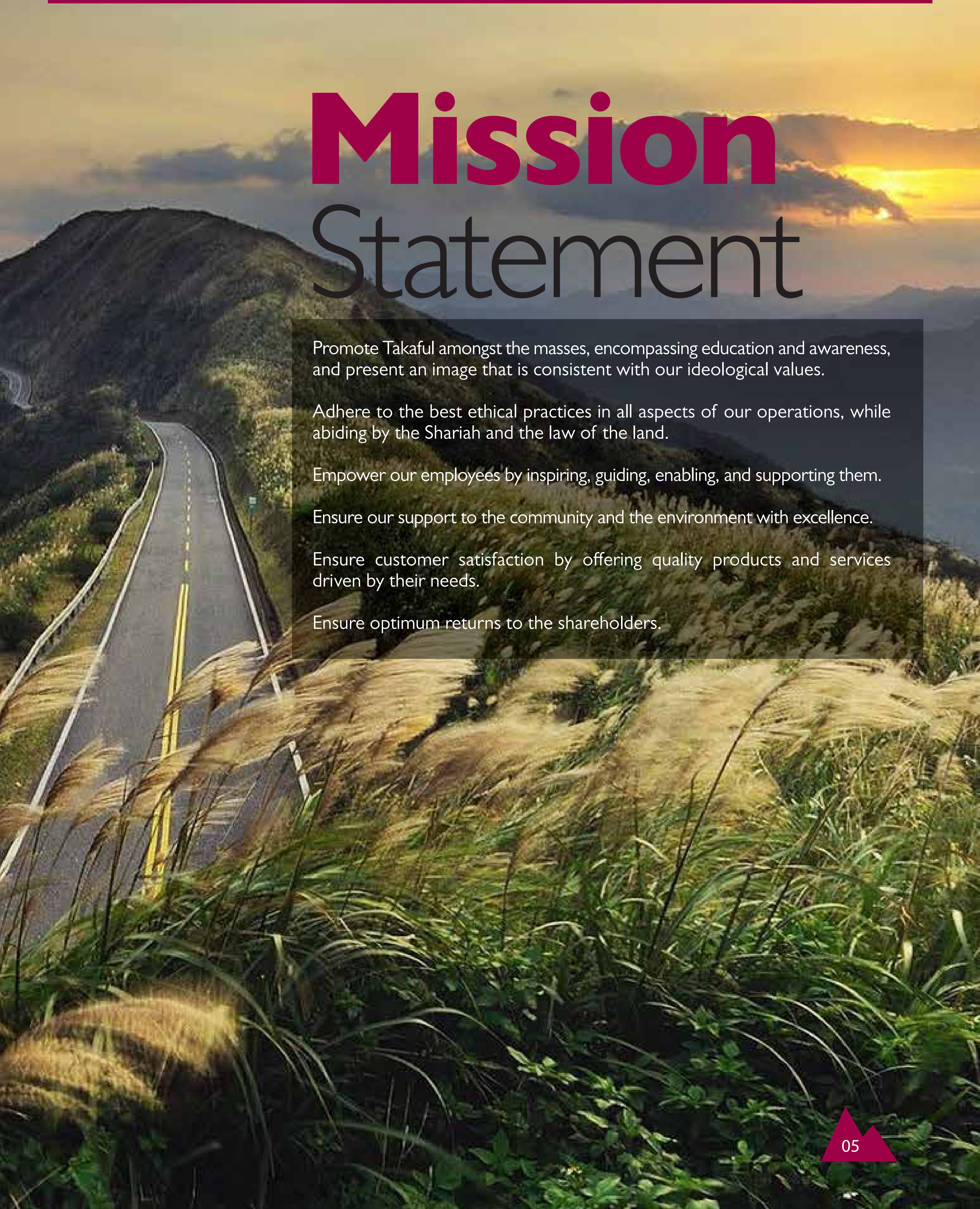
Pak-Qatar General Takaful Limited is chaired by H.E. Sheikh Ali bin Abdullah Al-Thani, a member of Qatar's Royal Family, and sponsored by some of the strongest financial institutions from the State of Qatar, including Qatar Islamic Insurance Company, Qatar International Islamic Bank, Masraf Al-Rayan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

We are registered and supervised by the Securities and Exchange Commission of Pakistan with the paid-up capital of the Company standing today at more than Rs. 471.3 million. In such a short span, financial indicators point towards good performance far into the future.

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

Vision Statement

Providing financial protection through Takaful, to everyone.



Mission Statement

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

Adhere to the best ethical practices in all aspects of our operations, while abiding by the Shariah and the law of the land.

Empower our employees by inspiring, guiding, enabling, and supporting them.

Ensure our support to the community and the environment with excellence.

Ensure customer satisfaction by offering quality products and services driven by their needs.

Ensure optimum returns to the shareholders.

Takaful Preface

In the name of Allah, The Most Gracious, The Most Merciful. May Peace, Blessings, and Mercy of Allah be upon Prophet Muhammad ﷺ

HISTORICAL BACKGROUND OF INSURANCE AND TAKAFUL

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

However contrary to the general belief, we find attempts to mitigate risk of loss in high waters in Chinese and Babylonian civilizations two to three thousand years 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:

I. DHAMAN KHATR AL-TAREEQ:

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

II. 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.

III. AQILA:

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

IV. 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.

V. ASSURANCE TO TRADERS

Seljuk Sultan Giyas-ud-din in 12th century compensated those traders from the state treasury who were robbed while traveling within the Seljuk territory. Going forward, conventional insurance contracts in its present form were introduced in Genoa in the 14th Century. The 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 marketplace for different types of insurance, although it works differently than an insurance company.

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

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

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

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

Reasons for the Impermissibility of Conventional Insurance

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

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

The conventional insurance contract is a commutative contract (compensatory and bilateral), in which premium is the cost and the sum insured/assured/covered is the subject matter. There will always be fluctuations in the money involved, and being a sales contract with money being exchanged from both sides, any such fluctuation will automatically fit the description of "interest". Interest is, staying relevant to a financial institution, defined 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 parts 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 within 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 permissibility of Takaful.

In 2005, the Government of Pakistan issued first ever Takaful Rules to regulate Takaful Operators. In 2006 the first Takaful Company was established. In 2007 Pak-Qatar General Takaful was issued license to carry out General 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 its 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 (Taburru).

The model used by Malaysian operators established after promulgation of Takaful Act 1984 is known as Modaraba Model, taking its name from the Modraba arrangement on which the pool is managed. Here the risk is shared on the basis of Taburru and underwriting profit (Surplus) are shared on the basis of Modraba.

Another arrangement which is usually practiced in Middle East excluding Saudi Arabia is known as Wakala Model. In this model, the operator manages the pool as an agent of the pool, which has money collected from the participants on the basis of Taburru. Saudis use co-operative model, which in essence is a form of mutual insurance with certain conditions to make it Shari'ah Complaint. The model used in Pakistan is known as Wakala-Waqf Model. This is an enhancement over the Wakala Model where the pool is formed as a Waqf. Waqf is juristic person in Shari'ah, whose ownership rest with Allah (SWT) and no other person can claim its ownership. By creating a Waqf, certain anomalies observed by Ulema are eliminated from the Wakala model.

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

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

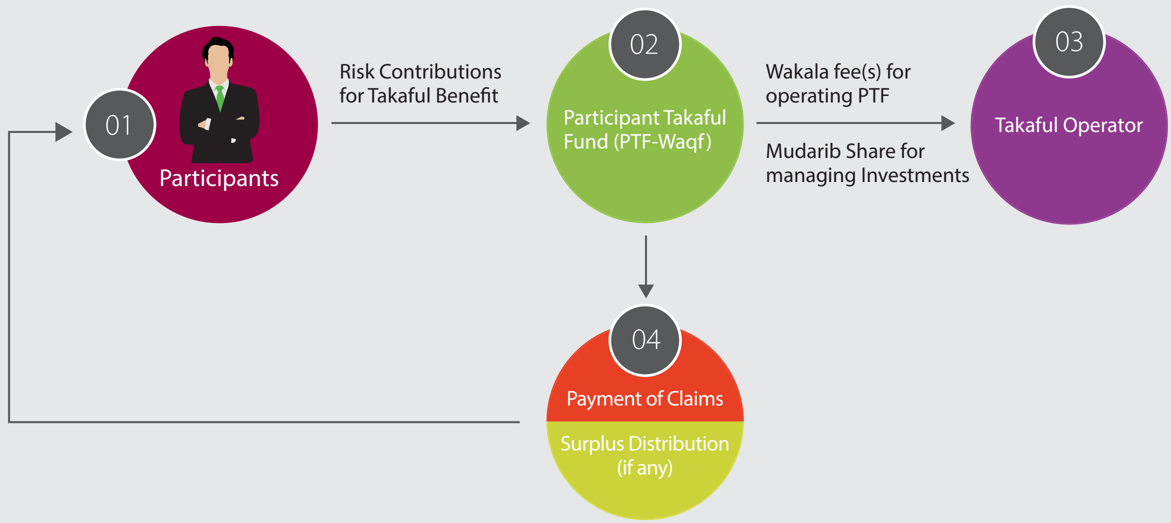
The contributions paid by the participants are recognized as Taburru'at and not as Waqf, and in fact become the property of the Waqf. This is akin to the charity we give to any other Waqf; the charity given is not considered as Waqf but simply as a donation. This means that the participants immediately lose their right of ownership, therefore the laws pertaining Zakat and even the Inheritance law won't apply here. As mentioned earlier, these contributions become the property of the Waqf with immediate effect and thus benefits from it need to be according to the conditions sanctioned by the Waqif, such as utilizing these contributions for the payment of claims. Hence, it is the Waqf Pool which compensates for the participant's loss and not the Takaful Operator.

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

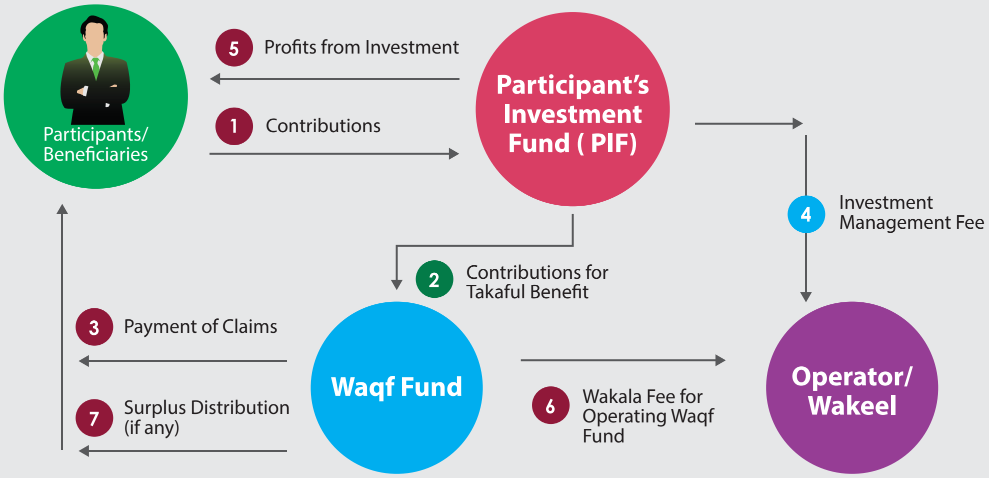
THE ROLE OF THE COMPANY IN TAKAFUL SYSTEM

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

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



BUSINESS MODEL FOR INVESTMENT-LINK FAMILY TAKAFUL



DIFFERENCE BETWEEN CONVENTIONAL INSURANCE AND TAKAFUL

	Conventional Insurance	Takaful
Nature of Contract	A contract of compensation (Aqd Mua'wza).	A Taburru' based contract.
Contribution/ Premium	The premium 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	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 participants' Takaful fund (Waqf fund).
Surplus / Underwriting Profit	Belongs to the company's 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 fund i.e. company.	Qardh Al Hassan is given to the participants' Takaful fund.
Shari'ah Supervision	No such kind of supervision takes place nor there is any law concerning it. The insurance company simply invests their fund in any business they deem fit, irrespective if the business is Shari'ah-compliant and Halal.	A Shari'ah Advisor is an integral part of any Takaful setup, which supervises the activities of the company. As per the Takaful Rules 2012, external Shari'ah compliance audit is compulsory.

TIMELINE

2007
Started our first year of operations after receiving a Certificate of Registration. With paid-up capital worth Rs. 307.8 million, we begin our journey with the revolutionary Penta Takaful Business system.

2008
In our first full year of business, we posted a gross contribution of Rs. 86.4 million, supported an expansion to 5 cities across Pakistan and a record-breaking live implementation of Penta Takaful within just 8 months.

2009
We escalated our efforts and reaped the results in the form of 100 percent growth in Gross Contribution, reaching to just over Rs. 171 million.

2010
We emerge as the first Takaful operator to implement ERP software such as SAP, and bolster our presence to 8 cities across the country, all the while heralding a BBB+ with stable outlook credit rating from JCR-VIS.

2011
As we entered into the Banca Takaful agreements, the year saw us bring in substantial gains with an after tax profit in SHF of Rs 8.5 million.

2012
We launched Health Takaful products while strengthening our core with an increase of paid-up-capital to Rs. 337.4 million and the resulting after tax profit of Rs. 18.7 million in SHF.

2013
Our gross contribution nearly doubled, reaching Rs. 1 billion whilst our paid-up capital rises to Rs. 407.6 million. As a result, we achieved an after tax profit in SHF of Rs. 33.2 million and improve our ranking to A- (A minus) with stable outlook at JCR-VIS.

2014
During the year, Company's financial strength rating has been reaffirmed by JCR-VIS Credit Rating Company Limited at 'A-' (Single A Minus) with Positive Outlook.

Consistent performance is witnessed by achieving Rs 01 billion Gross Contribution whilst our paid-up capital rises to 432.7 million. As a result, Pakistan Credit Rating Agency Limited (PACRA) has assigned rating of "A" (Single A) with Stable Outlook subsequent to year end.

2015
The year under review was a year of remarkable achievement in terms of surplus results in PTF. It's a great pleasure to declare that the participant Takaful Fund has shown a surplus of Rs. 15 million whilst the Shareholder Fund has shown 7.7 million profit before tax.

Both the rating agencies of Pakistan, JCR-VIS Credit Rating Company Limited and Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed the Company's financial strength rating at 'A-' with stable outlook and 'A' with stable outlook respectively.

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 hazards are associated to our everyday life. Pak-Qatar General Takaful Fire and Allied Perils Takaful provides vast coverage against all these risks to make your life and business secure.

Fire Takaful policy provides compensation to the participant 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 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 materials testing.

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

- **Erection All Risk Takaful**
  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 suffers any unforeseen and sudden physical loss or damage from any cause, other than those specifically excluded, in a manner necessitating repair or replacement, the Participant shall be indemnified in respect of such loss or damage in anyone event the limit of indemnity where applicable and not exceeding in all the total sum expressed in the Schedule as hereby covered.

Liability Takaful

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

- **Premises Liability (Third Party/ Public Liability) Takaful**
  Exposures arise from the legal duties associated with the ownership, use, occupancy, and/or possession and control of land. These include the duties an owner owes to a tenant, the duties a tenant owes to an owner, the duties one tenant owes to other tenants, and the duties a possessor owes to a "third person" - that is, a person who is not a party to the lease and who is on the premises (or in the vicinity thereof) for a reason other than to work as an employee of the processor.

- **Products Liability Takaful**
  Product Liability is the legal responsibility of the manufacturer, distributor, or retailer to the user or consumer of a product. The liability arises out of the manufacture distribution, or sale of an unsafe, dangerous, or defective product, and the failure of the manufacturer, distributor, or retailer to meet the legal duties imposed with respect to the particular product. PQGTL safeguards Participant interest for all such due payments.

