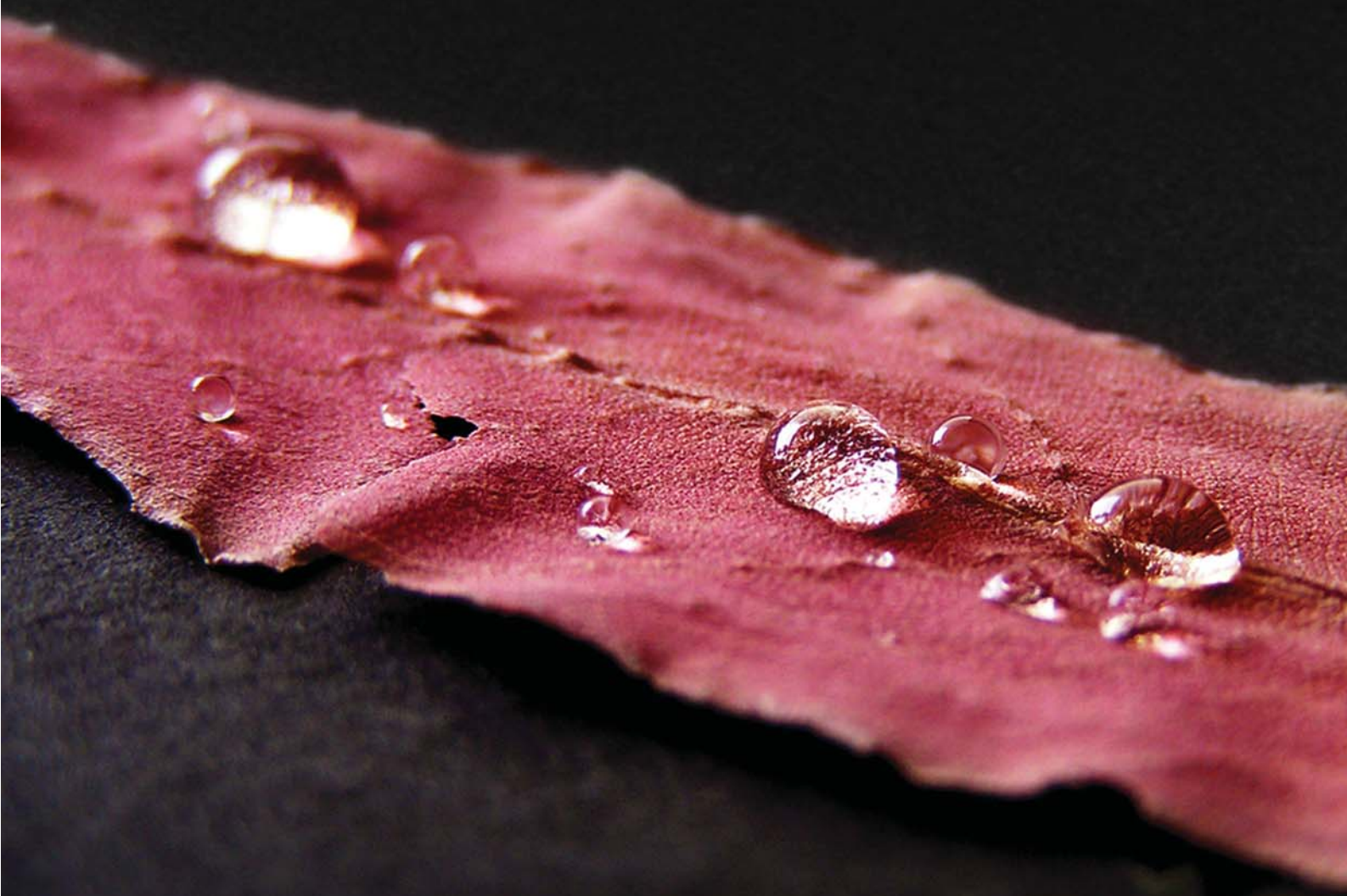


Clarity, Transparency, Prosperity



Annual Report | 2011

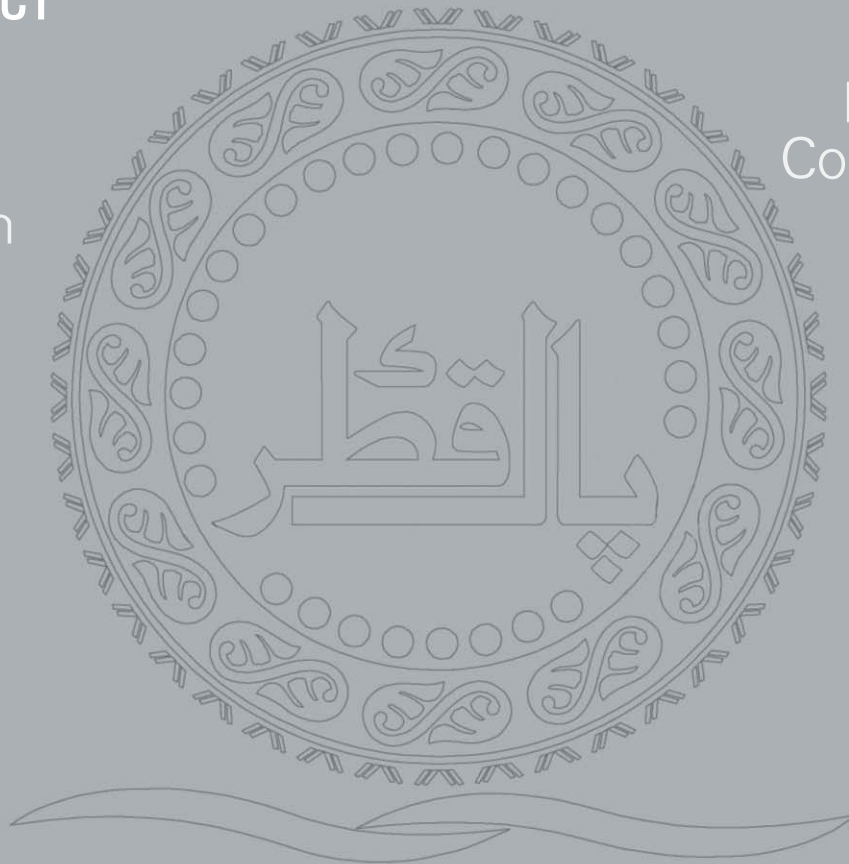


PAK-QATAR FAMILY TAKAFUL  
*Together we Protect*



**TRANSPARENCY**  
in  
Process  
Service  
Conviction

**CLARITY**  
of  
Vision  
Purpose  
Commitment



**PROSPERITY**  
We Think  
We Aim  
We Deliver

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# INTRODUCTION

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

Pak-Qatar Family Takaful Ltd. is chaired by Sheikh Ali bin Abdullah al-Thani, member of Qatar's Royal Family, and sponsored by some of the strongest financial institutions from the State of Qatar, including Qatar Islamic Insurance Company, Qatar International Islamic Bank, Qatar National Bank, Qatar Islamic Bank and Masraf Al Rayan. The Company also has BancaTakaful alliance with FWU, the German-based provider of Takaful services and their distribution. Registered and supervised by the Securities and Exchange Commission of Pakistan, and with the paid-up capital for the Company standing today at more than Rs. 700 million in such a short span, all financial indicators point towards outstanding performances far into the future.

Pak-Qatar Family Takaful Ltd., by adhering to only the best practices as set down in the Islamic Shariah and Pakistani Law, is engaged in providing need-based, practical and profitable financial services to its members and participants throughout the nation. We have branches in 24 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.

# OUR VISION

Providing financial protection through Takaful, to everyone

# OUR MISSION

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



## SPONSORS

Pak-Qatar Family Takaful is sponsored by some of the most prominent and leading financial institutions from the State of Qatar.



**Qatar Islamic Insurance Company (QIIC)** is the pioneer of Takaful and one of the fastest growing Takaful companies in the State of Qatar.



**Qatar International Islamic Bank (QIIB)** is one of the most successful Islamic Banks in the State of Qatar.



**Qatar National Bank (QNB)** is one of the largest banks in Qatar having the largest share of the banking sector.



**Qatar Islamic Bank (QIB)** is not only the pioneer and largest Islamic Bank in Qatar but also the fifth Islamic Bank in the world.



**Masraf Al Rayan** is a commercial and investment bank with an entirely Shariah compliant-portfolio of products.



**FWU** is one of the premier providers of Takaful products in the world.

## SERVICES AT PAK-QATAR

The hallmark of the Company's activities is its heavy investment in technology and the adoption of the latest business systems, all of which are geared towards extending unmatched services. Pak-Qatar Family Takaful Ltd. has initiated Re-Takaful arrangements with Hannover Re, Takaful Re and Munich Re, which allow our members to enjoy the expertise of some of the most progressive financial institutions in the world today. As a recipient of several national and international awards for excellence, we continue to develop measures in order to streamline and make transparent all practices so as to continue serving our patrons to the best of our ability.



*Health* **Takaful**

*Family* **Takaful**





Hajj/Umrah



Child Marriage



New House



Retirement Income



## INTRODUCTION

Share n' Care Takaful Plan is an ideal blend of saving and coverage, designed for the Participants' financial protection through investment and long-term savings. This plan, through regular contributions, combines the Takaful function with growth of savings, allowing heads of families to provide their dependents with a comfortable life.

Share n' Care is a general, comprehensive unit link plan, and has been designed to cater to all possible investment and coverage needs.

## BENEFITS OFFERED

**Maturity Benefits:** The Participant receives the total Cash Value of his investment account at the end of plan term.

**Death Benefit:** The beneficiary receives the agreed-upon amount. The customer has the option to choose from a wide range of coverage and contribution choices. This feature gives flexibility to tailor the plan to customer's need.

**Indexation:** This practice is employed to secure Fund's growth from regressive effects of inflation. The Participant can opt for indexation either at any one out of Face Value and the Contribution or both.

**Top-up:** The Cash Value of the Fund to a Participant's name can increase instantly if the Participant contributes an additional amount.

**Withdrawal Options:** The Participant has the option to get partial one-time or regular withdrawal as and when required, subject to availability of sufficient funds in this investment account.

**Supplementary Benefits:** Share n' Care has the provision of being coupled to any supplementary Takaful benefits currently on offer.



## INTRODUCTION

Investment Shield is a single contribution investment plan, the first of its kind by Pak-Qatar Family Takaful Ltd. Its function is to generate stable returns, and with the added benefit of Takaful protection, optimization of profits is ensured.

Investment Shield is tailored for individuals who have a minimum of Rs. 300,000 available for investment for 5 to 10 years.

## BENEFITS OFFERED

**Maturity Benefit:** The Participant receives the total value of his funds.

**Natural Death Benefit:** The beneficiary receives 105% of the total contribution or the value, whichever is greater.

**Accidental Death Benefit:** The beneficiary will get Rs. 1 million in addition to the benefit payable in case of natural death.

**Withdrawal Options:** Withdrawal option is available as for any other unit linked plan but a fee of Rs. 500 per withdrawal is charged.



Education Takaful

## INTRODUCTION

ABC Education Takaful is a secure and flexible plan to ensure continuation of children's education. By making use of this platform, parents have the opportunity to establish educational funds for their children by contributing part of their savings regularly. Consequently, by the time membership to ABC Education Takaful is over, a substantial fund will be available for the purpose of continual of education.

## BENEFITS OFFERED

**Maturity Benefit:** The Participant receives the total Cash Value of his investment account at the end of plan term.

**Sponsor's Death Benefit:** The beneficiary, presumably the child, will be paid a pre-determined monthly amount to ensure that the beneficiary's education does not suffer. Moreover, the regular contributions are paid by the Waqf fund into the investment account of the plan.

These along with investment return are available to beneficiary at the time of Maturity of the plan.

**Withdrawal Options:** The Participant has the option to get partial one-time or regular withdrawal as and when required, subject to availability of sufficient funds in this investment account.

**Indexation:** This practice is employed to secure Fund's growth from regressive effects of inflation. The Participant can opt for indexation either at any one out of Face Value and the Contribution or both.

**Supplementary Benefits:** ABC Education has the provision of being coupled to any and all supplementary Takaful benefits currently on offer.

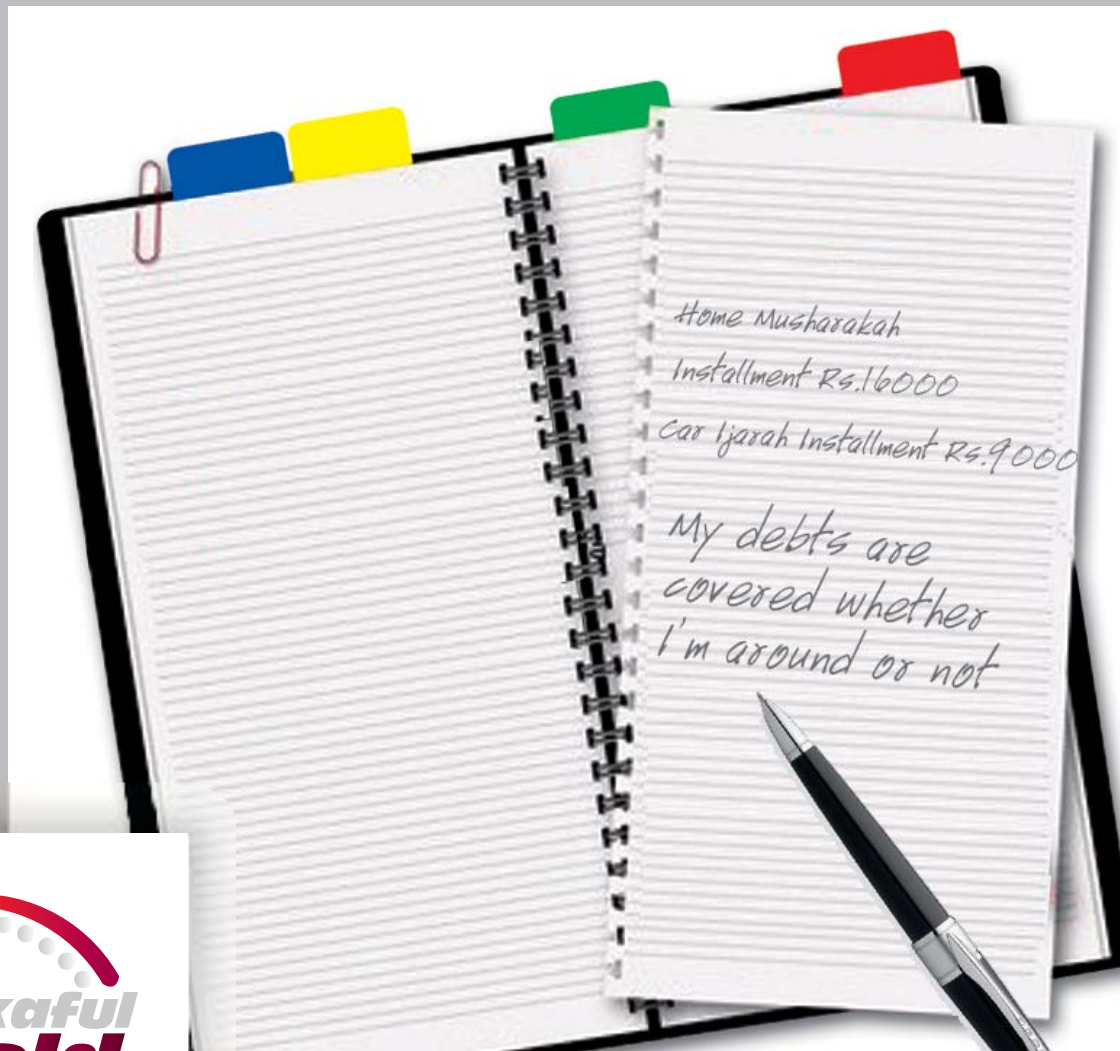


## INTRODUCTION

Salary Saving Takaful Plan is a modified version of Share n' Care Takaful Plan, specially designed for employees who can mobilize small and easily manageable contributions in a timely manner. The employer may deduct contributions from the employees' monthly salaries and pay the total amount through a single cheque, and may use this plan as a fringe benefit for his employees. The employee can also finance the plan from his provident fund.

## BENEFITS OFFERED

Benefits offered under Salary Saving Takaful Plan are the same as those of Share n' Care. Moreover, no additional fee will be charged if the employer contributes on a monthly basis.



## INTRODUCTION

Takaful Shield's function is to provide cover for sizable loans in case the Participant passes away before being able to clear his debts. The coverage decreases over the Membership term to account for the repayments made year by year.

It is a term takaful plan providing cover only and has no savings element. With this plan, the customer is covered with relatively much less contribution.

## BENEFITS OFFERED

**Death Benefit:** The beneficiary receives a payment offsetting the total outstanding balance on the debt.

**Maturity Benefit:** The plan does not include an investment function. However, there may be a provision for the distribution of any surplus in the Waqf Fund, if any such exists.

**Supplementary Benefit:** Takaful Shield has the provision of being coupled with Waiver of Contribution on Permanent Total Disability, a supplementary Takaful benefit.

## SUPPLEMENTARY TAKAFUL BENEFITS

### CRITICAL ILLNESS:

The cost of health care and convalescence for long standing disease is increasing day by day. The financial impact of such diseases can increase with the customer being compelled to quit his vocation. This supplementary benefit covers 22 major illnesses including but not limited to cancer, heart bypass, major heart attack, major organ transplant and even accidental amputation of two limbs. The cover provides a lump sum payout in case an individual incurs such critical illnesses.

### TAKAFUL ACCIDENTAL DEATH AND DISMEMBERMENT:

This supplementary benefit is to cover disability and death due to accident, providing extra payments to Participants or their beneficiaries who suffer fatal accidents, dismemberments or accidental total and permanent disability.

### TAKAFUL ACCIDENTAL DEATH BENEFIT:

This supplementary benefit provides additional coverage in case of death of Participants caused by accident.

