



PAK-QATAR FAMILY TAKAFUL  
*Together for Better*

# Flag-bearer of Takaful in Pakistan







PAK-QATAR FAMILY TAKAFUL  
*Together for Better*

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

BEST TAKAFUL  
OPERATOR IN PAKISTAN



BEST TAKAFUL  
COMPANY IN PAKISTAN



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# Introduction

Pak-Qatar Family Takaful Limited, the pioneers of Family Takaful, is a progressive and a technology-driven Shari'ah Compliant company providing innovative Takaful solutions in Pakistan. The company is the fastest growing Family Takaful operator in the region.

Incorporated in 2006, and beginning operations in 2007, the company is registered with, and supervised by, the Securities and Exchange Commission of Pakistan (SECP). An independent Shari'ah Advisory Board chaired by Mufti Muhammad Taqi Usmani certifies all products and operations for Shari'ah compliance. The company is rated "A" (having Stable Outlook) by JCR-VIS Credit Rating Co. Ltd.

The company's vision of providing financial protection through Takaful to everyone is supported by some of the strongest financial institutions in the state of Qatar. Pak-Qatar is the first dedicated Takaful Group in Pakistan starting with both Family and General Takaful operations. The paid-up capital of Pak-Qatar Family is in excess of Rs. 700 million. Pak-Qatar Family Takaful Limited is chaired by Sheikh Ali bin Abdullah al-Thani, member of Qatar's Royal Family.

The company is further strengthened by its Re-Takaful arrangements with Munich-Re, Hannover Re and Takaful-Re. We are well-positioned to ensure exemplary client-service following heavy investments in procurement of state-of-the art technology from Malaysia and in SAP ERP solutions. We have strategic BancaTakaful alliance with FWU AG.

Pak-Qatar Family Takaful Ltd. is recipient of several domestic and international awards and nominations. The company recently won 'Best Takaful Operator in Pakistan' award at the 10th International Takaful Summit London 2016 and 'Best Takaful Company in Pakistan' for the year 2015 at 'Islamic Banking Awards' ceremony. In 2009, the company won the 'Best Family Takaful' award by 1st National Achievers Award, Karachi, and the 'Best Use of Technology' award by the Islamic Business & Finance Awards, UAE.

We are present in multiple heartlands of Pakistan and fast-moving into smaller cities and towns. As a flag-bearer of Takaful, we are constantly engaged in community-development through Takaful.

# Vision Statement

Providing financial protection through Takaful, to everyone.

# Mission Statement

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

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

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

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

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

Ensure optimum returns to the shareholders.

# Takaful Preface

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

## **Historical Background of Insurance and Takaful**

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

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

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

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

### **Few of such instances are as follows:**

#### **I. Dhaman Khatr Al-Tareeq:**

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

#### **II. Dhaman Al-Dark:**

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

#### **III. Aqila:**

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

#### **IV. Aqd-e-Muwala'at:**

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

#### **V. Assurance to Traders**

Seljuk Sultan Giyas-ud-din in 12th century compensated those traders from the state treasury who were robbed while traveling within the Seljuk territory. Going forward, conventional insurance contracts in its present form were introduced in Genoa in the 14th Century. The first such known contract was issued in 1347 AC. First known book on insurance was written in 1488 AC by Pedro de Santerna, which was published in 1552 AC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2005, the Government of Pakistan issued first ever Takaful Rules to regulate Takaful Operators. In 2006 the first Takaful Company was established. In 2007 Pak-Qatar Family Takaful was issued license to be the first Family Takaful company of the country.

## Takaful

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

### Reference of Takaful Concept in Holy Quran & Sunnah

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

It is mentioned in the Holy Quran:

“Cooperate with one another in matters of righteousness and piety.”  
(Surah Maida: 2)

“Muslims are brothers to one another.” (Surah Hujarat: 10)

“The believers, in their affection, mercy and sympathy to each other, are like the body, if one of its organs suffer and complains, the entire body responds with insomnia and fever.”  
(Hadith Muslim: 4685)

In the sixth year of the Hijri date, the Prophet Muhammad (PBUH) made a pact with the Jews of Medina which is generally known as the ‘Meethaaq-e-Madina’. This pact was based on the principles of brotherhood and mutual solidarity and as such one of the clauses states that “every member will have to pay just compensation for their respective tribe”, meaning that the responsibility of freeing the slave will be on the shoulders of those to whose tribe the slave will belong. This is a prime example of the concept of brotherhood and solidarity in Islam.

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

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

### The Modus Operandi of Takaful

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

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

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

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

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

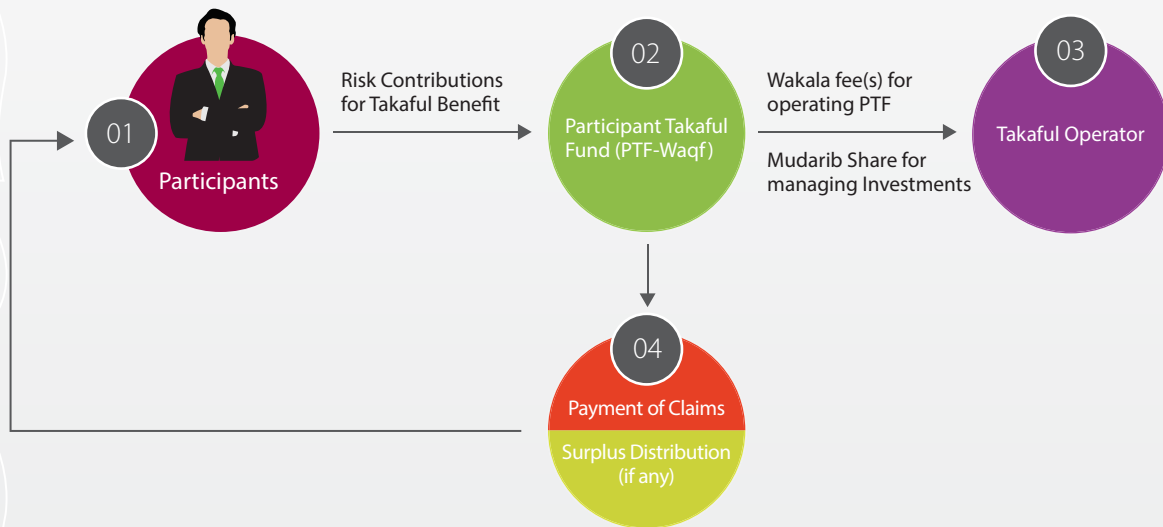
The contributions paid by the participants are recognized as Taburru'at and not as Waqf, and in fact become the property of the Waqf. This is akin to the charity we give to any other Waqf; the charity given is not considered as Waqf but simply as a donation. This means that the participants immediately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

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

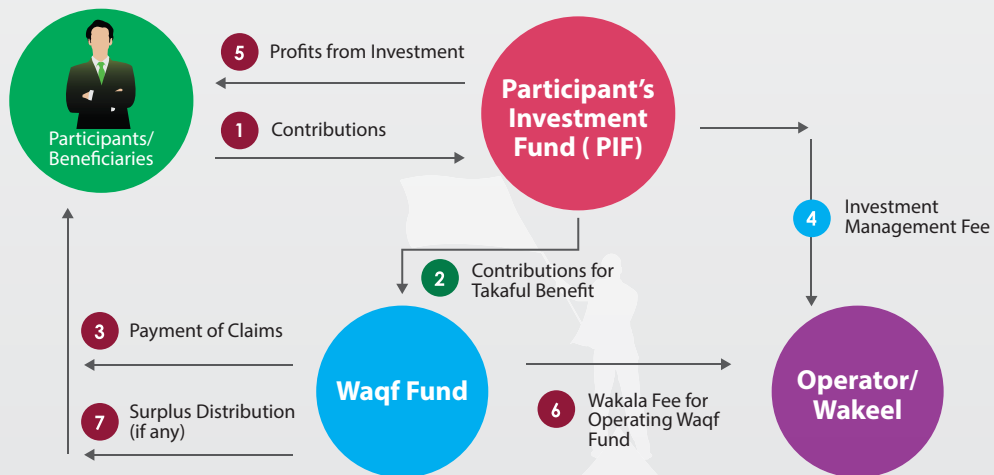
**The Role of the Company in Takaful System**

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

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



**BUSINESS MODEL FOR INVESTMENT-LINK FAMILY TAKAFUL**



### DIFFERENCE BETWEEN CONVENTIONAL INSURANCE AND TAKAFUL

	Conventional Insurance	Takaful
<b>Nature of Contract</b>	A contract of compensation (Aqd Mua'wza).	A Taburru' based contract.
<b>Contribution/ Premium</b>	The premium paid by the insured belongs to the insurance company.	The contribution paid to the Waqf belongs to the Waqf; the operator is not the owner of this amount.
<b>Investment Profit</b>	All investment profits belong to the insurance company.	Since the owner of the waqf pool is the waqf itself, all investment profits also return to the pool and not to the operator.
<b>Claims</b>	Payable from overall fund of the company.	Payable from participants' Takaful fund (Waqf fund).
<b>Surplus / Underwriting Profit</b>	Belongs to the company's shareholders. Insurance companies will make profit if the claims are lesser than the premium.	No provision for underwriting profit for the operator. Can be given to the participants only.
<b>Deficit</b>	Financed from shareholders fund i.e. company.	Qardh Al Hassan is given to the participants' Takaful fund.
<b>Shari'ah Supervision</b>	No such kind of supervision takes place nor there is any law concerning it. The insurance company simply invests their fund in any business they deem fit, irrespective if the business is Shari'ah-compliant and Halal.	A Shari'ah Advisor is an integral part of any Takaful setup, which supervises the investment activities of the company. As per the Takaful Rules 2012, external Shari'ah compliance audit is compulsory.

## Timeline

2007

The company receives a license from SECP Insurance Division to transact Family Takaful business, emerging as the first Family Takaful operator in Pakistan, present across three key cities. During the first year of operations, the company has paid-up capital worth Rs. 451.7 million and comes to an agreement with FWU AG to dispense Takaful products from bank counters across the country.

2008

In the first full-fledged year of operations, we achieved several milestones including record breaking live implementation of Penta Takaful system within 8 months, a total gross contribution of Rs. 129 million, backed by paid-up capital exceeding Rs. 532.97 million, and made inroads into 13 key cities of the country.

2009

We boast an impressive gross contribution figure of Rs. 466.6 million, with a presence in 14 cities across Pakistan, kickstarting the first year of Banca Takaful business through 2 leading banks of the country. We also won a variety of awards & honors; including Best Family Takaful Operator in Pakistan, Best Use of Technology in Islamic Finance (by CPI Financial UAE), the Brands of the Year Award, as well as a Top-4 ranking of the Best Marketing Strategy at the World Takaful Summit, London.

2010

The year turned out to be a promising one for us as we expanded our presence to 23 cities, reached a contribution base of over 1 billion rupees, added a third leading bank to our Takaful distribution network, and improved our credit rating to A- (A minus) with JCR-VIS with over Rs. 608.5 million in paid-up capital.

2011

As our paid-up capital reached over Rs. 710.63 million, and our Gross Contribution exceeding Rs. 1.87 billion, we established ourselves in 25 cities of Pakistan. Our pioneering products were being adopted and distributed by 6 leading banks of the country, and we were the first company in the overall industry to go live with SAP.

2012

Breaking the norms of the industry, we achieved our first year of profit in just the fifth full year of operation, boasting a figure of over Rs. 26.67 million after-tax profit. Our contribution base crossed the three billion rupee mark, our country-wide presence was now at 34 cities, 7 banks were now distributing our products, and JCR-VIS improved our rating to A with stable outlook.

2013

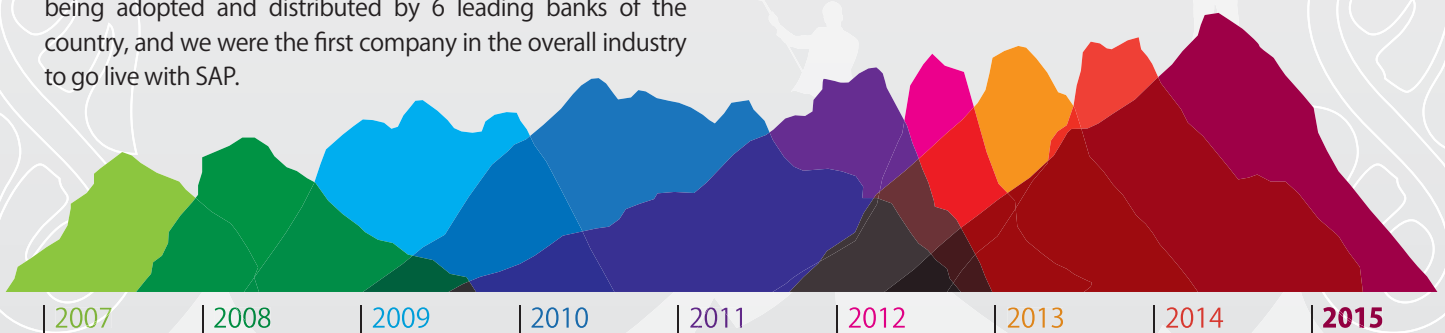
Expanding our operations to 39 cities within the country, we saw impressive growth, with after-tax profits soaring to Rs. 49.97 million and contribution base rising to Rs. 4.46 billion. We also increased our foothold on bank counters, as our products were now available at 10 leading banks of the country.