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

Miscellaneous Takaful

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

- **Money Takaful**

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

i. **Cash in Safe:** Coverage of Cash/Money whilst in Safe at participants premises at home, office or shop under lock & key.

ii. **Cash in Transit:** Coverage of Loss due to cash/money whilst in transit (Office to Bank & vice versa, etc.)

iii. **Cash on Counter:** Loss coverage of cash/money during hold-ups within the business premises while placed on counter

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

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

Health Takaful

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

The features of our product include:
- In-Patient Benefits
- Out-Patient Benefits
- Maternity Benefits

CORPORATE INFORMATION

Board of Directors

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

Executive Committee

Said Gul	Chairman
Ali Ibrahim Al Abdul Ghani	Member
Zahid Hussain Awan	Member
M. Kamran Saleem	Secretary

Audit Committee

Ali Ibrahim Al Abdul Ghani	Chairman
Said Gul	Member
Abdul Basit Al-Shaibei	Member
Muneeb Afzal Lone	Secretary

Investment Committee

Zahid Hussain Awan	Chairman
Owais Ahmad Yusuf	Member
Javed Muslim	Member
M. Kamran Saleem	Member & Secretary

Ethics, Human Resources & Remuneration Committee

Said Gul	Chairman
Ali Ibrahim Al Abdul Ghani	Member
Zahid Hussain Awan	Member
M. Kamran Saleem	Secretary

Nomination Committee

Abdul Basit Al-Shaibei	Chairman
Said Gul	Member
Ali Ibrahim Al Abdul Ghani	Member
M. Kamran Saleem	Secretary

Shariah Board

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

Chief Executive Officer

Javed Muslim

Chief Financial Officer, Company Secretary & Head of Compliance

Muhammad Kamran Saleem, LLB, FCA, FCMA

Head of Internal Audit

Muneeb Afzal Lone, MBA, PGD

Statutory Auditors & External Shariah Compliance Auditor

Deloitte Yousuf Adil
Chartered Accountants
(Member of Deloitte Touche Tohmatsu Limited)

Shariah Advisor

Dr. Mufti Ismatullah

Shariah Compliance Officer

Mufti Shakir Siddiqui

Legal advisor

KMS Law Associates

Tax advisors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Rating Agency

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

Bankers

Al Baraka Bank (Pakistan) Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Burj Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
MCB Bank Limited
Meezan Bank Limited
Soneri Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

ReTakaful Operators

Labuan Reinsurance
Emirates Retakaful
Saudi Reinsurance
African Retakaful

ReTakaful Broker

AON BENEFIELD ASIA PTE LTD

Head Office

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

Javed Muslim	Chief Executive
M. Kamran Saleem	Chief Financial Officer, Company Secretary and Head of Compliance
Altaf Ahmed Siddiqi	Head of Operations
Muneeb Afzal Lone	Head of Internal Audit
Saifuddin Shaikh	Head of Admin & Procurement
Muhammad Umair	Head of IT&S
Nameer Sartaj Khan	Head of Marketing
Muhammad Shakir Siddiqui	Shariah Compliance Officer

Underwriting Committee

Said Gul	Chairman
Altaf Ahmed Siddiqi	Member & Secretary
Asadullah Khan	Member
Shahzad M Khan Ghilzai	Member
Muhammad Saleem	Member

Retakaful Committee

Said Gul	Chairman
Altaf Ahmed Siddiqi	Member & Secretary
Asadullah Khan	Member
Muhammad Saleem	Member

Claim Committee

Zahid Hussain Awan	Chairman
Javed Muslim	Member
M. Kamran Saleem	Member
Rashid Shah Khan	Member & Secretary
Shabbir Ahmed	Member
Jehanzaib Ahmed	Member

Risk Management & Compliance Committee

Zahid Hussain Awan	Chairman
Javed Muslim	Member
M. Kamran Saleem	Member
Altaf Ahmed Siddiqi	Member
Muneeb Afzal Lone	Member
Saifuddin Shaikh	Member
Shahzad M Khan Ghilzai	Member
Muhammad Shakir Siddiqui	Member
Zahid Sangharwi	Member
Jehanzaib Ahmed	Member & Secretary

CHAIRMAN'S MESSAGE

In the face of a demanding economic environment and significant market competition, we, guided by the principle of "equal emphasis on quality and quantity", continued to seek new opportunities in the market as well as growth. Cautiousness and prudence significantly influence our actions as we continuously endeavor to ensure stability and tranquility in the course of our lives. It is evident that this cannot be possible except in a precise system of cooperation and coordination between individuals and groups.

In the year 2015, Pak-Qatar Family & General Takaful Limited made a total business of **PKR 7.4 billion** and paid **PKR 2.3 billion** in claims. Total profit for the year of the group increased from **PKR 44.5 million** in 2014 to **PKR 84.7 million** during the outgoing year. Our performance is a result of our diligent planning process, portfolio consolidation, budgetary control, business optimization and the motivated workforce marching forward with an aim of not only achieving the targets set, but to contribute to the industry and the nation at large.

While we experienced rapid business growth, we also maintained a sound financial structure and rigorous risk controls as the Insurer Financial Strength (IFS) ratings of the both the companies were reaffirmed by the respective credit rating companies. Pak-Qatar Family currently holds an IFS rating of **"Single A"** from JCR-VIS Credit Rating Company Ltd (JCR - VIS) and Pak-Qatar General stands with an IFS rating of **"Single A Minus"** from JCR - VIS and a **"Single A"** rating from The Pakistan Credit Rating Agency Limited (PACRA).

Our business performance was also acknowledged at international level, Pak-Qatar Family Takaful Limited (PQFTL) was recognized as the "Best Takaful Operator in Pakistan" at the 10th international Takaful Summit held in London. PQFTL was also recognized as the "Best Takaful Company in Pakistan" for the year 2015 at Islamic Banking Awards in Pakistan. We challenged ourselves at every level and our quest for excellence won us the above awards.

Looking forward to 2016, Pak-Qatar Family and General Takaful Limited will adhere to the direction of "strengthening the organizations and encouraging service innovation". In addition to continuing to expand its service network and developing distribution channels, both companies will seek to enhance professional skills and lay a solid foundation for growth. Meanwhile, we will offer a diversified range of flexible, innovative services to satisfy customer needs and create more value for the companies to make them more competitive. More excellent business performance will be delivered, and the challenges of higher targets be met. Lastly on behalf of my colleagues, I like to express our heartfelt gratitude to the longstanding support and assistance of the competent authorities and our customers.

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

بسم الله الرحمن الرحيم

DIRECTORS' REPORT

Dear Shareholders,

The **Board of Directors of Pak-Qatar General Takaful Limited** (hereinafter referred to as **"the Company" or "PQGTL"**) is pleased to present its Tenth Annual Report containing audited financial statements of the Company together with auditors' reports thereon, for the year ended December 31, 2015.

1. OVERVIEW OF THE ECONOMY

World economic growth for calendar year (CY) 2015 eased down to 3.1 percent compared to 3.4 percent last year. Global growth theme pacified as emerging markets and developing economies declined for a fifth consecutive year. Gradual slowdown and rebalancing of economic activity to more on consumption and services, shifting from investments and manufacturing in China along with lower prices for energy and commodities, and gradual tightening of monetary policy in United States (US) remained key factors, influencing growth trajectory. Also, suppressed oil prices continued to test fiscal position and putting strain on growth prospects for fuel exporting economies. Overall activity in developed economies remained resilient, supported by still-easy financial conditions and strengthening of housing and labor market in the US.

Pakistan's economic growth continued its upward trajectory growing at 4.24 percent, a seven year high, in fiscal year (FY) 2015 compared to 4 percent last year. The country managed to achieve growth despite the slowdown in global demand which squeezed exports and unfavorable weather situation affecting yields of several major crops (e.g. prolonged cold weather and wind storms at crucial stages). On the fiscal front, the country recorded a deficit of 5.3 percent in FY15 of Gross Domestic Product (GDP) compared to a deficit of 5.5 percent last year. Federal Board of Revenue (FBR) was able to mobilize PKR 2,288 billion against a target of PKR 2,605 billion despite facing challenges from consecutive decline in prices of petroleum products.

Inflation averaged at 4.53 percent for FY15 compared to 8.62 percent last year. The decline was well supported by easing of both food and non-Food stratums of inflation. Central bank also shifted stance from conservative to a notable easing discount rate, down to a multi-year low of 6 percent in September 2015. Central bank also remained vigilant of overall liquidity appetite in the money market and performed multiple open market operations (OMOs) during the period. Central bank felt comfortable to embark on monetary easing more prominently in the second half amid contained fiscal deficit and growing ease on external front.

Pakistan's balance of payment declined by 31.7 percent in FY15 to USD 2,636 million from USD 3,858 million last year. Overall balance of payment was supported by healthy inflows in financial account amounting USD 5,004 million. Current account posted a deficit of USD 2,627 million which was USD 3,130 million last year. Trade balance deficit increased by 4.7 percent to USD 20,146 million in FY15 compared to last year which was eased by robust growth of 18.2 percent in workers remittance. Overall remittance shows significant skewedness with around 64 percent of inflows amounting USD 12,035 million channeling from Middle East.

Pakistan's economy is picking up pace with big expectations from the China-Pakistan Economic Corridor (CPEC), low energy prices and implementation of privatization program. The revolutionary mega project of CPEC will not only attract foreign investment in Pakistan, it will also mobilize domestic capital market, by boosting the confidence of the local investors and strengthening the national infrastructure and energy sector of the country. Although a few quarters are expressing reservations over the privatization of the state-owned corporations, it can strategically enhance the financial performance of the country.

With a widespread support from the Pakistani political, defense and civilian sectors, a broad based comprehensive operation was launched in the year 2014 to improve the security and the law and order situation in the country which has significantly improved the overall security situation and eventually contributed towards the economic stability.

2. INDUSTRY REVIEW

The insurance sector plays a key role in ensuring sustainable economic performance and secure financial management of any country. Pakistan's insurance sector has also shown vibrant performance to support the national economy over the years. Although the insurance industry in Pakistan is relatively small as compared to the other countries in the region, the industry has shown immense growth over the last couple of years.

The insurance industry is constantly evolving and both the Life and the Non-Life segments of Pakistan's insurance sector are well-established now. They have gained substantial strengths and developed effective strategies to cope with the challenging business environment in the country. The market has witnessed introduction of new products and distribution channels including Bancassurance, web-sales and tele-sales.

The competition in Pakistan's insurance sector is now growing at a rapid pace, reflecting an overall development of the industry, since the industry regulator has allowed conventional companies to operate Takaful windows in Pakistan. Takaful is seen as a revolutionary concept to make insurance an acceptable norm in the Pakistani society and promote Islamic financial products.

The apex regulator - Securities and Exchange Commission of Pakistan (SECP), has already granted Takaful Window license to few conventional insurers. It is expected that there will be more Takaful window operators in the market soon, leading to increase in competition in the market resultantly contributing to the penetration of Takaful in the industry.

Takaful represents about five percent of the total insurance market. In comparison to conventional insurers, the Takaful companies in the market are much younger. On average eight to nine years old, but Shariah-compliant products have a greater appeal for the Muslim participants.

3. BUSINESS CHALLENGES AHEAD

Takaful market is bound to grow with the pace of the economy. Although the demand for Takaful is a reflection of income and wealth, it is to be noted that risk consciousness is very low in the Islamic countries. There is an urgent need to create a deeper understanding and awareness among the policy makers, what role Takaful can play to improve the wellbeing and quality of life of the Ummah. Takaful has been designed to help and stabilize the financial situation of individuals, families and organizations. A growing Takaful and Retakaful market is an instrument for economic growth of the Islamic countries. In fact, the development of Takaful as an alternative of conventional insurance will contribute to economic prosperity of the Islamic countries. There is no doubt that Takaful has a vast potential for growth and this potentiality will definitely increase in the coming years. However, the future of Takaful will largely depend on how the increasing potentials are being exploited by Takaful operating system, keeping in view the need of the Islamic economy and state of affairs in Islamic countries. Religion and culture of the Muslims are plus points for Takaful Operators. The factors which will influence the demand for General (non-life) Takaful are growth of trade, commerce and industry as well as risk potentials and their severity and frequency. Of course, risk awareness is another important factor. The growth of both Family Takaful and General Takaful will depend on the marketing strategies, distribution network and adoption of improved information technology. Last but not the least, the supply of Takaful in the Islamic countries will depend mostly upon the support of the policy makers.

There is non-awareness among the masses at large about risk management. Takaful is likely to grow along the conventional insurance schemes.

But this is only when this new form being an alternative to insurance should provide at least equal and better value, as compared to the existing conventional insurance policies. By now Takaful like Islamic Banking has become a viable reality. Due to inherent Shariah principles which are universal in character, the Takaful business would be more appealing in the coming years for both the Muslim and non-Muslim communities. Takaful has bright prospects and potentialities as a financially viable and competitive alternative insurance because most of the Muslim Countries having Islamic Banks have also welcomed Takaful as a necessary complement to Islamic Banking.

4. FUTURE OUTLOOK

A rise in the demand for Takaful is being predicted by market observers, as the population of Islamic countries becomes financially more sophisticated and more determined to invest in Shariah compliant products. Moreover, due to the ethical nature of the products, Takaful is becoming attractive to both Muslims and non-Muslims. The Global Takaful Industry is small in comparison to the Conventional Insurance counterpart. Therefore, the market needs to gain worldwide brand recognition and exceed performance standard set by the Conventional Insurance Industry. It is noteworthy that Takaful operators are increasingly starting to realize that the ethical guidelines and transparency of their products are creating appeal to both the Muslims and more importantly the larger non-Muslims communities. The Takaful Industry is fast evolving and entering a stable development phase.

5. STRATEGIC ACHIEVEMENTS

2015 was a year of resilience and determination for Pak-Qatar General Takaful. Our financial position has become firm with new long term business prospects coming our way from existing clients and channel partners which include some of the top Islamic Financial institutions of Pakistan. Despite rising competition and market pressure, our commitment to high service quality and standards have enabled us to sustain our growth. The ReTakaful partners of Pak-Qatar General Takaful Ltd have reinforced their trust in our business strategy and have provided us a healthy expansion in our treaty capacity.

In the year 2016, PQGTL has set an aggressive strategy to boost market penetration with innovation and creativity tagged with rational products that provide genuine benefit to the end customer and strengthen the faith of customer on Takaful. Our business development Strategy will remain our prime focus going forward and there are different strategic alliances that have been initiated that will InshaAllah yield the desired results during 2016 by the grace of Allah Almighty. Our dedication to Shariah compliance remains our crown for successful delivery of Takaful services for our participants and strategic partners.

6 YOUR COMPANY'S PERFORMANCE

6.1 FINANCIAL HIGHLIGHTS

The following are the financial highlights of the company:

	2015 Rupees	2014 Rupees
Participants' Takaful Fund (PTF):		
Net Contribution Revenue	**373,517,680**	506,242,345
Net Claims	**(409,053,939)**	(543,036,384)
	(35,536,259)	(36,794,039)
Contribution deficiency reserve	**9,666,102**	2,589,304
Direct Expenses	**(2,060,191)**	(866,048)
Retakaful Rebate	**34,503,421**	41,262,410
Underwriting results before Investment Income	**6,573,073**	6,191,627
Investment Income	**8,576,839**	6,932,332
Provision for doubtful Contribution net-off Wakala	**(53,347)**	(26,264,659)
Other charges	**-**	(1,044)
Surplus/(deficit) transferred to PTF's equity	**15,096,565**	(13,141,744)
Shareholders' Fund (SHF):		
Wakala Income	**276,834,327**	344,919,206
Commission Expense	**(43,931,348)**	(61,551,527)
Management Expenses	**(179,346,218)**	(197,451,949)
	53,556,761	85,915,730
Modarib Share of PTF Investment Income	**5,717,899**	4,621,555
Investment Income	**20,879,622**	32,722,630
General & Administrative Expenses	**(75,566,237)**	(92,996,658)
Other Income/ (charges)	**3,198,058**	2,783,798
Worker's welfare Fund	**-**	(878,244)
Profit before Taxation	**7,786,103**	32,168,811
Provision for Taxation – current	**(3,547,364)**	(3,558,305)
– prior	**(2,987,453)**	-
– deferred	**1,590,099**	(10,083,287)
Profit after Taxation	**2,841,385**	18,527,219

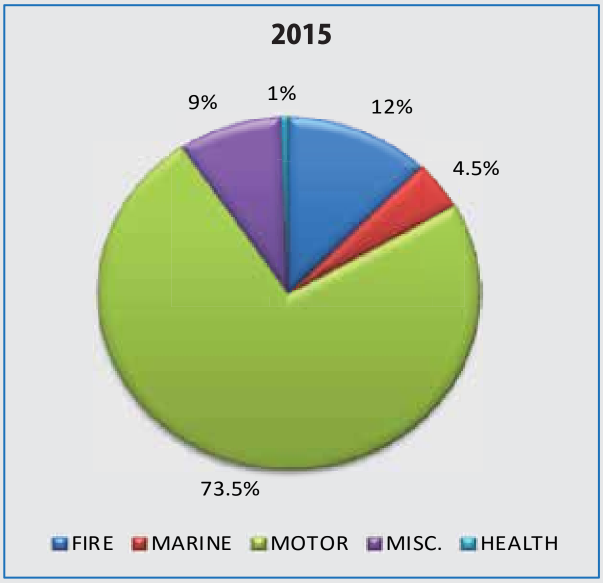
Despite the competitive business conditions coupled with the launch of Window Takaful by strong conventional market players, the Company has shown a positive performance by posting profit in both the funds for the year ended 2015. Your Company's continuous emphasis on prudent approach both in underwriting and investment policies has contributed in improvement of results. The year under review was a year of remarkable achievement in terms of surplus results in PTF. It's a great pleasure to declare that the participant Takaful Fund has shown a surplus of Rs. 15 million whilst the Shareholder Fund has shown 7.7 million profit before tax and 2.8 million profits after tax. Provision for taxation for current year includes effect of prior year adjustment arising from tax assessment finalized during the current year and reversal of deferred tax expense mainly on account of asset created on minimum taxation for the year 2015.