### TAKAFUL FAMILY INCOME BENEFIT:

This supplementary benefit provides a mutually agreed-upon monthly income to the beneficiary if the Participant passes away. The benefit payment continues till maturity date of the basic plan.

### TAKAFUL WAIVER OF CONTRIBUTION:

In case the holder of this supplementary benefit suffers from total and permanent disability due to an accident or disease, all further regular contributions will be waived. The Waqf Fund will make these payments to the investment account on behalf of Participant. The cover under the basic plan will continue as usual.

### TAKAFUL HOSPITAL DAILY ALLOWANCE:

In an event of a Participant's hospitalization for more than two consecutive days, a pre-defined daily allowance for coverage of medical expenses or for loss of income during the period of hospitalization will be provided.

### PERMANENT AND TOTAL DISABILITY DUE TO SICKNESS:

In case the holder of this supplementary benefit suffers from total and permanent disability due to disease, he will be paid the death benefit as agreed under the basic plan. The basic plan will be terminated.



## Family Takaful

### INTRODUCTION

Group Family Takaful provides coverage to Participant's employees in event of death or disability. In such an event, the Participant or the beneficiaries receive a multiple of the salary or a pre-determined amount to ease the ensuing financial difficulties. Apart from the basic coverage, a multitude of supplementary benefits have been provided so that the Participant may extend the necessary benefits to its employees for customized coverage.

Any group of 15 or more individuals, with individual ages between 18 and 59 years is eligible for this plan. This plan expires when the individual reaches 60 years, but the maximum age may be relaxed on request.

### BENEFITS OFFERED

**Group Accident Death Takaful Benefit:** Beneficiaries are provided with an additional amount to cover for the permanent loss of income.

**Group Permanent Partial Disability (Accident Only) Takaful Benefit:** Partial coverage is provided to the Participant who becomes partially disabled for the rest of his life.

**Group Permanent Total Disability (Accident Only) Takaful Benefit:** Total coverage is provided for situations where the Participant is unable to earn any living for the remaining part of his life.

**Group Temporary Total Disability (Accident Only) Takaful Benefit:** An amount covering the loss of wages in the form of a pre-agreed weekly stipend is provided to the Participant who suffers from total disability temporarily. This benefit continues till the Participant resumes work.

Health is Wealth



You are what you eat



Make **Exercise**  
a part of your life



Early to **bed**  
early to **rise**



Health **Takaful**

## INTRODUCTION

Health is an irreplaceable blessing. To safeguard it, Pak-Qatar Family Takaful Ltd. does its utmost to make available the best facilities for any major or minor health-related issues. Family Health Takaful allows employees and their covered dependents to be treated by the best doctors at the best medical institutions nationwide. There is neither a prior medical check-up nor any limit on the number of days for hospitalization. Moreover, any costs incurred during an emergency medical treatment while travelling abroad are easily reimbursed.

To be eligible for Group Health Takaful, the employee and spouse must be between 18 and 59 years of age, with maximum age of entry relaxed under special circumstances. Children are eligible for coverage from birth till 25 years of age. The maximum age of entry for children is 24 years, with unmarried daughters being exempt from this stipulation.

## BENEFITS OFFERED

**In-Patient Benefits:** Every expense incurred during hospitalization due to any sickness, accident or surgery is met. Pre- and post-hospitalization tests, diagnosis and follow-ups 30 days before admission as well as after discharge are included in the provided coverage.

**Out-Patient Benefits:** This provision caters to day-to-day healthcare expenses from consultation with a general practitioner to specialist out-patient treatment.

**Maternity Benefits:** This provision caters to all birth-related medical costs, including pre- and post-natal treatments. Complications during childbirth are catered to as well.

## CORPORATE INFORMATION

### Board of Directors

H. E. Sheikh Ali Bin Abdullah Al-Thani	Chairman
Ali Abdullah Darwesh	Vice Chairman
Said Gul	Managing Director
Abdul Basit Al-Shaibei	Director
Muhammad Owais Ansari	Director
Zahid Hussain Awan	Director
Muhammad Maher Al-Jabari	Director
Pervaiz Ahmed	Director & Chief Executive Officer

### Executive Committee

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

### Audit Committee

Muhammad Owais Ansari	Chairman
Zahid Hussain Awan	Member
Muhammad Maher Al-Jabari	Member

### Investment Committee

Muhammad Owais Ansari	Chairman
Said Gul	Member
Zahid Hussain Awan	Member
Pervaiz Ahmed	Member

### Shariah Board

Dr. Mufti Muhammad Taqi Usmani	Chairman
Dr. Mufti Ismatullah	Member
Mufti Hassan Kaleem	Member

### Chief Financial Officer & Company Secretary

Muhammad Kamran Saleem - LLB, FCA, FCMA

### Auditors

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

### Legal advisor

Obaidur Rahman & Co., Advocates

### Tax advisor

Muniff Ziauddin Junaidy & Co.  
Chartered Accountants

### Banks

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 Bank Limited
MCB Bank Limited	Meezan Bank Limited
Standard Chartered Bank (Pakistan) Limited	

## Branch Offices

Bahawalpur  
Lahore  
Faisalabad  
Multan  
Hyderabad  
Rahimyar Khan  
Jhang  
Sialkot  
Khanpur

Kotli  
Dera Ghazi Khan  
Moro  
Gujrat  
Quetta  
Jehlum  
Sargodha  
Khairpur

Chishtian  
Mardan  
Gujranwala  
Peshawar  
Islamabad  
Rawalpindi  
Karachi  
Toba Tek Singh

## Management Committee

Pervaiz Ahmed  
M. Kamran Saleem  
M. Nasir Ali Syed  
Ansar Muhammad  
Waqas Ahmad  
Saqib Zeeshan  
Fakhri Alam  
Syed Adnan Hasan  
Saifuddin Shaikh  
Muneeb Afzal Lone  
Ishaq Kothawala

Chief Executive Officer  
CFO / Company Secretary & Head of Human Resources  
Head of Group Business Operations  
Head of IT & Systems  
Head of Individual Business Operations  
Head of Takaful Distribution Team, Corporate  
Head of Participant Benefit Services  
Head of Marketing  
Head of Administration & Procurement  
Head of Internal Audit  
Head of Actuarial Services

## Underwriting Committee

Pervaiz Ahmed  
M. Kamran Saleem  
M. Nasir Ali Syed  
Fakhri Alam  
Waqas Ahmed

Chairman  
Member  
Member  
Member  
Secretary

## Claims Committee

Pervaiz Ahmed  
M. Kamran Saleem  
M. Nasir Ali Syed  
Fakhri Alam  
Waqas Ahmed

Chairman  
Member  
Secretary  
Member  
Member

## Re-takaful Committee

Pervaiz Ahmed  
M. Kamran Saleem  
M. Nasir Ali Syed  
Fakhri Alam  
Waqas Ahmed  
Ishaq Kothawala

Chairman  
Member  
Member  
Member  
Member  
Secretary

## IT - Committee

Said Gul  
M. Kamran Saleem  
Ansar Muhammad  
Nasir Ali Syed  
Saifuddin Shaikh  
Muhammad Raza  
Muneeb Afzal Lone

Chairman  
Member  
Member & Secretary  
Member  
Member  
Member  
Member

## Registered Office

Suite No. 102-105, 1st Floor, Business Arcade, Block-6, P.E.C.H.S.,  
Sharea Faisal, Karachi, Pakistan  
Phone: + 92 21 34311747-56  
Fax: +92 21 34386451  
Email: info@pakqatar.com.pk  
Web: www.pakqatar.com.pk

## NOTICE OF 6th ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Sixth Annual General Meeting of Pak-Qatar Family Takaful Limited (the Company) will be held on Monday, 30 April 2012 at 10:30 A.M. at Qatar International Islamic Bank, Grand Hammad Street, Doha, Qatar, to transact the following businesses:

### Ordinary Business:

1. To confirm minutes of the fifth annual general meeting held on 27 April 2011.
2. To receive, consider and adopt the annual audited financial statements for the year ended 31st December 2011, together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending 31st December 2012 and to fix their remuneration.
4. To consider any other business with the permission of the Chair.

Date: 09 April 2012

By Order of the Board



Place: Doha

**Muhammad Kamran Saleem**  
Company Secretary

### NOTES:

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



## DIRECTORS' REPORT

*Dear Shareholders,*

The **Board of Directors of Pak-Qatar Family Takaful Limited** (hereinafter referred to as "**the Company or PQFTL**") is pleased to present its Sixth Annual Report and Audited Financial Statements of the Company together with Statutory Auditors' and Shariah Auditors' Reports thereon, for the year ended 31 December 2011.

### 1. Economic Overview

The economy of Pakistan has been undergoing a consolidation phase since the last three years. This phase is critical for improving growth and restoring economic fundamentals as well as the quality of life of the people. The country is confronted with numerous challenges, the most important of which is the security situation of the country. Pakistan also faced exogenous shocks, the increase in price of commodities as well as oil. Challenged by its own set of problems, sustained economic growth remains a far cry in Pakistan, as it continues to lag in the region's growth. Initially targeted to grow by 4.2% during FY12, persistence of numerous issues including partial floods in the country combined with ongoing energy crises makes it difficult to achieve this target. The estimate was later revised to 3.6% while SBP also projects the same to stay in the range of 3 - 4%. Although much below its potential, the performance signifies enormous resilience in the economy as it was tested several times by one crisis after another beginning with the earthquake of 2005.

Despite many challenges, the overall performance of the economy has been moderately satisfactory. The recent measures announced for fiscal correction should contribute to a faster recovery and resumption of growth. The expectation is that Pakistan's economy will continue to lag in the region for the near term. However, our long term view on the economy is bullish, given that there is better governance ahead and efficient utilization of indigenous resources.

### 2. Industry Overview

#### 2.1 Takaful Industry

Takaful industry in Pakistan, though undersized, is gaining momentum by getting more than 3% market share. There is a potential for it to be developed further if new dedicated players enter the market and existing players further capitalize. Currently there are only two players operating in Family Takaful and three are operating in General Takaful segment; the pioneer and most successful of which is Pak-Qatar. A significant threat is due to the possible introduction of window takaful operators from conventional insurers. If introduced window takaful could pose threat to the cause of takaful if not properly monitored and controlled by the regulators.

#### 2.2 Insurance Industry

Despite having industry growth of 35% per year, life insurance penetration is generally low in Pakistan. It remained 0.3% which is a staggering contrast even when compared to neighboring countries like India, Sri Lanka and Bangladesh. The most significant development for 2011 is the tax incentive being offered to policy holders. The chief advantage to customers is increase in value of the takaful/insurance policy after tax credit is accounted for. This will increase the demand of life insurance and family Takaful in Pakistan.

### **3. Investment Climate**

#### **3.1 Money Market**

The first half of 2011 was in stark contrast to the second half. The first half was marked with favorable country foreign exchange due to export of cotton, the international price of which was high, and due to worker's remittances. During the second half, the condition of the forex reserves changed as the world witnessed high oil prices and declining cotton prices.

Fiscal indiscipline and energy shortages were a cost to the country's economic health. These factors were consequently mirrored in the SBP monetary policy stance that initiated monetary easing (decreasing the discount rate by 200bps in 2 separate monetary policies), but of late have halted the process as vulnerabilities on the external account have emerged.

With FY12, average inflation is expected to fall below government expected target of 12% with comfortable external account position during 1H on account of favorable commodity prices and rising remittances, the central bank initiated the process of monetary easing to provide much needed impetus to economic growth.

In 2011, 6-months T-bill declined by 146bps to close the year around the levels of 11.9%, but went down to trade around the levels of 11.6% in late November. Similarly, PKR remained stable during the initial half of the year on account of strong external account position. However, emergence of weakness in the external account along with SBP restoring the forward cover facility and impact of IMF's loan repayment of US\$1.2bn on forex reserves exerted pressure on the PKR towards the latter half of the year.

In 2012, we expect the monetary policy to be held constant or be tightened as the State Bank struggles to keep inflation in check while bank borrowing by the government continues.

#### **3.2 Equity Market**

The local bourse decreased by 5% in 2011, market capitalization decreased by PKR 302 billion (9%) and volumes plunged to their 10 year low. Average daily volume of 81mn shares was down 34% from 2010 and 63% from 10-year average. This was mainly due to the absence of investor friendly derivatives products and the imposition of Capital Gains Tax. Buying and selling of shares, floating of new companies and fund raising through right shares, all remained depressed in 2011. Besides strained Pak-US relations, turmoil in global financial markets, economic slowdown and local political impasse affected overall market sentiments. Most importantly, market players remain concerned about re-introduction of Capital Gain Tax (CGT) after a gap of more than 3 decades, its understanding and last but not the least its cumbersome calculations. Resultantly, individual investors preferred to remain on the sideline.

Compared to huge selling in global markets, Pakistan in 2011YTD saw net outflow of US\$122mn (including US\$60mn selling in Hubco) compared to net buying of US\$526mn in 2010. Interestingly, Pakistan with a negative return of 16% (as measured by Morgan Stanley Composite Index Pakistan) stood as the best Asian Frontier market; outperforming 3 other Asian frontier markets (Bangladesh, Sri Lanka and Vietnam) by 12-29%. Moreover, Pakistan performed well against 22% and 21% negative return posted by MSCI Frontier Market, MSCI Emerging Markets.

#### **3.3. Outlook 2012**

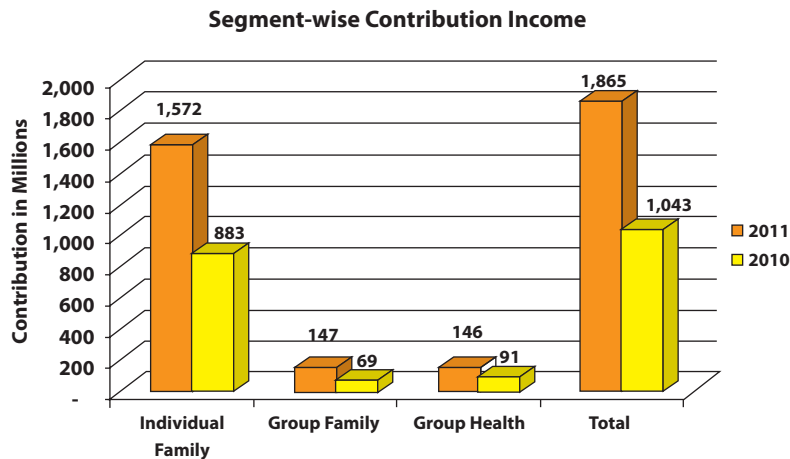
Globally, these are extraordinary times to become an investor. Following decades of overspending, we are watching Europe melt down and the American realm decline faster than expected. Their unimaginable debt burden has accelerated the power shift from the West to the East. Point of nervousness nowadays however is not the same as it was in 2010 when portfolios excitingly included Gold (so-called safe haven), U.S. (immune economy) and China (the Salvationist).

Locally, 2012 and 2013 are the General Election years in Pakistan. Political uncertainty in the country and region will continue to affect the economic activities in Pakistan. Considering the fact that the economy has shown enough resilience in testing times, it is expected that Pak equities will rebound this year and economic activities would continue to take their momentum.

#### 4. Company Performance

##### 4.1. Contribution Income:

The annualized contribution for Individual Family, Group Family and Group Health increased by 78%, 113% and 61% respectively, to a total of 1.865 billion, all due credit should be given to the sales and marketing teams for providing an overall growth of a staggering 79%. This growth is above the industry's average and is an evidence of customer trust on PQFTL.



##### 4.2 Benefits payout:

Claims were paid in excess of 262 million as compared to 159 million last year. It is a source of satisfaction that PQFTL was more than capable of paying claims on a timely basis and was able to fulfill its promise of helping people in difficult times.

##### 4.3 Investments Performance:

The company is managing Shareholder's and Customer funds separately for the purpose of investment management. In uncertain times we have continued to improve our performance as given below:

##### ➤ Unit Linked Products 2011

This is the fund managed on the behalf of the customers. After the dismal year for equities, our funds have fared well as compared to the market. This was due to active and prudent investment management. The performance of our key unit linked funds is given below.

Funds under management	Unit price at the end of the year 2011	Unit price at the beginning of the year 2011	Annualized growth rate
Aggressive	702.84	659.95	5.00%
Balanced	735.78	663.45	9.40%
Conservative	758.56	676.07	10.70%
Secure Wealth	547.33	-	12.38%

#### ➤ Shareholder's fund:

Just like unit linked funds, the high proportion of shariah compliant fixed income was the savior for the year 2011. After the injection of further capital in PQFTL, conservative approach was adopted and investments were made in low risk government backed sukuk. Overall investment returns on shareholder funds were 13%.

#### 4.4 Participant Takaful Fund and Surplus Distribution:

On the basis of 2010 results the company announced and distributed surplus, 25% for its Individual Life members and 48% for its bancatakaful members. This is another evidence of Takaful fulfilling its promises and differentiating itself from conventional insurance.

Prudent underwriting in Individual and Group Family led to even higher surplus in their risk pool in 2011. Surplus in Individual life and Group Life resulted in the strengthening of overall Takaful pool which increases the ability of PTF to pay claims.

	2011	2010
Individual Family	<b>22,248,500</b>	6,333,103
Group Family	<b>6,159,972</b>	7,882,762
Group Health	<b>(11,593,729)</b>	(11,149,279)
	<b>16,814,743</b>	3,066,586

#### 4.5 Profit and Loss Account:

During the year ended 31 December 2011, the financial results have been as under.