2014

The year turned out to be a promising one as our contribution income touched Rs. 5.08 billion mark and our company paid claims in excess of Rs. 1.3 billion as opposed to Rs. 955 million in 2013. With inclusion of JS Bank, our products are now available at 11 leading banks.

2015

**Soaring to New Heights**, Pak-Qatar Family Takaful Limited was able to generate Profit before Tax in excess of Rs. 100 million with Gross Contribution in excess of Rs. 6.7 billion. Participant Takaful Fund (PTF) for each line of business was in surplus with the end of outgoing year. Company's performance under Group Health segment was commendable as it repaid more than fifty percent of **Qard-e-Hasna** to the shareholders' fund in addition to being in surplus at the end of the year. We challenged ourselves at every level and with our quest for excellence won us several awards, including **"Best Takaful Company in Pakistan"** for the year 2015 at Islamic Banking Awards. We were recognized as the **"Best Takaful Operator in Pakistan"** at the 10th International Takaful Summit 2016 held in London.



## 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 a pioneer Takaful Company in the State of Qatar.



### **Qatar International Islamic Bank (QIIB)**

is one of the most successful Islamic banks in the State of Qatar.



**Masraf Al Rayan** is a commercial and investment bank with an entirely Shari'ah-compliant product portfolio.



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

# Services

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 Hanover 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



## Services





Hajj/Umrah



Child Marriage



New House



Retirement Income

## Introduction

Share n' Care Takaful Plan is an idea 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-linked 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 on his investment account at the end of plan term.

**Death Benefits:** 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 on 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's has the option to get partial one-time or regular withdrawals as and when required, subject to availability of sufficient funds in this investment amount.

**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 Limited. 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 the individuals who have a minimum of Rs. 300,000 available for investment for 5 to 10 years.

## Benefits Offered

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

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

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

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



## Introduction

ABC Education Takaful is a secured and flexible plan to ensure contributions 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 Benefits:** The Participant receives the total value of investment account at the end of the plan term.

**Sponsor's Death Benefit:** 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 withdrawals 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 any one out of face value 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 Savings 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 Savings 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 exist.

**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 diseases 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 cover 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:**

The supplementary benefits is to cover disability and death due to accident, providing extra payments to Participants or their beneficiaries who suffer fatal accident, 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 holders of this supplementary benefit suffer 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.



## 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 accidental 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 situation 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 pre-agreed weekly stipend is provided to the Participant who suffers from total disability temporarily. This benefit continues till the Participant resumes work.



## Introduction

Health is an irreplaceable blessing. To safeguard it, Pak-Qatar Family Takaful Ltd. offers the best facilities for any major or minor health-related issue. 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 cost incurred during an emergency medical treatment while traveling abroad are easily reimbursed.

To be eligible for Group Health Takaful, the employee and spouse must be between 18 and 59 year 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 day-to-day healthcare expense 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
Said Gul	Managing Director
Abdul Basit Al-Shaibei	Director
Ali Ibrahim Al Abdul Ghani	Director
Muhammad Owais Ansari	Director
Zahid Hussain Awan	Director
Ali Abdullah Darwesh	Director

## Executive Committee

Said Gul	Member
Ali Ibrahim Al Abdul Ghani	Member
Muhammad Owais Ansari	Member
Zahid Hussain Awan	Member
Muhammad Kamran Saleem	Secretary

## Audit Committee

Said Gul	Chairman
Muhammad Owais Ansari	Member
Abdul Basit Al-Shaibei	Member
Muneeb Afzal Lone	Secretary

## Investment Committee

Zahid Hussain Awan	Chairman
Abdul Basit Al-Shaibei	Member
Muhammad Nasir Ali Syed	Member
Muhammad Kamran Saleem	Member & Secretary
Abdul Rahim Abdul Wahab	Member

## Ethics, Human Resources & Remuneration Committee

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

## Nomination Committee

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

## Shariah Board

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

## Chief Executive Officer

Muhammad Nasir Ali Syed

## Chief Financial Officer, Company Secretary & Head of Compliance

Muhammad Kamran Saleem, LLB, FCA, FCMA, FCIS

## Head of Internal Audit

Muneeb Afzal Lone, MBA, PGD

## Statutory Auditors & External Shariah Compliance Auditors

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

**Appointed Actuary**

Abdul Rahim Abdul Wahab

**Shariah Advisor**

Dr. Mufti Ismatullah

**Shariah Compliance Officer**

Mufti Muhammad Zahid

**Legal advisors**

Siddiq Mirza & Co.

**Tax advisors**

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

**Rating Agency**

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

**Bankers**

Al Baraka Bank (Pakistan) Limited	MCB Bank Limited
Askari Bank Limited	Meezan Bank Limited
Bank Al Habib Limited	NIB Bank Limited
Bank Alfalah Limited	Silk Bank Limited
Bank Islami Pakistan Limited	Soneri Bank Limited
Burj Bank Limited	Standard Chartered Bank (Pakistan) Limited
Dubai Islamic Bank Pakistan Limited	Summit Bank Limited
Faysal Bank Limited	Waseela Micro Finance Bank Limited
Habib Bank Limited	
JS Bank Limited	

**Re-takaful Operators**

Hannover Re  
Hannover Re-Takaful  
Munich Re (Munchener Ruckversicherungs - Gesellschaft)

**Head Office**

Room No. 101-105, 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

**Branch Offices in:**

Bahawalnagar	Gujrat	Mian Chunno	Rawalpindi
Bahawalpur	Hyderabad	Minghors (Swat)	Sadiqabad
Bannu	Islamabad	Mirpur Azad Kashmir	Sahiwal
Batkhela	Jhang	Mirpur khas	Sargodha
Bhakkar	Karachi	Moro	Sialkot
Chitral	Khairpur	Multan	Sukkur
Dera Ghazi Khan	Khanpur	Muzzafarabad	Toba Tek Singh
Dera Ismail Khan	Kotli	Okara	
Faisalabad	Lahore	Peshawar	
Gilgit	Larkana	Quetta	
Gujranwala	Mardan	Rahimyar Khan	

**Management Committee**

Muhammad Nasir Ali Syed  
Muhammad Menhas  
Muhammad Kamran Saleem

Waqas Ahmed  
Saifuddin Shaikh  
Muneeb Afzal Lone  
Saqib Zeeshan  
Shehraiz Hussain  
Nameer Sartaj Khan  
Kamran Rashid  
Muhammad Umair  
M. Zahid Sangharwi

Chief Executive Officer  
DCEO & Country Head - Sales  
Chief Financial Officer / Company Secretary &  
Head of Compliance  
Chief Operating Officer - Individual Life  
Head of Procurement & Administration  
Head of Internal Audit  
Head of Takaful Distribution - Corporate  
Head of Actuarial Services  
Head of Marketing  
Head of Alternate Distribution Channel  
Head of IT&S  
Shariah Compliance Officer

**Underwriting Committee**

Said Gul  
Waqas Ahmed  
Muhammad Menhas  
Farhan Shaukat  
Junaid Asghar  
Muhammad Saleem  
Muhammad Shahzad

Chairman  
Member  
Member  
Member  
Member  
Member  
Secretary

**Re-takaful Committee**

Ali Ibrahim Al Abdul Ghani  
Waqas Ahmed  
Ahsan Qureshi  
Junaid Asghar  
Shehraiz Hussain  
Ahsan Yameen

Chairman  
Member  
Member  
Member  
Secretary  
Member

**Claims Committee**

Zahid Hussain Awan  
Muhammad Kamran Saleem  
Muhammad Nasir Ali Syed  
Saqib Zeeshan  
Adnan Arif  
Jehanzaib Ahmad  
Imran Irshad

Chairman  
Member  
Member  
Member  
Member  
Member  
Secretary

**Risk Management & Compliance Committee**

Zahid Hussain Awan  
Muhammad Kamran Saleem  
Muhammad Nasir Ali Syed  
Waqas Ahmed  
Muhammad Menhas  
Saifuddin Shaikh  
Muneeb Afzal Lone  
Zahid Sangharwi  
Shakir Siddiqui  
Imran Irshad  
Shehraiz Hussain  
Jehanzaib Ahmad

Chairman  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Secretary

## Chairman's Message

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

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

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

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

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



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



## 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 Tenth Annual Report and Audited Financial Statements of the Company together with Statutory Auditors' and Shariah Auditors' Report thereon, for the year ended on the 31st December, 2015.

### 1. Overview of the Economy

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

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

Inflation averaged at 4.53 percent for FY15 compared to 8.62 percent last year. The decline was

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

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

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

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

## 2. Insurance Industry Review

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

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

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

The apex regulator - Securities and Exchange Commission of Pakistan (SECP), has already granted takaful window licenses to few conventional insurers, It is expected there will be more takaful operators in the market soon, which coupled with increase in competition in the market will also help in increasing the overall takaful penetration in the industry.

## 3. Investment Climate

### • Equity Market

Equity market remained volatile with benchmark KSE-100 index yielding 2.13 percent for the year. Market performance was also affected by political climate which kept investors' sentiments shaking adding flavor of volatility to KSE-100 index. The country continued its counter terrorism with army leading the role, systematically expanding military operations and effectively eliminating threats and improving business sentiments. KSE-100 index performance was also dented due to spiked weightage for banks and oil exploration companies which underperformed due to domestic and international dynamics respectively. Banking sector suffered as central bank continued monetary easing, winding down interest rates, squeezing banking spreads. International crude oil prices remained subdued as global slowdown affected demand along with changing geopolitical scenario i.e. easing of sanction on Iran.

Asia markets also witnessed major foreign outflows including Pakistan where foreign investors remained net sellers amounting USD 315 million with major chunk of selling amounting USD 240 million coming in second half as expectation of interest rate hike by US Federal Reserve magnified. Going forward, investors' sentiment is expected to remain positive as domestic demand increase along with signing of China-Pakistan Economic Corridor and commendable progress on specific energy infrastructure projects in the country.

### • Money Market

Continued decline on international crude oil allowed central bank decrease policy rate from 9.5 percent at the beginning of year to multi-year low of 6 percent by year end, putting pressure on banking spread which declined to a low of 5.19 percent in December 2015 from 6.02 percent at beginning of the year. On the Islamic money market front, market remained optimistic of fresh issue of ijarah sukuk by the government which came in December 2015, after maturity of previous ijarah sukuks amounting PKR 233 billion.

Central bank avoided liquidity influx by allowing Islamic banks to enter into Bai'Maujjal transaction parking majority of matured amount from the redeemed Sukuks for a period of one year. Going forward market expects auction of fresh ijarah sukuks by government with heavy participation expected by participants.