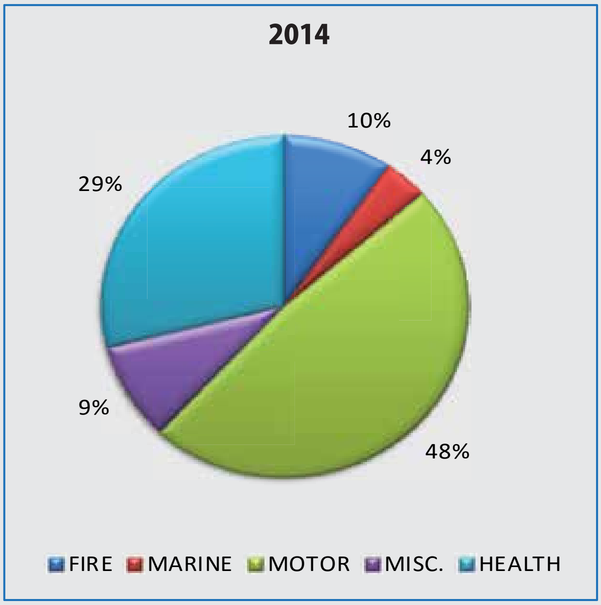
6.2 PORTFOLIO ANALYSIS

	2015 Rupees	2014 Rupees
Non-Health Segment		
Fire	**86,065,536**	97,054,708
Marine	**31,636,602**	38,792,956
Motor	**518,017,018**	484,261,333
Misc	**61,587,390**	92,568,046
Sub Total	**697,306,546**	712,677,043
Health Segment		
Sub Total	**4,402,827**	289,725,102
Grand Total	**701,709,373**	1002,402,145

The Company endevours to keep a balanced and profitable portfolio mix. It strives hard to focus at all classes instead of increasing its volume of business in any particular class. The Company reviews its business strategy and segment performance on periodic basis. Such analysis of past years segment reporting depicted that underwriting results of health segment is producing deficit which is ailing to other cash cow segments. Further, company is expecting to face more competition from strong conventional companies entering in takaful market through their window takaful. Going forward, company emphasizes on bottom centric approach to continue and improve profitability with a gradual growth of top line targets having more focus on fire and marine. In line with the Management's strategy to adopt underwriting and risk management measures for profitability; curtailment in health segment is witnessed, however, non-health segment showed consistent performance despite facing competition. Current year, motor segment continued to be a major contributor to the overall business volume showed an increase of 7% since last year.

Effect of curtailment of health segment on business mix is as follows:

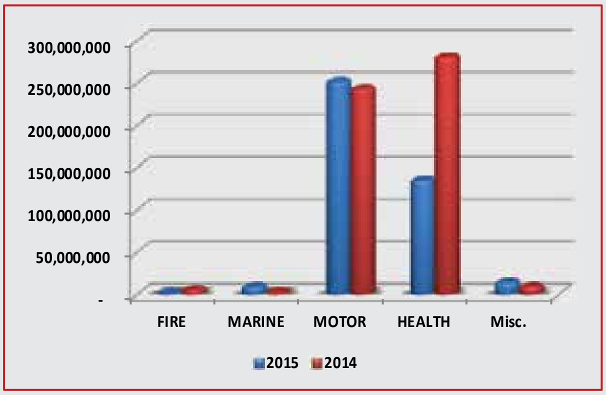




6.3 NET CLAIMS

	2015 Rupees	2014 Rupees
Fire	**1,929,479**	5,977,737
Marine	**9,357,573**	2,889,372
Motor	**252,033,316**	243,184,589
Health	**135,096,779**	280,712,537
Misc	**14,316,479**	9,520,728
	412,733,626	542,284,963

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. 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, detailed review of claim handling procedures and investigation of possible false claims.



During the year, PQGTL claims expense net off re-takaful amounting to Rs 412.7 million as compared to 542.2 million in 2014. This is mainly on account of decrease in health claims in consequent to decrease in health portfolio. Decrease in claims is also supplemented by fire claims where subsequent development in prior year claims is observed being no loss and consequently posting a reversal of expense on gross account and decrease on net account of claims. The management is committed to establish strong controls by implementing effective risk management and efficient claim settlement policies.

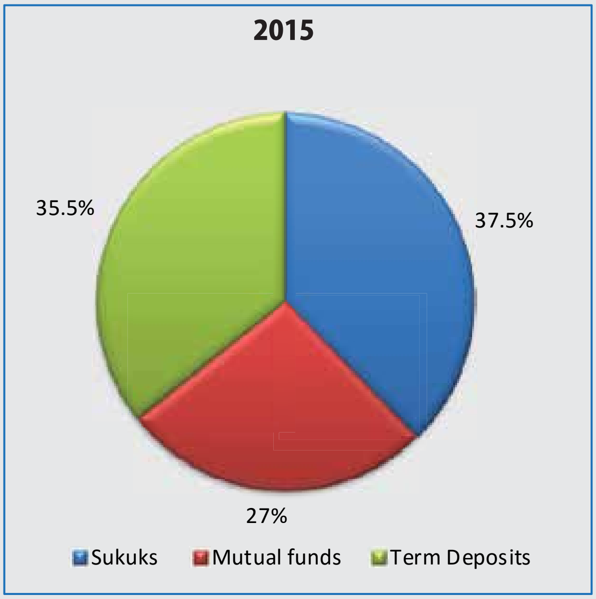
6.4 INVESTMENT INCOME

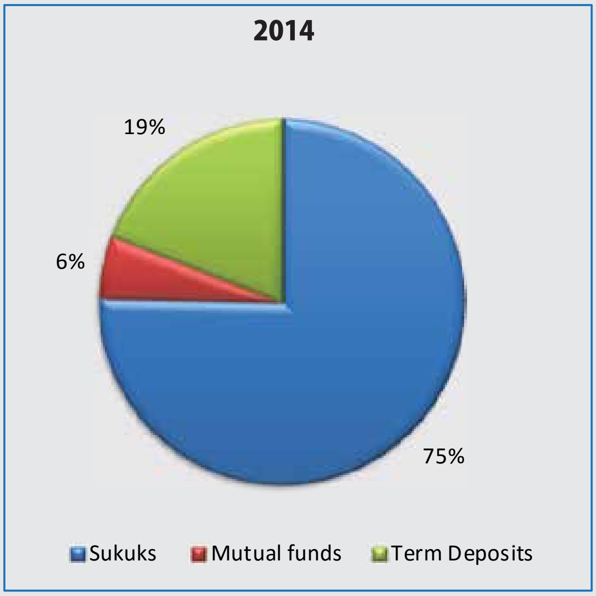
Investments are aimed to achieve maximum income with limited Shariah compliant mode of investments available in Pakistan. Fund wise analysis is given below:

	2015	2014
Shareholders' Fund	**20,879,622**	32,722,630
Participant Takaful Fund	**14,294,738**	11,553,887
	35,174,360	44,276,517

The above income mainly generated from sources including return on bank deposits, return on sukuks and capital gains on mutual funds. The management follows a conservative stance (high liquid and low risk) for its investment books. Hence, stable, though relatively low, investment income supplements profit. The decrease in profit rates has also affected the income as significant funds have been invested in bank deposits and sukuks.

Composition of investments, including short term bank deposits, as at year end is as follows:





6.5 FUND WISE REPORTING

As required by the Takaful Rules, 2012, annexed financial statements reflect the financial position and results of operations of both SHF and PTF in manner that the assets, liabilities, income and expenses remain separately identifiable. Further, compliance with requirement of Qard-e-hasna has also been observed.

6.6 FURTHER SUBSCRIPTION OF SHARE CAPITAL

During the year, further shares of 3,859,431 right shares of Rs.10 each have been issued which increased the paid-up share capital to 47,134,258 numbers of shares of Rs.10 each.

6.7 CREDIT RATING

Positive performance has been observed in both the funds for the year ended 2015. Participant Takaful Fund and Shareholders' Fund have shown Rs 15 million and 7.7 million profit before tax respectively whilst our paid up capital has risen to 471.3 million.

Both the rating agencies of Pakistan, JCR-VIS Credit Rating Company Limited and Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed the Company's financial strength rating at 'A-' with stable outlook and 'A' with stable outlook respectively.

7. HUMAN RESOURCES DEPARTMENT

During the year 2015, Human Resources focused on strengthening our talent management and organizational development areas as these hold the key to maintaining a strong, performance-oriented culture in an industry that needs significant investment in developing quality human talent. Cultural focus areas include team work & collaboration, innovation and communication transparency.

Our recruitment strategy at the initial levels continues to induct fresh talent from renowned institutions of learning to foster new ideas and perspectives and molding this talent based on the company's core values. We feel this is the most effective strategy to overcome a dearth of suitably qualified and industry ready professionals.

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

Future plans include increased automation of processes through advanced information systems to ensure the function can increase its focus on employee and organizational development activities.

8. INFORMATION TECHNOLOGY

In order to better facilitate business users spread across the country and corporate sector partners via online portals, especially the banking sector, Pak-Qatar Takaful upgraded its existing server and network rooms taking their capacities to the next level. The important aspect of this project was the merging of two separate areas previously used for the networking and the server operations so that services could be rendered from one secured and a highly maintained place. The activity would result in seamless information technology services through this new data centre facility, providing an infrastructure which would be accommodating the existing operation of the company and their future growth requirements. Gradually this data centre facility would be upgraded to Tier-2 data center standards.

9. MARKETING HIGHLIGHTS

The company has taken cogent steps with aims to set new benchmarks not just locally in Pakistan, but steps that shall set new benchmarks in the Takaful industry by developing a sales support infrastructure like no other.

The company successfully launched a corporate documentary video on the media, which outlines the evolution of Takaful business, all over the world. The documentary narrates and aesthetically visualizes the inception of Takaful many centuries ago, and how it has evolved ever since. By launching the corporate documentary, the Company has visually elaborated on the importance and advantages of the Takaful concept, over the traditional insurance services.

10. AWARDS & ACCOLADES

We enhanced our outreach by establishing new branches and strengthening Alternate Delivery Channels, like never before. We were recognized as the "Best Takaful Operator in Pakistan" at the 10th International Takaful Summit 2016 held in London (prestigious Takaful gathering world over). It is a matter of great pride for the company to win award at international level endorsing us to be the best Takaful operator in the country. We firmly cemented our company's position as the Flag-bearer of Takaful in the country.

11. 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.

12. BOARD OF DIRECTORS

Sr No.	Name of Directors	Number of meetings attended
1	Sheikh Ali Bin Abdullah Al-Thani	5
2	Ali Abdullah Darwesh	2
3	Abdul Basit Al-Shaibei	2
4	Said Gul	6
5	Owais Ahmad Yousuf	4
6	Zahid Hussain Awan	6
7	Ali Ibrahim Al Abdul Ghani	3

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

In lieu of completion of tenure of existing directors in April 2016, fresh election of directors will be held in upcoming Annual General Meeting.

13. 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 2015, 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 2015 was Rs.36,813,611/-
- 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 purchase of 10,200 shares by Zahid Hussain Awan

14. 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.

15. AUDITORS

The present auditors, Deloitte Yousuf Adil, Chartered Accountants, retire and are eligible for reappointment. Based on the recommendation of the Audit Committee, the Board of Directors are proposing the Deloitte Yousuf Adil, Chartered Accountants, member firm of Deloitte Touche Tohmatsu Limited for the reappointment as auditors of the company for the year ending 31 December 2016.

16. APPOINTMENT OF CHIEF EXECUTIVE OFFICER

During the year, Mr. Said Gul relinquished the position of CEO. Consequent to this, BOD approved the appointment alongwith terms of appointment of Mr. Javed Muslim as CEO subject to approval from Securities and Exchange Commission of Pakistan (SECP) in pursuant to Insurance Companies (Sound & Prudent Management) Regulations, 2012. SECP granted the approval in this respect vide their letter dated November 17, 2015.

17. EARNINGS PER SHARE

The basic and diluted earnings per share of the Company were Rs. 0.06 (2014: Earnings per Share Rs. 0.42) per ordinary share of Rs. 10/- each.

18. PATTERN OF SHAREHOLDING

The pattern of shareholdings of the company is attached.

19. APPRECIATION

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

20. VOTE OF THANKS

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

21. CONCLUSION

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

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

JAVED MUSLIM
Chief Executive Officer

Doha: 07 April 2016

KEY FINANCIAL DATA

Rupees in Thousand

	FY15	FY14	FY13	FY12	FY11 Restated	FY10
Gross Contribution written *	701,709	1,002,402	1,028,986	549,209	330,472	217,182
Consolidated Revenue Account (PTF & SHF)						
Net Contribution Earned	373,518	506,242	426,432	165,903	91,317	87,425
Wakala Income	276,834	344,919	321,394	193,851	121,756	75,803
Net Claims including IBNR	(409,054)	(543,036)	(465,704)	(197,170)	(135,742)	(138,370)
Commission expense net off rebate	(9,428)	(20,289)	(19,482)	(8,241)	(491)	(1,820)
Investment Income	35,174	44,277	35,590	28,402	32,645	29,050
Management, General Admin. & Other Expense	(257,026)	(318,458)	(258,027)	(158,627)	(123,195)	(131,866)
Other Income/(loss)	3,198	2,783	954	32	(3)	183
Other provisions	9,666	2,589	(11,294)	(943)	2,066	(2,440)
Consolidate Profit/(Loss) before Tax	22,883	19,027	29,862	23,206	(11,648)	(82,035)
Taxation - Net	(4,945)	(13,642)	(7,279)	(11,817)	(2,689)	15,069
Consolidate Profit/(Loss) after Tax	17,938	5,385	22,583	11,389	(14,337)	(66,966)
Consolidated Balance Sheet (PTF & SHF)						
Investments	224,555	264,175	319,366	224,528	131,274	183,764
Cash & Bank Deposits	259,723	179,177	219,194	139,378	81,817	14,316
Deferred Tax Asset	-	-	6,775	10,760	21,579	22,889
Other Assets	378,176	629,807	463,279	224,985	164,796	100,567
Fixed Assets	42,675	42,262	46,879	44,808	48,619	53,836
Paid-up Capital	471,343	432,748	407,676	337,429	307,800	307,800
Advance against future issue of share capital	25,106	34	34	-	-	2,661
Accumulated surplus/(loss)	(91,859)	(109,797)	(115,182)	(137,765)	(149,154)	(134,817)
Other Reserves	333,854	546,761	565,326	322,479	218,374	150,385
Other Liabilities	166,685	245,674	197,641	122,316	71,065	49,344

* Decrease in current year Gross Contribution is mainly on account of curtailment in Health Segment, which resultantly effected other financial indicators in absolute amount and same fact has also been depicted in current year ratio analysis in comparison to preceeding years.