	2011	2010
	—————(Rupees)—————	
Total investment income of Shareholders' fund	<b>22,960,319</b>	17,328,684
Other Revenues	<b>474,898</b>	306,859
Total investment income and other revenues	<b>23,435,217</b>	17,635,543
<b>Less:</b>		
Expenses not attributable to statutory funds	<b>8,780,873</b>	12,158,949
Deficit in shareholders' sub fund	<b>16,759,203</b>	111,247,738
	<b>25,540,076</b>	123,406,687
Operating results	<b>(2,104,859)</b>	(105,771,144)
Provision for impairment on value of investment	<b>(2,268,257)</b>	-
Loss before taxation	<b>(4,373,116)</b>	(105,771,144)
Taxation for the year	<b>(5,022,323)</b>	33,744,468
<b>Loss for the year after tax</b>	<b>(9,395,439)</b>	(72,026,676)
<b>Loss per share</b>	<b>(0.14)</b>	(1.35)

As evident from above, 2011 has been the turnaround year for PQFTL as the company reached very close to break-even. The operating loss decreased to a meager amount of Rs. 2.1 million as compared to Rs. 105.77 in 2010. This is due to substantial increase in contribution/wakalah income and decrease in operational expenses. Achieving break-even at such an early stage of operations for a Family Takaful company is indeed a tremendous achievement.

#### 4.6 Distribution

PQFTL is using three distinct distribution channels;

For corporate customers, a small but efficient team of salaried staff is being used. Corporate Division is serving more than 500 corporate customers.

For individual distribution, a distribution team of tied agents is mobilized all across Pakistan. With more than 1,200 Takaful Consultants, the company is continuing to penetrate deep into smaller cities and towns.

Another important distribution channel through which PQFTL markets its products is BancaTakaful. The total business volume written through this channel increased to Rs. 639.9 million as compared to Rs. 285.3 million for the year 2010. Six banks viz. Standard Chartered Bank, Dubai Islamic Bank, Bank Albaraka, Faysal Bank, MCB Bank and Burj bank are distributing PQFTL products.

#### 4.7 Credit rating:

JCR-VIS Credit Company Limited reaffirmed the credit rating of PQFTL of "A-" (A minus) with a positive outlook.

#### 5. Compliance with Code of Corporate Governance:

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

#### 6. Board of Directors:

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

No.	Director	Number of meetings attended
1.	Sheikh Ali Bin Abdullah Al-Thani	1
2.	Ali Abdullah Darwesh	1
3.	Abdul Basit Al-Shaibei	1
4.	Said Gul	4
5.	Mr. Owais Ansari	4
6.	Zahid Hussain Awan	4
7.	Muhammad Mahar Al'Jabri	1
8.	Pervaiz Ahmed	4

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

#### 7. Corporate and Financial Reporting Frame Work:

- The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- d) 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.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h) This was the fifth year of Company's operations. Hence, the key operating and financial data for the last five years is attached.
- i) The balance in the provident fund account as at the year-end was Rs. 27,312,216.
- j) No trading in shares has been made by the Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children.

#### **8. 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.

#### **9. Auditors**

The present auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and since they have completed their tenure of five years, are not eligible for reappointment. The Board of Directors of your company has proposed the name of M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, member firm of Deloitte Touche Tohmatsu Limited for the appointment as auditors of the Company for the year ending 31 December 2012.

#### **10. Pattern of Shareholding**

The Pattern of shareholdings of the Company is attached.

#### **11. Vote of Thanks**

On behalf of the Board, I would like to thank, the valued participants, the Securities and Exchange Commission of Pakistan, shareholders, and the sponsors for their confidence, patronage, co-operation and understanding extended to us.

#### **12. Conclusion**

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

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



**Pervaiz Ahmed**  
Chief Executive Officer

Doha: 09 April 2012

## KEY FINANCIAL DATA

*Amount in Rs.*

	FY 2011	FY 2010	FY 2009	FY 2008
Gross Contribution (excluding BancaTakaful)	1,225,536,363	1,043,142,563	466,646,900	129,682,372
Gross Claims (excluding BancaTakaful)	234,214,954	158,832,560	86,294,753	25,533,578
Gross Contribution ( <b>BancaTakaful</b> )	548,593,286	285,305,820	-	-
Net Contribution (excluding BancaTakaful)	1,121,730,524	700,091,355	427,294,316	116,447,811
Net Claims and surrenders (excluding BancaTakaful)	178,120,535	121,045,965	55,925,005	16,109,974
<b>ASSET UNDER MANAGEMENT (Excluding BancaTakaful)</b>	<b>902,986,802</b>	<b>503,204,678</b>	<b>145,935,902</b>	<b>27,252,791</b>
<b>REVENUE ACCOUNT - PTF</b>				
Contribution-Net of Re-Takaful	270,574,151	152,300,195	114,121,154	43,340,875
Net Investment & other income	11,049,698	3,849,608	3,365,510	(10,846)
Claims less Re-Takaful	129,496,327	100,580,179	49,961,771	16,109,974
Takaful operator fee	89,966,263	49,139,139	36,538,338	14,213,674
Excess of income over expenditure	62,161,259	6,430,485	30,986,555	13,006,381
<b>REVENUE ACCOUNT - SHF</b>				
Mudarib fee	4,474,751	2,403,141	1,828,550	-
Wakala Fee	459,421,984	326,116,736	232,719,255	61,006,507
Net BancaTakaful Wakalah	23,316,765	12,563,661	-	-
Investment Income less Impairment on SHF	22,960,319	17,328,684	40,411,134	8,812,422
Other Revenues	474,898	306,859	152,328	(334,190)
Commission Expense	207,151,454	169,657,314	138,623,087	40,586,658
Other Acquisition Cost	137,079,685	124,748,286	96,953,603	43,741,885
General management Expenses	168,522,437	170,084,625	137,677,142	95,278,583
Operating Profit / (Loss)	(25,540,076)	(123,406,687)	(138,706,027)	(118,600,619)
Net Profit / (Loss) before Tax & Impairment	(2,104,858)	(105,771,144)	(98,142,565)	(110,122,387)

## KEY FINANCIAL RATIOS

	FY 2011	FY 2010	FY 2009	FY 2008
<b>Growth in:</b>				
Gross Contribution (excluding BancaTakaful)	17%	124%	260%	10132%
Gross Contribution (BancaTakaful)	92%	-	-	-
Claims less Re-Takaful	29%	101%	210%	-
Mudarib fee	86%	31%	100%	-
Wakala Fee (excluding BancaTakaful)	41%	40%	281%	-
BancaTakaful Takaful	86%	-	-	-
Investment income (PTF & SHF)	61%	-52%	397%	-51%
Commission Expenses	22%	22%	242%	238421%
Other acquisition cost	10%	29%	122%	1818%
General Management expenses	-1%	24%	44%	158%
Revenue per share (Rs.)	7.57	6.49	5.16	1.31
Operating Profit / (Loss) per share (Rs.)	(0.40)	(2.32)	(2.60)	(2.23)
Loss per share (Rs.)	(0.14)	(1.35)	(1.84)	(2.07)
Claims to Contribution	48%	66%	44%	37%
Management Expenses to Gross Contribution	14%	16%	30%	73%
Management Expenses to Wakala Fee	37%	52%	59%	156%
Net Commission Expense to Gross Contribution	17%	16%	30%	31%
Net Commission Expense to Wakala Fee	45%	52%	60%	67%
Total acquisition cost to Gross contribution	28%	28%	50%	65%
Wakala fee to Gross Contribution	37%	31%	50%	47%
Operating loss to Wakala fee	-11%	-42%	-60%	-194%
Net claim ratio	16%	17%	13%	14%
Expense ratio	46%	66%	87%	154%
<b>REVENUE DISTRIBUTION (PTF)</b>				
Claims (Including IBNR)	46%	64%	43%	37%
Takaful operator's fee	32%	31%	31%	33%
Excess of income over expenditure	22%	4%	26%	30%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>REVENUE DISTRIBUTION (SHF)</b>				
Commission expense	41%	47%	50%	58%
Management Expense	33%	47%	50%	137%
Other acquisition cost	27%	35%	35%	63%
Profit / (loss) before taxation	0%	-29%	-36%	-158%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

1. The directors have confirmed that none of them is serving as a director in ten or more listed companies, incorporated in Pakistan.
2. 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 DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
3. The Company has prepared a 'Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
4. 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.
5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
6. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
7. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all the necessary aspects of internal control given in the code.
8. No orientation course for the directors during the year was arranged, however, directors being seasoned bankers, insurance & investments professionals and experienced businessmen; they are aware of their responsibilities as directors.
9. 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.
10. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
11. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

On behalf of the Board of Directors



**Pervaiz Ahmed**  
Chief Executive Officer

## SHARIAH AUDIT REPORT TO THE BOARD OF DIRECTORS

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

We have examined the accompanying financial statements of **Pak-Qatar Family Takaful Limited** (hereafter referred to as "the Company") for the year ended 31 December 2011.

We acknowledge that as Shariah Advisory Board members of the Company, it is our responsibility to ensure that the financial arrangements, contracts and transactions entered into by the Company with its clients and stakeholders are in compliance with the requirements of Shariah rules and principles. It is the responsibility of the Company' management to ensure that the rules, principles and guidelines set by the Shariah Advisory Board are complied with, and that all policies and services being offered are duly approved by the Shariah Advisory Board. The primary scope of our audit is to review the Company's compliance with Shariah Guidelines, and includes the examination of the appropriate evidence of transactions undertaken by the Company during the year 2011.

The Shariah Advisory Board with the coordination of Shariah Compliance Department of the Company has decided to conduct internal Shariah audit on a quarterly basis, as this exercise is directly related to the Company's future growth, sustainability and alignment with the original vision.

Members of the Shariah Advisory Board visited the premises frequently and observed different transactions and activities. . Any surfacing issues were resolved during meetings with the management, which was then directed to implement the suggested course of action.

We are glad to observe that the management is working diligently to ensure compliance in all respects including misspellings and fraud, as well as working towards developing an atmosphere consistent with our vision in the Company's branches. We have also observed an increased emphasis on Takaful and Ethics in the training for new recruits.

The Shariah Department has worked tirelessly in order to prepare a work force that believes in the philosophy of Takaful. In that regard, the Department has always gone out of its way to train new personnel as well as could be hoped, and also transfer and share this knowledge with other companies in order to help them better understand Takaful's inherent Islamic values and economic benefits and practicality. The Shariah Department remains easily accessible to all members of the organization as well as individual or corporate entities through all channels of communication, and plays an active role in laying misconceptions to rest.

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

- (i) Financial transactions undertaken by the Company during the year ended 31 December 2011 (except those few which had some irregularities from the Shariah point of view and were duly resolved) were in accordance with SAB's guidelines as well as the requirements of Takaful Rules 2005;
- (ii) The Operations Department has performed much better in 2011 than it did in 2010 with respect to underwriting and claims. Cases were sampled randomly, and it was heartening to note that not a single case had violated the Shariah Guidelines in any respect. Moreover, rejected claims were also sampled to see if there had been malpractice. Alhamdulillah! We did not find any unfairly rejected claims or other transgressions against the Shariah; and
- (iii) Consequently, we found the Company to be in accordance with the Shariah principles in all transactional respects. Moreover, we also concur with the accounting policies adopted for incorporation of Participant Takaful Fund (Waqf Fund) into the accompanying financial statements.

اللَّهُمَّ ارِنَا الْحَقَّ حَقًّا وَارْزُقْنَا اتِّبَاعَهُ وَارِنَا الْبَاطِلَ بَاطِلًا وَارْزُقْنَا اجْتِنَابَهُ

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

On Behalf Of Chairman of Shariah Advisory Board



**Dr. Mufti Ismatullah**  
Shariah Advisory Board Member



**Mufti Muhammad Hassaan Kaleem**  
Shariah Advisory Board Member

KARACHI  
07 April 2012

## شریعی آڈٹ رپورٹ برائے بورڈ آف ڈائریکٹرز

الحمد لله رب العلمين والصلاة والسلام على سيد الانبياء والمرسلين  
محمد النبي الامى وعلى آله وصحابه اجمعين ، وبعد؛

الحمد لله، ہم نے پاک قطر فیملی تکافل لمیٹڈ جسے بعد ازاں ”کمپنی“ سے تعبیر کیا گیا ہے، کے مالیاتی اسٹیٹمنٹس برائے سال 2011ء کا شرعی اعتبار سے جائزہ لیا۔

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

الحمد لله، اس سلسلے میں اگلے سال کے لیے شریعی ایڈوائزری بورڈ نے کمپنی کے شریعی کمپلائنس ڈپارٹمنٹ کی معاونت سے باقاعدہ سہ ماہی بنیادوں پر شرعی کمپلائنس کا جائزہ لینے کا ارادہ کیا ہے، تاکہ مزید اہتمام کے ساتھ شریعی بورڈ اپنا فعال کردار ادا کر سکے۔ شریعی ایڈوائزری بورڈ ممبرز کمپنی کے آپریشنز کا عملی طور پر دورہ بھی کرتے ہیں اور مختلف معاملات کا جائزہ لیتے رہتے ہیں۔ دوران سال جب بھی کوئی مسئلہ درپیش ہوا تو فوری طور پر کمپنی انتظامیہ کیساتھ میٹنگ کر کے حل کر لیا گیا اور کمپنی انتظامیہ کو شرعی قواعد و ضوابط کے مطابق اس کی تنفیذ کے سلسلے میں ہدایات جاری کر دی گئیں۔

یہ بات بھی خوش آئند ہے کہ کمپنی انتظامیہ اپنی تمام برانچز میں کمپلائنس سیٹ اپ کیلئے تندرہی سے کوشاں ہے، تاکہ شرکاء تکافل کو بہتر اور شفاف انداز میں تکافل کی خدمات پیش کی جاسکیں، نیز اس کے ساتھ ساتھ ہر برانچ میں متعلقہ ملازمین کے لیے باقاعدہ تکافل کے تربیتی پروگرام بھی منعقد کئے جا رہے ہیں۔

اس سلسلے میں کمپنی کے شریعی کمپلائنس ڈپارٹمنٹ نے ماشاء اللہ پورے سال ذمہ داری اور اہتمام سے تکافل کی شریعی ٹریننگ کی ذمہ داری اٹھائی، نہ صرف یہ کہ کمپنی کے مستقل ملازمین کو اس مفید ٹریننگ کورس سے گزارا بلکہ ساتھ ساتھ ڈیلوپلمینٹ اسٹاف کے لیے بھی تکافل کورس منعقد کروائے گئے۔ وقتاً فوقتاً ملکی سطح پر تکافل کے حوالہ سے مختلف سیمینارز بھی منعقد کروائے گئے، اسلامی اقدار اور اسلامی معاشی نظام بشمول تکافل کو فروغ دینے کے لیے کمپنی کی یہ کوشش قابل تعریف ہے۔

ہماری معلومات کے مطابق:

..... سال 2011ء میں کمپنی کی جانب سے کیے گئے تمام مالی معاملات (سوائے اُن چند معاملات کے جن میں شرعی اعتبار

سے تردد تھا، بعد ازاں ان کو باقاعدہ طور پر حل بھی کر لیا گیا) شریعہ ایڈوائزرز بورڈ کی جانب سے دی گئی گائیڈ لائنز اور تکفل رولز 2005ء کے مطابق تھے۔

۲..... سال گذشتہ سال کی بنسبت رواں سال کمپنی کے آپریشن ڈیپارٹمنٹ نے شریعہ بورڈ کی جانب سے وقتاً فوقتاً دی جانے والی ہدایات کے مطابق اپنی ذمہ داریوں کو بحسن و خوبی انجام دیا اور کوئی غیر شرعی پہلو نہیں پایا گیا۔ (سوائے اُن بعض ضمنی معاملات کے جو شرعی اعتبار سے درست نہ تھے اور ان کو باقاعدہ طور پر حل بھی کر لیا گیا)

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

”اللَّهُمَّ ارِنَا الْحَقَّ حَقًّا وَارْزُقْنَا اتِّبَاعَهُ وَارِنَا الْبَاطِلَ بَاطِلًا وَارْزُقْنَا اجْتِنَابَهُ“

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

در نیابت چیئرمین شریعہ ایڈوائزرز بورڈ

Dr. Khalid

ڈاکٹر مفتی عصمت اللہ  
ممبر شریعہ ایڈوائزرز بورڈ

Dr. Muhammad

مفتی محمد حسان کلیم  
ممبر شریعہ ایڈوائزرز بورڈ

کراچی

تاریخ: ۷ اپریل ۲۰۱۲

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

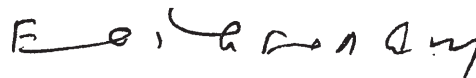
We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2011 prepared by the Board of Directors of Pak Qatar Family Takaful Limited (the Company) to comply with the Best Practices of the Code, as required under Section B of S.R.O 68 (1)/2003 dated 21 January 2003.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company, for the year ended 31 December 2011.