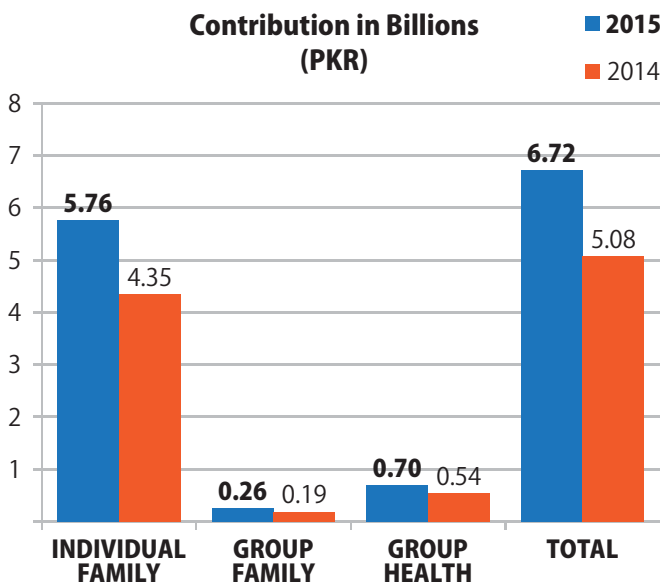
Having performed brilliantly with respect to total numbers, Individual Family has a lot more to be discussed in terms of the persistency levels achieved and the new business acquired during the outgoing year. The growth in new business was 14 percent as compared to 1 percent in 2014 and the contribution persistency improved at all levels as demonstrated below,

**4. Your Company's Performance**

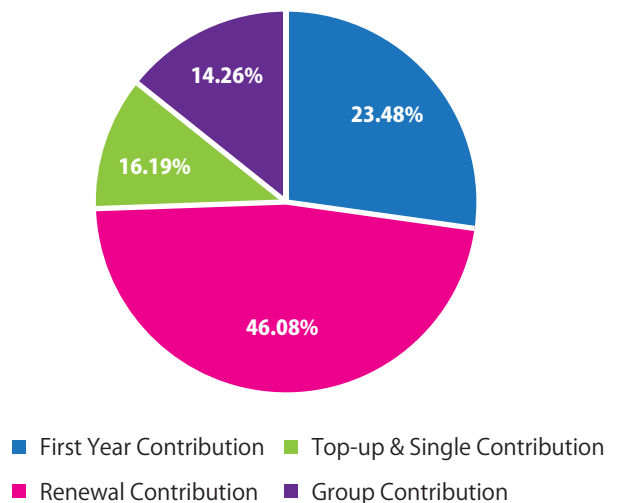
**4.1 Contribution Income**

The year 2015 was the recording breaking year for the company as the contribution base in aggregate as well as for each line of business was in excess of figures recorded during previous years. Individual Family produced a growth of 32 percent, and on the corporate side, Group Family & Group Health posted growth of 40 percent & 29 percent respectively. Total contribution base of the company amounted to PKR 6.7 billion presenting a growth of 32 percent from last year.

Contribution	2015 (Persistency)	2014 (Persistency)
Second Year	71.74 percent	67.48 percent
Third Year Onwards	87.84 percent	84.91 percent
Overall	81.95 percent	77.25 percent



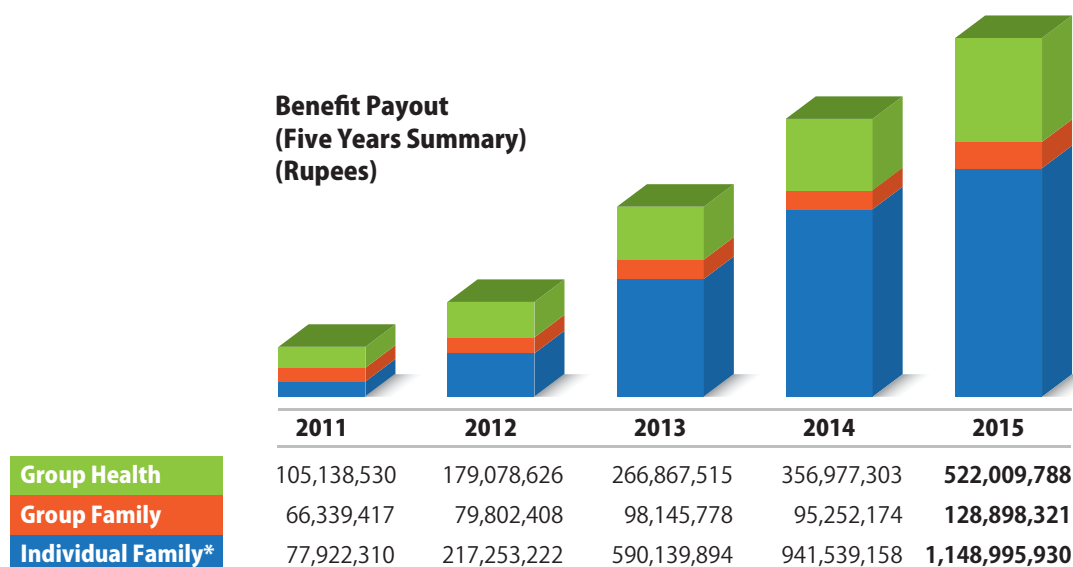
**Gross Contribution Composition "2015"**



## 4.2 Benefit Payout

The Company believes that claim settlement is the ultimate promise which needs to be delivered to policyholders/beneficiaries. Towards this objective, we have designed and developed robust claims processes and systems which ensure settlement of genuine claims at the earliest, thereby protecting the interest of policyholders.

The Company has demonstrated its commitment by settling claims worth PKR 1.8 billion as compared to PKR 1.4 billion in 2014, an increase in total payout by 29 percent. Given below is the five years summary of benefits paid in terms of claims, portraying your company's increasing ability to fulfill promises made to the customers.



\*Also include payments against Surrenders, Partial Withdrawals and Policy Maturities

## 4.3 Investment Performance

PQFTL aims to enhance portfolio returns with active management strategy, switching portfolio allocations to incorporate market dynamics. During the year market remained unpredictable on fate of already issued ijarah sukuks which government decided to mature in November 2015 instead of extending their tenor as conducted previously. Prices of these sukuks also affected

returns for Islamic products inflicting returns attrition near year end. Central bank continued its monetary easing which reflected on overall return of the portfolio. Equity market also remained volatile with oil and gas exploration and commercial banks dragging the KSE-100 index. Also, political situation aggravated swings on KSE-100 index which demanded a source of caution for fund managers.

### Investment Performance of our Key Unit Linked Funds "Direct Sales Channel"

Funds Under Management	Unit Price at the end of the year - 2015	Annualized Gross Returns - 2015
<b>Aggressive</b>	1,124.57	8.69 percent
<b>Balanced</b>	1,106.98	9.04 percent
<b>Conservative</b>	1,089.52	8.92 percent
<b>Secure Wealth</b>	792.80	8.83 percent

**“Banca-Takaful Channel”**

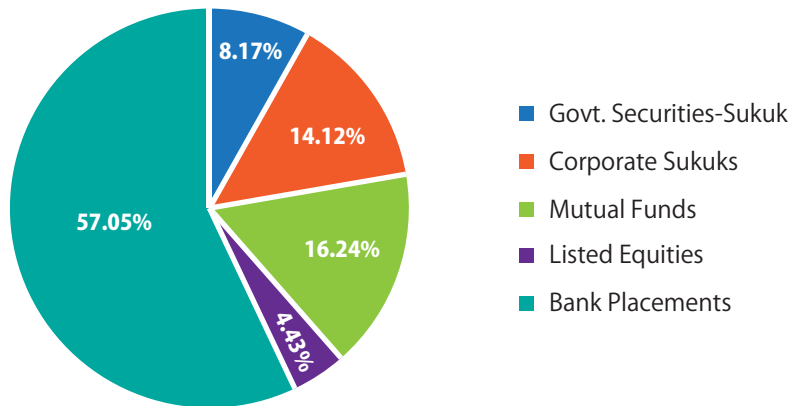
Funds Under Management	Unit Price at the end of the year - 2015	Annualized Gross Returns - 2015
SCB Banca Growth	838.64	7.14 percent
SCB Banca Conservative	789.66	7.49 percent
PQFT Banca Growth	757.42	7.72 percent
PQFT Banca Conservative	693.31	7.85 percent

• **Shareholders’ Fund**

The shareholder’s fund during 2015 earned an annualized return of 12.57 percent. Investment allocation was concentrated in Shariah compliant fixed income securities. Exposure was also made to equities through Shariah compliant equity funds and allocation to equities directly.

Considering overall investment scenario for the year, returns earned remained competitive to the yield offered by other Islamic products in the market.

**The Company’s Consolidated Investment Allocation as at December 31, 2015**



**4.4 Participant Takaful Fund**

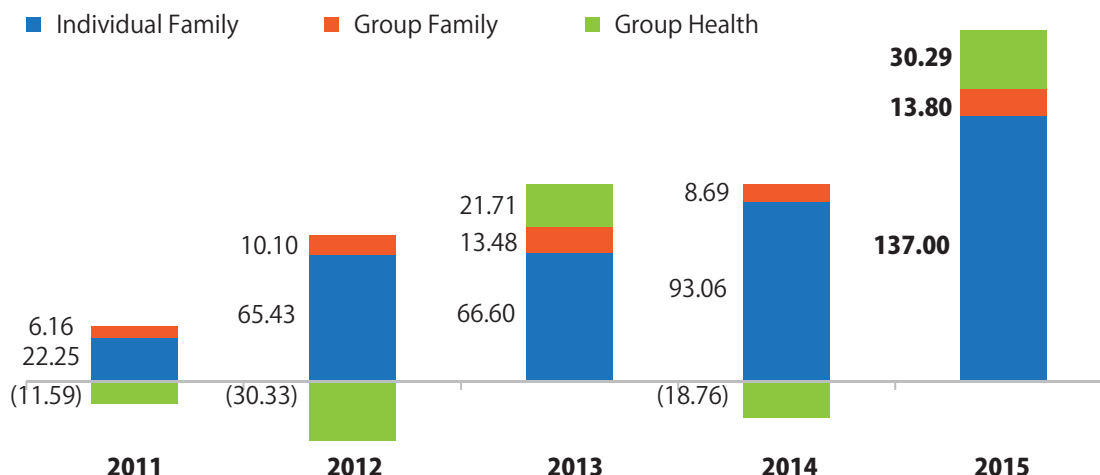
The year 2015 ended with Participant Takaful Funds (PTF) of all lines of business posting a surplus for the year. Individual family generated a surplus of PKR 137 million and the group family and group health segment were in surplus by PKR 13.8 million and PKR 30.3 million respectively.

evidencing prudent management of the fund. PTF is the unique feature of takaful operations and its efficient performance helps to consolidate the confidence over the takaful operator to be able to fulfill the delivery of promises made i.e. smooth settlement of claims.

Group health’s PTF was able to repay more than half of the **“Qard-e-Hasna”** which was PKR 137.7 million as at December 31, 2014. The balance amounts to PKR 62.7 million as at December 31, 2015,

Surplus amounting PKR 20.96 million was distributed to the policy holders of Individual Family during the year ended 2015. The fund’s surplus after distribution is PKR 116 million.

### Surplus/Deficit for the Period (Five Years Summary) (Rupees in Millions)



#### 4.5 Profitability

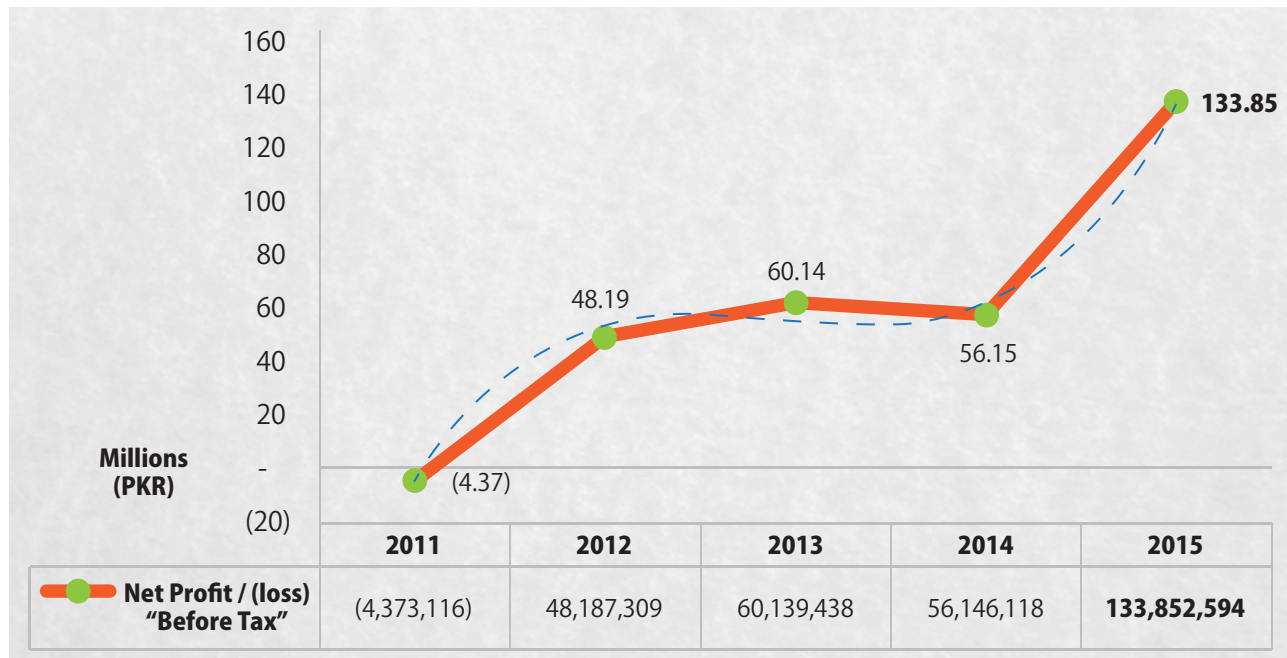
Dear Shareholders, **it's not over yet!** With contribution base making a statement, the improving persistency promising a spark and strengthening participant takaful funds reassuring the participants of being in safe hands, the year 2015 also witnessed your company's profitability crossing the hundred million mark. Profit before tax amounted to PKR 133.9 million, an increase of

138.40 percent over 2014. The repayment of **Qard-e-Hasna** by group health along with total comprehensive income for the year reduced the accumulated deficit from PKR 270.7 million at the start of the year to PKR 113.7 million at the end of the year. The break-up value which was PKR 6.19 at the end of 2014, jumped to PKR **8.40** with the end of 2015.