KEY FINANCIAL RATIOS

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011 Restated	FY 2010
Growth in:						
Gross Contribution written*	-30%	-3%	87%	66%	52%	26%
Net Contribution Earned	-26%	19%	157%	82%	4%	68%
Wakala Income	-20%	7%	66%	59%	61%	47%
Net Claims	-25%	17%	136%	45%	-2%	38%
Commission, Management & other Expenses	-21%	22%	66%	35%	-7%	50%
Investment Income	-21%	24%	25%	-13%	12%	-34%
Current Ratio (times)	1.80	1.43	1.36	1.34	1.32	1.54
Fixed assets turnover (times)	16.52	22.49	22.45	11.76	6.45	4.09
Gross Contribution per share (Rs.)	14.89	23.16	25.24	16.28	10.74	7.06
Earning per shares (Rs.) - SHF	0.06	0.43	0.82	0.56	0.28	(0.93)
Net Claim to Gross Contribution less Retakaful	74%	64%	54%	46%	56%	89%
Net Claim to Net Contribution Earned including Wakala	63%	64%	62%	55%	64%	85%
Management, Admin & other Expenses to Gross Contribution	37%	32%	25%	29%	37%	61%
Management, Admin & other Expenses to Wakala Fee	93%	92%	80%	82%	101%	174%
Commission Expense to Gross Contribution	1%	2%	2%	2%	0.1%	1%
Wakala income to Gross Contribution	39%	34%	31%	35%	37%	35%
Retakaful to Gross Contribution	21%	15%	17%	21%	27%	28%
REVENUE DISTRIBUTION (PTF)						
Claims (Including IBNR)	110%	107%	119%	119%	149%	158%
Other Reserve	-3%	-1%	1%	1%	-2%	3%
Direct expenses	1%	5%	3%	3%	2%	1%
Rebate commission	-9%	-8%	-16%	-16%	-21%	-15%
Net Investment income	-2%	-1%	-2%	-2%	-2%	-3%
Surplus / (Deficit)	4%	-3%	-4%	-4%	-25%	-44%
	100%	100%	100%	100%	100%	100%
REVENUE DISTRIBUTION (SHF)						
Commission expense	16%	18%	18%	18%	16%	20%
Management expenses	65%	57%	55%	55%	71%	122%
Modarib fee	-2%	-1%	-1%	-1%	-1%	-2%
Net investment income	-8%	-9%	-11%	-11%	-24%	-33%
General and admin expenses	27%	27%	24%	24%	29%	51%
Other (Loss) / Gain	-1%	-1%	0%	0%	0%	0%
Cede money	0%	0%	0%	0%	0%	0%
Taxation	2%	4%	6%	6%	2%	-20%
Profit / (Loss) after Taxation	1%	5%	10%	10%	7%	-38%
	100%	100%	100%	100%	100%	100%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2015

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 on the board occurred during the year.

4. The Company has prepared a 'Statement of Ethics and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout 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 included all the necessary aspects of internal control given in the Code.

9. Directors being seasoned bankers, insurance & investments professionals and experienced businessmen are aware of their responsibilities as directors. They are provided briefings on the changes in laws and regulations in Board meetings; however, no formal orientation course for the directors during the year was arranged.

10. There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer of the Company before approval of the Board.

13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed Underwriting, Claim Settlement and Re-takaful Committees.

16. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive directors including the Chairman of the Committee.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Audit Committee have been formed and advised to the Committee for compliance.

18. The Board has established an effective internal audit function. Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The actuary appointed by the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.

22. The Board ensures that the appointed actuary complied with the requirements set out for him in this Code.

23. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Javed Muslim
Chief Executive Officer

SHARIAH ADVISOR AUDIT REPORT TO THE BOARD OF DIRECTORS

for the year ended December 31, 2015

الحمد لله رب العلمين والصلاة والسلام على سيد الأنبياء والمرسلين

محمد النبى الأمى وعلى آلهٖ وصحابه أجمعين ، وبعد؛

We have examined the accompanying financial statements of **Pak-Qatar General Takaful Limited** (hereafter referred to as "the Company") for the year ended 31 December 2015.

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

The primary scope of Shariah Audit is to review the Company's compliance with Shariah Guidelines, and includes the examination of the appropriate evidence of transactions undertaken by the Company during the year 2015.

It is the responsibility of the Shariah Advisory Board to express its opinion on the submitted financial statements.

We have reviewed the affairs of the company with the assistance of five qualified Muftis of Shariah Compliance department in accordance with the principles of Shariah. 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 2015 were in accordance with guidelines issued by Shariah Advisory Board as well as the requirements of Takaful Rules 2012.

(ii) In the year 2015, more than 200 courses were held successfully across Pakistan regarding the awareness of Takaful. These courses proved beneficial and helped a lot in spreading the concept of Takaful to the masses. The efforts of the company are much appreciated in this regard.

(iii) The company performed its duties to its level best by following Shariah Guidelines. Few cases which were required to be consulted in accordance with the Shariah rules and market practice have been discussed and duly resolved.

(iv) Consequently, we have found that the Company is in accordance with the Shariah principles in all transactional aspects. Moreover, we also agree with the Accounting principles adopted for incorporation of Participant Takaful Fund (Waqf Fund) into the accompanying financial statements.

"And Allah Knows Best"

On behalf of Chairman of Shariah Advisory Board

Dr. Mufti Ismatullah
Shariah Advisor & Shariah Advisory Board Member

Dr. Mufti Muhammad Zubair Usmani
Shariah Advisory Board Member

KARACHI

Deloitte.

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

Tel : + 92 (0) 21 3454 6494-7
Fax : + 92 (0) 21 3454 1314

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

We have performed an independent assurance engagement (Shariah Compliance Audit) of **Pak Qatar General Takaful Limited** (the Company) to ensure that the Company has complied with the Takaful Rules 2012 and Shariah rules and principles prescribed by the Shariah Advisor/Board of the Company during the year ended **December 31, 2015.**

2. Management's Responsibility for Shariah Compliance

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

3. Our Responsibility

3.1 Our responsibility in connection with this engagement is to express an opinion, based on the procedures performed on a sample basis, whether these financial arrangements, contracts, products and transactions are in compliance with the requirements of the Shariah rules and principles as prescribed by the Company's Shariah Advisor/Board and the Takaful Rules, 2012.

3.2 The procedures selected by us for the engagement depend on our judgment, including the assessment of the risks of material non-compliance with the said Shariah rules and principles. In making those risk assessments, we consider such internal control procedures as are relevant to the Company's compliance with the Shariah rules and principles. Our engagement is, however, not intended for expressing opinion on the effectiveness of the Company's internal controls for purposes of compliance with the Shariah rules and principles.

3.3 We believe that the evidence we have obtained through performing our procedures on a sample basis are sufficient and appropriate to provide a basis for our opinion.

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

4. Framework for the Engagement

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

5. Our Opinion

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended December 31, 2015, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Advisor/Board and the Takaful Rules, 2012 in all material respects.

Deloitte Yousuf Adil

Chartered Accountants

Date: April 07, 2016
Karachi:

Deloitte.

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

Tel : + 92 (0) 21 3454 6494-7
Fax : + 92 (0) 21 3454 1314

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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2015.

Deloitte Yousuf Adil

KARACHI
Dated: 07 April 2016

Chartered Accountants

Deloitte.

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

Tel : + 92 (0) 21 3454 6494-7
Fax : + 92 (0) 21 3454 1314

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 contribution;
(vii) statement of claims;
(viii) statement of expenses; and
(ix) statement of investment income.

of **Pak-Qatar General Takaful Limited** ("the Company") as at December 31, 2015 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

a. proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b. the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984 and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

c. the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

Deloitte Yousuf Adil

Chartered Accountants
Engagement Partner: Mushtaq Ali Hirani

Date: 07 April 2016
Karachi

BALANCE SHEET

As at December 31, 2015

	Note	2015 Shareholders' Fund	2015 Participants' Takaful Fund	2015 Aggregate	2014 Aggregate
		(Rupees)			
SHARE CAPITAL AND RESERVES [SHAREHOLDERS' FUND (SHF)]					
Authorized share capital	8	**600,000,000**	**-**	**600,000,000**	600,000,000
Issued, subscribed and paid-up share capital	8	**471,342,580**	**-**	**471,342,580**	432,748,270
Qard-e-Hasna contributed to Participant's Takaful Fund		**(132,763,544)**	**-**	**(132,763,544)**	-
Unappropriated profit		**40,904,871**	**-**	**40,904,871**	38,063,486
		379,483,907	**-**	**379,483,907**	470,811,756
Advance against issue of share capital		**25,105,899**	**-**	**25,105,899**	-
WAQF / PARTICIPANTS' EQUITY [PARTICIPANTS' TAKAFUL FUND (PTF)]					
Cede money		**-**	**500,000**	**500,000**	500,000
Qard-e-hasna contributed by Shareholders' Fund		**-**	**132,763,544**	**132,763,544**	-
Accumulated deficit		**-**	**(132,763,544)**	**(132,763,544)**	(147,860,109)
		-	**500,000**	**500,000**	(147,360,109)
PTF UNDERWRITING PROVSIONS					
Reserve for claims - IBNR		**-**	**10,700,000**	**10,700,000**	14,379,687
Provision for outstanding claims	9	**-**	**102,277,728**	**102,277,728**	214,103,128
Reserve for unearned retakaful rebate		**-**	**15,171,617**	**15,171,617**	13,312,741
Reserve for unearned contributions		**-**	**203,239,216**	**203,239,216**	292,834,347
Contributions deficiency reserve		**-**	**1,965,278**	**1,965,278**	11,631,380
		-	**333,353,839**	**333,353,839**	546,261,283
DEFERRED TAX LIABILITY - NET	10	**1,717,680**	**-**	**1,717,680**	3,307,779
CREDITORS AND ACCRUALS					
Amount due to co-takaful / retakaful operators		**-**	**62,352,772**	**62,352,772**	70,780,340
Accrued expenses	11	**5,059,200**	**-**	**5,059,200**	5,099,788
Wakala and other account balances		**-**	**22,816,363**	**22,816,363**	57,430,677
Other creditors and accruals	12	**46,939,645**	**27,799,366**	**74,739,011**	109,089,040
		51,998,845	**112,968,501**	**164,967,346**	242,399,845
TOTAL EQUITY AND LIABILITIES		**458,306,331**	**446,822,340**	**905,128,671**	1,115,420,554
CONTINGENCIES AND COMMITMENTS	13				

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

Chairman	Chief Executive	Director	Director

BALANCE SHEET

As at December 31, 2015

	Note	2015 Shareholders' Fund	2015 Participants' Takaful Fund	2015 Aggregate	2014 Aggregate
		(Rupees)			
CASH AND BANK DEPOSITS	14				
Cash and other equivalents		475,799	708,353	1,184,152	1,026,193
Current and other accounts		80,889,159	53,149,201	134,038,360	115,650,848
Deposits maturing within 12 months		50,397,398	74,102,602	124,500,000	62,500,000
		131,762,356	127,960,156	259,722,512	179,177,041
INVESTMENTS	15	224,547,244	8,233	224,555,477	264,174,925
LONG-TERM SECURITY DEPOSITS		4,270,336	-	4,270,336	4,531,686
CURRENT ASSETS - OTHERS					
Contributions due but unpaid	16	-	231,014,181	231,014,181	378,363,658
Accrued investment income	17	985,049	2,873,168	3,858,217	4,781,896
Taxation - payment less provision		5,572,970	3,430,759	9,003,729	10,153,723
Retakaful and other recoveries in respect of outstanding claims		-	32,514,551	32,514,551	98,146,874
Deferred commission expense		17,320,155	-	17,320,155	25,986,461
Prepayments	18	3,895,245	46,387,505	50,282,750	46,599,200
Wakala and other account balances	19	22,816,363	-	22,816,363	57,430,677
Sundry receivables	20	4,461,920	2,633,787	7,095,707	3,812,623
		55,051,702	318,853,951	373,905,653	625,275,112
FIXED ASSETS	21				
Tangible					
Office improvements		6,987,323	-	6,987,323	7,040,892
Furniture and fixtures		4,658,387	-	4,658,387	5,480,455
Office equipment		7,071,591	-	7,071,591	5,473,137
Motor vehicles		6,016,209	-	6,016,209	4,072,061
Computer equipment		9,271,303	-	9,271,303	9,835,515
		34,004,813	-	34,004,813	31,902,060
Intangible					
Computer softwares		8,669,880	-	8,669,880	10,359,730
Total fixed assets		42,674,693	-	42,674,693	42,261,790
TOTAL ASSETS		458,306,331	446,822,340	905,128,671	1,115,420,554

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

Chairman	Chief Executive	Director	Director

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2015

	Note	Fire and property	Marine, aviation and transport	Motor	Health	Miscellaneous	2015 Aggregate	2014 Aggregate
		(Rupees)						
PTF REVENUE ACCOUNT								
Net contributions revenue		(7,382,247)	2,908,772	250,898,482	104,593,028	22,499,645	**373,517,680**	506,242,345
Net claims - reported/settled		(1,929,479)	(9,357,573)	(252,033,316)	(135,096,779)	(14,316,479)	**(412,733,626)**	(542,284,963)
- IBNR		300,000	200,000	(200,000)	3,679,687	(300,000)	**3,679,687**	(751,421)
		(1,629,479)	(9,157,573)	(252,233,316)	(131,417,092)	(14,616,479)	**(409,053,939)**	(543,036,384)
		(9,011,726)	(6,248,801)	(1,334,834)	(26,824,064)	7,883,166	**(35,536,259)**	(36,794,039)
Contributions deficiency (expense) / reversal		(1,106,789)	-	-	10,772,891	-	**9,666,102**	2,589,304
Direct expenses		(506,980)	(76,632)	(1,218,134)	-	(258,445)	**(2,060,191)**	(866,048)
Net retakaful rebate		22,586,532	6,272,674	19,765	-	5,624,450	**34,503,421**	41,262,410
Net underwriting results before investment income		11,961,037	(52,759)	(2,533,203)	(16,051,173)	13,249,171	**6,573,073**	6,191,627
Investment income							**14,294,738**	11,553,887
Less : Modarib's Share							**(5,717,899)**	(4,621,555)
Net investment income							**8,576,839**	6,932,332
Provision for doubtful contribution net of wakala	22						**(53,347)**	(26,264,659)
Other charges							**-**	(1,044)
Surplus / (deficit) transferred to participants' equity							**15,096,565**	(13,141,744)
SHF REVENUE ACCOUNT								
Wakala income		25,792,089	9,479,799	212,362,489	660,425	28,539,525	**276,834,327**	344,919,206
Commission expense		(14,733,561)	(4,024,243)	(10,773,089)	(6,852,560)	(7,547,895)	**(43,931,348)**	(61,551,527)
Management expenses	23	(21,997,037)	(8,085,832)	(132,397,258)	(1,125,295)	(15,740,796)	**(179,346,218)**	(197,451,949)
		(10,938,509)	(2,630,276)	69,192,142	(7,317,430)	5,250,834	**53,556,761**	85,915,730
Modarib share of PTF investment income							**5,717,899**	4,621,555
Net investment income							**20,879,622**	32,722,630
General and administrative expenses	24						**(75,566,237)**	(92,996,658)
Other income	25						**3,198,058**	2,783,798
Worker's welfare fund	11.1						**-**	(878,244)
Profit before taxation							**7,786,103**	32,168,811
Provision for taxation	26							
- current							**(3,547,364)**	(3,558,305)
- prior							**(2,987,453)**	-
- deferred							**1,590,099**	(10,083,287)
							(4,944,718)	(13,641,592)
Profit after taxation							**2,841,385**	18,527,219

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

Chairman	Chief Executive	Director	Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2015

	2015	2014
	(Rupees)	
SHAREHOLDERS' FUND (SHF)		
Profit after taxation	**2,841,385**	18,527,219
Other comprehensive income	**-**	-
Total comprehensive income for the year	**2,841,385**	18,527,219

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

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	2015	2014
	(Rupees)	
OPERATING CASH FLOWS		
(a) Takaful activities		
Contributions received	**847,403,966**	882,379,588
Claims paid	**(529,609,097)**	(639,449,887)
Payment to co/retakaful operators	**(84,454,652)**	(135,185,907)
Commission paid-net of rebate	**(6,975,497)**	(12,753,159)
Other takaful payments	**(2,060,192)**	(866,048)
Net cash inflow from takaful activities	**224,304,528**	94,124,587
(b) Other operating activities		
Income tax paid	**(5,384,823)**	(4,842,218)
General and other expenses paid	**(268,222,473)**	(252,443,988)
Advances and deposits	**(3,283,084)**	2,073,195
Long term security deposits	**261,350**	(495,239)
Net cash used in other operating activities	**(276,629,030)**	(255,708,250)
Total cash used in all operating activities	**(52,324,502)**	(161,583,663)
INVESTMENT ACTIVITIES		
Profit / return received	**36,098,039**	43,658,169
Payment for investments	**(238,955,552)**	(89,960,254)
Proceeds from disposal / redemption of investments	**211,575,000**	102,651,809
Receipts on disposal of fixed assets	**6,579,502**	8,646,676
Fixed capital expenditure	**(13,127,225)**	(11,001,907)
Total cash generated from investing activities	**2,169,764**	53,994,493
FINANCING ACTIVITIES		
Proceeds from issuance of share capital	**38,594,310**	25,072,080
Advance received against issuance of share capital	**25,105,899**	-
Total cash generated from financing activities	**63,700,209**	25,072,080
Net cash inflows / (outflows) from all activities	**13,545,471**	(82,517,090)
Cash at beginning of the year	**136,677,041**	219,194,131
Cash at end of the year	**150,222,512**	136,677,041

.... Continued ....