KARACHI  
09 April 2012



CHARTERED ACCOUNTANTS

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of **Pak – Qatar Family Takaful Limited** as at **31 December 2011** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000, and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied, except for the changes in accounting policies as stated in note 5.1 to the financial statements with which we concur;
- (c) the financial statements together with the notes thereon present fairly in all material respects, the state of the Company's affairs as at **31 December 2011** and of its financial performance, changes in equity and cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- (e) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI  
09 April 2012

  
**Chartered Accountants**  
**Audit Engagement Partner: Omer Chughtai**

# BALANCE SHEET

As at December 31, 2011

Note	Shareholders' Fund	-----Statutory Funds-----			2011	2010	
		Individual Family	Group Family	Group Health			
----- (Rupees) -----							
<b>Share capital and reserves</b>	<b>9</b>						
Authorized share capital		800,000,000			<b>800,000,000</b>	800,000,000	
Issued, subscribed and paid-up share capital		710,628,850			<b>710,628,850</b>	608,852,530	
Accumulated deficit		(276,469,354)			<b>(276,469,354)</b>	(246,573,915)	
<b>Net Shareholders' equity</b>		<b>434,159,496</b>			<b>434,159,496</b>	362,278,615	
<b>Advance against future issue of share capital</b>	<b>10</b>	-			-	3,390,402	
<b>Balance of statutory funds</b>	<b>11</b>						
Cede money - Waqf		-	-	500,000	-	<b>500,000</b>	500,000
Participant Takaful Fund - Waqf		-	46,169,877	62,004,124	47,006,652	<b>155,180,653</b>	71,997,723
		-	46,169,877	62,504,124	47,006,652	<b>155,680,653</b>	72,497,723
Participant Investment Fund (PIF)		-	1,244,840,924	-	-	<b>1,244,840,924</b>	503,204,678
		-	1,291,010,801	62,504,124	47,006,652	<b>1,400,521,577</b>	575,702,401
<b>Creditors and accruals</b>							
Outstanding claims		-	33,027,337	10,492,600	15,060,910	<b>58,580,847</b>	45,590,069
Contributions received in advance		1,640,957	112,765,433	2,515,623	2,295,325	<b>119,217,338</b>	44,318,677
Amount due to re-takaful operator(s)		-	141,777	3,740,999	-	<b>3,882,776</b>	13,498,808
Amounts due to agents		32,426,330	-	-	-	<b>32,426,330</b>	13,146,525
Creditors, accruals and other liabilities	<b>12</b>	11,341,575	11,909,468	-	-	<b>23,251,043</b>	19,479,600
		45,408,862	157,844,015	16,749,222	17,356,235	<b>237,358,334</b>	136,033,679
<b>Total liabilities</b>		<b>45,408,862</b>	<b>1,448,854,816</b>	<b>79,253,346</b>	<b>64,362,887</b>	<b>1,637,879,911</b>	715,126,482
<b>Total equity and liabilities</b>		<b>479,568,358</b>	<b>1,448,854,816</b>	<b>79,253,346</b>	<b>64,362,887</b>	<b>2,072,039,407</b>	<b>1,077,405,097</b>
<b>Commitments</b>	<b>13</b>						

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

# BALANCE SHEET

As at December 31, 2011

Note	Shareholders' Fund	Statutory Funds			2011	2010
		Individual Family	Group Family	Group Health		
----- (Rupees) -----						
<b>Cash and bank deposits</b>	<b>14</b>					
Cash and others	1,738,015	-	-	-	<b>1,738,015</b>	881,334
Current and other accounts	26,528,164	261,045,928	22,016,008	9,686,303	<b>319,276,403</b>	138,374,478
Deposits maturing within 12 months	18,500,000	451,880,000	9,000,000	11,500,000	<b>490,880,000</b>	210,000,000
	46,766,179	712,925,928	31,016,008	21,186,303	<b>811,894,418</b>	349,255,812
<b>Investments</b>	<b>15</b>					
Government securities - sukuku	110,762,857	364,774,698	25,535,000	21,545,000	<b>522,617,555</b>	196,532,627
Other income securities - sukuku	2,989,310	107,250,530	-	-	<b>110,239,840</b>	51,299,753
Open-end mutual fund - units	33,562,989	204,172,975	4,182,568	36,204	<b>241,954,736</b>	136,839,583
Listed equities	4,438,523	22,944,577	-	-	<b>27,383,100</b>	22,129,562
	151,753,679	699,142,780	29,717,568	21,581,204	<b>902,195,231</b>	406,801,525
<b>Long-term security deposits</b>					<b>9,789,987</b>	11,633,944
	9,789,987	-	-	-		
<b>Deferred tax asset</b>	<b>16</b>				<b>122,297,189</b>	122,356,796
	122,297,189	-	-	-		
<b>Current assets - Other</b>						
Contribution due but unpaid - considered good	-	4,145,757	17,638,015	21,388,798	<b>43,172,570</b>	31,392,399
Investment income accrued	5,725,613	23,463,820	881,755	206,582	<b>30,277,770</b>	8,228,584
Amounts due from re-takaful	-	9,047,515	-	-	<b>9,047,515</b>	-
Taxation - payments less provisions	8,299,224	129,016	-	-	<b>8,428,240</b>	4,307,619
Prepayments	7,075,751	-	-	-	<b>7,075,751</b>	5,927,929
Other receivables	6,695,318	-	-	-	<b>6,695,318</b>	1,003,212
	27,795,906	36,786,108	18,519,770	21,595,380	<b>104,697,164</b>	50,859,743
<b>Fixed assets</b>	<b>18</b>					
<b>Tangible</b>						
Furniture and fixtures	13,971,826	-	-	-	<b>13,971,826</b>	12,470,092
Building improvements	38,178,330	-	-	-	<b>38,178,330</b>	44,295,284
Office equipment	12,894,794	-	-	-	<b>12,894,794</b>	13,534,854
Motor vehicles	13,601,344	-	-	-	<b>13,601,344</b>	18,328,234
Computer equipment	5,763,345	-	-	-	<b>5,763,345</b>	7,026,036
Capital work-in-progress	4,795,646	-	-	-	<b>4,795,646</b>	6,239,350
<b>Intangible</b>						
Computer software	11,117,093	-	-	-	<b>11,117,093</b>	17,407,167
Capital work-in-progress	20,843,040	-	-	-	<b>20,843,040</b>	17,196,260
	121,165,418	-	-	-	<b>121,165,418</b>	136,497,277
<b>Total assets</b>	<b>479,568,358</b>	<b>1,448,854,816</b>	<b>79,253,346</b>	<b>64,362,887</b>	<b>2,072,039,407</b>	<b>1,077,405,097</b>

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
Chairman

  
Chief Executive

  
Director

  
Director

## PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2011

	Note	Aggregate	
		2011	2010
		————(Rupees)————	
<b>Investment income not attributable to statutory funds</b>			
Return on sukus		<b>16,218,065</b>	8,899,176
Amortization of premium and discount on sukus - net		<b>(1,319,010)</b>	(1,231,852)
Profit on bank balances and deposits		<b>7,950,734</b>	2,361,553
Dividend income		<b>257,000</b>	625,000
(Loss) / gain on disposal of investments - available-for-sale		<b>(146,470)</b>	6,674,807
<b>Total investment income of Shareholders' fund</b>		<b>22,960,319</b>	17,328,684
<b>Other revenues</b>			
Gain on disposal of fixed assets		<b>193,224</b>	145,265
Exchange gain / (loss)		<b>80,499</b>	(4,873)
Other income		<b>201,175</b>	166,467
<b>Total investment income and other revenues not attributable to statutory funds</b>		<b>23,435,217</b>	17,635,543
Expenses not attributable to statutory funds	19	<b>(8,780,873)</b>	(12,158,949)
		<b>14,654,344</b>	5,476,594
Deficit in shareholders' sub fund - transferred to shareholders		<b>(16,759,203)</b>	(111,247,738)
		<b>(2,104,859)</b>	(105,771,144)
<b>Less: Impairment in the value of available for sale investments</b>		<b>(2,268,257)</b>	-
<b>Loss before taxation</b>		<b>(4,373,116)</b>	(105,771,144)
Taxation - current	20	<b>(4,962,716)</b>	(5,382,335)
- deferred	16	<b>(59,607)</b>	39,126,803
<b>Loss for the year after tax</b>		<b>(5,022,323)</b>	33,744,468
		<b>(9,395,439)</b>	(72,026,676)

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

## STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2011

	Share Capital	Net accumulated deficit			Total
		Accumulated deficit	Capital contribution to statutory funds	Net accumulated deficit	
----- (Rupees) -----					
<b>Balance as at January 01, 2010</b>	532,971,670	(154,068,364)	(3,828,875)	(157,897,239)	<b>375,074,431</b>
Issue of right share at Rs. 10 per share	75,880,860	-	-	-	<b>75,880,860</b>
Loss for the year	-	(72,026,676)	-	(72,026,676)	<b>(72,026,676)</b>
Capital contributed to shareholders' sub fund	-	-	(16,650,000)	(16,650,000)	<b>(16,650,000)</b>
<b>Balance as at December 31, 2010</b>	<u>608,852,530</u>	<u>(226,095,040)</u>	<u>(20,478,875)</u>	<u>(246,573,915)</u>	<b>362,278,615</b>
Issue of right share at Rs. 10 per share	101,776,320	-	-	-	<b>101,776,320</b>
Loss for the year	-	(9,395,439)	-	(9,395,439)	<b>(9,395,439)</b>
Capital contributed to shareholders' sub fund	-	-	(20,500,000)	(20,500,000)	<b>(20,500,000)</b>
<b>Balance as at December 31, 2011</b>	<u><u>710,628,850</u></u>	<u><u>(235,490,479)</u></u>	<u><u>(40,978,875)</u></u>	<u><u>(276,469,354)</u></u>	<b>434,159,496</b>

The annexed notes from 1 to 25 form an integral part of these financial statements.



**Chairman**



**Chief Executive**



**Director**



**Director**

# STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

	Shareholders'	Statutory Funds			Aggregate	
	Fund	Individual Family	Group Family	Group Health	2011	2010
(Rupees)						
<b>OPERATING CASH FLOWS</b>						
<b>(a) Takaful activities</b>						
Contributions received	831,156,127	897,015,789	107,909,922	102,431,467	<b>1,938,513,305</b>	1,071,468,199
Retakaful payments	-	(41,314,233)	(26,671,308)	-	<b>(67,985,541)</b>	(16,602,613)
Claims Paid	-	(77,922,310)	(66,339,417)	(105,138,530)	<b>(249,400,257)</b>	(134,995,813)
Commission paid	(525,289,898)	-	-	-	<b>(525,289,898)</b>	(345,487,460)
Net cash inflow / (outflow) from takaful activities	305,866,229	777,779,246	14,899,197	(2,707,063)	<b>1,095,837,609</b>	574,382,313
<b>(b) Other operating activities</b>						
Income tax paid	(9,022,976)	(60,361)	-	-	<b>(9,083,337)</b>	(3,857,952)
General management expenses paid	(296,612,067)	-	-	-	<b>(296,612,067)</b>	(264,740,394)
Long term deposits	1,843,957	-	-	-	<b>1,843,957</b>	(2,415,422)
Surplus distributed	-	(4,878,727)	-	-	<b>(4,878,727)</b>	-
Other operating payments / (payments)	(6,638,725)	(27,533)	-	-	<b>(6,666,258)</b>	1,245,860
Net cash outflow from other operating activities	(310,429,811)	(4,966,621)	-	-	<b>(315,396,432)</b>	(269,767,908)
<b>Net cash (outflow) / inflow from all operating activities</b>	<b>(4,563,582)</b>	<b>772,812,625</b>	<b>14,899,197</b>	<b>(2,707,063)</b>	<b>780,441,177</b>	<b>304,614,405</b>
<b>Investing Activities</b>						
Profit / return received	21,673,726	55,856,047	4,198,215	1,453,546	<b>83,181,534</b>	32,279,014
Dividend received	257,000	1,368,500	-	-	<b>1,625,500</b>	1,918,400
Payments for investments	(134,142,755)	(920,662,655)	(29,535,000)	(22,545,000)	<b>(1,106,885,410)</b>	(479,496,281)
Proceeds from disposal of investments	68,957,504	529,666,464	7,193,600	8,063,784	<b>613,881,352</b>	355,824,005
Fixed capital expenditure	(10,483,525)	-	-	-	<b>(10,483,525)</b>	(26,062,128)
Proceed from disposal of fixed assets	2,492,060	-	-	-	<b>2,492,060</b>	1,300,000
Net cash (outflow) from investing activities	(51,245,990)	(333,771,644)	(18,143,185)	(13,027,670)	<b>(416,188,489)</b>	(114,236,990)
<b>Financing Activities</b>						
Proceeds from issue of share capital	98,385,918	-	-	-	<b>98,385,918</b>	77,610,520
Qard-e-Hasana payments from SHF to statutory funds	(20,500,000)	-	-	20,500,000	<b>-</b>	-
Net cash inflow from financing activities	77,885,918	-	-	20,500,000	<b>98,385,918</b>	77,610,520
<b>Net cash inflow / (outflow) from all activities</b>	<b>22,076,346</b>	<b>439,040,981</b>	<b>(3,243,988)</b>	<b>4,765,267</b>	<b>462,638,606</b>	<b>267,987,935</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>24,689,833</b>	<b>273,884,947</b>	<b>34,259,996</b>	<b>16,421,036</b>	<b>349,255,812</b>	<b>81,267,877</b>
<b>Cash and cash equivalents at end of the year</b>	<b>46,766,179</b>	<b>712,925,928</b>	<b>31,016,008</b>	<b>21,186,303</b>	<b>811,894,418</b>	<b>349,255,812</b>

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# STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

## Definition of cash & cash equivalent

Cash comprises of cash in hand, policy stamps, cheques in hand, bank balances and other deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

	Note	2011 ————(Rupees)————	2010
<b>Cash for the purposes of the statement of cash flows consists of :</b>			
<b>Cash and other equivalents</b>			
Cash in hand		634,195	381,305
Stamps in hand		1,103,820	500,029
		<u>1,738,015</u>	<u>881,334</u>
<b>Current and other accounts</b>			
Current accounts		2,874,351	150,763
Saving accounts		316,402,052	138,223,715
		<u>319,276,403</u>	<u>138,374,478</u>
<b>Deposits maturing within 12 months (encashable on demand)</b>		<b>490,880,000</b>	210,000,000
	<b>14</b>	<u><b>811,894,418</b></u>	<u>349,255,812</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

## REVENUE ACCOUNT

For the year ended December 31, 2011

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2011	2010
----- (Rupees) -----					
<b>Participant investment Fund (PIF)</b>					
<b>Income</b>					
Allocated contribution	759,425,513	-	-	<b>759,425,513</b>	362,240,573
Net investment income	77,170,327	-	-	<b>77,170,327</b>	29,217,409
<b>Total net income</b>	<b>836,595,840</b>	<b>-</b>	<b>-</b>	<b>836,595,840</b>	391,457,982
<b>Less: Claims and expenditure</b>					
Surrender / Partial withdrawal	65,698,742	-	-	<b>65,698,742</b>	21,013,724
Takaful Operators' fee and other charges	29,260,852	-	-	<b>29,260,852</b>	13,175,482
<b>Total claims and expenditure</b>	<b>94,959,594</b>	<b>-</b>	<b>-</b>	<b>94,959,594</b>	34,189,206
<b>Excess of income over claims and expenditure</b>	<b>741,636,246</b>	<b>-</b>	<b>-</b>	<b>741,636,246</b>	357,268,776
Add: Technical reserves at the beginning of the year	503,204,678	-	-	<b>503,204,678</b>	145,935,902
Less: Technical reserves at the end of the year	1,244,840,924	-	-	<b>1,244,840,924</b>	503,204,678
<b>Surplus / (deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Movement in technical reserves</b>	<b>741,636,246</b>	<b>-</b>	<b>-</b>	<b>741,636,246</b>	357,268,776
<b>Balance of PIF at the beginning of the year</b>	<b>503,204,678</b>	<b>-</b>	<b>-</b>	<b>503,204,678</b>	145,935,902
<b>Balance of PIF at the end of the year</b>	<b>(a) 1,244,840,924</b>	<b>-</b>	<b>-</b>	<b>1,244,840,924</b>	<b>503,204,678</b>
<b>Participants' Takaful Fund (PTF)</b>					
<b>Income</b>					
Contribution net off re-takaful	48,137,210	78,430,306	146,001,022	<b>272,568,538</b>	152,300,195
Net investment income	2,920,657	2,988,246	919,328	<b>6,828,231</b>	3,604,712
Other income	8,977,102	-	-	<b>8,977,102</b>	244,896
<b>Total net income</b>	<b>60,034,969</b>	<b>81,418,552</b>	<b>146,920,350</b>	<b>288,373,871</b>	156,149,803
<b>Less: Claims and expenditures</b>					
Claim net of re-takaful recoveries	7,762,482	17,491,860	105,292,440	<b>130,546,782</b>	100,580,179
Takaful Operators' fee and other charges	17,870,607	36,799,026	35,595,799	<b>90,265,432</b>	49,139,139
<b>Total claims and expenditure</b>	<b>25,633,089</b>	<b>54,290,886</b>	<b>140,888,239</b>	<b>220,812,214</b>	149,719,318
<b>Excess of income over claims and expenditure</b>	<b>34,401,880</b>	<b>27,127,666</b>	<b>6,032,111</b>	<b>67,561,657</b>	6,430,485
Add: Technical reserves at the beginning of the year	6,134,115	21,493,700	20,473,820	<b>48,101,635</b>	44,737,736
Less: Technical reserves at the end of the year	18,287,495	42,461,394	38,099,660	<b>98,848,549</b>	48,101,635
<b>Surplus / (deficit) before distribution</b>	<b>22,248,500</b>	<b>6,159,972</b>	<b>(11,593,729)</b>	<b>16,814,743</b>	3,066,586
<b>Surplus distributed</b>	<b>(4,878,727)</b>	<b>-</b>	<b>-</b>	<b>(4,878,727)</b>	<b>-</b>
<b>Surplus / (deficit) after distribution</b>	<b>17,369,773</b>	<b>6,159,972</b>	<b>(11,593,729)</b>	<b>11,936,016</b>	3,066,586
<b>Movement in technical reserves</b>	<b>12,153,380</b>	<b>20,967,694</b>	<b>17,625,840</b>	<b>50,746,914</b>	3,363,899
Qard-e-Hasna contributed from shareholders' sub fund	-	-	20,500,000	<b>20,500,000</b>	16,650,000
<b>Balance of PTF at the beginning of the year</b>	<b>16,646,724</b>	<b>34,876,458</b>	<b>20,474,541</b>	<b>71,997,723</b>	48,917,238
<b>Balance of PTF at the end of the year</b>	<b>(b) 46,169,877</b>	<b>62,004,124</b>	<b>47,006,652</b>	<b>155,180,653</b>	<b>71,997,723</b>
<b>Total</b>	<b>(a+b) 1,291,010,801</b>	<b>62,004,124</b>	<b>47,006,652</b>	<b>1,400,021,577</b>	<b>575,202,401</b>

.....Continued.....