#### Extract of the Profit and Loss Account

	2015	2014
	( Rupees )	
Total Investment income of Shareholders' fund	36,260,846	33,923,793
Other revenues	4,381,593	5,954,573
Total investment income & other revenues	<u>40,642,439</u>	<u>39,878,366</u>
<b>Less:</b>		
Expenses not attributable to statutory	(8,406,618)	(15,361,526)
Surplus in shareholders' sub fund	<u>101,616,773</u>	<u>31,629,278</u>
	<u>93,210,155</u>	<u>16,267,752</u>
Profit before taxation	133,852,594	56,146,118
Taxation for the year	(49,808,750)	(26,648,161)
<b>Profit for the year after tax</b>	<u>84,043,844</u>	<u>29,497,957</u>

Total comprehensive income for the year was PKR 81.8 million (2014: 25.95 million) taking effect of actuarial loss recognized on defined benefit scheme.



**5. Distribution Network**

The company operates through 42 branches across the country, facilitating its individual life sales force and the corporate sales teams at various locations focusing on corporate entities. Banca-Takaful is another significant contributor to the company’s business volume, there were fourteen banks as at December 31, 2015, offering your company’s products via their sales force. The total includes new relationships, i.e., the Banca-Takaful agreement with KASB Modaraba, Waseela Micro-Finance and Askari Bank. The company has also introduced for the first time in Pakistan, Corporate Banca-Takaful. The concept was entirely new for the takaful and insurance industry which involves banks selling **Group** takaful products utilizing their channel. The model help banks create a new revenue stream, helping the takaful/insurance companies to tap on to the relationships of the banks with corporate entities.

**6. Human Resources**

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

Cultural focus areas include team work &

collaboration, innovation and communication transparency.

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

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

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

**7. Information Technology**

Pak-Qatar Takaful upgraded its existing server and network rooms taking their capacities to the next level. The important aspect of this project was the

merging of two separate areas previously used for the networking and the server operations so that services could be rendered from one secured and a highly maintained place. The activity would result in seamless information technology services through this new data centre facility, providing an infrastructure which would be accommodating the existing operation of the company and their future growth requirements. Gradually this data centre facility would be upgraded to Tier-2 data center standards.

## 8. Marketing Highlights

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

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

Pak-Qatar Takaful has recently launched world's first takaful application for the consultants which is one of a kind, named **ELEVATE**. The application is in line with the innovation taking place in the insurance sector world over, as it takes sales and customer experience to a new level over all. The innovative application helps our distribution team (sales consultants) to have a rapid connection with the customers, provide value added advice via the GIS system installed in the applications. Moreover, it provides on the spot future value calculations to the customers and the customers email addresses within a split second. The application also empowers us to bypass the elongated lead time to connect to a consultant, via Elevate it is just a click away. Since Pak-Qatar Family is fully geared up to bring innovation in Takaful, we have recently introduced a totally new concept of payments in Pakistan.

Customers can now make their renewal payments via mPos (Mobile point of sales), taking ease to a new level. In line with our innovative strategy to provide a seamless customer experience, an SMS short code – 8535 (TKFL) has recently been acquired, which shall enable customer engagement on a regular and a constant level.

The company being aligned towards engaging regularly and elegantly with all our customers and stakeholders, has revamped the outlook of "Takaful Insights" (in-house magazine), with a new distribution strategy by engaging various business partners.

These efforts from the marketing department are continuous and will result in more innovation and iteration. Pak-Qatar Family Takaful aims to take gigantic strides in the year 2016 which shall indeed make the company a pillar of "**Takaful**" globally.

## 9. Awards & Accolades

We enhanced our outreach by establishing new branches and strengthening Alternate Delivery Channels, like never before. We challenged ourselves at every level and our quest for excellence won us several awards, including "**Best Takaful Company in Pakistan**" for the year 2015 at Islamic Banking Awards. We were recognized as the "**Best Takaful Operator in Pakistan**" at the 10th International Takaful Summit 2016 held in London (prestigious takaful gathering world over). It is a matter of great pride for the company to win awards both locally and at international level endorsing us to be the best takaful operator in the country. We firmly cemented our company's position as the Flag-bearer and Pioneers of Takaful in the country.

## 10. 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.

## 11. Board of Directors

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

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

Leave of absence was granted to directors, who could not attend the Board Meetings. In lieu of completion of tenure of existing directors in April 2016, fresh election of directors will be held in upcoming Annual General Meeting.

## 12. 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.
  - The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements, and any departure there from has been adequately disclosed.
  - The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
  - There has been no material departure from the best practices of Corporate Governance.
  - The key operating and financial data for the last six years is attached.
  - The balance in the provident fund account as at the year-end was PKR 59,619,930/-
  - No trading in shares has been made by the Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children, except for the transfer of 20,400 shares to Mr. Zahid Hussain Awan.

## 13. Statement of Ethics and Business Practices

The Board has adopted the statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

## 14. Auditors

The present auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants, member firm of Deloitte Touche Tohmatsu Limited, retire and are eligible for reappointment for the ensuing year. On recommendation of the Audit Committee, the Board of Directors of the company has proposed their name for reappointment as auditors of the company for the year ending on the 31st December, 2016.

The Board of Directors has also proposed their name for reappointment as the external Shariah compliance auditors for the year ending on the 31st December, 2016.

## 15. Pattern of Shareholding

The Pattern of shareholdings of the Company is attached.

## 16. Appreciation & Acknowledgement

Your company's performance during the year would not have been possible without passion, commitment and hard work of both the employees and the management. On behalf of the Board of Directors, we wish to place our thanks and sincere appreciation for the continued support from all the stakeholders.

We also acknowledge the support of the Securities and Exchange Commission of Pakistan. On behalf of the Board of Directors, we thank our policyholders, intermediaries and reinsurers for reposing their unstinted faith in the company, and we are sure of continuing to share our success with all of them.

**Doha:** 07 April 2016

## 17. 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**



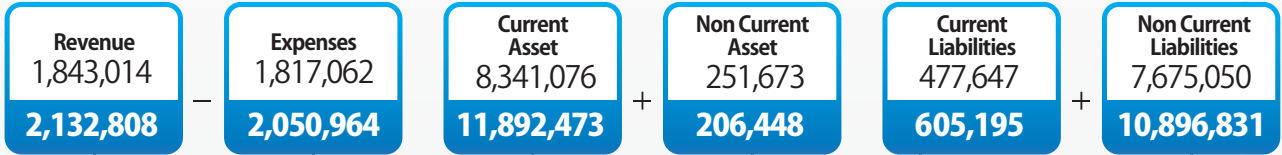
**Muhammad Nasir Ali Syed**  
Chief Executive Officer

# Performance at a Glance

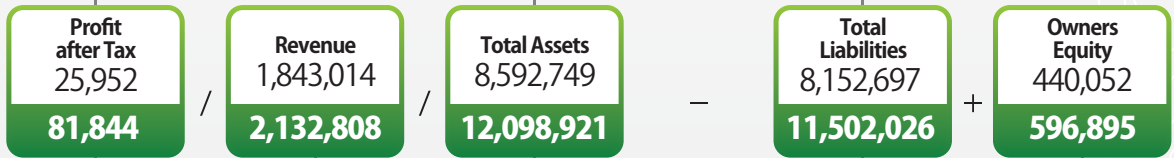
## DUPONT ANALYSIS

(Rupees in '000)

2014  
2015



2014  
2015



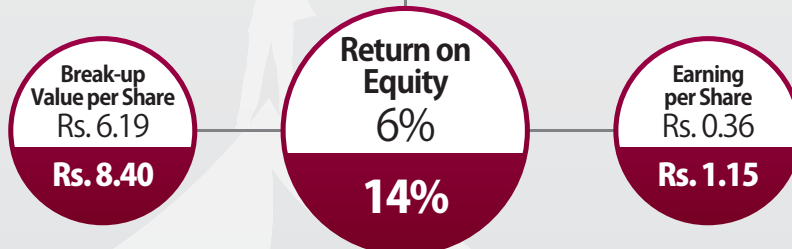
2014  
2015

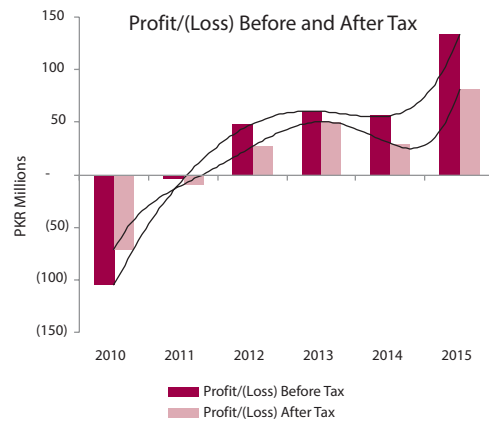
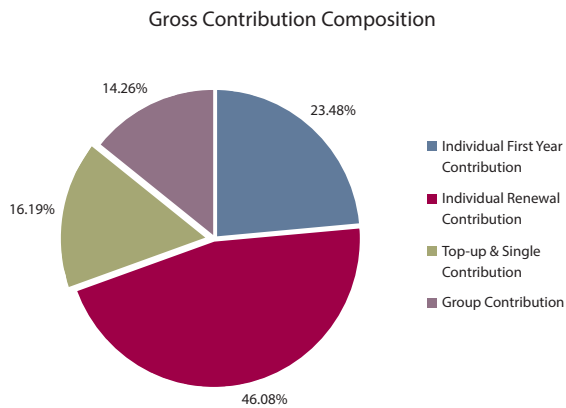
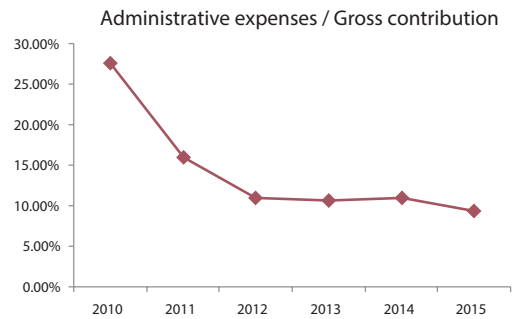
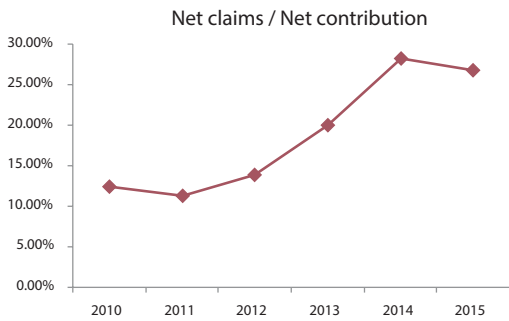
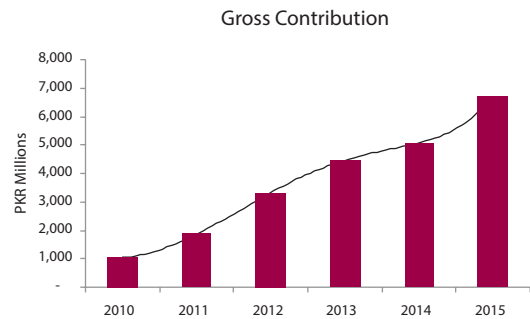
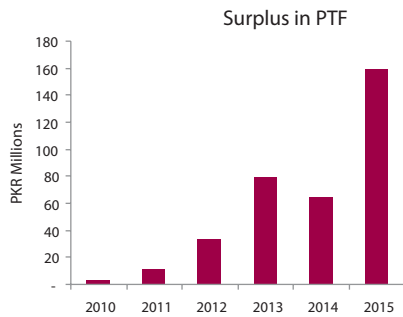
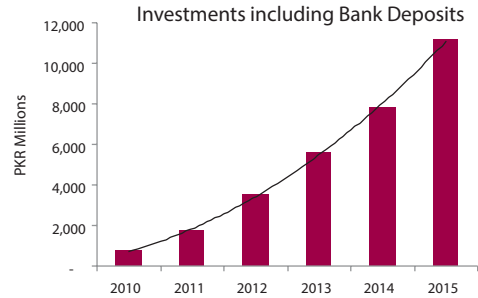
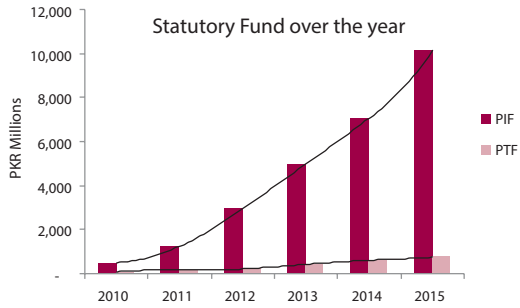