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	2015	2014
	(Rupees)	
Reconciliation to profit and loss account		
Operating cash flows	**(52,324,502)**	(161,583,663)
Depreciation and amortization expenses	**(9,066,822)**	(9,750,805)
Exchange loss	**(19,804)**	(40,348)
Gain on disposal of fixed assets	**2,932,001**	2,778,234
Provision for doubtful debts	**54,000**	(36,880,899)
Investment income	**35,174,360**	44,276,517
Increase in liabilities	**200,744,813**	22,958,076
(Increase) / decrease in assets	**(249,591,332)**	144,115,105
Increase in unearned contribution	**89,595,131**	8,312,632
Income tax paid	**5,384,823**	4,842,218
Profit before taxation	**22,882,668**	19,027,067
Surplus / (deficit) in participants' equity	**15,096,565**	(13,141,744)
Profit before tax attributable to shareholders	**7,786,103**	32,168,811
	22,882,668	19,027,067

Definition of cash

Cash comprises of cash in hand, policy stamps, cheques in hand, bank balances and deposits maturing within 3 months 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.

	2015	2014
	(Rupees)	
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents		
Cash in hand	**475,799**	632,371
Stamps in hand	**708,353**	393,822
	1,184,152	1,026,193
Current and other accounts		
Current accounts	**18,468,312**	32,443,251
Saving accounts	**115,570,048**	83,207,597
	134,038,360	115,650,848
Deposits maturing within 3 months (encashable on demand)	**15,000,000**	20,000,000
Cash for the purposes of the statement of cash flows	**150,222,512**	136,677,041
Deposits maturing after 3 months classified in investments	**109,500,000**	42,500,000
Cash and cash equivalents as per balance sheet	**259,722,512**	179,177,041

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

Chairman	Chief Executive	Director	Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	(SHF)			
	Issued, subscribed and paid-up capital	Qard-e- Hasna	Unappropriated profit	Total
	------------------------------------ (Rupees) ------------------------------------			
Balance at January 01, 2014	**407,676,190**	**-**	**19,536,267**	**427,212,457**
Total comprehensive income for the year ended December 31, 2014				
Profit for the year	-	-	18,527,219	18,527,219
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	18,527,219	18,527,219
Transactions with the owners				
Issue of right shares at Rs. 10 per share	25,072,080	-	-	25,072,080
Balance at December 31, 2014	**432,748,270**	**-**	**38,063,486**	**470,811,756**
Total comprehensive income for the year ended December 31, 2015				
Profit for the year	**-**	**-**	**2,841,385**	**2,841,385**
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	**-**	-	**2,841,385**	**2,841,385**
Transactions with the owners				
Issue of right shares at Rs. 10 per share	**38,594,310**	-	**-**	**38,594,310**
Qard-e-hasna contributed to Participants' Takaful Fund	**-**	**(132,763,544)**	**-**	**(132,763,544)**
Balance at December 31, 2015	**471,342,580**	**(132,763,544)**	**40,904,871**	**379,483,907**

	(PTF)			
	Cede money	Qard-e- Hasna	Accumulated deficit	Total
	------------------------------------ (Rupees) ------------------------------------			
Balance at January 01, 2014	**500,000**	**-**	**(134,718,365)**	**(134,218,365)**
Deficit for the year ended December 31, 2014	-	-	(13,141,744)	(13,141,744)
Balance at December 31, 2014	**500,000**	**-**	**(147,860,109)**	**(147,360,109)**
Surplus for the year ended December 31, 2015	-	-	15,096,565	15,096,565
Qard-e-hasna contributed by Shareholders' Fund	-	132,763,544	-	132,763,544
Balance at December 31, 2015	**500,000**	**132,763,544**	**(132,763,544)**	**500,000**

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

Chairman	Chief Executive	Director	Director

STATEMENT OF CONTRIBUTIONS

For the year ended December 31, 2015

Takaful business underwritten inside Pakistan

	contri-butions written	Wakala Fee	Net contri-butions	Unearned contribution reserve Opening	Unearned contribution reserve Closing	Contri-butions earned	Retakaful ceded	Prepaid retakaful ceded Opening	Prepaid retakaful ceded Closing	Retakaful expense	2015 Net Contri-bution revenue	2014 Net Contri-bution revenue
	(Rupees)											
Direct and facultative												
Fire and property	86,065,536	25,792,089	60,273,447	31,572,747	29,935,459	61,910,735	69,657,068	33,075,041	33,439,127	69,292,982	**(7,382,247)**	(5,743,809)
Marine, aviation and transport	31,636,602	9,479,799	22,156,803	1,602,591	1,550,155	22,209,239	19,184,030	1,500,732	1,384,295	19,300,467	**2,908,772**	436,625
Motor	518,017,018	212,362,489	305,654,529	126,538,584	145,352,742	286,840,371	35,925,449	16,440	-	35,941,889	**250,898,482**	245,867,202
Health	4,402,827	660,425	3,742,402	104,248,804	3,398,178	104,593,028	-	-	-	-	**104,593,028**	252,942,351
Miscellaneous	61,587,390	28,539,525	33,047,863	28,871,621	23,002,682	38,916,802	21,942,931	6,038,309	11,564,083	16,417,157	**22,499,645**	12,739,976
Total	701,709,373	276,834,327	424,875,044	292,834,347	203,239,216	514,470,175	146,709,478	40,630,522	46,387,505	140,952,495	**373,517,680**	506,242,345
Treaty												
Proportional / Non-proportional	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	701,709,373	276,834,327	424,875,044	292,834,347	203,239,216	514,470,175	146,709,478	40,630,522	46,387,505	140,952,495	**373,517,680**	506,242,345

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

Chairman　　Chief Executive　　Director　　Director

STATEMENT OF CLAIMS

For the year ended December 31, 2015

Takaful business underwritten inside Pakistan

	Claims Paid	Provision for outstanding claims Opening	Provision for outstanding claims Closing	Claims expense	Retakaful and other recoveries received	Retakaful and other recoveries in respect of outstanding claims Opening	Retakaful and other recoveries in respect of outstanding claims Closing	Retakaful and other recoveries revenue	2015 Net claims expense	2014 Net claims expense
	(Rupees)									
Direct and facultative										
Fire and property	12,315,734	60,289,535	17,971,444	(30,002,357)	10,324,635	53,905,093	11,648,622	(31,931,836)	**1,929,479**	5,977,737
Marine, aviation and transport	30,598,931	10,525,685	4,696,313	24,769,559	20,249,798	7,478,100	2,640,288	15,411,986	**9,357,573**	2,889,372
Motor	323,184,209	102,595,183	46,185,715	266,774,741	34,534,991	26,762,137	6,968,571	14,741,425	**252,033,316**	243,184,589
Health	145,172,292	15,419,899	5,344,386	135,096,779	-	-	-	-	**135,096,779**	280,712,537
Miscellaneous	18,337,931	25,272,826	28,079,870	21,144,975	5,572,970	10,001,544	11,257,070	6,828,496	**14,316,479**	9,520,728
Total	529,609,097	214,103,128	102,277,728	417,783,697	70,682,394	98,146,874	32,514,551	5,050,071	**412,733,626**	542,284,963
Treaty										
Proportional / Non-proportional	-	-	-	-	-	-	-	-	**-**	-
Grand Total	529,609,097	214,103,128	102,277,728	417,783,697	70,682,394	98,146,874	32,514,551	5,050,071	**412,733,626**	542,284,963

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

Chairman	Chief Executive	Director	Director

STATEMENT OF EXPENSES

For the year ended December 31, 2015

Takaful business underwritten inside Pakistan

	Commission paid or payable	Deferred Commission Opening	Deferred Commission Closing	Net commission expense	Direct expenses	Takaful expense	Rebate from retakaful operators	2015 Net takaful expense	2014 Net takaful expense
	(Rupees)								
Direct and facultative									
Fire and property	15,365,130	7,430,732	8,062,301	14,733,561	506,980	15,240,541	22,586,532	**(7,345,991)**	(6,505,422)
Marine, aviation and transport	4,018,678	340,372	334,807	4,024,243	76,632	4,100,875	6,272,674	**(2,171,799)**	(3,199,074)
Motor	10,404,410	5,781,590	5,412,911	10,773,089	1,218,134	11,991,223	19,765	**11,971,458**	14,721,257
Health	(317,079)	7,324,160	154,521	6,852,560	-	6,852,560	-	**6,852,560**	12,361,724
Miscellaneous	5,793,903	5,109,607	3,355,615	7,547,895	258,445	7,806,340	5,624,450	**2,181,890**	3,776,680
	35,265,042	25,986,461	17,320,155	43,931,348	2,060,191	45,991,539	34,503,421	**11,488,118**	21,155,165
Treaty									
Proportional / Non-proportional	-	-	-	-	-	-	-	**-**	-
Grand Total	35,265,042	25,986,461	17,320,155	43,931,348	2,060,191	45,991,539	34,503,421	**11,488,118**	21,155,165

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

Chairman | Chief Executive | Director | Director

STATEMENT OF INVESTMENT INCOME

For the year ended December 31, 2015

	2015	2014
	(Rupees)	
Income from non-trading investments		
Available-for-sale		
SHF		
Return on bank balances and deposits	**3,961,113**	9,465,466
Gain on sale of investments	**4,056,928**	771,418
Dividend income	**173,792**	-
Return on Government securities	**10,415,486**	20,102,508
Return on other securities	**2,272,303**	2,383,238
	12,687,789	22,485,746
Net investment income	**20,879,622**	32,722,630
PTF		
Return on bank balances and deposits	**8,219,224**	4,011,283
Return on Government securities	**6,067,088**	6,032,137
Gain on sale of investments	**8,426**	1,510,467
	14,294,738	11,553,887
Less: Modarib's fee	**(5,717,899)**	(4,621,555)
Net investment income	**8,576,839**	6,932,332

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

Chairman	Chief Executive	Director	Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. CORPORATE INFORMATION

Pak-Qatar General Takaful Limited (the Company) was incorporated in Pakistan as an unquoted public company limited by shares on March 15, 2006 under the Companies Ordinance, 1984. The Company received Certificate of Registration on August 16, 2007 under Section 6 of the Insurance Ordinance, 2000. The registered office of the Company is situated at Suite # 402-403, Business Arcade, Block 6, P.E.C.H.S., Sharae Faisal, Karachi. The main activity of the Company is to undertake general takaful business. The Company operates with 13 (2014: 13) branches in Pakistan.

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

During the year, the Company curtailed its health takaful business and accordingly its exposure in the said segment has been decreased.

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 Advisor of the Company.

As required by the Takaful Rules, 2012 these financial statements reflect the financial position and results of operations of both SHF and PTF in manner that the assets, liabilities, income and expenses of the Company and the PTF remains separately identifiable.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), as are notified under the Companies Ordinance, 1984, and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), the requirements of Companies Ordinance , 1984, the Insurance Ordinance 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 and directives issued by the SECP. Wherever the requirements of Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 and directives issued by the SECP differ with the requirement of IFRS/IFAS, the requirements of Companies Ordinance, 1984, the Insurance Ordinance 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 or said directives shall prevail.

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

4. BASIS OF MEASURMENT

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

5. ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

5.1 Accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2015

The following standards, amendments and interpretations and annual improvements to existing IFRS are effective for the year ended December 31, 2015. 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 additional disclosures in certain cases.

	Effective from accounting period beginning on or after
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the dates 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 IFRS 11 - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 - Disclosure initiative	January 01, 2016
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 01, 2016
Amendments to IAS 27 - Equity method in separate financial statements	January 01, 2016
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation exception	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs that are applicable on dates mentioned in their respective IFRSs.

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 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 31 December 2014 except for the change explained in note 6.1. Significant accounting policies are enumerated as follows:

6.1 Fair value measurement

During the year the Company has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after January 01, 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments Disclosures. As a result, the Company has included the additional disclosure in this regard in note 29.10 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The application of IFRS 13 does not have any significant impact on the financial statements of the Company except for these additional disclosures.

6.2 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.

6.3 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.

6.4 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.

6.5 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.

6.6 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.

6.7 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.

6.8 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 net of retakaful claim ratios against net contribution earned gross up of wakala for the unexpired periods of policies in force at balance sheet date for each class of business is disclosed in note 29.1

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.

6.9 Appropriations

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

6.10 Creditors, accruals and provisions

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

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow 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.

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

Subsequent measurement

Held to maturity

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

Available-for-sale

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

Fair / market value measurement

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

Date of recognition

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

6.12 Retakaful contracts

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

6.13 Retakaful recoveries against outstanding claims

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

6.14 Rebate from retakaful

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

6.15 Prepaid retakaful

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

6.16 Amount due to / from retakaful operators

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

6.17 Fixed assets and depreciation

Tangible

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

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

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

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

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

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is 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 21.2 to the financial statements after taking into account residual value, if any. However, ERP software is amortized on straight line method.

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

Capital work-in-progress

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

Impairment

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

6.18 Financial instruments

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

6.19 Off setting

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

6.20 Revenue recognition

PTF

- Contribution income under a policy is recognised over the period of takaful net off wakala fee. Administrative surcharge recovered from insurer is recognised as part of contribution in the case of co-takaful outward policies on upfront 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 charge 30% (2014: 30%) for fire and property, 30% (2014: 30%) for marine, 60% (2014: 60%) for cash withdrawal, 45% (2014: 45%) for miscellaneous, 41% (2014: 45%) for motor, 15% (2014: 15%) for health and 30% (2014: 30%) for engineering, of the gross contribution written net of administrative surcharge on co-takaful inward as wakala fee against the services. It is recognized upfront on the issue of takaful policy.

- The Takaful Operator also manages the participants' investment as Modarib and charges 40% (2014: 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 taxability of certain income streams of the company under final tax regime at the applicable tax rates and the remaining income streams chargeable at current rate of taxation under the normal tax regime and / or minimum tax liability at one percent of turnover, whichever is applicable, after taking into account tax credits and rebates available.

Deferred

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

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

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

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

6.22 Ijarah

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

6.23 Commission

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

6.24 Staff retirement benefits

Defined contribution plan

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

6.25 Other management expenses

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

6.26 Foreign currency transaction

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

6.27 Business segment

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

The Company’s operating businesses are recognised and managed separately according to the nature of services provided with each segment representing a strategic business unit that serves different markets. All the company's business segment operate in Pakistan only. The nature and business activities of these segments are disclosed in note 6.2

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.

6.30 Cash and cash equivalents

Cash and cash equivalents consist of cash, cheque and stamps in hand, balances with banks, short term deposits maturing within twelve months of the year end and 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	6.4
Reserve for claims - IBNR	6.5
Contribution deficiency reserve	6.8
Classification of investments	6.11
Useful lives of assets and method of depreciation and amortization	6.17
Provision for taxation - current and deferred	6.21
Allocation of management expenses	6.25

8. SHARE CAPITAL

8.1 Authorised

Number of shares			2015	2014
2015	2014		(Rupees)	
60,000,000	60,000,000	Ordinary share of Rs. 10 /- each	**600,000,000**	600,000,000

8.2 Issued, subscribed and paid-up

Number of shares			2015	2014
2015	2014		(Rupees)	
47,134,258	43,274,827	Ordinary share of Rs. 10 /- each fully paid in cash	**471,342,580**	432,748,270

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

	2015	2014
	Number of Shares	
At beginning of the year	**43,274,827**	40,767,619
Add : Issued during the year as right shares	**3,859,431**	2,507,208
At end of the year	**47,134,258**	43,274,827

8.4 Major share holders of the Company are:

	2015		2014	
	Ordinary shares of Rs. 10 each	Percentage of holding	Ordinary shares of Rs. 10 each	Percentage of holding
Masraf Al Rayan	6,000,000	12.73	6,000,000	13.86
Qatar International Islamic Bank	6,663,600	14.14	5,413,458	12.51
Sheikh Ali Bin Abdullah	6,937,102	14.72	5,409,102	12.5
Qatar Islamic Insurance Co.	5,355,803	11.36	4,274,514	9.88
Said Gul & Spouse	4,278,798	9.08	4,278,798	9.89
Fawad Yousuf Securities (Private) Limited	3,077,999	6.53	3,077,999	7.11

	2015	2014
	(Rupees)	
9. PROVISION FOR OUTSTANDING CLAIMS		
Related parties	**1,172,082**	1,070,000
Others	**101,105,646**	213,033,128
	102,277,728	214,103,128
10. DEFERRED TAX LIABILTY - NET		
Deductible temporary difference arising in respect of		
Minimum tax on turnover	**(1,951,876)**	-
Taxable temporary difference arising in respect of		
Accelerated depreciation	**3,669,556**	3,307,779
	1,717,680	3,307,779

10.1 Reconciliation of deferred tax

	Balance at January 01, 2014	Recognized in profit and loss	Balance at December 31, 2014	Recognized in profit and loss	Balance at December 31, 2015
Deductible temporary difference arising in respect of					
Available tax losses	(3,967,393)	3,967,393	-	-	-
Minimum turnover taxes	(6,934,039)	6,934,039	-	(1,951,876)	(1,951,876)
Taxable temporary difference arising in respect of	4,125,924	(818,145)	3,307,779	361,777	3,669,556
Accelerated depreciation allowance					
	(6,775,508)	**10,083,287**	**3,307,779**	**(1,590,099)**	**1,717,680**

	Note	2015	2014
		(Rupees)	

11. ACCRUED EXPENSES

	Note	2015	2014
Workers' welfare fund	11.1	**2,559,502**	2,559,502
Rent, rates and electricity		**518,000**	533,000
Communication		**397,498**	400,500
Vehicles running and maintenance		**400,000**	400,000
Auditors' remuneration		**700,000**	722,000
Consultancy		**419,200**	422,786
Printing and stationery		**65,000**	62,000
		5,059,200	5,099,788

11.1 WORKERS' WELFARE FUND

On June 04, 2015, the Provincial Assembly of Sindh promulgated Sindh Worker's Welfare Fund Act, 2014 (the Act). By virtue of Section 20 of the said Act, the provisions of Workers' Welfare Ordinance, 1971 are repealed in their application to the province of Sindh, and therefore, no more applicable to the Company. The definition of Industrial Undertaking in the new Act includes any concerned in Banking or Financial Institution except State Bank of Pakistan. The management, based on opinion of their tax advisors, believes that the Company does not fall under the definition of Industrial Undertaking and as such the Act is not applicable to it. Accordingly, no further provision for Workers' Welfare Fund has been made in these financial statements.