## REVENUE ACCOUNT

For the year ended December 31, 2011

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2011	2010
----- (Rupees) -----					
<b>Shareholders' Sub Fund</b>					
<b>Income</b>					
Takaful Operators' Fee	754,250,233	36,799,026	35,595,799	<b>826,645,058</b>	523,404,685
Mudarib fee from PTF	1,869,702	1,992,164	612,885	<b>4,474,751</b>	2,403,141
<b>Total income</b>	<b>756,119,935</b>	<b>38,791,190</b>	<b>36,208,684</b>	<b>831,119,809</b>	<b>525,807,826</b>
<b>Less: Expenditure</b>					
Net commission expenses	540,490,291	1,966,901	2,112,511	<b>544,569,703</b>	350,643,618
Other acquisition expenses	129,441,344	6,407,581	7,718,821	<b>143,567,746</b>	128,486,271
Management expenses	111,690,612	21,570,392	26,480,559	<b>159,741,563</b>	157,925,675
<b>Total expenditure</b>	<b>781,622,247</b>	<b>29,944,874</b>	<b>36,311,891</b>	<b>847,879,012</b>	<b>637,055,564</b>
<b>Excess of (expenditure) / income over income / (expenditure)</b>	<b>(25,502,312)</b>	<b>8,846,316</b>	<b>(103,207)</b>	<b>(16,759,203)</b>	<b>(111,247,738)</b>
Add: Technical reserves at the beginning of the year	-	-	-	-	-
Less: Technical reserves at the end of the year	-	-	-	-	-
<b>(Deficit) / surplus for the year</b>	<b>(25,502,312)</b>	<b>8,846,316</b>	<b>(103,207)</b>	<b>(16,759,203)</b>	<b>(111,247,738)</b>
<b>Deficit / surplus transferred to shareholders' fund</b>	<b>25,502,312</b>	<b>(8,846,316)</b>	<b>103,207</b>	<b>16,759,203</b>	<b>111,247,738</b>
<b>Movement in technical reserves</b>	-	-	-	-	-
<b>Transfers from / (to) shareholders' fund</b>					
Contribution received from shareholders' fund	-	-	20,500,000	<b>20,500,000</b>	16,650,000
Qard-e-Hasna contributed to PTF	-	-	(20,500,000)	<b>(20,500,000)</b>	(16,650,000)
<b>Net transfer from / (to) shareholders' fund</b>	-	-	-	-	-
<b>Balance of shareholders' sub fund at the beginning of the year</b>	-	-	-	-	-
<b>Balance of shareholders' sub fund at the end of the year</b>	-	-	-	-	-
	(c)				
<b>Balance of Funds at the end of the year</b>	<b>1,291,010,801</b>	<b>62,004,124</b>	<b>47,006,652</b>	<b>1,400,021,577</b>	<b>575,202,401</b>
<b>Represented by: (Note 11)</b>					
<b>Participants' Investment Fund</b>					
Technical reserves for PIF	1,244,840,924	-	-	<b>1,244,840,924</b>	503,204,678
	1,244,840,924	-	-	<b>1,244,840,924</b>	503,204,678
<b>Participants' Takaful fund</b>					
Accumulated surplus / (deficit) - PTF	27,882,382	11,049,448	(23,578,601)	<b>15,353,229</b>	3,417,213
Qard-e-Hasna contributions	-	8,493,282	32,485,593	<b>40,978,875</b>	20,478,875
Technical reserves for PTF	18,287,495	42,461,394	38,099,660	<b>98,848,549</b>	48,101,635
	46,169,877	62,004,124	47,006,652	<b>155,180,653</b>	71,997,723
<b>Shareholders' sub fund</b>					
Technical reserves for shareholders' sub fund	-	-	-	-	-
Accumulated surplus - shareholders' sub fund	-	-	-	-	-
<b>Balance of Funds at the end of the year</b>	<b>1,291,010,801</b>	<b>62,004,124</b>	<b>47,006,652</b>	<b>1,400,021,577</b>	<b>575,202,401</b>

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

# STATEMENT OF CONTRIBUTION

For the year ended December 31, 2011

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2011	2010
----- (Rupees) -----					
<b>Gross Contributions</b>					
<b>Regular contribution individual schemes</b>					
First year	1,015,069,103	-	-	<b>1,015,069,103</b>	599,998,589
Second year	255,151,769	-	-	<b>255,151,769</b>	182,856,295
Third year onwards	217,998,627	-	-	<b>217,998,627</b>	47,325,360
<b>Top up contribution under individual schemes</b>	<b>45,728,474</b>	-	-	<b>45,728,474</b>	52,942,251
<b>Single contribution</b>	<b>37,990,000</b>	-	-	<b>37,990,000</b>	-
<b>Group schemes without cash values</b>	-	147,447,496	146,001,022	<b>293,448,518</b>	160,020,068
<b>Total Gross Contribution</b>	<b>1,571,937,973</b>	<b>147,447,496</b>	<b>146,001,022</b>	<b>1,865,386,491</b>	1,043,142,563
<b>Gross contribution allocated as follows:</b>					
<b>Participants' Investment Fund (PIF)</b>					
Allocated regular contribution	680,022,650	-	-	<b>680,022,650</b>	311,938,785
Allocated top up and single contribution	79,402,863	-	-	<b>79,402,863</b>	50,301,788
<b>Total allocated contribution</b>	<b>759,425,513</b>	-	-	<b>759,425,513</b>	362,240,573
<b>Participants' Takaful Fund (PTF)</b>					
<b>Gross Contribution</b>					
Contribution on individual schemes	103,564,614	-	-	<b>103,564,614</b>	59,164,644
Group schemes without cash values	-	147,447,496	146,001,022	<b>293,448,518</b>	160,020,068
	103,564,614	147,447,496	146,001,022	<b>397,013,132</b>	219,184,712
<b>Less: Re-Takaful ceded</b>					
On first year individual scheme	(55,427,404)	-	-	<b>(55,427,404)</b>	(30,635,508)
On group schemes without cash values	-	(69,017,190)	-	<b>(69,017,190)</b>	(36,249,009)
	(55,427,404)	(69,017,190)	-	<b>(124,444,594)</b>	(66,884,517)
<b>Net risk Contribution of PTF</b>	<b>48,137,210</b>	<b>78,430,306</b>	<b>146,001,022</b>	<b>272,568,538</b>	152,300,195
<b>Shareholders' Sub Fund</b>					
Un-allocated regular contribution	704,632,235	-	-	<b>704,632,235</b>	459,076,815
Un-allocated top up contribution	4,315,611	-	-	<b>4,315,611</b>	2,640,463
<b>Total un-allocated contribution</b>	<b>708,947,846</b>	-	-	<b>708,947,846</b>	461,717,278

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

## STATEMENT OF CLAIMS

For the year ended December 31, 2011

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2011	2010
	----- (Rupees) -----				
<b>Gross Claims</b>					
Claims under individual schemes	25,901,174	-	-	<b>25,901,174</b>	18,535,664
Surrender / partial withdrawal	65,698,742	-	-	<b>65,698,742</b>	21,013,724
Claims under group policies	-	65,498,678	105,292,440	<b>170,791,118</b>	119,283,172
<b>Total gross claims</b>	<u>91,599,916</u>	<u>65,498,678</u>	<u>105,292,440</u>	<b><u>262,391,034</u></b>	<u>158,832,560</u>
<b>Gross claims allocated as follows:</b>					
<b>Participants' Investment Fund (PIF)</b>					
Surrenders / partial withdrawal under individual schemes	<u>65,698,742</u>	-	-	<b><u>65,698,742</u></b>	<u>21,013,724</u>
<b>Participants' Takaful Fund (PTF)</b>					
Under individual scheme by death	25,901,174	-	-	<b>25,901,174</b>	18,535,664
Under group by death	-	65,498,678	-	<b>65,498,678</b>	40,187,045
Under group by event other than death	-	-	105,292,440	<b>105,292,440</b>	79,096,127
<b>Total gross claims under PTF risk fund</b>	25,901,174	65,498,678	105,292,440	<b>196,692,292</b>	137,818,836
<b>Less: Re-Takaful recoveries</b>					
On individual scheme	(18,138,692)	-	-	<b>(18,138,692)</b>	(11,907,022)
On group scheme	-	(48,006,818)	-	<b>(48,006,818)</b>	(25,331,635)
	(18,138,692)	(48,006,818)	-	<b>(66,145,510)</b>	(37,238,657)
<b>Net claims</b>	<u><b>7,762,482</b></u>	<u><b>17,491,860</b></u>	<u><b>105,292,440</b></u>	<b><u>130,546,782</u></b>	<u><b>100,580,179</b></u>

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

# STATEMENT OF EXPENSES

## For the year ended December 31, 2011

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2011	2010
----- (Rupees) -----					
<b>Shareholders' Sub Fund</b>					
<b>Acquisition costs</b>					
<b>Remuneration to takaful intermediaries on individual schemes</b>					
- Commission on first year contribution	502,476,444	-	-	<b>502,476,444</b>	323,163,181
- Commission on second year contribution	28,255,103	-	-	<b>28,255,103</b>	22,902,151
- Commission on third year onwards contribution	7,398,782	-	-	<b>7,398,782</b>	1,678,427
- Commission on top-up and single contribution	2,359,962	-	-	<b>2,359,962</b>	1,544,487
<b>Remuneration to takaful intermediaries on group schemes</b>					
- Commission	-	1,966,901	2,112,511	<b>4,079,412</b>	1,355,372
<b>Branch overheads</b>					
- Salaries, allowances and other benefits	115,605,640	6,321,937	7,557,106	<b>129,484,683</b>	117,822,597
<b>Other acquisition cost</b>					
- Policy stamps	13,835,704	85,644	161,715	<b>14,083,063</b>	10,663,674
<b>Total acquisition costs</b>	<b>669,931,635</b>	<b>8,374,482</b>	<b>9,831,332</b>	<b>688,137,449</b>	<b>479,129,889</b>
<b>Administrative expenses</b>					
Salaries, allowances and other benefits	49,411,598	10,121,184	11,718,343	<b>71,251,125</b>	57,021,663
Employer's contribution to the provident fund	2,756,611	611,999	693,421	<b>4,062,031</b>	3,265,397
Office expenses	1,337,697	308,699	411,599	<b>2,057,995</b>	931,607
Training	245,759	43,369	54,212	<b>343,340</b>	1,179,914
Staff welfare	376,723	66,481	83,101	<b>526,305</b>	3,102,192
Vehicle running	3,544,684	649,848	799,377	<b>4,993,909</b>	4,311,025
Ijarah rentals	610,779	107,784	134,731	<b>853,294</b>	128,593
Medical fee	50,568	20,227	25,284	<b>96,079</b>	63,696
Traveling	3,324,689	586,710	733,387	<b>4,644,786</b>	7,081,232
Utilities	2,873,683	507,120	633,901	<b>4,014,704</b>	3,287,282
Rental	5,386,806	950,613	1,188,266	<b>7,525,685</b>	7,739,717
Communication	4,613,676	824,530	1,028,393	<b>6,466,599</b>	6,486,544
Repairs and maintenance	1,061,932	187,400	234,250	<b>1,483,582</b>	3,424,983
Printing and stationary	5,340,093	1,157,020	1,958,034	<b>8,455,147</b>	8,477,983
Software maintenance	2,908,371	513,242	641,552	<b>4,063,165</b>	7,926,996
Advertisement	2,046,099	361,076	451,345	<b>2,858,520</b>	4,458,251
Depreciation	11,057,630	1,951,347	2,439,183	<b>15,448,160</b>	16,213,426
Amortization	4,933,623	870,639	1,088,299	<b>6,892,561</b>	6,744,909
Shariah advisors' fees	1,357,647	239,585	299,481	<b>1,896,713</b>	1,625,407
Appointed actuary's fees	2,336,347	412,296	515,371	<b>3,264,014</b>	2,936,049
Legal and professional	726,121	128,139	160,174	<b>1,014,434</b>	2,013,536
Consultancy charges	2,548,021	449,651	562,063	<b>3,559,735</b>	4,412,943
Supervision fees	761,600	134,400	168,000	<b>1,064,000</b>	830,632
Subscription fees	869,824	153,498	191,873	<b>1,215,195</b>	1,285,421
Bank charges	59,200	10,447	13,059	<b>82,706</b>	868,401
General takaful	1,078,916	190,397	237,996	<b>1,507,309</b>	1,606,516
Miscellaneous other expenses	71,915	12,691	15,864	<b>100,470</b>	501,360
<b>Total</b>	<b>111,690,612</b>	<b>21,570,392</b>	<b>26,480,559</b>	<b>159,741,563</b>	<b>157,925,675</b>
Net management expenses	781,622,247	29,944,874	36,311,891	<b>847,879,012</b>	637,055,564

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

# STATEMENT OF INVESTMENT INCOME

For the year ended December 31, 2011

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2011	2010
----- (Rupees) -----					
<b>Investment Income</b>					
<b>Participant Investment Fund (PIF)</b>					
Return on sukuk	36,274,427	-	-	<b>36,274,427</b>	12,194,048
Profit on bank balances and deposits	34,474,548	-	-	<b>34,474,548</b>	6,399,040
Dividend income	1,368,500	-	-	<b>1,368,500</b>	1,079,650
Gain on sale of investments - available for sale	11,547,808	-	-	<b>11,547,808</b>	10,602,947
Unrealized (loss) / gain on investments - available for sale	(1,039,069)	-	-	<b>(1,039,069)</b>	(962,225)
Impairment in the value of available for sale investments	(5,455,887)	-	-	<b>(5,455,887)</b>	-
	<u>77,170,327</u>	<u>-</u>	<u>-</u>	<b><u>77,170,327</u></b>	<u>29,313,460</u>
<b>Less: Investment expenses</b>					
Charity	-	-	-	-	(4,478)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,478)</u>
Profit of shareholders' fund units in PIF	-	-	-	-	(91,573)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,573)</u>
<b>Net investment income of PIF</b>	<b>(a)</b>			<b><u>77,170,327</u></b>	<b><u>29,217,409</u></b>
<b>Participants' Takaful Fund (PTF)</b>					
Return on sukuk	1,531,179	1,109,642	834,822	<b>3,475,643</b>	2,862,448
Gain on sale of investments - available for sale	868,240	138,510	63,784	<b>1,070,534</b>	1,202,373
Profit on bank balances and deposits	2,390,940	3,732,258	633,607	<b>6,756,805</b>	1,943,032
	<u>4,790,359</u>	<u>4,980,410</u>	<u>1,532,213</u>	<b><u>11,302,982</u></b>	<u>6,007,853</u>
<b>Less: Investment expenses</b>					
Modarib fee	(1,869,702)	(1,992,164)	(612,885)	<b>(4,474,751)</b>	(2,403,141)
	<u>(1,869,702)</u>	<u>(1,992,164)</u>	<u>(612,885)</u>	<b><u>(4,474,751)</u></b>	<u>(2,403,141)</u>
<b>Net investment income of PTF</b>	<b>(b)</b>			<b><u>6,828,231</u></b>	<b><u>3,604,712</u></b>
<b>Net investment Income</b>	<b>(a+b)</b>			<b><u>83,998,558</u></b>	<b><u>32,822,121</u></b>

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
Chairman

  
Chief Executive

  
Director

  
Director

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 1. CORPORATE INFORMATION

Pak-Qatar Family Takaful Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on March 15, 2006. The Company received a 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 # 102-105, Business Arcade, Block 6, P.E.C.H.S, Karachi. The main business activity of the Company is to undertake family takaful business. The Company operates with 26 (2010: 26) branches in Pakistan.

For the purpose of carrying on the takaful business, the Company has formed a Waqf for Participants' Equity. The Waqf (PTF) was formed on August 17, 2007 under a trust deed executed by the Company with a cede money of Rs. 500,000/-. Waqf deed also governs the relationship of shareholders and policyholders for management of takaful operations, investment of policyholders' funds and investment of shareholders' funds approved by the Shariah Board established by the Company.

In accordance with the requirements of Insurance Ordinance, 2000, following statutory funds have been established in respect of each class of Family Takaful business:

- Individual Family;
- Group Family; and
- Group Health.

## 2. BASIS OF PREPARATION

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

## 3. STATEMENT OF COMPLIANCE

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

The SECP has allowed the insurance companies to defer the application of International Accounting Standard (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of investments classified as available-for-sale. Accordingly, the requirements of IAS-39 to the extent allowed by the SECP as aforesaid have not been considered in the preparation of these financial statements. (Note 15.2.1)

## 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain investments which are carried at fair value as referred to in note 15 to the financial statements.

## 5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2010, except for changes mentioned in notes 5.1 to the financial statements.

## 5.1 Accounting standards that became effective during the year

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

Standard or interpretation

IAS 24	Related Party Disclosure (Revised)
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB in 2010

IFRS 3	Business Combinations
IAS 27	Consolidated and Separate Financial Statements
IAS 1	Presentation of Financial Statements
IAS 34	Interim Financial Reporting
IFRIC 13	Customer Loyalty Programmes

The adoption of the above standards, amendments and interpretation did not have any material effect on the financial statements.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 Statutory funds

The Company maintains statutory funds in respect of each class of family takaful business. Assets, liabilities, revenues and expenses of the Company are referable to respective statutory fund, however, where these are not referable to statutory funds, these are allocated to shareholders' fund.

Apportionment of assets, liabilities, revenues and expenses, where required, between funds are made on a fair and equitable basis in accordance with the written advice of the appointed actuary.

Technical reserves are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

### 6.2 Outstanding claims

Liability for outstanding claims is recognised in respect of all unpaid claims incurred and reported up to the balance sheet date. The liability for claims incurred but not reported at the year end is determined by the Appointed Actuary and are included in the technical reserves.

### 6.3 Reserve for claims - Incurred But Not Reported (IBNR)

The liability for claims - IBNR is determined by the Appointed Actuary and included in the Technical reserves. The IBNR is expressed on the basis of past claims reporting pattern as percentage of earned contribution.

### 6.4 Recoveries from retakaful operators

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.