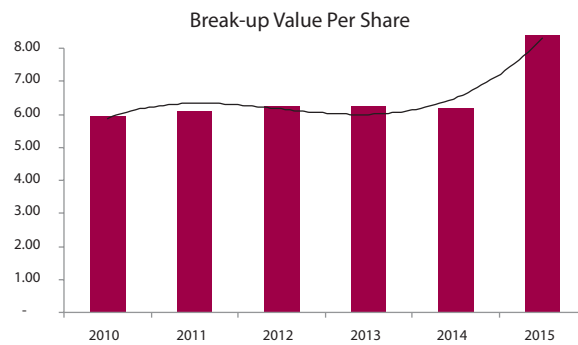
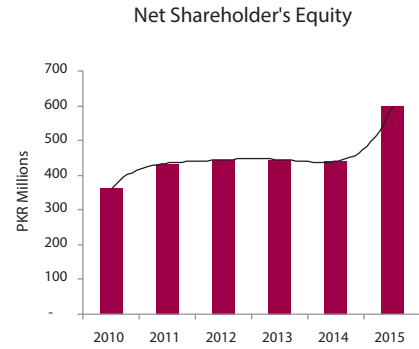
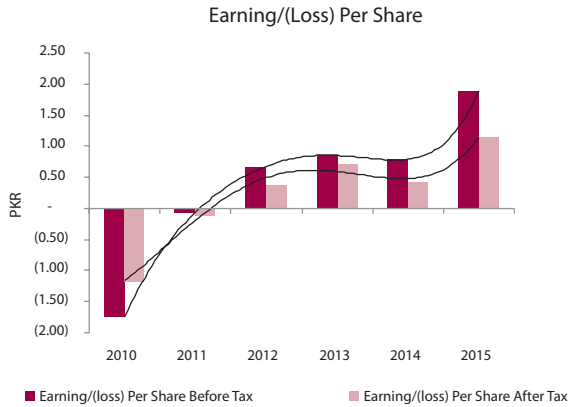
2014  
2015



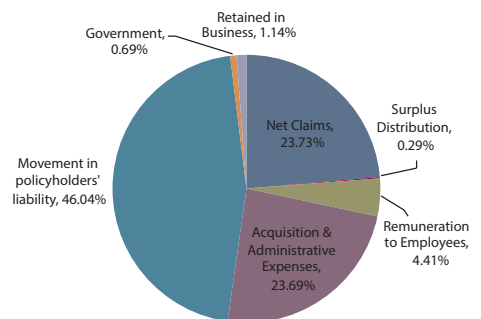
2014  
2015







	2015 PKR	%
<b>Wealth Generated</b>		
Net Contribution	6,355,183,452	
Investment Income	721,584,342	
Total Other Income	83,910,314	
	<u>7,160,678,108</u>	<u>100%</u>
<b>Wealth Distribution</b>		
Net Claims	1,699,519,985	23.73%
Surplus Distribution	20,963,883	0.29%
Remuneration to Employees	315,826,803	4.41%
Acquisition & Administrative Expenses	1,696,448,297	23.69%
Movement in policyholders' liability	3,296,780,282	46.04%
Government	49,295,287	0.69%
Retained in Business	81,843,571	1.14%
	<u>7,160,678,108</u>	<u>100%</u>



# Key Operating & Financial Data

(Rupees in thousand)

	2015	2014	2013	2012	2011	2010
<b>SIX YEARS SUMMARY</b>						
Gross contribution	6,721,214	5,076,717	4,461,066	3,324,328	1,865,386	1,043,143
<b>Revenue &amp; P&amp;L account</b>						
Contribution - net of retakaful	6,355,184	4,785,216	4,238,996	3,144,491	1,740,942	976,258
Surrenders	1,119,076	940,978	544,064	203,818	65,699	21,014
Claims - net of retakaful	580,444	412,416	300,915	231,527	130,547	100,580
Net investment income (PIF)	646,305	590,421	411,147	244,796	77,170	29,217
Net investment income (PTF)	23,806	20,676	14,331	12,471	6,828	3,605
Net investment income (SHF)	36,261	33,924	33,045	34,432	20,692	17,329
Commission expense	1,373,026	1,207,717	1,123,067	826,010	544,570	350,644
Policy stamps	25,850	24,659	26,029	19,521	14,083	10,664
Total administrative expenses	600,080	554,492	474,491	363,372	298,007	287,907
Surplus / (Deficit) in PTF	160,118	65,161	79,602	33,786	11,936	3,067
Profit / (Loss) before tax	133,853	56,146	60,139	48,187	(4,373)	(105,771)
Profit / (Loss) after tax	81,844	25,952	49,975	26,672	(9,395)	(72,027)
<b>Balance sheet</b>						
Investments including bank deposits	11,171,319	7,810,334	5,592,578	3,551,987	1,714,090	756,057
Deferred tax asset	82,917	117,074	117,394	110,318	122,297	122,357
Other assets	721,154	530,742	354,122	162,735	114,487	62,493
Fixed assets	123,531	134,600	124,826	104,049	121,165	136,497
Total assets	12,098,921	8,592,750	6,188,920	3,929,089	2,072,039	1,077,405
Issued, subscribed & paid up capital	710,629	710,629	710,629	710,629	710,629	608,853
Accumulated deficit & Qard-e-Hasna	(113,733)	(270,577)	(265,529)	(266,304)	(276,469)	(246,574)
Balance of statutory funds	10,896,831	7,675,051	5,395,957	3,172,629	1,400,522	575,702
Other liabilities	605,195	477,647	347,863	312,135	237,358	139,424
Total equity & liabilities	12,098,921	8,592,750	6,188,920	3,929,089	2,072,039	1,077,405

## Key Financial Ratios

	2015	2014	2013	2012	2011	2010
<b>Financial ratios</b>						
<b>Profitability</b>						
Profit / (loss) before tax / Gross contribution	1.99%	1.11%	1.35%	1.45%	-0.23%	-10.14%
Profit / (loss) before tax / Net contribution	2.11%	1.17%	1.42%	1.53%	-0.25%	-10.83%
Profit / (loss) after tax / Gross contribution	1.22%	0.51%	1.12%	0.80%	-0.50%	-6.90%
Profit / (loss) after tax / Net contribution	1.29%	0.54%	1.18%	0.85%	-0.54%	-7.38%
Net claims & surrenders / Net contribution	26.74%	28.28%	19.93%	13.84%	11.27%	12.46%
Commission / Gross contribution	20.43%	23.79%	25.17%	24.85%	29.19%	33.61%
Administrative expenses / Gross contribution	8.93%	10.92%	10.64%	10.93%	15.98%	27.60%
Net investment income / Net contribution	11.11%	13.48%	10.82%	9.28%	6.01%	5.14%
<b>Return to shareholders</b>						
Return on equity	13.71%	5.90%	11.23%	6.00%	-2.16%	-19.88%
Earning / (loss) per share (pre-tax)	1.88	0.79	0.85	0.68	(0.06)	(1.74)
Earning / (loss) per share (after-tax)	1.15	0.36	0.70	0.38	(0.13)	(1.18)
Net assets per share (SHF)	8.40	6.19	6.26	6.25	6.11	5.95
Return on assets (SHF)	11.12%	4.62%	8.89%	5.22%	-1.96%	-18.02%
<b>Performance liquidity</b>						
Current ratio (Times)	19.65	17.46	17.09	11.90	7.70	5.87
Total liabilities / Equities (Times) - SHF	0.23	0.28	0.26	0.15	0.10	0.10
Total liabilities / Equities (Times) - Total	19.27	18.53	12.90	7.84	3.77	1.97
Paid up capital / Total assets	5.87%	8.27%	11.48%	18.09%	34.30%	56.51%
Equity / Total assets	4.93%	5.12%	7.19%	11.31%	20.95%	33.63%
<b>Cash flows</b>						
Net cash flow from operating activities	2,631,792	1,645,666	1,643,708	1,560,954	780,441	304,614
Net cash flow from investing activities	2,262,289	(1,300,763)	(1,331,277)	(847,868)	(416,188)	(114,237)
Net cash flow from financing activities	-	-	-	-	98,386	77,611
Net change in cash & cash equivalent	4,894,081	344,903	312,431	713,086	462,639	267,988

# Statement of Compliance with the Code of Corporate Governance

*For The Year Ended 31 December 2015*

This statement is being presented to comply with the Code of Corporate Governance (the Code) applicable on unlisted insurance companies as required under Section B of S.R.O 68(1)/2003 dated January 21, 2003 for the purpose of establishing a framework of good governance, whereby an insurance company is managed in compliance with the best practices of corporate governance.

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

1. The directors have confirmed that none of them is serving as a director in ten or more listed companies incorporated in Pakistan.
2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of Stock Exchange, has been declared as a defaulter by a Stock Exchange.
3. No casual vacancy on the board occurred during the year.
4. The Company has prepared a 'Statement of Ethics and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout the Company.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company includes all the necessary aspects of internal control given in the Code.
9. Directors being seasoned bankers, insurance & investments professionals and experienced businessmen are aware of their responsibilities as directors. They are provided briefings on the changes in laws and regulations in Board meetings; however, no formal orientation course for the directors during the year was arranged.
10. There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer of the Company before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed Underwriting, Claim Settlement and Re-takaful Committees.
16. The Board has formed an Audit Committee. It comprises of three members, of whom majority are non-executive directors including the Chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Audit Committee have been formed and advised to the Committee for compliance.
18. The Board has established an effective internal audit function. Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The actuary appointed by the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.
22. The Board ensures that the appointed actuary complied with the requirements set out for him in this Code.
23. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors



**Muhammad Nasir Ali Syed**  
Chief Executive Officer

# Shariah Advisory Report to the Board of Directors

الحمد لله رب العلمين والصلاة والسلام على سيد الأنبياء والمرسلين

محمد النبي الأُمي 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 2015.

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

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

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

We have reviewed the affairs of the company with the assistance of five qualified Muftis of Shariah Compliance Department in accordance with the principles of Shariah. In our opinion, and to the best of our understanding based on the provided information and explanations, below are the findings:

- (i) Financial transactions undertaken by the Company for the year ended 31 December 2015 were in accordance with guidelines issued by Shariah Advisory Board as well as the requirements of Takaful Rules 2012.
- (ii) In the year 2015, more than 200 courses were held successfully across Pakistan regarding the awareness of Takaful. These courses proved beneficial and helped a lot in spreading the concept of Takaful to the masses. The efforts of the company are much appreciated in this regard.
- (iii) The company performed its duties to its level best by following Shariah Guidelines. Few cases which were required to be consulted in accordance with the Shariah rules and market practice have been discussed and duly resolved.
- (iv) Consequently, we have found that the Company is in accordance with the Shariah principles in all transactional aspects. Moreover, we also agree with the Accounting principles adopted for incorporation of Participant Takaful Fund (Waqf Fund) into the accompanying financial statements.

*"And Allah Knows Best"*

On Behalf of Chairman of Shariah Advisory Board



**Dr. Mufti Ismatullah**

Shariah Advisor & Advisory Board Member



**Mufti Muhammad Hassaan Kaleem**

Shariah Advisory Board Member

April 07, 2016  
Karachi

# Independent Assurance Report to the Board of Directors and Shariah Advisor of the Company In Respect of Company's Compliance With the Takaful Rules, 2012 and Shariah Rules and Principles Prescribed By the Shariah Advisor

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

## 2. Management's Responsibility for Shariah Compliance

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

## 3. Our Responsibility

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

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

#### **4. Framework for the Engagement**

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

#### **5. Our Opinion**

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

*Deloitte Young & Co*

Chartered Accountants

Date: 07 April, 2016  
Karachi:

## Review Report on the Statement of Compliance with the Best Practices of the Code of Corporate Governance

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

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

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

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

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



Chartered Accountants,

Dated: April 07, 2016  
KARACHI

## Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of comprehensive income;
- (iv) statement of changes in equity;
- (v) statement of cash flows;
- (vi) revenue account;
- (vii) statement of contribution;
- (viii) statement of claims;
- (ix) statement of expenses;
- (x) statement of investment income.