12. OTHER CREDITORS AND ACCRUALS

	2015			2014		
	SHF	PTF	Total	SHF	PTF	Total
	(Rupees)					
Commission	**35,958,301**	**-**	**35,958,301**	44,031,053	-	44,031,053
Trakker charges	**-**	**25,841,757**	**25,841,757**	-	32,033,503	32,033,503
Sales tax	**-**	**-**	**-**	-	15,885,507	15,885,507
Accrued salaries	**7,999,221**	**-**	**7,999,221**	10,401,713	-	10,401,713
Advance contribution	**-**	**-**	**-**	-	1,708,882	1,708,882
Stale cheques	**1,044,561**	**1,196,517**	**2,241,078**	484,927	924,489	1,409,416
Car ijarah	**199,119**	**-**	**199,119**	320,577	-	320,577
Charity	**473**	**-**	**473**	143,147	-	143,147
EOBI	**95,520**	**-**	**95,520**	90,240	-	90,240
Other	**1,642,450**	**761,092**	**2,403,542**	2,293,644	771,358	3,065,002
	46,939,645	**27,799,366**	**74,739,011**	57,765,301	51,323,739	109,089,040

13. CONTINGENCIES AND COMMITMENTS

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

13.2 In 2015, the Additional Commissioner Inland Revenue (ACIR) issued an order under Section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) and raised demand of Rs. 31,009,647 by making certain disallowances. The Company has obtained stay order against recovery of tax demand from the Sindh High Court and filed appeal against the said Order before the Commissioner Inland Revenue (Appeals) which is pending adjudication. Based on the opinion of the tax advisors of the Company, the management is confident that the matter will ultimately be decided in its favor and accordingly no provision is required to be made in these financial statements.

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

	2015	2014
	(Rupees)	
Not later than one year	**2,183,640**	3,794,065
Later than one year but not later than five years	**1,995,387**	6,399,362
	4,179,027	10,193,427

14. CASH AND BANK DEPOSITS

	Note	2015 SHF	2015 PTF	2015 Total	2014 SHF	2014 PTF	2014 Total
		(Rupees)					
Cash and other equivalents							
Cash in hand		**475,799**	**-**	**475,799**	632,371	-	632,371
Stamps in hand		**-**	**708,353**	**708,353**	-	393,822	393,822
		475,799	**708,353**	**1,184,152**	632,371	393,822	1,026,193
Current and other accounts							
- Current accounts		**1,762,501**	**16,705,811**	**18,468,312**	126,136	32,317,115	32,443,251
- Saving accounts	14.1	**79,126,658**	**36,443,390**	**115,570,048**	57,994,044	25,213,553	83,207,597
		80,889,159	**53,149,201**	**134,038,360**	58,120,180	57,530,668	115,650,848
Deposit maturing within twelve months	14.2	**50,397,398**	**74,102,602**	**124,500,000**	62,500,000	-	62,500,000
		131,762,356	**127,960,156**	**259,722,512**	121,252,551	57,924,490	179,177,041

14.1 These carry profit ranging from 2.00% to 6.73% (2014: 4.50% to 7.04%) per annum.

14.2 It carries profit at the rate of 6.2% to 10% (2014: 10%) per annum.

15. INVESTMENTS

	Note	2015 SHF	2015 PTF	2015 Total	2014 SHF	2014 PTF	2014 Total
		(Rupees)					
Available for sale							
Sukuk certificates	15.1	**131,450,000**	**-**	**131,450,000**	246,075,000	-	246,075,000
Mutual funds units	15.2	**93,097,244**	**8,233**	**93,105,477**	18,099,925	-	18,099,925
		224,547,244	**8,233**	**224,555,477**	264,174,925	-	264,174,925

15.1 Details of investments in sukuk certificates

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

Number of certificates 2015	Number of certificates 2014	Investment in Sukuk Certificates	Profit rate	2015 SHF	2015 PTF	2015 Total	2014 SHF	2014 PTF	2014 Total
				---(Rupees)---					
3,000	3,000	WAPDA 2nd Sukuk certificates (Face value of Rs. 1,667 each)	6 month Kibor minus 0.25%	**5,000,000**	**-**	**5,000,000**	7,500,000	-	7,500,000
-	-	Government of Pakistan Ijarah Sukuk - IX	6 month Treasury bills	**-**	**-**	**-**	60,075,000	-	60,075,000
-	-	Government of Pakistan Ijarah Sukuk - X	6 month Treasury bills	**-**	**-**	**-**	67,000,000	-	67,000,000
-	-	Government of Pakistan Ijarah Sukuk - XI	6 month Treasury bills	**-**	**-**	**-**	17,000,000	-	17,000,000
-	-	Government of Pakistan Ijarah Sukuk - XII *	6 month Treasury bills	**45,000,000**	**-**	**45,000,000**	65,000,000	-	65,000,000
-	-	Government of Pakistan Ijarah Sukuk - XIII *	6 month Treasury bills minus 0.25%	**5,000,000**	**-**	**5,000,000**	7,500,000	-	7,500,000
-	-	Government of Pakistan Ijarah Sukuk - XV	6 month Treasury bills minus 2%	**54,450,000**	**-**	**54,450,000**	-	-	-
1,320	1,320	K-Electric AZM - 2 (Face value of Rs. 5,000 each)	3 month Kibor plus 2.25%	**6,600,000**	**-**	**6,600,000**	6,600,000	-	6,600,000
3,080	3,080	K-Electric AZM - 3 (Face value of Rs. 5,000 each)	3 month Kibor plus 2.75%	**15,400,000**	**-**	**15,400,000**	15,400,000	-	15,400,000
				131,450,000	**-**	**131,450,000**	246,075,000	-	246,075,000

15.1.1 GOP Ijara – XII and GOP Ijara – XIII Sukuk certificates amounting to Rs. 45,000,000/- and Rs. 5,000,000/- (2014 GoP XII: Rs. 45,000,000 and GoP XIII: Rs. 2,000,000) are held under lien with the State Bank of Pakistan in compliance with the requirements of Section 29 of the Insurance Ordinance, 2000.

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

* GOP Ijara - XII and GOP Ijara - XIII sukuks, held under lien with the SBP, were matured in November 2015. However, redemption proceeds have been realised directly by SBP and the same was released to the Company subsequent to the year ended December 31, 2015.

15.2 Details of investments in mutual funds units

2015 Number of units	2014 Number of units	Investment in Mutual Funds Units	2015 SHF	2015 PTF	2015 Total	2014 SHF	2014 PTF	2014 Total
			---(Rupees)---					
23,255	-	Al Ameen Islamic Sovereign Fund (face value of Rs. 100 each)	**2,390,381**	**-**	**2,390,381**	-	-	-
101,737	31,038	Al Ameen Shariah Stock Fund (face value of Rs. 100 each)	**11,601,773**	**-**	**11,601,773**	3,000,000	-	3,000,000
148,699	-	Meezan Cash Fund (face value of Rs. 50 each)	**7,543,730**	**-**	**7,543,730**	-	-	-
415,605	-	Meezan Islamic Income Fund (face value of Rs. 50 each)	**21,200,000**	**-**	**21,200,000**	-	-	-
104,961	24,596	Meezan Islamic Fund (face value of Rs. 50 each)	**6,437,417**	**-**	**6,437,417**	1,099,925	-	1,099,925
116,342	-	Meezan Sovereign Fund (face value of Rs. 50 each)	**6,036,918**	**8,233**	**6,045,151**	-	-	-
2,369,450	1,464,175	NAFA Islamic Aggressive Income Fund (face value of Rs. 10 each)	**23,286,241**	**-**	**23,286,241**	14,000,000	-	14,000,000
1,466,163	-	NAFA Islamic Stock Fund (face value of Rs. 10 each)	**14,600,784**	**-**	**14,600,784**	-	-	-
			93,097,244	**8,233**	**93,105,477**	18,099,925	-	18,099,925

15.3 Market value of investment

	2015 SHF	2015 PTF	2015 Total	2014 SHF	2014 PTF	2014 Total
	---(Rupees)---					
Available-for-sale						
- Sukuks	**132,463,270**	**-**	**132,463,270**	247,164,082	-	247,164,082
- Mutual fund units	**95,623,288**	**8,234**	**95,631,522**	19,121,595	-	19,121,595
	228,086,558	**8,234**	**228,094,792**	266,285,677	-	266,285,677

	Note	2015	2014
		(Rupees)	
16. CONTRIBUTION DUE BUT UNPAID			
Considered good			
Related party		**611,210**	346,531
Others		**230,402,971**	378,017,127
Considered doubtful		**52,628,642**	52,682,642
		283,642,823	431,046,300
Less: Provision for doubtful balances	16.1	**(52,628,642)**	(52,682,642)
		231,014,181	378,363,658
16.1 Provision for doubtful balances			
At beginning of the year		**52,682,642**	15,801,743
Provision made during the year		**3,355,849**	36,880,899
Reversal made during the year		**(3,409,849)**	-
	22	**(54,000)**	36,880,899
At end of the year		**52,628,642**	52,682,642
17. ACCRUED INVESTMENT INCOME			
Shareholder Fund		**985,049**	4,657,769
Participants' Takaful Fund		**2,873,168**	124,127
		3,858,217	4,781,896

	Note	2015			2014		
		SHF	PTF	Total	SHF	PTF	Total
		(Rupees)					
18. PREPAYMENTS							
Prepaid retakaful ceded		**-**	**46,387,505**	**46,387,505**	-	40,630,522	40,630,522
Prepaid rent		**816,966**	**-**	**816,966**	1,931,712	-	1,931,712
Prepayment – services contract		**1,405,092**	**-**	**1,405,092**	1,363,767	-	1,363,767
Prepaid takaful contribution	18.1	**1,673,187**	**-**	**1,673,187**	2,673,199	-	2,673,199
		3,895,245	**46,387,505**	**50,282,750**	5,968,678	40,630,522	46,599,200

18.1 This includes prepaid contribution to a related party of Rs. 1,489,571 (2014 : Rs. 2,485,627).

19. WAKALA AND OTHER ACCOUNT BALANCES

	Note	2015	2014
		(Rupees)	
Wakala fee receivable		**38,435,229**	70,948,786
Modarib fee receivable		**-**	2,208,104
		38,435,229	73,156,890
Considered good		**22,816,363**	57,430,677
Considered doubtful		**15,618,866**	15,726,213
		38,435,229	73,156,890
Less: provision for doubtful wakala	19.1	**(15,618,866)**	(15,726,213)
		22,816,363	57,430,677

19.1 Provision for doubtful balances

	Note	2015	2014
At beginning of the year		**15,726,213**	5,109,973
Provision made during the year		**981,873**	10,616,240
Reversal made during the year		**(1,089,220)**	-
	22	**(107,347)**	10,616,240
At end of the year		**15,618,866**	15,726,213

20. SUNDRY RECEIVABLES - Considered good

	2015			2014		
	SHF	PTF	Total	SHF	PTF	Total
	(Rupees)					
Security deposits	**865,950**	**254,523**	**1,120,473**	860,950	254,523	1,115,473
Advance to employees	**1,767,370**	**-**	**1,767,370**	401,299	-	401,299
Tender deposit	**1,569,486**	**-**	**1,569,486**	556,003	-	556,003
Sales tax	**-**	**1,542,336**	**1,542,336**	-	-	-
Others	**259,114**	**836,928**	**1,096,042**	1,370,777	369,071	1,739,848
	4,461,920	**2,633,787**	**7,095,707**	3,189,029	623,594	3,812,623

21. FIXED ASSETS

	Note	2015	2014
		(Rupees)	
Tangible	21.1	**34,004,813**	31,902,060
Intangible	21.2	**8,669,880**	10,359,730
		42,674,693	42,261,790

21.1. Tangible

2015

Particulars	Cost			Accumulated depreciation			Carrying value at December 31, 2015	Depreciation Rates (%)
	As at January 01, 2015	Addition / (disposals)	As at December 31, 2015	As at January 01, 2015	For the year / (adjustment for disposals)	As at December 31, 2015		
	(Rupees)							
Office improvements	13,243,467	1,104,650	14,348,117	6,202,575	1,158,219	7,360,794	6,987,323	15
Furniture and fixtures	8,589,814	-	8,589,814	3,109,359	822,068	3,931,427	4,658,387	15
Office equipment	10,229,742	2,497,235	12,726,977	4,756,605	898,781	5,655,386	7,071,591	15
Motor vehicles	15,285,029	6,798,260 (8,078,571)	14,004,718	11,212,968	1,206,611 (4,431,070)	7,988,509	6,016,209	20
Computer equipment	24,497,152	2,659,167	27,156,319	14,661,637	3,223,379	17,885,016	9,271,303	30
	71,845,204	**13,059,312 (8,078,571)**	**76,825,945**	**39,943,144**	**7,309,058 (4,431,070)**	**42,821,132**	**34,004,813**	

2014

Particulars	Cost			Accumulated depreciation			Carrying value at December 31, 2014	Depreciation Rates (%)
	As at January 01, 2014	Addition / (disposals) reclassification*	As at December 31, 2014	As at January 01, 2014	For the year / (adjustment for disposals) reclassification*	As at December 31, 2014		
	(Rupees)							
Office improvements	-	13,243,467 *	13,243,467	-	6,202,575 *	6,202,575	7,040,892	15
Furniture and fixtures	18,954,639	2,878,642 (13,243,467)*	8,589,814	7,469,977	1,841,957 (6,202,575)*	3,109,359	5,480,455	15
Office equipment	9,737,133	520,109 (27,500)	10,229,742	3,844,394	925,119 (12,908)	4,756,605	5,473,137	15
Motor vehicles	19,566,642	4,380,070 (8,661,683)	15,285,029	12,889,116	1,181,766 (2,857,914)	11,212,968	4,072,061	20
Computer equipment	21,730,816	2,912,136 (145,800)	24,497,152	10,960,564	3,796,792 (95,719)	14,661,637	9,835,515	30
	69,989,230	10,690,957 (8,834,983)	71,845,204	35,164,051	7,745,634 (2,966,541)	39,943,144	31,902,060	

21.2 Intangible

2015

Particulars	Cost			Accumulated amortisation			Carrying value at December 31, 2015	Amortization Rates (%)
	As at January 01, 2015	Addition	As at December 31, 2015	As at January 01, 2015	For the year	As at December 31, 2015		
	(Rupees)							
Computer softwares	**24,408,975**	**67,914**	**24,476,889**	**14,049,245**	**1,757,764**	**15,807,009**	**8,669,880**	**10-20**

2014

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

	Note	2015	2014
		———(Rupees)———	
21.3 The depreciation charge for the year has been allocated as follow:			
Management expenses	23	**5,116,341**	5,421,944
General and administrative expenses	24	**2,192,717**	2,323,690
		7,309,058	7,745,634
21.4 The amortisation charge for the year has been allocated as follow:			
Management expenses	23	**1,230,435**	1,403,620
General and administrative expenses	24	**527,329**	601,550
		1,757,764	2,005,170