### 6.5 Investments

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

### **Held-to-maturity**

These are securities with fixed or determinable payments and fixed maturity that the Company has a positive intent and ability to hold to maturity.

These are initially measured at cost including acquisition charges associated with the investment. Subsequent to initial recognition, these investments are measured at amortized cost less any accumulated impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition by using the effective return method.

### **Available-for-sale**

These are investments that do not fall under the other categories.

These are initially measured at cost including acquisition charges associated with the investment. Subsequent to initial recognition, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002.

However, investments classified as available-for-sale, which are linked to the units of the unit linked fund, are marked to their market values. Any gain or loss on such available-for-sale investments is recognised in revenue account of the respective linked fund.

## **6.6 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 0 to the financial statements. Depreciation on additions is charged from the month of addition while no depreciation is charged in the month of disposal. Gains and losses on disposals are taken to profit & loss account

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

An item of fixed assets is derecognized 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 capitalized.

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

### **Intangible**

These are stated at cost less accumulated amortisation and any provision for impairment loss. Amortisation on intangible fixed assets is charged to income applying the straight line method at the rates specified in note 18.2 to the financial statements after taking into account residual value, if any.

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

### **Impairment**

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

## **Capital Work-In-Progress**

Capital work-in-progress is stated at cost less any impairment in value.

## **Assets subject to Ijarah arrangements**

Effective 01 January 2008, the Company has adopted IFAS 2 "Ijarah". In accordance with the requirements of the said standard, the Ijarah payments for contracts entered into on or after 01 January 2008 are recognised as an expense on straight line basis over the Ijarah term.

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

## **6.8 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. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities are recognized in the profit and loss account of the current period.

## **6.9 Off-setting**

A financial asset and financial liability is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognized amounts and it intends either to settle on the net basis or to realize the asset and settle the liability simultaneously.

## **6.10 Revenue recognition**

### **Contributions**

#### *Individual Family*

- First year contributions are recognised once the related policies are issued against receipt of contribution.
- Renewal contributions are recognised as and when due.
- Top up contributions are recognised once the related policies are issued against receipt of contribution.

#### *Group Family*

- Group Family contributions are recognised as and when due. In respect of certain group policies the Company continues to provide cover even if the contribution is received after the grace period.

#### *Group Health*

- Group Health contributions are recognised as and when due. In respect of certain group policies the Company continues to provide cover even if the contribution is received after the grace period.

## **Income from investments**

- Profit on Islamic investment products is recognised on an accrual basis.
- Gain / loss on sale of available-for-sale investments are included in profit and loss account in the period of sale.
- Dividend income is recognized when the right to receive the dividend is established.

### **6.11 Reserve for unearned contribution**

The unearned portion of gross contribution net off wakala is set aside as a reserve and included in the technical reserves. 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.

### **6.12 Acquisition cost**

These are costs incurred in acquiring takaful policies, maintaining such policies, and include without limitation all forms of remuneration paid to takaful agents.

Commissions and other expenses are recognised as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or the renewal of specific contract are recognised not later than the period in which the contribution to which they relate is recognised as revenue.

### **6.13 Takaful operator's fee**

The shareholders of the Company manage the family takaful operations for the participants and charge a takaful operator's fee to meet the general and administrative expenses which is included under takaful operator fee.

The Company acts as wakeel of the Waqf Fund. As such the Company is entitled for the takaful operator's fee for the management of takaful operation under Waqf Fund to meet its general and administrative expenses. The takaful operator's fee is recognised upfront.

### **6.14 Modarib fee**

The shareholders of the Company manage the PTF's investments as a Modarib and charge Modarib's share of takaful investment income earned by PTF.

### **6.15 Contribution due but unpaid**

These are initially recognised at fair value. Provision for impairment on contribution receivable is established when there is objective evidence that the Company will not be able to collect all amount due according to original term of receivables. Receivables are analysed as per their aging and accordingly provision is maintained on a systematic basis.

### **6.16 Liability adequacy test**

An assessment has been made to ensure that the business provisions are adequate. Using current estimates of future cash flows, appointed actuary has carried out expense projections of the company to keep a reserve in the light of estimated future cash flows. The current estimates are adequate and no separate reserve needs to be set aside.

### **6.17 Claims expense**

Provision is maintained in respect of all reported claims against losses incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. Claims are recognised if the takaful event occurs before the policy ceases to participate in the earnings of the funds.

### **6.18 Dividend and appropriation to reserves**

Dividend and appropriation to reserves except appropriations required by the law or determined by actuary or allowed by Insurance Ordinance, 2000, are recognised in the year in which these are approved.

### **6.19 Qard-e-Hasna**

Qard-e-Hasna is provided by SHF to PTF in case of deficit in PTF as determined by appointed actuary.

### **6.20 Taxation**

#### **Current**

Provision for current taxation is based on taxable income of shareholders' fund at the current rate of taxation after taking into account tax credits and rebates available, if any, or one percent of turnover, which is higher and tax paid on final tax regime basis.

#### **Deferred**

Deferred tax is recognized using the 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 recognized for all taxable temporary differences. Deferred tax assets are recognized 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized 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 utilized 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.

### **6.21 Foreign currencies**

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

### **6.22 Staff Retirement Benefits - Defined Contribution Plan**

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

### **6.23 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents include the following:

- Cash at bank in current and saving accounts
- Cash and stamps in hand
- Term deposits with original maturity within three months

## 7. ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, or judgments was exercised in application of accounting policies, are as follows:

	<b>Note</b>
Estimation of technical reserves	6.1 & 11
Classification of investments	6.5 & 15
Useful lives of assets and method of depreciation	6.6 & 18
Deferred taxation	6.20 & 16

## 8. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS

### 8.1 Accounting standards that are not yet effective

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

<b>Standard or interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
IFRS 7 - Financial Instruments : Disclosures - (Amendments)	
- Amendments enhancing disclosures about transfers of financial Assets	01 July 2012
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented	01 July 2012
IAS 12 Income Taxes (Amendment) - Deferred Taxes : Recovery of Underlying Assets	01 January 2012
IAS 19 Employee Benefits- Amended Standard resulting from the post-Employment Benefits and Termination Benefit projects	01 January 2013

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 9	Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure Of Interest in Other Entities	01 January 2013
IFRS 13	Fair Value Measurements	01 January 2013

## 9 SHARE CAPITAL

### 9.1. Authorized share capital

Ordinary shares of Rs. 10/- each.

**2011**                      **2010**  
**SHF**                        **SHF**  
—— (Rupees) ——

Number of shares				
2011	2010			
<u>80,000,000</u>	<u>80,000,000</u>	Ordinary shares of Rs 10/- each	<u>800,000,000</u>	<u>800,000,000</u>

### 9.2 Issued, subscribed and paid up capital

Ordinary shares of Rs. 10/- each fully paid in cash.

Number of shares				
2011	2010			
<b>60,885,253</b>	53,297,167	At the beginning of the year	<b>608,852,530</b>	532,971,670
<b>10,177,632</b>	7,588,086	Issued during the year	<b>101,776,320</b>	75,880,860
<u><b>71,062,885</b></u>	<u>60,885,253</u>		<u><b>710,628,850</b></u>	<u>608,852,530</u>

### 9.3 Major share holders of the Company are:

	Ordinary shares of Rs. 10/- each	Percentage of holding
FWU AG	10,839,945	15.25
Qatar National Bank	10,000,000	14.07
Masraf Al Rayan	10,000,000	14.07
Qatar Islamic Insurance Company	7,796,612	10.97
Qatar International Islamic Bank	7,072,570	9.95

10. The Exchange Policy Department of the State Bank of Pakistan (SBP) via its letter no. INT/A-6049/12 (21) - 2011 dated 08 August 2011 granted permission for the utilization of the advance against future issue of share capital of Pak Qatar General Takaful Limited (PQGTL - a related Company) and Pak Qatar Family Takaful Limited (PQFTL) for the issuance of shares of PQFTL.

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2011	2010
	(Rupees)				
<b>11. MOVEMENT IN STATUTORY FUNDS</b>					
<b>Participant Investment Fund (PIF)</b>					
<b>Technical reserves</b>					
Balance at the beginning of the year	503,204,678	-	-	<b>503,204,678</b>	145,935,902
Increase during the year	741,636,246	-	-	<b>741,636,246</b>	357,268,776
Balance at the end of the year	<u>1,244,840,924</u>	<u>-</u>	<u>-</u>	<b><u>1,244,840,924</u></b>	<u>503,204,678</u>
<b>Accumulated surplus - PIF</b>					
Balance at the beginning of the year	-	-	-	-	-
Surplus allocated in respect of the year	-	-	-	-	-
Surplus appropriated to participants	-	-	-	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,244,840,924</u>	<u>-</u>	<u>-</u>	<b><u>1,244,840,924</u></b>	<u>503,204,678</u>
<b>Participants' Takaful Fund (PTF)</b>					
<b>Statutory fund's technical reserves</b>					
Balance at the beginning of the year	6,134,115	21,493,700	20,473,820	<b>48,101,635</b>	44,737,736
Increase / (decrease) during the year	12,153,380	20,967,694	17,625,840	<b>50,746,914</b>	3,363,899
Balance at the end of the year	<u>18,287,495</u>	<u>42,461,394</u>	<u>38,099,660</u>	<b><u>98,848,549</u></b>	<u>48,101,635</u>
<b>Accumulated surplus of statutory fund</b>					
Balance at the beginning of the year	10,512,609	4,889,476	(11,984,872)	<b>3,417,213</b>	350,627
Increase / (decrease) during the year	22,248,500	6,159,972	(11,593,729)	<b>16,814,743</b>	3,066,586
Surplus appropriated to participants	(4,878,727)	-	-	<b>(4,878,727)</b>	-
Balance at the end of the year	<u>27,882,382</u>	<u>11,049,448</u>	<u>(23,578,601)</u>	<b><u>15,353,229</u></b>	<u>3,417,213</u>
<b>Qard-e-Hasna contributed by operator</b>					
Balance at the beginning of the year	-	8,493,282	11,985,593	<b>20,478,875</b>	3,828,875
Qard-e-Hasna contributed during the year	-	-	20,500,000	<b>20,500,000</b>	16,650,000
Balance at the end of the year	<u>-</u>	<u>8,493,282</u>	<u>32,485,593</u>	<b><u>40,978,875</u></b>	<u>20,478,875</u>
	<u>46,169,877</u>	<u>62,004,124</u>	<u>47,006,652</u>	<b><u>155,180,653</u></b>	<u>71,997,723</u>
<b>Shareholders' Sub-Fund</b>					
<b>Statutory fund technical reserves</b>					
<b>Accumulated deficit of statutory fund</b>					
Balance at the beginning of the year	-	-	-	-	-
Deficit during the year	(25,502,312)	8,846,316	(103,207)	<b>(16,759,203)</b>	(111,247,738)
Contribution towards the deficit from shareholder	25,502,312	(8,846,316)	103,207	<b>16,759,203</b>	111,247,738
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2011	2010

(Rupees)

## 11.1 Technical Reserves

### Participant Investment Fund (PIF)

#### Gross of retakaful

Actuarial liability relating to future events	1,244,840,924	-	-	<b>1,244,840,924</b>	503,204,678
Balance at the end of the year	<u>1,244,840,924</u>	<u>-</u>	<u>-</u>	<u><b>1,244,840,922</b></u>	<u>503,204,678</u>

#### Net of retakaful

Actuarial liability relating to future events	1,244,840,924	-	-	<b>1,244,840,924</b>	503,204,678
Balance at the end of the year	<u>1,244,840,924</u>	<u>-</u>	<u>-</u>	<u><b>1,244,840,924</b></u>	<u>503,204,678</u>

### Participants' Takaful Fund (PTF)

#### Gross of retakaful

Actuarial liability relating to future events	4,331,625	34,349,727	28,782,294	<b>67,463,646</b>	37,695,720
Provision for outstanding reported claims payable over a period exceeding 12 months	8,512,500	-	-	<b>8,512,500</b>	548,000
Unallocated surplus	7,647,142	6,518,009	2,123,336	<b>16,288,487</b>	5,820,984
Provision for IBNR	-	13,705,696	7,194,030	<b>20,899,726</b>	11,882,745
	<u>20,491,267</u>	<u>54,573,432</u>	<u>38,099,660</u>	<u><b>113,164,359</b></u>	<u>55,947,449</u>

#### Net of retakaful

Actuarial liability relating to future events	2,127,853	31,401,984	28,782,294	<b>62,312,131</b>	34,712,563
Provision for outstanding reported claims payable over a period exceeding 12 months	8,512,500	-	-	<b>8,512,500</b>	548,000
Unallocated surplus	7,647,142	6,518,009	2,123,336	<b>16,288,487</b>	5,820,894
Provision for IBNR	-	4,541,401	7,194,030	<b>11,735,431</b>	7,020,178
	<u>18,287,495</u>	<u>42,461,394</u>	<u>38,099,660</u>	<u><b>98,848,549</b></u>	<u>48,101,635</u>

2011      2010      2011      2010  
 (Rupees)      (Rupees)

## 12. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	Individual Family	Individual Family	SHF	SHF
Payable to contractors	-	-	<b>768,569</b>	6,756,888
Salaries	-	-	<b>148,666</b>	34,930
Income tax payable	-	-	<b>1,130,969</b>	1,055,765
Accrued expenses	-	-	<b>5,765,474</b>	9,356,802
Auditors' remuneration	-	-	<b>555,000</b>	771,463
Payable to banks for banca takaful	<b>11,872,934</b>	-	-	-
Others	<b>36,534</b>	99,621	<b>2,972,897</b>	1,404,131
	<u><b>11,909,468</b></u>	<u>99,621</u>	<u><b>11,341,575</b></u>	<u>19,379,979</u>

### 13. COMMITMENTS

13.1 Commitment for the development of software amounts to Rs. 2,003,663 /- (2010: Rs.4,380,900 /-).

13.2 Commitments under Ijarah arrangements amount to Rs. 12,813,463 /- (2010: Rs.18,538,855/-) and the period in which these payments will become due are:

	2011	2010
	—————(Rupees)—————	
Not later than one year	<b>3,620,346</b>	4,024,316
Later than one year and not later than five years	<b>9,193,117</b>	14,514,539
	<b><u>12,813,463</u></b>	<u>18,538,855</u>

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2011	2010
—————(Rupees)—————						

### 14. CASH AND BANK DEPOSITS

#### Cash and others

Cash in hand	634,195	-	-	-	<b>634,195</b>	381,305
Stamps in hand	1,103,820	-	-	-	<b>1,103,820</b>	500,029
	<u>1,738,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>1,738,015</u></b>	<u>881,334</u>

#### Current and other accounts

Current accounts	426,168	2,404,513	43,670	-	<b>2,874,351</b>	150,763
Saving accounts	26,101,996	258,641,415	21,972,338	9,686,303	<b>316,402,052</b>	138,223,715
	<u>26,528,164</u>	<u>261,045,928</u>	<u>22,016,008</u>	<u>9,686,303</u>	<b><u>319,276,403</u></b>	<u>138,374,478</u>
Deposits maturing within 12 months	18,500,000	451,880,000	9,000,000	11,500,000	<b>490,880,000</b>	210,000,000
	<b><u>46,766,179</u></b>	<b><u>712,925,928</u></b>	<b><u>31,016,008</u></b>	<b><u>21,186,303</u></b>	<b><u>811,894,418</u></b>	<b><u>349,255,812</u></b>

14.1 Saving accounts carry expected profit rates of 5.00 percent to 11.5 percent (2010: 5.00 percent) per annum

14.2 This represents short-term deposits of fixed maturities maintained with Islamic commercial banks under profit and loss sharing basis. The estimated profit rate on such deposits ranges from 10.75 to 12.90 percent (2010: 10.00 to 12.50 percent) with maturity up to December 31, 2011.