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

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

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

In our opinion:

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

- b. the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984 and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c. the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- 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. zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

Dated: April 07, 2016  
Karachi

*Deloitte Young & Co*

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

# Balance Sheet

As at December 31, 2015

	Note	Shareholders'	-----Statutory Funds-----			Aggregate	
		Fund	Individual Family	Group Family	Group Health	2015	2014
----- (Rupees) -----							
<b>Share capital and reserves</b>							
Authorized share capital	8	800,000,000	-	-	-	<b>800,000,000</b>	800,000,000
Issued, subscribed and paid-up share capital	8	710,628,850	-	-	-	<b>710,628,850</b>	710,628,850
Accumulated deficit		(113,733,244)	-	-	-	<b>(113,733,244)</b>	(270,576,815)
<b>Net shareholders' equity</b>		<b>596,895,606</b>	-	-	-	<b>596,895,606</b>	440,052,035
<b>Balance of statutory funds</b>							
	9						
Ceded money - Waqf		-	-	500,000	-	<b>500,000</b>	500,000
Participant Takaful Fund - Waqf		-	330,122,325	120,463,015	301,790,133	<b>752,375,473</b>	610,104,422
		-	330,122,325	120,963,015	301,790,133	<b>752,875,473</b>	610,604,422
Participant Investment Fund - PIF		-	10,143,955,256	-	-	<b>10,143,955,256</b>	7,064,446,025
		-	<b>10,474,077,581</b>	<b>120,963,015</b>	<b>301,790,133</b>	<b>10,896,830,729</b>	7,675,050,447
<b>Creditors and accruals</b>							
Outstanding claims		-	193,039,887	34,961,300	45,956,051	<b>273,957,238</b>	190,485,292
Contributions received in advance		-	77,817,926	9,051,857	13,536,979	<b>100,406,762</b>	115,062,638
Amounts due to re-takaful operators		-	54,953,907	32,096,369	-	<b>87,050,276</b>	59,763,594
Amount due to agents		72,861,177	-	-	-	<b>72,861,177</b>	58,888,320
Taxation - payments less provisions		10,566,048	-	-	-	<b>10,566,048</b>	1,778,340
Creditors, accruals and other liabilities	10	55,746,972	4,598,682	-	7,716	<b>60,353,370</b>	51,668,521
		139,174,197	330,410,402	76,109,526	59,500,746	<b>605,194,871</b>	477,646,705
<b>Total liabilities</b>		<b>139,174,197</b>	<b>10,804,487,983</b>	<b>197,072,541</b>	<b>361,290,879</b>	<b>11,502,025,600</b>	8,152,697,152
<b>Total equity and liabilities</b>		<b>736,069,803</b>	<b>10,804,487,983</b>	<b>197,072,541</b>	<b>361,290,879</b>	<b>12,098,921,206</b>	8,592,749,187
<b>Commitments</b>							
	11						

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, 2015

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2015	2014
(Rupees)						
<b>Cash and bank deposits</b>	12					
Cash and others		3,209,381	-	-	3,209,381	6,628,706
Current and other accounts		202,447,359	3,417,729,546	18,862,532	43,345,325	3,682,384,762
Deposits maturing within 12 months		73,339,246	4,191,160,754	6,000,000	-	4,270,500,000
		<b>278,995,986</b>	<b>7,608,890,300</b>	<b>24,862,532</b>	<b>43,345,325</b>	<b>7,956,094,143</b>
						3,226,513,142
<b>Investments</b>	13					
Government securities - sukuks		149,711,672	355,594,799	105,998,550	-	611,305,021
Other securities - sukuks		5,959,812	1,046,156,795	-	4,500,000	1,056,616,607
Listed securities - open-end mutual fund units - shares		38,649,955	1,177,021,111	298,411	59,440	1,216,028,917
		3,273,254	328,001,665	-	-	331,274,919
		<b>197,594,693</b>	<b>2,906,774,370</b>	<b>106,296,961</b>	<b>4,559,440</b>	<b>3,215,225,464</b>
						4,583,821,398
<b>Long-term security deposit</b>		18,386,771	-	-	-	18,386,771
<b>Deferred tax asset</b>	14	82,916,974	-	-	-	82,916,974
						117,073,543
<b>Current assets - other</b>						
Contribution due but unpaid - considered good	15	-	-	63,121,195	311,001,178	374,122,373
Investment income accrued		2,080,026	113,437,427	1,486,329	448,463	117,452,245
Amounts due from re-takaful		-	56,852,619	-	-	56,852,619
Taxation		-	117,094,514	1,305,524	1,875,199	120,275,237
Prepayments		10,440,338	-	-	-	10,440,338
Other receivables - considered good		22,124,286	1,438,753	-	61,274	23,624,313
		34,644,650	288,823,313	65,913,048	313,386,114	702,767,125
						512,789,846
<b>Fixed assets</b>	16					
<b>Tangible</b>						
Building improvements		51,010,370	-	-	-	51,010,370
Furniture and fixtures		23,139,654	-	-	-	23,139,654
Office equipment		20,170,564	-	-	-	20,170,564
Motor vehicles		3,890,087	-	-	-	3,890,087
Computer equipment		13,973,655	-	-	-	13,973,655
Capital work in progress		1,279,999	-	-	-	1,279,999
<b>Intangible</b>						
Computer software		10,066,400	-	-	-	10,066,400
		123,530,729	-	-	-	123,530,729
						134,599,487
<b>Total assets</b>		<b>736,069,803</b>	<b>10,804,487,983</b>	<b>197,072,541</b>	<b>361,290,879</b>	<b>12,098,921,206</b>
						<b>8,592,749,187</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, 2015

	Note	2015	2014
		————(Rupees)————	
<b>Investment income not attributable to statutory funds</b>			
<b>Income from non-trading investment - available-for-sale</b>			
Return on government securities - sukuku		9,273,415	11,809,351
Amortization of premium on government securities		(2,192,615)	-
Return on other securities - sukuku		711,770	972,292
Profit on bank balances and deposits		24,570,977	18,258,031
Gain on disposal / redemption of investments		3,779,729	2,884,119
Dividend income		117,570	-
<b>Total investment income of shareholders' fund</b>		<b>36,260,846</b>	<b>33,923,793</b>
<b>Other revenues</b>			
Gain on disposal of fixed assets		2,821,182	4,285,901
Exchange gain / (loss)		38,534	(11,708)
Other income		1,521,877	1,680,380
Total other revenues		4,381,593	5,954,573
<b>Total investment income and other revenues not attributable to statutory funds</b>		<b>40,642,439</b>	<b>39,878,366</b>
<b>Expenses not attributable to statutory funds</b>	17	<b>(8,406,617)</b>	<b>(15,361,526)</b>
		<b>32,235,822</b>	<b>24,516,840</b>
<b>Surplus in shareholders' sub-fund - transferred to shareholders</b>		<b>101,616,772</b>	<b>31,629,278</b>
<b>Profit before tax</b>		<b>133,852,594</b>	<b>56,146,118</b>
<b>Taxation</b>	18	<b>(49,808,750)</b>	<b>(26,648,161)</b>
<b>Profit after taxation</b>		<b>84,043,844</b>	<b>29,497,957</b>

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



Chairman



Chief Executive



Director



Director

# Statement of Comprehensive Income

For the year ended December 31, 2015

	2015	2014
	————(Rupees)————	
<b>Profit for the year</b>	<b>84,043,844</b>	29,497,957
<b>Other comprehensive income</b>		
<b>Items not to be recognised to profit and loss account in subsequent period</b>		
Actuarial loss on defined benefit scheme (note 10.1.6.2)	<b>(2,713,736)</b>	(5,455,062)
Impact of tax	<b>513,463</b>	1,909,272
	<b>(2,200,273)</b>	(3,545,790)
<b>Total comprehensive income for the year</b>	<b>81,843,571</b>	25,952,167

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, 2015

	Share Capital	Net accumulated deficit		Total	
		Accumulated deficit	Capital contribution to statutory funds		Net accumulated deficit
----- (Rupees) -----					
<b>Balance at January 01, 2014</b>	710,628,850	(158,843,389)	(106,685,593)	(265,528,982)	<b>445,099,868</b>
<b>Total comprehensive income for the year ended December 31, 2014</b>					
Profit for the year	-	29,497,957	-	29,497,957	<b>29,497,957</b>
Other comprehensive income for the year	-	(3,545,790)	-	(3,545,790)	<b>(3,545,790)</b>
Total comprehensive income for the year	-	25,952,167	-	25,952,167	<b>25,952,167</b>
<b>Transaction with the owners</b>					
Qard-e-Hasna contributed to shareholder's sub fund	-	-	(43,500,000)	(43,500,000)	<b>(43,500,000)</b>
Qard-e-Hasna returned by statutory fund	-	-	12,500,000	12,500,000	<b>12,500,000</b>
<b>Balance at December 31, 2014</b>	<b>710,628,850</b>	<b>(132,891,222)</b>	<b>(137,685,593)</b>	<b>(270,576,815)</b>	<b>440,052,035</b>
<b>Total comprehensive income for the year ended December 31, 2015</b>					
Profit for the year	-	84,043,844	-	84,043,844	<b>84,043,844</b>
Other comprehensive income for the year	-	(2,200,273)	-	(2,200,273)	<b>(2,200,273)</b>
Total comprehensive income for the year	-	81,843,571	-	81,843,571	<b>81,843,571</b>
<b>Transaction with the owners</b>					
Qard-e-Hasna returned by statutory fund	-	-	75,000,000	75,000,000	<b>75,000,000</b>
<b>Balance at December 31, 2015</b>	<b>710,628,850</b>	<b>(51,047,651)</b>	<b>(62,685,593)</b>	<b>(113,733,244)</b>	<b>596,895,606</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, 2015

	Shareholders'	Statutory Funds			Aggregate	
	Fund	Individual Family	Group Family	Group Health	2015	2014
(Rupees)						
<b>OPERATING CASH FLOWS</b>						
<b>(a) Takaful activities</b>						
Contributions received	-	5,742,435,458	242,320,059	601,694,235	<b>6,586,449,752</b>	5,025,440,314
Re-takaful payments - net	-	(67,284,770)	(46,063,109)	-	<b>(113,347,879)</b>	(99,132,503)
Claims paid	-	(1,148,995,930)	(128,898,321)	(522,009,788)	<b>(1,799,904,039)</b>	(1,393,768,635)
Commission paid	(1,359,052,784)	-	-	-	<b>(1,359,052,784)</b>	(1,215,461,377)
Wakalah and mudarib fee received / (paid)	2,092,165,609	(1,930,362,918)	(50,714,423)	(111,088,268)	-	-
Net cash inflow / (outflow) from takaful activities	733,112,825	2,595,791,840	16,644,206	(31,403,821)	<b>3,314,145,050</b>	2,317,077,799
<b>(b) Other operating activities</b>						
Income tax	(6,350,149)	(53,445,223)	(980,276)	(1,239,557)	<b>(62,015,205)</b>	(46,623,086)
General management expenses paid	(594,906,322)	-	-	-	<b>(594,906,322)</b>	(575,805,293)
Charity paid	(1,514)	(136,732)	-	-	<b>(138,246)</b>	-
Long term deposits	(435,000)	-	-	-	<b>(435,000)</b>	(5,255,000)
Surplus distributed	-	(20,963,883)	-	-	<b>(20,963,883)</b>	(17,828,810)
Other operating receipts / (payments)	(1,680,153)	(1,605,536)	(519,844)	(88,878)	<b>(3,894,411)</b>	(25,899,743)
Inter fund transactions	75,000,000	-	-	(75,000,000)	-	-
Net cash (outflow) / inflow from other operating activities	(528,373,138)	(76,151,374)	(1,500,120)	(76,328,435)	<b>(682,353,067)</b>	(671,411,932)
<b>Net cash (outflow) / inflow from all operating activities</b>	<b>204,739,687</b>	<b>2,519,640,466</b>	<b>15,144,086</b>	<b>(107,732,256)</b>	<b>2,631,791,983</b>	<b>1,645,665,867</b>
<b>Investment activities</b>						
Profit/ return received	36,614,623	580,446,533	8,313,244	11,175,487	<b>636,549,887</b>	469,071,902
Dividend received	117,570	10,915,733	-	-	<b>11,033,303</b>	1,029,520
Payments for investments	(149,325,661)	(3,263,636,797)	(135,122,050)	(50,000,000)	<b>(3,598,084,508)</b>	(3,608,907,330)
Proceeds from disposal of investments	82,839,071	4,903,392,238	87,900,000	150,005,918	<b>5,224,137,227</b>	1,864,967,075
Fixed capital expenditure	(17,362,432)	-	-	-	<b>(17,362,432)</b>	(34,801,498)
Proceeds from disposal of fixed assets	6,015,541	-	-	-	<b>6,015,541</b>	7,877,443
Net cash inflow / (outflow) from investing activities	(41,101,288)	2,231,117,707	(38,908,806)	111,181,405	<b>2,262,289,018</b>	(1,300,762,888)
<b>Net cash inflow / (outflow) from all activities</b>	<b>163,638,399</b>	<b>4,750,758,173</b>	<b>(23,764,720)</b>	<b>3,449,149</b>	<b>4,894,081,001</b>	<b>344,902,979</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>67,018,341</b>	<b>1,772,471,373</b>	<b>42,627,252</b>	<b>39,896,176</b>	<b>1,922,013,142</b>	<b>1,577,110,163</b>
<b>Cash and cash equivalents at end of the year</b>	<b>230,656,740</b>	<b>6,523,229,546</b>	<b>18,862,532</b>	<b>43,345,325</b>	<b>6,816,094,143</b>	<b>1,922,013,142</b>

.....Continued.....