22. PROVISION FOR DOUBTFUL CONTRIBUTION NET OF WAKALA FEE

	Note	2015	2014
Provision for doubtful contribution	16.1	**(54,000)**	36,880,899
Less: Provision for refund of wakala fee	19.1	**107,347**	(10,616,240)
		53,347	26,264,659

23. MANAGEMENT EXPENSES

	Note	2015	2014
Salaries, allowances and other benefits	23.1	**114,888,351**	122,825,020
Shariah advisors' fee		**2,121,080**	1,696,466
Consultancy fee		**2,665,700**	3,567,014
Rent, rates and taxes		**12,315,106**	14,690,118
Utilities		**4,147,571**	4,074,630
Communication		**4,623,151**	4,774,164
Printing and stationery		**3,805,272**	4,797,409
Traveling and entertainment		**4,124,671**	6,141,329
Depreciation	21.3	**5,116,341**	5,421,944
Amortisation	21.4	**1,230,435**	1,403,620
Repairs and maintenance		**1,104,632**	1,278,430
Vehicles running		**5,910,409**	7,094,374
Car ijarah		**2,417,032**	3,871,382
Advertisement and sales promotion		**1,754,687**	3,079,962
Legal and professional		**3,069,548**	1,592,375
Takaful contribution		**3,808,867**	3,292,388
Training		**44,100**	170,848
Fees and subscription		**2,008,396**	1,486,599
Bank charges and brokerage		**10,527**	183,457
Office expenses		**318,159**	201,468
Conference and seminar		**120,750**	370,913
Janitorial services		**337,022**	303,613
Staff welfare		**456,189**	746,986
Computer expenses		**2,035,571**	2,181,778
Actuarial services		**750,000**	950,000
Others		**162,651**	1,255,662
		179,346,218	197,451,949

23.1 It includes staff retirement benefits amounting to Rs. 4,704,510/- (2014: Rs. 4,689,016/-)

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2015	2014
		(Rupees)	
Salaries, allowances and other benefits	24.1	**49,237,865**	52,639,294
Shariah advisors' fee		**909,034**	727,057
Rent, rates and taxes		**5,277,902**	6,295,765
Communication		**1,981,351**	2,046,070
Printing and stationery		**1,630,831**	2,056,033
Traveling and entertainment		**1,767,716**	2,631,998
Depreciation	21.3	**2,192,717**	2,323,690
Amortisation	21.4	**527,329**	601,550
Repairs and maintenance		**473,414**	547,898
Vehicles running		**2,533,032**	3,040,446
Car ijarah		**1,035,871**	1,659,164
Legal and professional		**1,315,521**	682,447
Takaful contribution		**1,632,371**	1,411,023
Training		**18,900**	73,221
Fees and subscription		**860,741**	637,114
Bank charges and brokerage		**4,512**	78,625
Auditors' remuneration	24.2	**1,026,800**	1,014,000
(Reversal) / provision for wakala	22	**(107,347)**	10,616,240
Office expenses		**136,354**	86,344
Conference and seminar		**51,750**	158,963
Janitorial services		**144,438**	130,120
Staff welfare		**195,510**	320,137
Utilities		**1,777,530**	1,746,270
Computer expenses		**872,388**	935,048
Others		**69,707**	538,141
		75,566,237	92,996,658

24.1 It includes staff retirement benefits amounting to Rs. 2,016,219/- (2014: Rs. 2,009,578/-).

24.2 Auditors' remuneration

	2015	2014
	(Rupees)	
Audit fee	**400,000**	400,000
Review and other certifications	**541,800**	564,000
Out of pocket expenses	**85,000**	50,000
	1,026,800	1,014,000

25. OTHER INCOME

	2015	2014
Gain on disposal of fixed assets	**2,932,001**	2,778,234
Exchange gain / (loss)	**(19,804)**	(40,348)
Administrative surcharge	**285,861**	45,912
	3,198,058	2,783,798

26. TAXATION

	Note	2015	2014
		———(Rupees) ———	
Current		**3,547,364**	3,558,305
Prior		**2,987,453**	-
Deferred	10.1	**(1,590,099)**	10,083,287
		4,944,718	13,641,592

26.1 The Company has filed returns upto and including tax year 2015 which are deemed to have been assessed under Section 120 of the Income Tax Ordinance, 2001, unless selected for audit.

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

27. REMUNERATION OF EXECUTIVES

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

	2015		2014	
	Chief Executive Officer	**Executives**	Chief Executive Officer	Executives
	---(Rupees)---			
Managerial remuneration	**1,521,000**	**22,151,669**	-	23,157,965
House rent	**684,420**	**9,968,256**	-	10,421,022
Utilities	**134,580**	**1,959,597**	-	2,048,628
Medical expenses	**114,825**	**1,149,760**	-	1,237,702
Vehicle allowance	**-**	**4,264,958**	-	2,805,000
Staff Retirement benefit - EPF	**234,000**	**2,248,424**	-	1,091,601
Others	**1,402,000**	**2,488,445**	-	1,059,933
	4,090,825	**44,231,109**	-	41,821,851
Number of persons	**1**	**25**	1	26

27.1 Chief Executive Officer and some executives are provided free use of Company maintained cars. No remuneration was paid to the Ex-CEO of the Company.

27.2 Certain directors including CEO have been reimbursed boarding and lodging costs amounting to Rs. 237,959/- (2014: Rs. 694,533/-) to attend Board meetings of the Company as per Company's policy.

28. PROVIDENT FUND

The Company operates approved contributory provident fund (the Fund) for its permanent employees. Details of net assets and investments of these funds as per latest available financial statements (un-audited) are as follows:

	2015 (Unaudited)	2014 (Audited)
	———(Rupees)	———
Size of the fund - net assets	**36,832,449**	31,944,326
Cost of the investments made	**34,424,229**	29,826,184
Percentage of the investments made	**93%**	93%
Fair value of the investments made	**34,424,831**	29,826,786

The break up of fair value of the investments is :

	2015 Rupees	**%**	2014 Rupees	%
Bank balances	**23,917,136**	**69**	6,109,968	20
Term deposits with banks	**-**	**-**	7,500,000	25
Government securities	**-**	**-**	15,709,167	53
Mutual funds units	**10,507,695**	**31**	507,651	2
	34,424,831		29,826,786	

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.

29. 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.

29.1 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 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 reviews 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 which has delegated authorities and responsibilities from the Board to executive management.

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

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

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

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

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

Concentration of takaful risk

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

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

	2015		
	Maximum Gross Risk Exposure	**Maximum Retakaful Cover**	**Highest Net Risk Retention**
	———— Rupees ————		
Class			
Fire and property	**767,700,000**	**752,700,000**	**15,000,000**
Marine, aviation and transport	**476,121,850**	**468,121,850**	**8,000,000**
Motor	**24,820,000**	**24,070,000**	**750,000**
Health	**318,286,000**	**-**	**318,286,000**
Miscellaneous	**100,000,000**	**95,000,000**	**5,000,000**

	2014		
	Maximum Gross Risk Exposure	**Maximum Retakaful Cover**	**Highest Net Risk Retention**
	———— Rupees ————		
Class			
Fire and property	702,500,000	687,500,000	15,000,000
Marine, aviation and transport	230,678,229	224,678,229	6,000,000
Motor	25,000,000	24,250,000	750,000
Health	1,583,245,000	-	1,583,245,000
Miscellaneous	100,000,000	95,000,000	5,000,000

(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 segments; fire and property, marine, aviation and transport, motor, health and miscellaneous. The takaful risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of covered properties / assets. The Company underwrites takaful contracts in Pakistan.

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

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Takaful contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum covered on occurrence of the covered event.

- The Company has entered into re-takaful cover / arrangements, with 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 treaty and 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 and facultative retakaful which is very much in line with the risk management philosophy of the Company.

- The Company has a claims 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 and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company 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

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

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

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

(c) Process used to decide on assumptions

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

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

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

	2015 %	2014 %
Class		
Fire and property	**10**	26
Marine, aviation and transport	**76**	24
Motor	**54**	52
Health	**126**	95
Miscellaneous	**28**	17

(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, estimated 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.

	Underwriting Results		Balance of Waqf	
	2015	2014	2015	2014
	(Rupees)			
10% increase in claims cost				
Fire	**(632,282)**	(638,444)	**(632,282)**	(638,444)
Marine	**(205,603)**	(304,759)	**(205,603)**	(304,759)
Motor	**(3,921,714)**	(7,583,305)	**(3,921,714)**	(7,583,305)
Health	**(534,439)**	(1,541,990)	**(534,439)**	(1,541,990)
Miscellaneous	**(1,682,280)**	(1,527,128)	**(1,682,280)**	(1,527,128)
	(6,976,318)	(11,595,626)	**(6,976,318)**	(11,595,626)
10% decrease in claims cost				
Fire	**632,282**	638,444	**632,282**	638,444
Marine	**205,603**	304,759	**205,603**	304,759
Motor	**3,921,714**	7,583,305	**3,921,714**	7,583,305
Health	**534,439**	1,541,990	**534,439**	1,541,990
Miscellaneous	**1,682,280**	1,527,128	**1,682,280**	1,527,128
	6,976,318	11,595,626	**6,976,318**	11,595,626

29.1.1 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, 2015.

Accident year	2010	2011	2012	2013	2014	2015	Total
	(Rupees)						
Estimate of ultimate claim cost :							
At the end of accident year	162,400,594	187,397,677	251,812,157	556,369,336	645,191,655	366,973,844	**2,170,145,263**
One year later	160,113,370	172,935,642	242,572,781	550,138,621	692,569,908	-	**1,818,330,322**
Two years later	153,590,939	168,024,293	235,869,401	552,689,024	-	-	**1,110,173,657**
Three years later	152,130,882	169,148,723	236,259,962	-	-	-	**557,539,567**
Four years later	151,995,482	168,764,919	-	-	-	-	**320,760,401**
Five years later	152,869,919	-	-	-	-	-	**152,869,919**
Current estimate of cumulative claims	152,869,919	168,764,919	236,259,962	552,689,024	692,569,908	366,973,844	**2,170,127,576**
Cumulative payments to date	(151,690,027)	(165,509,723)	(231,149,077)	(542,913,874)	(668,279,270)	(308,307,877)	**(2,067,849,848)**
Liability recognised in balance sheet	1,179,892	3,255,196	5,110,885	9,775,150	24,290,638	58,665,967	**102,277,728**

29.2 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.

29.3 Financial risk management

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

- Liquidity risk

- Credit risk

- Market risk

Risk management framework

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

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

29.4 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, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

	2015		2014	
	Carrying Amount	**Contractual cash flows upto one year**	Carrying Amount	Contractual cash flows upto one year
	--------------------------(Rupees)--------------------------			
Non-derivative financial liabilities				
Provision for outstanding claims	**102,277,728**	**102,277,728**	214,103,128	214,103,128
Amount due to co-takaful / retakaful operators	**62,352,772**	**62,352,772**	70,780,340	70,780,340
Accrued expenses	**2,499,698**	**2,499,698**	2,540,286	2,540,286
Other creditors and accruals	**74,643,491**	**74,643,491**	91,404,411	91,404,411
	241,773,689	**241,773,689**	378,828,165	378,828,165

Maturity profile of financial assets and liabilities:

	2015						
	Profit Bearing			Non-Profit Bearing			
	Maturity up to one year	**Maturity after one year**	**Sub total**	**Maturity up to one year**	**Maturity after one year**	**Sub total**	**Total**
	(Rupees)						
FINANCIAL ASSETS							
Cash and bank deposits	240,070,048	-	240,070,048	19,652,464	-	19,652,464	259,722,512
Investments	-	81,450,000	81,450,000	143,105,477	-	143,105,477	224,555,477
Long term security deposits	-	-	-	-	4,270,336	4,270,336	4,270,336
Contribution due but unpaid	-	-	-	231,014,181	-	231,014,181	231,014,181
Retakaful and other recoveries in respect of outstanding claims	-	-	-	32,514,551	-	32,514,551	32,514,551
Accrued investment income	-	-	-	3,858,217	-	3,858,217	3,858,217
Sundry receivables	-	-	-	5,553,371	-	5,553,371	5,553,371
	240,070,048	**81,450,000**	**321,520,048**	**435,698,261**	**4,270,336**	**439,968,597**	**761,488,645**
FINANCIAL LIABILTIES							
Provision for outstanding claims	-	-	-	102,277,728	-	102,277,728	102,277,728
Amount due to re-takaful / co-takaful retakaful operators	-	-	-	62,352,772	-	62,352,772	62,352,772
Accrued expenses	-	-	-	2,499,698	-	2,499,698	2,499,698
Other creditors and accruals	-	-	-	74,643,491	-	74,643,491	74,643,491
	-	**-**	**-**	**241,773,689**	**-**	**241,773,689**	**241,773,689**

	2014						
	Profit Bearing			Non-Profit Bearing			
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
	(Rupees)						
FINANCIAL ASSETS							
Cash and bank deposits	145,707,597	-	145,707,597	33,469,444	-	33,469,444	179,177,041
Investments	216,575,000	29,500,000	246,075,000	18,099,925	-	18,099,925	264,174,925
Long term security deposits	-	-	-	-	4,531,686	4,531,686	4,531,686
Contribution due but unpaid	-	-	-	349,288,539	29,075,119	378,363,658	378,363,658
Retakaful and other recoveries in respect of outstanding claims	-	-	-	98,146,874	-	98,146,874	98,146,874
Accrued investment income	-	-	-	4,781,896	-	4,781,896	4,781,896
Sundry receivables	-	-	-	3,812,623	-	3,812,623	3,812,623
	362,282,597	**29,500,000**	**391,782,597**	**507,599,301**	**33,606,805**	**541,206,106**	**932,988,703**
FINANCIAL LIABILTIES							
Provision for outstanding claims	-	-	-	214,103,128	-	214,103,128	214,103,128
Amount due to retakaful operators / co-takaful	-	-	-	70,780,340	-	70,780,340	70,780,340
Accrued expenses	-	-	-	2,540,286	-	2,540,286	2,540,286
Other creditors and accruals	-	-	-	91,404,411	-	91,404,411	91,404,411
	-	**-**	**-**	**378,828,165**	**-**	**378,828,165**	**378,828,165**

29.5 Profit / mark-up / yield rate risk

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

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

Financial assets	**Carrying amount**		**Effective profit rate**	
	2015	**2014**	**2015**	**2014**
	(Rupees)		**(in Percent)**	
Fixed rate instruments				
- Term deposits	124,500,000	62,500,000	6.20 - 10.00	10.00
Variable rate instruments				
- PLS savings accounts	115,570,048	83,207,597	2.00 - 6.73	4.50 - 7.04
- Sukuk certificates	81,450,000	246,075,000	4.36 - 9.11	8.71 - 12.43

29.5.1 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:

	In basis points	Effect on profit before tax	Effect on equity
December 31, 2015	**100**	309,352	210,359
December 31, 2014	100	419,946	281,364

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

	2015									
	Profit bearing								Non profit bearing	Total
	Effective rate % per annum	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to five years	Over five years	Sub Total		
		(Rupees)								
FINANCIAL ASSETS										
Cash and bank deposits	2.00 - 10.00	115,570,048	15,000,000	109,500,000	-	-	-	240,070,048	19,652,464	259,722,512
Investments	4.36 - 9.11	-	-	-	-	81,450,000	-	81,450,000	143,105,477	224,555,477
Long term security deposits		-	-	-	-	-	-	-	4,270,336	4,270,336
Contribution due but unpaid		-	-	-	-	-	-	-	231,014,181	231,014,181
Retakaful and other recoveries in respect of outstanding claims		-	-	-	-	-	-	-	32,514,551	32,514,551
Accrued investment income		-	-	-	-	-	-	-	3,858,217	3,858,217
Sundry receivables		-	-	-	-	-	-	-	5,553,371	5,553,371
		115,570,048	**15,000,000**	**109,500,000**	**-**	**81,450,000**	**-**	**321,520,048**	**439,968,597**	**761,488,645**
FINANCIAL LIABILTIES										
Provision for outstanding claims		-	-	-	-	-	-	-	102,277,728	102,277,728
Amount due to retakaful operators / co-takaful	-	-	-	-	-	-	-	62,352,772	62,352,772	
Accrued expenses		-	-	-	-	-	-	-	2,499,698	2,499,698
Other creditors and accruals		-	-	-	-	-	-	-	74,643,491	74,643,491
		-	-	-	-	-	-	-	241,773,689	241,773,689
Profit rate sensitivity gap		**115,570,048**	**15,000,000**	**109,500,000**	**-**	**81,450,000**	**-**	**321,520,048**	**198,194,908**	**519,714,956**

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

29.6 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 sukuk and islamic mutual funds.