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2011	2010
—————(Rupees)—————						

### 15. INVESTMENTS

#### Available for sale - lower of cost or market value

Sukuks	113,752,167	12,558,262	25,535,000	21,545,000	173,390,429	103,660,425
Open-end mutual funds - units	33,562,989	22,853,643	4,182,568	36,204	60,635,404	16,279,874
Listed equities	4,438,523	-	-	-	4,438,523	4,919,427
	<u>151,753,679</u>	<u>35,411,905</u>	<u>29,717,568</u>	<u>21,581,204</u>	<u>238,464,356</u>	<u>124,859,726</u>

#### Available for sale - at fair value

Sukuks	-	459,466,966	-	-	459,466,966	144,171,955
Open-end mutual funds - units	-	181,319,332	-	-	181,319,332	120,559,709
Listed equities	-	22,944,577	-	-	22,944,577	17,210,135
	<u>-</u>	<u>663,730,875</u>	<u>-</u>	<u>-</u>	<u>663,730,875</u>	<u>281,941,799</u>
	<u>151,753,679</u>	<u>699,142,780</u>	<u>29,717,568</u>	<u>21,581,204</u>	<u>902,195,231</u>	<u>406,801,525</u>

## 15.1 Sukuks

Name of the investee company/organizations	Note	2011	2010	2011	2010	2011	2010
		Number of Certificates	Face Value	Face Value	Carrying Value (Rupees)	Carrying Value (Rupees)	
WAPDA 1st sukuk certificates	15.1.2	14,000	8,000	5,000	5,000	72,503,947	43,697,347
WAPDA 2nd sukuk certificates	15.1.3	19,800	3,000	5,000	5,000	99,035,937	15,035,937
Karachi Shipyard and Engineering Works - sukuk - I	-	-	200	-	5,000	-	976,582
Karachi Shipyard and Engineering Works - sukuk - II	-	-	600	-	5,000	-	3,000,000
Government of Pakistan Ijarah - sukuk - V	15.1.4	350,000	-	100	-	35,124,944	-
Government of Pakistan Ijarah - sukuk - VI	15.1.5	500,000	500,000	100	100	50,099,000	50,000,000
Government of Pakistan Ijarah - sukuk - VII	15.1.6	500,000	-	100	-	50,312,847	-
Government of Pakistan Ijarah - sukuk - VIII	15.1.7	585,000	-	100	-	58,657,089	-
Government of Pakistan Ijarah - sukuk - IX	15.1.8	600,000	-	100	-	60,192,000	-
Sui Southern Gas Company Limited - sukuk	15.1.9	48,200	16,200	2,000	4,000	96,691,791	63,822,761
LESCO - sukuk	-	-	4,000	-	5,000	-	20,000,000
Engro Chemical Pakistan Limited - sukuk	15.1.10	10,400	5,000	5,000	5,000	52,780,213	24,914,174
Century Papers and Board Mills Limited - sukuk	15.1.11	15,000	3,000	3,000	4,000	44,938,264	11,708,158
Maple Leaf Cement Factory Limited - sukuk - I	15.1.12	4,000	4,000	4,992	4,996	12,521,363	14,096,385
Maple Leaf Cement Factory Limited - sukuk - II	15.1.13	150	150	5,000	5,000	-	581,036
						<b>632,857,395</b>	<b>247,832,380</b>

\* As at December 31, 2011 the market value of sukuk was Rs. 631,246,950 /-. (2010: Rs. 240,685,877/-)

- 15.1.1** WAPDA and GOP Ijara - VI Sukuk certificates amounting to Rs. 72,000,000/- (2010: Rs. 72,000,000) 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** These carry profit at the rate of six months KIBOR plus 35 basis points receivable semi-annually with maturity in October 2012. These are backed by the Government of Pakistan's Sovereign Guarantee.
- 15.1.3** These carry profit at the rate of six months KIBOR minus 25 basis points receivable semi-annually with maturity in July 2017. These are backed by the Government of Pakistan's Sovereign Guarantee.
- 15.1.4** These carry profit at the rate of weighted average yield of 6 month treasury bills receivable semi annually with maturity in November 2013. These are backed by pari passu charge without any preference over specified assets including airport land.
- 15.1.5** These carry profit at the rate of weighted average yield of 6 month treasury bills receivable semi annually with maturity in December 2013. These are backed by pari passu charge without any preference over specified assets including airport land.
- 15.1.6** These carry profit at the rate of weighted average yield of 6 month treasury bills receivable semi annually with maturity in March 2014. These are backed by pari passu charge without any preference over specified assets including airport land.
- 15.1.7** These carry profit at the rate of weighted average yield of 6 month treasury bills receivable semi annually with maturity in May 2014. These are backed by pari passu charge without any preference over specified assets including airport land.
- 15.1.8** These carry profit at the rate of weighted average yield of 6 month treasury bills receivable semi annually with maturity in December 2014. These are backed by pari passu charge without any preference over specified assets including motorway land.
- 15.1.9** These carry profit at the rate of three months KIBOR plus 20 basis points receivable quarterly with maturity in December 2012. These are backed by first pari passu hypothecation charge over fixed assets of the company.
- 15.1.10** These carry profit at the rate of six months KIBOR plus 150 basis points receivable semi-annually with maturity in September 2015. These are backed by ranking charge over all present and future asset of the company.
- 15.1.11** These carry profit at the rate of five days average of six months KIBOR plus 135 basis points receivable semi-annually with maturity in September 2014. These are secured by way of mortgage of immovable property of the company and ranking of the hypothecation charge over the assets.

**15.1.12** These carry profit at the rate of three months KIBOR plus 100 basis points receivable quarterly with maturity on December 2018. These are backed by ranking charge on fixed assets and specific properties. The Company entered into a rescheduling agreement with its investors on 30 March 2010 whereby the investors have agreed to give a 5.5 years grace period and accept cash payment and a sukuk in lieu of the outstanding markup. This security has been impaired to the amount of Rs. 1.74 million in the current year.

**15.1.13** These carry profit at the rate of three months KIBOR plus 100 basis points receivable quarterly with maturity on March 2013. These are backed by ranking charge on fixed assets and specific properties. This security has been fully impaired in the current year.

## 15.2. Details of investments in Mutual Funds and Listed Companies

Name of the investee Funds/ Companies	2011		2010		2011		2010	
	Number of Units / Shares	Face value (Rupees)	Fair value (Rupees)	Carrying amount (Rupees)	Number of Units / Shares	Face value (Rupees)	Fair value (Rupees)	Carrying amount (Rupees)
<b>Units</b>								
UBL Islamic Saving Fund	418,151	182,596	100	44,325,127	182,596	18,575,496	44,142,776	18,575,496
Meezan Sovereign Fund	831,592	382,550	50	41,845,686	382,550	19,643,960	40,367,318	19,477,270
Meezan Islamic Income Fund	14,602	13,300	50	740,887	13,300	682,550	634,847	634,847
Meezan Islamic Fund Growth Units	680,527	161,740	50	27,146,232	161,740	7,604,996	27,146,233	7,604,996
Meezan Capital Protected Fund I	-	328,246	50	-	328,246	18,007,588	-	18,007,588
Meezan Capital Protected Fund II	500,000	-	50	25,815,000	-	-	25,508,022	-
Meezan Cash Fund	798,575	378,246	50	40,040,565	378,246	19,388,866	39,034,709	19,117,701
IGI Islamic Income Fund	-	105,459	100	-	105,459	10,608,099	-	10,444,349
Faysal Islamic Saving & Growth Fund	-	39,714	100	-	39,714	4,168,387	-	4,168,387
Atlas Islamic Stock Fund	11,889	12,391	500	3,568,244	12,391	4,533,455	3,568,244	4,533,455
Atlas Islamic Income Fund	11,308	36,521	500	5,820,327	36,521	18,696,000	5,820,327	18,696,026
ABL Islamic Income Fund	5,492,517	1,556,655	10	55,121,803	1,556,655	15,579,468	54,976,456	15,579,468
Pakistan International Element Islamic Asset Allocation Fund	21,184	-	50	755,435	-	-	755,435	-
<b>Shares</b>								
Pakistan Petroleum Limited	8,000	-	10	1,346,560	-	-	1,346,560	-
D.G. Khan Cement Company Limited	261,186	175,000	10	4,970,370	175,000	5,241,250	5,417,970	5,269,400
Fauji Fertilizer Bin Qasim Limited	10,000	150,000	10	424,300	150,000	5,437,500	424,300	5,502,050
Fauji Fertilizer Company	2,500	-	10	373,850	-	-	373,850	-
Nishat Mills Limited	195,000	-	10	7,887,750	-	-	8,997,961	-
Sui Southern Gas Company Limited	-	150,000	10	-	150,000	3,067,500	-	3,124,512
Attock Refinery Limited	-	15,000	10	-	15,000	1,843,500	-	1,843,500
Lotte Pakistan Limited*	450,000	475,000	10	4,171,500	475,000	6,369,750	4,171,500	6,390,100
Sitara Peroxide Limited	275,000	-	10	2,631,750	-	-	2,631,750	-
Hub Power Company limited	12,000	-	10	410,400	-	-	410,400	-
Pakistan Oilfields Limited	6,000	-	10	2,078,700	-	-	2,078,700	-
Attock Cement Pakistan Limited	30,000	-	10	1,530,000	-	-	1,530,000	-
				<b>271,004,486</b>		<b>159,448,365</b>	<b>269,337,358</b>	<b>158,969,145</b>

\* Impairment in the value of these shares of Rs. 352,060 (2010: RS. Nil) was charged during the current year.

**15.2.1** As per the company's accounting policy and SECP's accounting regulations for family takaful companies certain available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on 31 December 2011 would have been higher by Rs. 1,667,128/-.

2011  
SHF  
----- (Rupees) -----  
2010  
SHF

## 16. DEFERRED TAX ASSET

### Deferred Tax debits arising in respect of:

Available tax losses	132,814,306	134,526,553
Deferred Tax credit arising due to :		
Accelerated depreciation allowance	<u>(10,517,117)</u>	<u>(12,169,757)</u>
	<u>122,297,189</u>	<u>122,356,796</u>

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

Statutory Funds			Aggregate	
Individual Family	Group Family	Group Health	2011	2010
----- (Rupees) -----				

## 17. CONTRIBUTION DUE BUT UNPAID - unsecured, considered good

Related party	-	234,800	49,323	284,123	292,242
Others	4,145,757	17,403,215	21,339,475	42,888,447	31,100,157
	<u>4,145,757</u>	<u>17,638,015</u>	<u>21,388,798</u>	<u>43,172,570</u>	<u>31,392,399</u>

2011  
SHF  
----- (Rupees) -----  
2010  
SHF

## 18. FIXED ASSETS

### Tangible

Furniture and fixtures	13,971,826	12,470,092
Building Improvements	38,178,330	44,295,284
Office equipment	12,894,794	13,534,854
Motor vehicles	13,601,344	18,328,234
Computer equipment	5,763,345	7,026,036
Capital work-in-process	4,795,646	6,239,350

### Intangible

Computer software	11,117,093	17,407,167
Capital work-in-process	20,843,040	17,196,260
	<u>121,165,418</u>	<u>136,497,277</u>

### 18.1 Tangible

Particulars	Cost			Accumulated depreciation				Book Value	Rate %	
	As at January 01, 2011	Addition / (deletions)	Written off	As at December 31, 2011	As at January 01, 2011	For the year / (deletions)	Written off			As at December 31, 2011
----- Rupees -----										
Furniture and fixture	17,133,515	3,464,628	-	20,598,143	4,663,421	1,962,896	-	6,626,317	13,971,826	15
Building improvement	60,919,512	708,350 / (218,655)	-	61,409,207	16,624,228	6,638,639 / (31,990)	-	23,230,877	38,178,330	15
Office equipment	18,134,085	1,443,690 / (20,000)	-	19,557,775	4,599,231	2,068,206 / (4,456)	-	6,662,981	12,894,794	15
Motor vehicles	31,603,690	675,110 / (2,686,510)	-	29,592,290	13,275,456	3,295,114 / (579,624)	-	15,990,946	13,601,344	20
Computer equipment	14,312,321	1,033,675	-	15,345,996	7,286,285	2,296,366	-	9,582,651	5,763,345	30
<b>2011</b>	<b>142,103,123</b>	<b>7,325,453 / (2,925,165)</b>	<b>-</b>	<b>146,503,411</b>	<b>46,448,621</b>	<b>16,261,221 / (616,070)</b>	<b>-</b>	<b>62,093,772</b>	<b>84,409,639</b>	
<b>2010</b>	<b>123,651,167</b>	<b>19,996,636 / (1,544,680)</b>	<b>-</b>	<b>142,103,123</b>	<b>29,590,242</b>	<b>17,248,326 / (389,945)</b>	<b>-</b>	<b>46,448,623</b>	<b>95,654,500</b>	

## 18.1 Capital work in process

### Tangible

Capital work in process includes advances for building improvement, furniture and fixtures and vehicles.

### Intangible

Capital work in process includes advances for ERP development.

## 18.2 Intangible

Particulars	Cost			Accumulated amortization			Book Value	Rate %	
	As at January 01, 2011	Addition	As at December 31, 2011	As at January 01, 2011	For the year	As at December 31, 2011			
----- Rupees -----									
Computer software	2011	36,027,610	965,253	36,992,863	18,620,443	7,255,327	25,875,770	11,117,093	20
	2010	35,313,884	713,726	36,027,610	11,445,008	7,175,435	18,620,443	17,407,167	20

### Note

2011  
SHF

2010  
SHF

----- (Rupees) -----

## 19. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS

Salaries		3,364,919	3,847,302
Consultancy		187,354	545,420
Rental		396,089	494,025
Employer's contribution to provident fund		204,246	248,687
Training		18,071	145,832
Motor vehicle running		278,402	316,252
Medical fee		5,057	7,873
Traveling and accommodation		244,462	451,994
Utilities		211,300	209,827
Communication		346,448	425,852
Repairs and maintenance		78,083	218,616
Printing and stationary		445,008	541,148
Computer expenses		213,851	505,979
Advertisement		150,448	284,569
Depreciation		813,061	1,034,900
Amortization		362,766	430,526
Shariah advisors' fee		99,827	200,893
Auditors' remuneration	19.1	854,759	1,120,703
Appointed actuary		171,790	187,407
Legal and professional		53,391	248,864
Subscription fee		63,958	82,048
General takaful		79,332	102,544
Staff welfare		27,700	198,012
Bank and brokerage		4,353	107,331
Entertainment		-	59,464
Supervision fee		56,000	102,662
Charity		-	8,215
Car ijarah		44,910	-
Miscellaneous		5,288	32,004
		<b>8,780,873</b>	<b>12,158,949</b>

The above expenses represent allocation in accordance with the advice of appointed actuary.

	2011	2010
	—————(Rupees)—————	
<b>19.1 Auditors' remuneration</b>		
Audit fee	<b>385,000</b>	385,000
Half yearly review	<b>175,000</b>	175,000
Review of Compliance with Code of Corporate Governance and other certifications	<b>170,000</b>	440,000
Out of pocket	<b>124,759</b>	120,703
	<b>854,759</b>	1,120,703

## 20. TAXATION

**20.1** The tax assessments of the Company have been finalized upto and including tax year 2011 as the Company has filed tax returns which are deemed assessed in terms of section 120(1) of the Income Tax Ordinance, 2001.

### 20.2 Tax charge reconciliation

	2011	2010
	%	%
Applicable tax rate	<b>35.00</b>	35.00
Effect of amounts that may not be allowable, net of exemptions / rebates	<b>(36.37)</b>	(62.83)
Effect of amounts taxed at a different rate	<b>(113.48)</b>	(4.07)
	<b>(149.85)</b>	(66.90)
Effective tax rate	<b>(114.85)</b>	(31.90)

## 21. REMUNERATION OF CHIEF EXECUTIVE OFFICER (CEO), DIRECTORS AND EXECUTIVES

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

	2011		2010	
	CEO	Executives	CEO	Executives
	————— Rupees —————		————— Rupees —————	
Managerial remuneration	<b>7,293,000</b>	<b>34,143,556</b>	7,152,600	32,488,193
House rent	<b>3,281,850</b>	<b>15,364,601</b>	3,218,670	14,619,687
Utilities	<b>645,150</b>	<b>3,020,390</b>	632,730	2,873,956
Medical expenses	<b>38,501</b>	<b>858,610</b>	27,455	577,449
Others	<b>1,159,466</b>	<b>5,875,686</b>	1,303,470	5,305,271
	<b>12,417,967</b>	<b>59,262,843</b>	12,334,925	55,864,556
Number of persons	<b>1</b>	<b>33</b>	1	34

The Company also provides the CEO and certain executives with company maintained cars.

Certain directors have been reimbursed with the boarding and lodging costs in relation to attending Board meetings of the Company as per the Company's policy which amounts to Rs.225,492/-.

## 22. RISK MANAGEMENT

### 22.1 Takaful risk

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

- Individual Family (unit linked)
- Group Family
- Group Health

- The Individual Family (unit linked) segment provides Family takaful coverage to individuals under unit based policies issued by the PTF. The takaful contracts under individual family are distributed through Direct Sales Force and Bancatakaful.
- The Group Family segment provides Family takaful coverage to members of business enterprises and corporate entities under group family takaful schemes issued by the PTF. The takaful contracts under group family are distributed through Direct Sales Force and Salaried individuals.
- The Group Health segment provides accident coverage and inpatient / outpatient health coverage to members of business enterprises and corporate entities under group health schemes issued by the PTF. The takaful contracts under group health family are distributed through Direct Sales Force and Salaried individuals.

The Company assesses the takaful risk on the basis of the different factors such as non-medical factors, medical factors, financial assessment, occupation assessment, group size, industry class, average age of the group and free cover limit etc.

The basic risk the Company faces under takaful contracts is that the actual claims and benefit payments or timing thereof, differ from expectations. This is influenced by frequency of claims, severity of claims, actual claim paid and subsequent development of claims. The most significant risks arise from catastrophic events and epidemic.

Underwriting, claim and retakaful committees are in place to monitor the core business activities of the Company. This is further supplemented with a clear organisational structure with documented delegated authorities and responsibilities. Management of the Company recognises the critical importance of having efficient and effective risk management systems.

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 losses and retakaful arrangement for catastrophic events. PTF exposure has also been limited by imposing limits to the maximum sum covered in a single takaful contract in each class of business.

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

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

Class	2011		
	Maximum Gross Risk Exposure	Maximum Retakaful Cover	Highest Net Risk Retention
	Rupees		
Individual Family	49,617,545	49,117,545	500,000
Group Family	37,000,000	36,500,000	1,000,000
Group Health	2,000,000	-	2,000,000

Class	2010		
	Maximum Gross Risk Exposure	Maximum Retakaful Cover	Highest Net Risk Retention
	Rupees		
Individual Family	30,000,000	29,500,000	500,000
Group Family	25,850,880	22,625,880	3,225,000
Group Health	700,000	-	700,000

### Uncertainty in the estimation of future claims payment and contribution receipts

Claims on family and health takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contract.

An estimated amount of the claim is recognised at the intimation of incurred claims to the Company. The estimation of the amount is based either on the sum covered (for mortality or disability risk where the benefit payable is pre-determined) or on a best estimate of the expected claim settlement cost where the benefit is a reimbursement of cost (for health claims). The estimate of the amount of claim is revised whenever the Company receives further information relating to the claim which improves its knowledge as to whether the claim is payable or not and the likely amount. Estimation of reserve for incurred but not reported claims is determined by the appointed actuary based on the past claims reporting pattern as percentage of earned contribution.

### Key Assumptions

There are several assumptions that may have the greatest affect on the ability to pay future benefits. These assumptions include mortality & morbidity experience, persistency rates, expense level, inflation and investment returns.