# Statement of Cash Flows

For the year ended December 31, 2015

## Definition of cash

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

2015                      2014  
—————(Rupees)—————

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

### Cash and other equivalents

Cash in hand	99,289	227,572
Stamps in hand	<u>3,110,092</u>	<u>6,401,134</u>
	<b>3,209,381</b>	<b>6,628,706</b>

### Current and other accounts

Current accounts	<u>57,884,622</u>	<u>23,521,603</u>
Saving accounts	<u>3,624,500,140</u>	<u>1,361,862,833</u>
	<b>3,682,384,762</b>	<b>1,385,384,436</b>
	<u>3,130,500,000</u>	<u>530,000,000</u>
	<b>6,816,094,143</b>	<b>1,922,013,142</b>

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

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, 2015

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2015	2014
(Rupees)					
<b>Participant Investment Fund (PIF)</b>					
<b>Income</b>					
Allocated contribution	3,733,387,487	-	-	<b>3,733,387,487</b>	2,575,709,981
Net investment income	646,305,017	-	-	<b>646,305,017</b>	590,420,482
<b>Total net income</b>	<b>4,379,692,504</b>	-	-	<b>4,379,692,504</b>	3,166,130,463
<b>Less: claims and expenditure</b>					
Surrenders / partial withdrawals	1,119,076,242	-	-	<b>1,119,076,242</b>	940,977,480
Takaful operators' fee	173,996,756	-	-	<b>173,996,756</b>	118,067,312
Other charges	7,110,275	-	-	<b>7,110,275</b>	19,753,089
<b>Total claims and expenditure</b>	<b>1,300,183,273</b>	-	-	<b>1,300,183,273</b>	1,078,797,881
<b>Excess of income over claims and expenditure</b>	<b>3,079,509,231</b>	-	-	<b>3,079,509,231</b>	2,087,332,582
Add: Technical reserves at beginning of the year	7,064,446,025	-	-	<b>7,064,446,025</b>	4,977,113,443
Less: Technical reserves at end of the year	10,143,955,256	-	-	<b>10,143,955,256</b>	7,064,446,025
Movement in technical reserves	(3,079,509,231)	-	-	<b>(3,079,509,231)</b>	(2,087,332,582)
<b>Surplus / (deficit)</b>	<b>-</b>	-	-	<b>-</b>	-
<b>Movement in technical reserves</b>	<b>3,079,509,231</b>	-	-	<b>3,079,509,231</b>	2,087,332,582
<b>Balance of PIF at beginning of the year</b>	<b>7,064,446,025</b>	-	-	<b>7,064,446,025</b>	4,977,113,443
<b>Balance of PIF at end of the year (a)</b>	<b>10,143,955,256</b>	-	-	<b>10,143,955,256</b>	7,064,446,025
<b>Participants' Takaful Fund (PTF)</b>					
<b>Income</b>					
Contribution net of re-takaful	119,350,684	102,011,175	695,989,009	<b>917,350,868</b>	706,204,618
Net investment income	14,247,950	4,684,950	4,873,463	<b>23,806,363</b>	20,676,030
Other income	79,528,721	-	-	<b>79,528,721</b>	36,159,470
<b>Total net income</b>	<b>213,127,355</b>	<b>106,696,125</b>	<b>700,862,472</b>	<b>1,020,685,952</b>	763,040,118
<b>Less: claims and expenditures</b>					
Claims net of re-takaful recoveries	26,579,790	27,838,821	526,025,132	<b>580,443,743</b>	412,415,725
Takaful operators' fee	43,081,224	47,591,123	107,839,293	<b>198,511,640</b>	168,408,136
Other charges	2,940,471	519,844	35,320	<b>3,495,635</b>	3,626,768
<b>Total claims and expenditure</b>	<b>72,601,485</b>	<b>75,949,788</b>	<b>633,899,745</b>	<b>782,451,018</b>	584,450,629
<b>Excess of income over claims and expenditure</b>	<b>140,525,870</b>	<b>30,746,337</b>	<b>66,962,727</b>	<b>238,234,934</b>	178,589,489
Add: Technical reserves at beginning of the year	9,028,646	46,393,249	223,094,273	<b>278,516,168</b>	182,916,710
Less: Technical reserves at end of the year	12,559,199	63,344,559	259,765,797	<b>335,669,555</b>	278,516,168
Movement in technical reserves	(3,530,553)	(16,951,310)	(36,671,524)	<b>(57,153,387)</b>	(95,599,458)
<b>Surplus before distribution</b>	<b>136,995,317</b>	<b>13,795,027</b>	<b>30,291,203</b>	<b>181,081,547</b>	82,990,031
Distribution of surplus	(20,963,883)	-	-	<b>(20,963,883)</b>	(17,828,810)
	116,031,434	13,795,027	30,291,203	<b>160,117,664</b>	65,161,221
<b>Movement in technical reserves</b>	<b>3,530,553</b>	<b>16,951,310</b>	<b>36,671,524</b>	<b>57,153,387</b>	95,599,458
<b>Transfers from / (to)</b>					
Qard-e-Hasna contributed by operator	-	-	-	<b>-</b>	43,500,000
Qard-e-Hasna repaid to operator	-	-	(75,000,000)	<b>(75,000,000)</b>	(12,500,000)
<b>Net transfer from shareholders' sub fund</b>	<b>-</b>	<b>-</b>	<b>(75,000,000)</b>	<b>(75,000,000)</b>	31,000,000
<b>Balance of PTF at beginning of the year</b>	<b>210,560,338</b>	<b>89,716,678</b>	<b>309,827,406</b>	<b>610,104,422</b>	418,343,743
<b>Balance of PTF at end of the year (b)</b>	<b>330,122,325</b>	<b>120,463,015</b>	<b>301,790,133</b>	<b>752,375,473</b>	610,104,422
<b>Total (a+b)</b>	<b>10,474,077,581</b>	<b>120,463,015</b>	<b>301,790,133</b>	<b>10,896,330,729</b>	7,674,550,447

.....Continued.....

# Revenue Account

For the year ended December 31, 2015

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2015	2014
----- (Rupees) -----					
<b>Shareholders' Sub Fund</b>					
<b>Income</b>					
Takaful operators' fee	1,921,523,077	47,591,123	107,839,293	<b>2,076,953,493</b>	1,789,776,446
Modarib fee from PTF	8,839,841	3,123,300	3,248,975	<b>15,212,116</b>	13,358,879
<b>Total income</b>	<u>1,930,362,918</u>	<u>50,714,423</u>	<u>111,088,268</u>	<b>2,092,165,609</b>	<u>1,803,135,325</u>
<b>Less: Expenditure</b>					
Net commission expense	1,357,669,205	4,796,807	10,559,629	<b>1,373,025,641</b>	1,207,716,882
Other acquisition expense	216,389,836	17,041,858	33,625,856	<b>267,057,550</b>	264,642,620
Management expenses	256,886,763	27,959,338	65,619,545	<b>350,465,646</b>	299,146,545
<b>Total expenditure</b>	<u>1,830,945,804</u>	<u>49,798,003</u>	<u>109,805,030</u>	<b>1,990,548,837</b>	<u>1,771,506,047</u>
<b>Excess of income over expenditure</b>	<u>99,417,114</u>	<u>916,420</u>	<u>1,283,238</u>	<b>101,616,772</b>	<u>31,629,278</u>
Add: Technical reserves at beginning of the year	-	-	-	-	-
Less: Technical reserves at end of the year	-	-	-	-	-
<b>Surplus for the year</b>	<u>99,417,114</u>	<u>916,420</u>	<u>1,283,238</u>	<b>101,616,772</b>	<u>31,629,278</u>
<b>Surplus transferred to shareholders' fund</b>	(99,417,114)	(916,420)	(1,283,238)	<b>(101,616,772)</b>	(31,629,278)
<b>Transfer from / (to) shareholders' fund</b>					
Contribution received from shareholders' fund	-	-	-	-	43,500,000
Qard-e-Hasna contributed to PTF	-	-	-	-	(43,500,000)
Qard-e-Hasna returned by PTF	-	-	(75,000,000)	<b>(75,000,000)</b>	(12,500,000)
Qard-e-Hasna returned to Shareholders Fund	-	-	75,000,000	<b>75,000,000</b>	12,500,000
<b>Net transfer (to) / from shareholders' fund</b>	-	-	-	-	-
<b>Balance of shareholders' sub fund at beginning of the year</b>	-	-	-	-	-
<b>Balance of fund at end of the year (c)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance of statutory funds at end of the year (a+b+c)</b>	<u>10,474,077,581</u>	<u>120,463,015</u>	<u>301,790,133</u>	<b>10,896,330,729</b>	<u>7,674,550,447</u>
<b>Represented by:</b>					
<b>Participants' Investment Fund</b>					
Technical reserves for PIF	10,143,955,256	-	-	<b>10,143,955,256</b>	7,064,446,025
<b>Participants' Takaful Fund</b>					
Accumulated surplus - PTF	317,563,126	57,118,456	(20,661,257)	<b>354,020,325</b>	193,902,661
Qard-e-Hasna contributions	-	-	62,685,593	<b>62,685,593</b>	137,685,593
Technical reserves for PTF	12,559,199	63,344,559	259,765,797	<b>335,669,555</b>	278,516,168
	<u>330,122,325</u>	<u>120,463,015</u>	<u>301,790,133</u>	<b>752,375,473</b>	<u>610,104,422</u>
<b>Shareholders' Sub Fund</b>					
Technical reserves for shareholders' sub fund	-	-	-	-	-
Accumulated surplus / (deficit) - shareholders' sub fund	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance of Funds at end of the year</b>	<u>10,474,077,581</u>	<u>120,463,015</u>	<u>301,790,133</u>	<b>10,896,330,729</b>	<u>7,674,550,447</u>

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, 2015

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2015	2014
----- (Rupees) -----					
<b>Gross Contributions</b>					
<b>Regular contribution on individual policies</b>					
First year	1,577,857,868	-	-	<b>1,577,857,868</b>	1,381,876,726
Second year	991,379,299	-	-	<b>991,379,299</b>	920,276,799
Third year onwards	2,105,796,776	-	-	<b>2,105,796,776</b>	1,477,101,479
<b>Top up contribution under individual policies</b>	106,846,087	-	-	<b>106,846,087</b>	60,915,962
<b>Single contributions</b>	981,184,149	-	-	<b>981,184,149</b>	511,754,998
<b>Group policies without cash values</b>	-	262,160,510	695,989,009	<b>958,149,519</b>	724,790,769
<b>Total gross contributions</b>	<u>5,763,064,179</u>	<u>262,160,510</u>	<u>695,989,009</u>	<b>6,721,213,698</b>	<u>5,076,716,733</u>
<b>Gross contribution allocation:</b>					
<b>Participants' Investment Fund (PIF)</b>					
Regular contributions	2,699,321,567	-	-	<b>2,699,321,567</b>	2,031,075,968
Top up and single contributions	1,034,065,920	-	-	<b>1,034,065,920</b>	544,634,013
<b>Total allocated contributions</b>	<u>3,733,387,487</u>	<u>-</u>	<u>-</u>	<b>3,733,387,487</b>	<u>2,575,709,981</u>
<b>Participants' Takaful Fund (PTF)</b>					
<b>Gross contributions</b>					
Contribution on individual policies	325,231,595	-	-	<b>325,231,595</b>	272,914,985
Group policies without cash values	-	262,160,510	695,989,009	<b>958,149,519</b>	724,790,769
	325,231,595	262,160,510	695,989,009	<b>1,283,381,114</b>	997,705,754
<b>Less: Re-Takaful ceded</b>					
On individual policies	(205,880,911)	-	-	<b>(205,880,911)</b>	(168,070,738)
On group policies without cash values	-	(160,149,335)	-	<b>(160,149,335)</b>	(123,430,398)
	(205,880,911)	(160,149,335)	-	<b>(366,030,246)</b>	(291,501,136)
<b>Net risk contribution of PTF</b>	<u>119,350,684</u>	<u>102,011,175</u>	<u>695,989,009</u>	<b>917,350,868</b>	<u>706,204,618</u>
<b>Contribution allocated to Shareholders' Sub Fund</b>					
Regular contributions	1,650,480,781	-	-	<b>1,650,480,781</b>	1,475,264,057
Top up and single contributions	53,964,316	-	-	<b>53,964,316</b>	28,036,941
<b>Total contribution allocated to shareholders' sub fund</b>	<u>1,704,445,097</u>	<u>-</u>	<u>-</u>	<b>1,704,445,097</b>	<u>1,503,300,998</u>