29.7 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 co-takaful, 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 in investments and bank deposits are approved by the Investment Committee.

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

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

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

	2015	2014
	(Rupees)	
Financial assets		
Bank deposits	**258,538,360**	178,150,848
Investments	**131,450,000**	246,075,000
Contribution due but unpaid	**231,014,181**	378,363,658
Retakaful recoveries against outstanding claims	**32,514,551**	98,146,874
Accrued investment income	**3,858,217**	4,781,896
Sundry receivables	**5,553,371**	3,812,623
	662,928,680	909,330,899

	2015	2014
Financial assets		
Secured	**393,846,577**	429,007,744
Unsecured	**269,082,103**	480,323,155
	662,928,680	909,330,899
Not past due	**399,399,948**	530,967,241
Past due but not impaired	**263,528,732**	378,363,658
	662,928,680	909,330,899

29.7.2 The age analysis of financial assets having credit risk is as follows:

	2015			2014		
	Gross value	Impairment	Carrying value	Gross value	Impairment	Carrying value
Not past due	**399,399,948**	**-**	**399,399,948**	530,967,241	-	530,967,241
Past due						
Upto 1 year	**171,704,807**	**-**	**171,704,807**	349,288,539	-	349,288,539
1-2 year	**51,225,641**	**-**	**51,225,641**	29,075,119	-	29,075,119
over 2 years	**93,226,926**	**52,628,642**	**40,598,284**	52,682,642	52,682,642	-
Total	**715,557,322**	**52,628,642**	**662,928,680**	962,013,541	52,682,642	909,330,899

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

Rating	2015	2014
	———(Rupees)	———
AAA	**2,560,629**	1,450,197
AA+	**490,899**	309,019
A+	**61,282,515**	42,784,194
AA	**104,911,760**	112,381,645
AA-	**298**	350
A	**133,686**	1,209,889
A-	**64,158,573**	754
BBB+	**25,000,000**	20,000,000
B	**-**	14,800
	258,538,360	178,150,848

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

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

The Company enters into re-takaful / co-takaful arrangements with re-takaful and takaful companies having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 24 / 2010 dated 27 October 2010 issued by SECP which requires a takaful operator to place at least 80% of their outward treaty cessions with re-takaful companies rated 'A' or above by Standard & Poor's or equivalent rating by any other reputed international rating agency, with the balance (20%) being placed with entities rated at least 'BBB' by Standard & Poor's or equivalent rating by any other reputed international rating agency. During the year the Company placed 42.5% 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

	2015	
Rating	Retakaful recoveries against outstanding claims	Other Retakaful Assets
	——— Rupees	———
A-	**13,818,684**	19,714,690
BBB+	**5,690,046**	8,117,813
B++	**4,877,183**	6,958,126
BBB	**8,128,638**	11,596,876
	32,514,551	46,387,505

Retakaful assets

	2014	
	Retakaful recoveries against outstanding claims	Other Retakaful Assets
	Rupees	
Rating		
A-	44,166,093	18,283,735
BBB+	22,083,047	9,141,868
B++	12,268,359	5,078,815
BBB	19,629,375	8,126,104
	98,146,874	40,630,522

29.7.5 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:

	2015 %	2014 %
Agriculture	1.11	0.71
Bank	26.00	25.75
Beverage	1.97	1.28
Chemical	0.59	0.64
Construction	4.45	4.28
Education	0.33	0.83
Engineering	2.06	1.54
Food	3.66	1.09
Hospital	0.89	10.83
Individuals	2.66	1.56
Iron and Steel	0.26	0.11
Mass Communication	1.41	0.95
Modarba	1.63	0.41
Non-Governmental Organization (NGO)	4.24	6.39
Oil and Gas	2.47	1.07
Other	3.38	3.15
Pharmaceutical	4.08	3.50
Printing and Packages	0.52	0.18
Public Corporations	0.10	0.15
Services	23.93	25.85
Sugar	2.62	1.42
Textile	11.64	8.32
	100.00	100.00

29.8 Foreign exchange risk / currency risk

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

29.9 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 behaviour. Operational risks arise from all of the Company's activities.

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

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

-requirements for appropriate segregation of duties between various functions, roles and responsibilities;

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

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

29.10 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.

Fair Value Hierarchy

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 assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred. There are no such transfers during the year.

	Carrying amount					Fair value			
	Available for Sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees								
December 31, 2015									
Financial assets - not measured at fair value									
Cash and other equivalents*	-	-	1,184,152	-	1,184,152	-	-	-	-
Current and other accounts*	-	-	134,038,360	-	134,038,360	-	-	-	-
Deposits maturing within 12 months*	-	-	124,500,000	-	124,500,000	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Government securities - sukuks	109,450,000	-	-	-	109,450,000	-	109,462,500	-	109,462,500
Other securities - sukuks	22,000,000	-	-	-	22,000,000	-	23,000,770	-	23,000,770
Open-end mutual fund units	93,105,477	-	-	-	93,105,477	95,631,522	-	-	95,631,522
Long-term security deposits*	-	4,270,336	-	-	4,270,336	-	-	-	-
Contribution due but unpaid*	-	231,014,181	-	-	231,014,181	-	-	-	-
Investment income accrued*	-	3,858,217	-	-	3,858,217	-	-	-	-
Retakaful and other recoveries in respect of outstanding claims*	-	32,514,551	-	-	32,514,551	-	-	-	-
Other receivables*	-	5,553,371	-	-	5,553,371	-	-	-	-
	224,555,477	**277,210,656**	**259,722,512**	**-**	**761,488,645**	**95,631,522**	**132,463,270**	**-**	**228,094,792**
Financial liabilities - not measured at fair value									
Provision for outstanding claims*	-	-	-	102,277,728	102,277,728	-	-	-	-
Contributions received in advance*	-	-	-	-	-	-	-	-	-
Amount due to co-takaful / retakaful operators*	-	-	-	62,352,772	62,352,772	-	-	-	-
Commission due to agents*	-	-	-	35,958,301	35,958,301	-	-	-	-
Other creditors and accruals*	-	-	-	38,780,710	38,780,710	-	-	-	-
	-	-	-	239,369,511	239,369,511	-	-	-	-

	Carrying amount					Fair value			
	Available for Sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees								
December 31, 2014									
Financial assets - not measured at fair value									
Cash and other equivalents*	-	-	1,026,193	-	1,026,193	-	-	-	-
Current and other accounts*	-	-	115,650,848	-	115,650,848	-	-	-	-
Deposits maturing within 12 months*	-	-	62,500,000	-	62,500,000	-	-	-	-
Investments									
Government securities - sukuks	224,075,000	-	-	-	224,075,000	-	224,352,832	-	224,352,832
Other securities - sukuks	22,000,000	-	-	-	22,000,000	-	22,811,250	-	22,811,250
Open-end mutual fund units	18,099,925	-	-	-	18,099,925	19,121,595	-	-	19,121,595
Long-term security deposits*	-	4,531,686	-	-	4,531,686	-	-	-	-
Contribution due but unpaid*	-	378,363,658	-	-	378,363,658	-	-	-	-
Investment income accrued*	-	4,781,896	-	-	4,781,896	-	-	-	-
Retakaful and other recoveries in respect of outstanding claims*	-	98,146,874	-	-	98,146,874	-	-	-	-
Other receivables*	-	3,812,623	-	-	3,812,623	-	-	-	-
	264,174,925	489,636,737	179,177,041	-	932,988,703	19,121,595	247,164,082	-	266,285,677
Financial liabilities - not measured at fair value									
Provision for outstanding claims*	-	-	-	214,103,128	214,103,128	-	-	-	-
Contributions received in advance*	-	-	-	1,708,882	1,708,882	-	-	-	-
Amount due to co-takaful / retakaful operators*	-	-	-	70,780,340	70,780,340	-	-	-	-
Commission due to agents*	-	-	-	44,031,053	44,031,053	-	-	-	-
Other creditors and accruals*	-	-	-	63,349,105	63,349,105	-	-	-	-
	-	-	-	393,972,508	393,972,508	-	-	-	-

* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of government sukuks and other sukuks.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Units of mutual funds	Fair values of investments in units of mutual funds are determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP).
Government sukuks and other sukuks	Fair values of sukuks are derived by reference to quotations obtained from brokers.

29.11 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. 496,448,479/- (including advance against issue of share capital of Rs. 25,105,899/-) 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, 2015.

30. NUMBER OF EMPLOYEES

The average number of employees during the year ended December 31, 2015 were 174 (2014: 203) and number of employees as at December 31, 2015 were 166 (2014: 196).

31. 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 key management personnel under the terms of employment, are given below:

Relationship	Nature of transactions	2015	2014
		——— (Rupees) ———	
Group company			
	Net expenses paid	**7,451,468**	4,788,590
	Claims paid	**4,162,527**	2,775,918
	Claim received	**2,154,185**	2,184,911
	Contribution paid	**3,431,520**	4,656,034
	Contribution written	**2,956,568**	4,374,605
	Sale of sukuk certificates	-	33,049,500
	Purchase of sukuk certificates	**54,450,000**	-
Employees provident fund	Contribution paid	**6,804,214**	6,698,594

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 07, 2016 by the Board of Directors of the Company.

33. GENERAL

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, 2015

Number of shareholders	Shareholdings	Total shares held
5	shareholding from 1 to 100 shares	5
1	shareholding from 501 to 1000 shares	1,000
8	shareholding from 1001 to 5000 shares	29,885
12	shareholding from 5001 to 10000 shares	74,766
10	shareholding from 10001 to 100000 shares	283,621
4	shareholding from 100001 to 200000 shares	498,000
6	shareholding from 200001 to 300000 shares	1,442,500
1	shareholding from 1000001 to 2000000 shares	1,069,750
6	shareholding from 3000001 to 5000000 shares	18,778,226
4	shareholding from 5000001 to 12000000 shares	24,956,505
57	**Total**	**47,134,258**

Categories of shareholders	Shares held	Percentage
1.1 Directors, Chief Executive Officer, and their spouse and minor children.		
1.1.1. Sheikh Ali Bin Abdullah	6,937,102	14.72%
1.1.2. Said Gul & Spouse	4,278,798	9.08%
1.1.3. Zahid H. Awan	210,200	0.45%
1.1.4. Abdul Basit Al-Shaibei	1	0.00%
1.1.5. Owais Ahmed Yusuf	1	0.00%
1.1.6. Ali Abdullah Darwesh	1	0.00%
1.1.7. Ali Ibrahim Al Abdul Ghani	1	0.00%
1.2 Associated Companies, undertakings and related parties.		
1.2.1. Qatar International Islamic Bank	6,663,600	14.14%
1.2.2. Masraf Al-Rayan	6,000,000	12.73%
1.2.3. Qatar Islamic Insurance Company	5,355,803	11.36%
1.3 NIT and ICP	-	0.00%

Categories of shareholders	Shares held	Percentage
1.4 Banks, Development Financial Institutions, Non-Banking Financial Institutions.		
1.4.1. Qatar International Islamic Bank	6,663,600	14.14%
1.4.2. Masraf Al-Rayan	6,000,000	12.73%
1.4.3. Qatar Islamic Insurance Company	5,355,803	11.36%
1.4.4. Fawad Yusuf Securities (Pvt.) Limited	3,077,999	6.53%
1.5 Insurance Companies		
1.5.1. Qatar Islamic Insurance Company	5,355,803	11.36%
1.6 Modarabas and Mutual Funds	-	0.00%
1.7 Share holders holding 10%		
1.7.1. Sheikh Ali Bin Abdullah	6,937,102	14.72%
1.7.2. Qatar International Islamic Bank	6,663,600	14.14%
1.7.3. Masraf Al-Rayan	6,000,000	12.73%
1.7.4. Qatar Islamic Insurance Company	5,355,803	11.36%
1.8 General Public		
a. Local	48,531	0.10%
b. Foreign	14,562,221	30.90%
1.9. Total Local & Foreign		
a. Local	21,098,750	45%
b. Foreign	26,035,508	55%

NOTICE OF THE 10th ANNUAL GENERAL MEETING

Notice is hereby given that the 10th Annual General Meeting of **Pak-Qatar General Takaful Limited** (the Company) will be held on Thursday, 28th April 2016 at 11 hours at the Head Office of Qatar International Islamic Bank, Grand Hammad Street, Doha, Qatar, to transact the following business:

Ordinary Business:

1. To confirm the minutes of last general meeting of the Company.

2. To receive, consider and adopt the annual Audited Accounts of the Company for the year ended December 31, 2015 together with the Directors' & Auditors' Reports thereon.

3. To appoint auditors of the Company for the year ending December 31, 2016 and fix their remuneration. The present auditors M/s. Deloitte Yusuf Adil, Chartered Accountants (member of Deloitte Touche Tohmatsu Limited), being eligible, have offered themselves for re-appointment as Statutory Auditors.

4. To elect seven directors of the company, as fixed by the board of directors, in accordance with the provision of section 178(1) of the Companies Ordinance, 1984. The name of retiring directors are as follows:

   I. H.E. Sheikh Ali Bin Abdullah Thani J. Al-Thani
   II. Mr. Abdul Basit Al Shaibei
   III. Mr. Said Gul
   IV. Mr. Ali Abdullah Darwesh
   V. Mr. Owais Ahmed Yusuf
   VI. Mr. Zahid Hussain Awan
   VII. Mr. Ali Ibrahim Al Abdul Ghani

5. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

Muhammad Kamran Saleem
Company Secretary

Date: 07 April 2016
Place: Karachi

NOTES:

a. 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 on their behalf. A corporate entity being a member may, by means of a resolution of its directors, appoint a person who is not a member, as proxy or as its representative under section 162 of the Companies Ordinance 1984.

b. Proxies, in order to be effective, duly completed and signed proxy forms must be received at the Company's head office at least 48 hours before the time of the Meeting. In case of corporate entity, the Board of Directors' resolution/ power of attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting. The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.

A member shall not be entitled to appoint more than one proxy. If more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid. No person shall act as proxy unless he/she is a member of the Company except corporation being a member may appoint as its proxy any officer of such corporation whether a member of the Company or not.

c. Members are requested to immediately notify/submit the following, if not earlier provided;

i. Change in their Addresses, if any.

ii. Valid & legible photocopy of Computerized Nation Identity Cards (CNIC) for individuals and National Tax Number (NTN) for both Individuals & Corporate entities.

d. Further to above, attention of members is requested to the following:

i. SECP through its Notification SRO 787 (I)/2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice to members of the Company through e-mail. Therefore, all members of the Company who wish to opt this facility are requested to send their e-mail addresses. The consent form for electronic transmission could be downloaded from the Company's website.

The Company shall, however, provide hard copy of the Audited Financial Statements to its shareholders, on request, free of cost, within seven days of receipt of such request.

ii. Disclosure of SRO No. 1027(1)2014 dated November 13, 2014 clause 1(b) for video facility for general meeting: As per subject SRO "The company may provide video conference facility to its members for attending the general meeting at place other than the town in which general meeting is taking place after considering the geographical dispersal of its members; Provided that it members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of meeting. The Company shall arrange video conference facility in that city subject to availability of such facility in that city".

PROXY FORM

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

I / We ____of ____________________________ being the member(s) of **Pak-Qatar General Takaful Limited** and holder of ______________________ ordinary shares as per share register **Folio No.** ________________ appoint ____ of ________________________ or failing him/her ____ of ________________________ as my/our proxy to vote and act for me/us on my/our behalf at the **10th Annual General Meeting** of **Pak-Qatar General Takaful Limited** to be held on 28 April 2016 and at any adjournment thereof.

Signed this _____________ day of April 2016

(Witnesses)

1. ________________________________*(Signature)*

________________________________*(Name)*

________________________________*(Address)*

________________________________*(CNIC / Passport No.)*

Please affix Rupees five revenue stamp

Signature of member(s)

2. ________________________________ *(Signature)*

________________________________*(Name)*

________________________________*(Address)*

________________________________*(CNIC / Passport No.)*

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

PAK-QATAR GENERAL TAKAFUL
Together we Protect

PAK-QATAR GENERAL TAKAFUL LIMITED
402-404, Business Arcade, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi-75400.
Phone: (92-21) 34380357-61, Fax: (92-21) 34386453, 34326107
Email: generaltakaful@pakqatar.com.pk, www.pakqatar.com.pk