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

### Sensitivities

The claims are sensitive to changes in the key assumptions. Results of sensitivity testing due to the variation in assumptions of mortality and morbidity as determined by appointed actuary on PTF will be as follows:

Class of business	Change in assumption	Impact on PTF balance Rupees
Group Health	20 % increase in morbidity level	(29,048,168)
	20 % decrease in morbidity level	24,996,042
Group Family	20 % increase in mortality level	(3,572,738)
	20 % decrease in mortality level	3,572,738
Individual Family	20 % increase in mortality level	(255,094)
	20 % decrease in mortality level	255,094

### 22.2 Retakaful risk

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

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful companies.

### 22.3 Liquidity risk

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

2011	Total	Corporate		Unit-linked contracts		Short-term takaful contracts	
		(Shareholders' Fund)		(Individual Family)		(Group Family)	(Group Health)
		Other financial assets & liabilities	Other assets and liabilities	Takaful contracts (PTF)	Investment contracts (PIF)	Takaful contracts (PTF)	Takaful contracts (PTF)
----- Rupees -----							
<b>Debt securities</b>							
Unlisted securities (AFS)	632,857,395	113,752,167	-	12,558,262	459,466,966	25,535,000	21,545,000
<b>Equity securities</b>							
Listed securities (AFS)	269,337,837	38,001,513	-	22,853,643	204,263,909	4,182,568	36,204
<b>Loans and receivables</b>							
Contribution due but unpaid	43,172,570	-	-	4,145,757	-	17,638,015	21,388,798
<b>Retakaful assets</b>	9,047,515	-	-	9,047,515	-	-	-
<b>Cash &amp; cash equivalents</b>	811,894,418	46,766,179	-	154,938,456	557,987,472	31,016,008	21,186,303
<b>Other assets</b>	305,729,672	22,210,918	258,837,581	470,245	23,122,577	881,755	206,582
<b>TOTAL ASSETS</b>	<b>2,072,039,407</b>	<b>220,730,777</b>	<b>258,837,581</b>	<b>204,013,892</b>	<b>1,244,840,924</b>	<b>79,253,346</b>	<b>64,362,887</b>
<b>Long term takaful contracts and investment contracts</b>							
Takaful contracts	46,169,877	-	-	46,169,877	-	-	-
Investment contracts	1,244,840,924	-	-	-	1,244,840,924	-	-
<b>Short term takaful contracts</b>	109,510,776	-	-	-	-	62,504,125	47,006,652
<b>Amount due to related parties, trade payables and other provisions</b>	118,140,996	43,767,905	-	45,078,582	-	14,233,599	15,060,910
<b>Other liabilities</b>	119,217,338	-	1,640,957	112,765,433	-	2,515,623	2,295,325
<b>TOTAL LIABILITIES</b>	<b>1,637,879,911</b>	<b>43,767,905</b>	<b>1,640,957</b>	<b>204,013,892</b>	<b>1,244,840,924</b>	<b>79,253,346</b>	<b>64,362,887</b>

2010	Total	Corporate		Unit-linked contracts		Short-term takaful contracts	
		(Shareholders' Fund)		(Individual Family)		(Group Family)	(Group Health)
		Other financial assets & liabilities	Other assets and liabilities	Takaful contracts (PTF)	Investment contracts (PIF)	Takaful contracts (PTF)	Takaful contracts (PTF)
----- Rupees -----							
<b>Debt securities</b>							
Unlisted securities (AFS)	247,832,380	85,382,737	-	6,277,688	144,171,955	5,000,000	7,000,000
<b>Equity securities</b>							
Listed securities (AFS)	158,969,145	4,919,428	-	14,005,980	137,769,875	2,237,658	36,204
<b>Loans and receivables</b>							
Contribution due but unpaid	31,392,399	-	-	838,367	-	16,592,920	13,961,112
<b>Retakaful assets</b>	-	-	-	-	-	-	-
<b>Cash &amp; cash equivalents</b>	349,255,812	24,689,833	-	52,622,099	221,262,848	34,259,996	16,421,036
<b>Other assets</b>	289,955,361	15,787,196	269,020,966	4,717,430	-	238,070	191,699
<b>TOTAL ASSETS</b>	<b>1,077,405,097</b>	<b>130,779,194</b>	<b>269,020,966</b>	<b>78,461,564</b>	<b>503,204,678</b>	<b>58,328,644</b>	<b>37,610,051</b>
<b>Long term takaful contracts and investment contracts</b>							
Takaful contracts	16,646,724	-	-	16,646,724	-	-	-
Investment contracts	503,204,678	-	-	-	503,204,678	-	-
<b>Short term takaful contracts</b>	55,350,999	-	-	-	-	34,876,458	20,474,541
<b>Amount due to related parties, trade payables and other provisions</b>	91,715,002	32,526,504	-	23,546,224	-	20,735,275	14,906,999
<b>Other liabilities</b>	47,709,079	4,995,041	-	38,268,616	-	2,216,911	2,228,511
<b>TOTAL LIABILITIES</b>	<b>714,626,482</b>	<b>37,521,545</b>	<b>-</b>	<b>78,461,564</b>	<b>503,204,678</b>	<b>57,828,644</b>	<b>37,610,051</b>

## Maturity profile of financial assets and liabilities:

2011

	Profit Bearing			Non-profit bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
----- Rupees -----							
<b>FINANCIAL ASSETS</b>							
Cash and bank deposits	807,282,052	-	807,282,052	4,612,366	-	4,612,366	<b>811,894,418</b>
Investments	169,195,738	463,661,657	632,857,395	269,337,836	-	269,337,836	<b>902,195,231</b>
Long term security deposits	-	-	-	-	9,789,987	9,789,987	<b>9,789,987</b>
Contribution due but unpaid	-	-	-	43,172,570	-	43,172,570	<b>43,172,570</b>
Investment income accrued	30,277,770	-	30,277,770	-	-	-	<b>30,277,770</b>
Amount due from re-takaful	-	-	-	9,047,515	-	9,047,515	<b>9,047,515</b>
Other receivables	-	-	-	6,695,318	-	6,695,318	<b>6,695,318</b>
<b>December 31, 2011</b>	<b>1,006,755,560</b>	<b>463,661,657</b>	<b>1,470,417,217</b>	<b>332,865,605</b>	<b>9,789,987</b>	<b>342,655,592</b>	<b>1,813,072,809</b>
<b>FINANCIAL LIABILITIES</b>							
Outstanding claims	-	-	-	58,580,847	-	58,580,847	<b>58,580,847</b>
Amount due to retakaful operators	-	-	-	3,882,776	-	3,882,776	<b>3,882,776</b>
Amount due to agents	-	-	-	32,426,330	-	32,426,330	<b>32,426,330</b>
Creditors, accruals and other liabilities	-	-	-	23,251,043	-	23,251,043	<b>23,251,043</b>
<b>December 31, 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,140,996</b>	<b>-</b>	<b>118,140,996</b>	<b>118,140,996</b>

## Maturity profile of financial assets and liabilities:

2010

	Profit Bearing			Non-profit bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
----- Rupees -----							
<b>FINANCIAL ASSETS</b>							
Cash and bank deposits	348,223,715	-	348,223,715	1,032,097	-	1,032,097	<b>349,255,812</b>
Investments	20,000,000	227,832,380	247,832,380	158,969,145	-	158,969,145	<b>406,801,525</b>
Long term security deposits	-	-	-	-	11,633,944	11,633,944	<b>11,633,944</b>
Contribution due but unpaid	-	-	-	31,392,399	-	31,392,399	<b>31,392,399</b>
Investment income accrued	8,228,584	-	8,228,584	-	-	-	<b>8,228,584</b>
Amount due from re-takaful	-	-	-	-	-	-	<b>-</b>
Other receivables	-	-	-	1,003,212	-	1,003,212	<b>1,003,212</b>
Interfund - receivables	-	-	-	-	-	-	<b>-</b>
<b>December 31, 2010</b>	<b>376,452,299</b>	<b>227,832,380</b>	<b>604,284,679</b>	<b>192,396,853</b>	<b>11,633,944</b>	<b>204,030,797</b>	<b>808,315,476</b>
<b>FINANCIAL LIABILITIES</b>							
Outstanding claims	-	-	-	45,590,069	-	45,590,069	<b>45,590,069</b>
Amount due to retakaful operators	-	-	-	13,498,808	-	13,498,808	<b>13,498,808</b>
Amount due to agents	-	-	-	13,146,525	-	13,146,525	<b>13,146,525</b>
Creditors, accruals and other liabilities	-	-	-	19,479,600	-	19,479,600	<b>19,479,600</b>
Interfund - payable	-	-	-	-	-	-	<b>-</b>
<b>December 31, 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,715,002</b>	<b>-</b>	<b>91,715,002</b>	<b>91,715,002</b>

### 21.3 Profit / yield rate risk

Profit / yield rate risk is the risk of changes in profit / yield rates reducing the overall return on profit bearing assets. The Company is exposed to profit / yield rate risk in respect of bank balances and deposits and available for sale debt instruments. Effective profit / yield rates on such accounts are disclosed in notes 14 & 15 of these financial statements.

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:

	<b>Increase / Decrease in basis points</b>	<b>Effect on profit before tax</b>	<b>Effect on equity</b>
December 31, 2011	100 (100)	228,498 (228,498)	228,498 (228,498)
December 31, 2010	100 (100)	100,289 (100,289)	100,289 (100,289)

## 22.5 Price risk

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

A decline in markets or an increase in market volatility may also adversely affect sales of our unit linked products. Company recognises that market risk is part of the businesses and certain level of market risk is acceptable in order to deliver benefits to both participants' and shareholders.

## 22.6 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. The Company attempts to control credit risk by monitoring credit exposures with counterparties and by continually assessing the credit worthiness of counterparties and measuring exposure with counterparties to remain in a reasonable level.

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

<b>Rating</b>	<b>2011</b>	<b>2010</b>
	----- Rupees -----	
AAA	<b>1,980,762</b>	25,469,045
AA+	<b>102,965,836</b>	72,630,005
AA	<b>34,916,113</b>	18,733
AA-	<b>102,303,916</b>	108,894,608
A	<b>567,989,776</b>	124,290,325
A-	-	-
BBB+	-	17,071,762
	<b>810,156,403</b>	<b>348,374,478</b>

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

<b>21.6.1</b>	<b>Note</b>	<b>2011</b>	<b>2010</b>
		----- Rupees -----	
Bank deposits		<b>810,156,403</b>	348,374,478
Security deposits		<b>9,789,987</b>	11,633,944
Contribution due but unpaid	22.6.2	<b>43,172,570</b>	31,392,399
Amount due from retakaful	22.6.3	<b>9,047,515</b>	-
Accrued investment income		<b>30,277,770</b>	8,228,584
Other receivables		<b>6,695,318</b>	1,003,212

The table below analysis the concentration of credit risk by industrial distribution in respect of:

<b>22.6.2</b>	<b>2011</b>
	<b>%</b>
Banks	18
Other financial institutions	5
Foreign embassies	4
Manufacturing	14
Pharmaceuticals	5
Services	34
Textile	7
Trading	4
Others	9
	<b>100</b>

Retakaful arrangements are only placed with retakaful operators who meet the regulator's rating standards. An analysis of retakaful assets recognised by the rating of the entity from which it is due is as follows:

<b>22.6.3 Retakaful assets</b>	<b>2011</b>
<b>Rating</b>	<b>Amount due from retakaful Rupees</b>
A or above	9,047,515
BBB	-
Others	-
	<b>9,047,515</b>

<b>22.6.4 Retakaful assets</b>	<b>2010</b>
<b>Rating</b>	<b>Amount due from retakaful Rupees</b>
A or above	-
BBB	-
Others	-
	-

## **22.7 Foreign Exchange risk**

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

## **22.8 Capital Management**

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements have been put in place to ensure sufficient solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. Currently the Company has a paid up capital of Rs. 710,628,850/- against the minimum required paid-up capital of Rs. 500,000,000/- set by the SECP for insurance companies / Takaful operators for the year ended December 31, 2011.

## 22.9 Fair value of financial instruments

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

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

## 23. RELATED PARTIES DISCLOSURES

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

Relationship	Nature of transactions	2011	2010
		SHF	SHF
		———— (Rupees) ————	
Entities with common directorship	Payment made by the Company on behalf of related party	<b>13,406,002</b>	15,398,509
	Claims received against general takaful	<b>2,281,917</b>	1,196,572
	General takaful contribution Family and health takaful contribution received	<b>1,784,889</b> <b>1,229,784</b>	808,355 1,706,507
Group companies	Transfer of advance against future issue of share capital	<b>2,660,568</b>	-
Major shareholders	Issue of share capital	<b>101,786,320</b>	75,880,860
	Advance against issue of share capital	-	1,729,660
	Banca takaful acquisition, entrance & administration fee	<b>80,100,902</b>	15,800,193
Employees provident fund	Contribution paid	<b>6,632,863</b>	6,315,577

## 24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 09 April 2012 by the Board of Directors of the Company.

## 25. GENERAL

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

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



Chairman



Chief Executive



Director



Director

## PATTERN OF SHAREHOLDING

As at December 31, 2011

Number of shareholders	Shareholdings	Total shares held
2	shareholding from 1 to 100 shares	2
2	shareholding from 1001 to 5000 shares	2,666
13	shareholding from 5001 to 10000	74,460
6	shareholding from 10001 to 15000	69,360
2	shareholding from 15001 to 20000	30,600
1	shareholding from 20001 to 25000	20,400
2	shareholding from 30001 to 35000	61,200
3	shareholding from 60001 to 65000	183,601
2	shareholding from 100001 to 105000	205,000
2	shareholding from 120001 to 180000	292,552
1	shareholding from 180001 to 185000	181,000
3	shareholding from 185001 to 190000	567,000
1	shareholding from 300001 to 305000	302,400
3	shareholding from 365001 to 380000	1,105,791
1	shareholding from 415001 to 420000	420,000
3	shareholding from 740000 to 860000	2,344,363
5	shareholding from 1400000 to 2000000	7,471,810
3	shareholding from 3500000 to 4500000	12,021,553
2	shareholding from 7000000 to 8000000	14,869,182
3	shareholding from 10000000 to 11000000	30,839,945
60	Total	71,062,885

1. Categories of shareholders	Shares held	Percentage
1.1 Directors, Chief Executive Officer, and their spouse and minor children.		
a) Sheikh Ali Bin Abdullah	4,321,553	6.08%
b) Said Gul & Spouse	1,867,953	2.63%
c) Zahid H. Awan	100,000	0.14%
d) Pervaiz Ahmed	1,333	0.00%
e) Abdul Basit Al-Shaibei	850,001	1.20%

Categories of shareholders	Shares held	Percentage
1.2 Associated Companies, undertakings and related parties.		
Qatar International Islamic Bank	7,072,570	9.95%
1.3 NIT and ICP	-	0.00%
1.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.		
a) Qatar National Bank	10,000,000	14.07%
b) Masraf Al-Rayan	10,000,000	14.07%
c) Qatar International Islamic Bank	7,072,570	9.95%
d) Qatar Islamic Bank	4,000,000	5.63%
e) Amwal QSC	3,700,000	5.21%
f) Doha Bank	302,400	0.43%
1.5 Insurance Companies		
Qatar Islamic Insurance Co.	7,796,612	10.97%
1.6 Modarabas and Mutual Funds	-	0.00%
1.7 Share holders holding 10%		
a) FWU AG	10,839,945	15.25%
b) Qatar National Bank	10,000,000	14.07%
c) Masraf Al-Rayan	10,000,000	14.07%
d) Qatar Islamic Insurance Company	7,796,612	10.97%
1.8 General Public		
a) Local	8,786	0.00%
b) Foreign	10,201,732	14.36%

## STATEMENT UNDER SECTION 52 (2) OF INSURANCE ORDINANCE 2000

### Statement by Appointed Actuary

I have reviewed the Balance Sheet and Revenue Account and related notes prepared by the Company for the year ended 31 December 2011, in my opinion.

- a) the policyholder liability included in the balance sheet has been determined in accordance with the provisions of the Insurance Ordinance, 2000 ("the Ordinance") and
- b) each statutory fund set up by the Company, after accounting for the capital contribution, complies with the solvency requirements of the Ordinance.



**Abdul Rahim Abdul Wahab, FSA**  
Appointed & Consulting Actuary

### Statement of Directors

(As per the requirement of section 46(6) and section 52(2)(c) of the Insurance Ordinance, 2000)

#### Section 46(6)

- (a) In our opinion the annual statutory accounts of the Pak-Qatar Family Takaful Limited set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000, the Takaful Rules, 2005 and any rules made there under;
- (b) Pak-Qatar Family Takaful Limited has at all times in the year complied with the provisions of the Insurance Ordinance, 2000, the Takaful Rules, 2005 and the rules made there under relating to paid-up capital, solvency and re-takaful arrangement; and
- (c) As at December 31, 2011 Pak-Qatar Family Takaful Limited continues to be in compliance with the provisions of the Insurance Ordinance, 2000, the Takaful Rules, 2005 and the rules made there under relating to paid-up capital, solvency and re-takaful arrangements.

#### Section 52(2)(c)

- (d) In our opinion each statutory fund of Pak-Qatar Family Takaful Limited complies with the solvency requirements of the Insurance Ordinance, 2000, Insurance Rules, 2002 and the Takaful Rules, 2005.



Chairman



Chief Executive



Director



Director



## PROXY FORM

**The Company Secretary**

**Pak-Qatar Family Takaful Limited**

Suite # 102-105, Business Arcade

Sharea Faisal, Karachi-75400

Pakistan

I / We \_\_\_\_\_ of \_\_\_\_\_ being the member(s) of **Pak-Qatar Family 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 **6th Annual General Meeting of Pak-Qatar Family Takaful Limited** to be held on April 30, 2012 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2012

**(Witnesses)**

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

Please affix  
Rupees five  
revenue  
stamp

Signature of  
member(s)

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

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



PAK-QATAR FAMILY TAKAFUL  
*Together we Protect*

**PAK-QATAR FAMILY TAKAFUL LIMITED**

Head Office

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