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, 2015

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2015	2014
----- (Rupees) -----					
<b>Gross Claims</b>					
Claims under individual policies	122,963,477	-	-	<b>122,963,477</b>	46,328,757
Surrenders / partial withdrawals	1,119,076,242	-	-	<b>1,119,076,242</b>	940,977,480
Claims under group policies	-	115,311,134	526,025,132	<b>641,336,266</b>	490,363,358
<b>Total gross claims</b>	<u>1,242,039,719</u>	<u>115,311,134</u>	<u>526,025,132</u>	<b>1,883,375,985</b>	<u>1,477,669,595</u>
<b>Gross claims allocated as follows:</b>					
<b>Participants' Investment Fund (PIF)</b>					
Surrenders / partial withdrawal under individual policies	<u>1,119,076,242</u>	<u>-</u>	<u>-</u>	<b>1,119,076,242</b>	<u>940,977,480</u>
<b>Participants' Takaful Fund (PTF)</b>					
- Under individual policies by death	122,963,477	-	-	<b>122,963,477</b>	46,328,757
- Under group policies by death	-	115,311,134	-	<b>115,311,134</b>	121,767,104
- Under group policies by event other than death	-	-	526,025,132	<b>526,025,132</b>	368,596,254
<b>Total gross claims under PTF</b>	<u>122,963,477</u>	<u>115,311,134</u>	<u>526,025,132</u>	<b>764,299,743</b>	<u>536,692,115</u>
<b>Less: Re-Takaful recoveries under PTF</b>					
- On individual policies	(96,383,687)	-	-	<b>(96,383,687)</b>	(28,277,419)
- On group policies	-	(87,472,313)	-	<b>(87,472,313)</b>	(95,998,971)
	<u>(96,383,687)</u>	<u>(87,472,313)</u>	<u>-</u>	<b>(183,856,000)</b>	<u>(124,276,390)</u>
<b>Net claims under PTF</b>	<u>26,579,790</u>	<u>27,838,821</u>	<u>526,025,132</u>	<b>580,443,743</b>	<u>412,415,725</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, 2015

Note	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2015	2014
(Rupees)					
<b>Shareholders' Sub Fund</b>					
<b>Acquisition costs</b>					
<b>Remuneration to takaful intermediaries on individual policies</b>					
- Commission on first year contribution	1,024,234,611	-	-	1,024,234,611	923,790,875
- Commission on second year contribution	205,824,359	-	-	205,824,359	190,448,289
- Commission on third year onwards contribution	79,195,386	-	-	79,195,386	52,976,313
- Commission on top-up contribution and single contribution	48,414,849	-	-	48,414,849	27,480,773
<b>Remuneration to takaful intermediaries on group policies</b>					
- Commission	-	4,796,807	10,559,629	15,356,436	13,020,632
	1,357,669,205	4,796,807	10,559,629	1,373,025,641	1,207,716,882
<b>Branch overheads</b>					
- Salaries and other benefits	103,128,278	10,947,270	24,468,406	138,543,954	136,448,862
- Other overheads	88,056,840	5,928,116	8,678,890	102,663,846	103,535,008
<b>Other acquisition cost</b>					
- Policy stamps	25,204,718	166,472	478,560	25,849,750	24,658,750
	216,389,836	17,041,858	33,625,856	267,057,550	264,642,620
<b>Total acquisition costs</b>	1,574,059,041	21,838,665	44,185,485	1,640,083,191	1,472,359,502
<b>Administrative expenses</b>					
- Salaries, allowances and other benefits	113,205,493	13,284,590	30,832,091	157,322,174	130,814,005
- Contribution to defined benefit plan	6,304,640	676,996	1,607,707	8,589,343	3,242,714
- Contribution to defined contribution plan	6,316,218	719,420	1,621,958	8,657,596	6,983,611
- Vehicles running	5,872,685	719,360	1,672,483	8,264,528	8,553,063
- Ijarah rentals	2,928,016	314,412	746,655	3,989,083	4,385,762
- Medical	3,842,759	412,638	979,918	5,235,315	5,111,767
- Travelling	8,278,190	901,944	2,048,323	11,228,457	7,702,765
- Utilities	8,524,653	915,382	2,173,820	11,613,855	10,016,812
- Rentals	13,258,354	1,423,689	3,380,932	18,062,975	15,088,383
- Communication	11,079,295	1,206,026	2,854,939	15,140,260	11,818,583
- Repairs and maintenance	3,637,621	390,610	927,607	4,955,838	2,513,905
- Printing and stationery	10,610,867	1,139,401	2,705,812	14,456,080	17,792,630
- Software maintenance	10,358,166	1,112,265	2,641,372	14,111,803	11,645,066
- Advertisement	4,422,183	474,856	1,127,674	6,024,713	3,202,199
- Depreciation	14,632,061	1,571,199	3,731,232	19,934,492	17,721,643
- Amortization	1,717,160	184,390	437,883	2,339,433	2,643,198
- Shariah advisors' fees	2,027,780	217,744	517,092	2,762,616	2,515,884
- Actuary's fees	954,139	102,456	243,309	1,299,904	4,625,835
- Legal and professional	2,413,984	259,215	615,575	3,288,774	3,372,824
- Consultancy	4,332,831	465,262	1,104,889	5,902,982	5,811,029
- Supervision fees	7,650,233	348,006	923,893	8,922,132	6,522,027
- Subscription fees	3,758,216	170,960	453,867	4,383,043	4,899,688
- Bank charges and brokerages	1,413,654	64,307	170,722	1,648,683	1,552,845
- Entertainment / office expense	1,440,421	154,673	367,313	1,962,407	1,768,386
- Training	509,535	54,714	129,933	694,182	824,606
- Staff welfare	2,158,865	231,820	550,519	2,941,204	3,157,495
- General takaful	640,161	68,741	163,243	872,145	1,111,235
- Group takaful	3,371,101	361,991	859,644	4,592,736	3,536,507
- Ex-gratia payments	1,113,208	-	-	1,113,208	-
- Miscellaneous	114,274	12,271	29,140	155,685	212,078
	256,886,763	27,959,338	65,619,545	350,465,646	299,146,545
<b>Total management expenses</b>	1,830,945,804	49,798,003	109,805,030	1,990,548,837	1,771,506,047

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, 2015

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2015	2014
(Rupees)					
<b>Investment Income</b>					
<b>Participant Investment Fund (PIF)</b>					
Return on government securities	164,296,098	-	-	164,296,098	238,093,264
Return on other securities	94,313,371	-	-	94,313,371	43,687,448
Profit on bank balances and deposits	284,227,580	-	-	284,227,580	181,467,584
Gain on sale of investments - net	82,481,195	-	-	82,481,195	168,630,296
Unrealized gain / (loss) on revaluation of available for sale investments	10,207,772	-	-	10,207,772	(42,487,630)
Dividend income	10,915,733	-	-	10,915,733	1,029,520
	646,441,749	-	-	646,441,749	590,420,482
<b>Investment expenses</b>					
Charity and donation	(136,732)	-	-	(136,732)	-
<b>Net investment income of PIF (a)</b>	<u>646,305,017</u>	<u>-</u>	<u>-</u>	<u>646,305,017</u>	<u>590,420,482</u>
<b>Participants' Takaful Fund (PTF)</b>					
Return on government securities	10,032,454	3,053,649	3,614,657	16,700,760	20,148,811
Amortization of government securities	(760,000)	(256,767)	(304,174)	(1,320,941)	-
Return on other securities	979,536	-	463,990	1,443,526	1,521,462
Profit on bank balances and deposits	12,841,420	4,999,475	4,352,594	22,193,489	12,478,275
(Loss) / gain on sale of investments-net	(5,619)	11,893	(4,629)	1,645	(113,639)
	23,087,791	7,808,250	8,122,438	39,018,479	34,034,909
<b>Investment expenses</b>					
Mudarib fee	(8,839,841)	(3,123,300)	(3,248,975)	(15,212,116)	(13,358,879)
<b>Net investment income of PTF (b)</b>	<u>14,247,950</u>	<u>4,684,950</u>	<u>4,873,463</u>	<u>23,806,363</u>	<u>20,676,030</u>
<b>Net investment income (a+b)</b>	<u>660,552,967</u>	<u>4,684,950</u>	<u>4,873,463</u>	<u>670,111,380</u>	<u>611,096,512</u>

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, 2015*

## 1. CORPORATE INFORMATION

Pak Qatar Family Takaful Limited (the Company) was incorporated in Pakistan as an unquoted public company limited by shares on March 15, 2006 under the Companies Ordinance, 1984. The Company received certificate of registration on August 16, 2007 under Section 6 of the Insurance Ordinance, 2000. The registered office of the Company is situated at Suite # 101-105, Business Arcade, Block 6, P.E.C.H.S, Karachi. The main activity of the Company is to undertake family takaful business. The Company operates with 42 (2014: 45) branches in Pakistan.

For the purpose of carrying on takaful business, the Company has formed a Waqf for Participants' Equity. The Waqf namely Pak-Qatar Family Takaful Limited Waqf [hereafter referred to as the Participant Takaful Fund (PTF)] was formed on August 17, 2007 under a trust deed executed by the Company with a cede amount of Rs. 500,000. Waqf deed also govern the relationship of shareholders and policyholders for the management of the 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, the following 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 of the financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002, vide SRO 938 dated December 12, 2002, with appropriate modifications based on the advice 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, 2012, 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, 2012 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, 2012 or said directives shall prevail.

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

## 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain investments which are carried at fair value as referred to in note 13 to the financial statements.

## 5. ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

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

The following standards, amendments and interpretations and annual improvements to existing IFRS are effective for the year ended December 31, 2015. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after</b>
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 27 (Revised 2011) - Separate Financial Statements	January 01, 2015
IAS 21 (Revised 2011) - Investments in Associates and Joint Ventures	January 01, 2015

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

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

	<b>Effective from accounting period beginning on or after</b>
Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 - Disclosure initiative	January 01, 2016
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 01, 2016
Amendments to IAS 27 - Equity method in separate financial statements	January 01, 2016
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation exception	January 01, 2016

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

## 6. SIGNIFICANT ACCOUNTING POLICIES

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

### 6.1 Fair value measurement

During the year the Company has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after January 01, 2015. IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 - Financial Instruments Disclosures. As a result, the Company has included the additional disclosure in this regard in note 21.11 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The application of IFRS 13 does not have any significant impact on the financial statements of the Company except for certain additional disclosures.

### 6.2 Takaful contracts

The takaful contracts are based on the principles of Waqf Wakala Model. Takaful is a programme based on shariah compliant, approved concept founded on the principles of mutual cooperation, solidarity and brotherhood.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf Fund. In the event where there is insufficient funds in waqf to meet their current payments less receipts, the deficit is funded by way of an interest free loan (Qard-e-Hasna) from the Shareholders fund to the statutory fund (Takaful Business Statutory Funds). The amount of Qard-e-Hasna is refundable to the shareholders' fund.

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.

Principal actuarial assumptions used by the actuary in computing technical reserves are:

- a) the liability in respect of Family Takaful Business and riders of all types is set using the unearned contribution method. Due provision is made for claims incurred but not reported (IBNR) and contingencies over the term of coverage.
- b) the liability is calculated by summing up individual mathematical reserves for the policies. The mathematical reserves as at the valuation date are calculated individually.

### Group takaful

The group family takaful contracts are issued typically on yearly renewable term basis. The Company offers group term life and group credit plans to its participants.

## Individual takaful contracts

### Unit-linked

The Company offers Unit Linked Takaful Plans which provide Shariah compliant financial protection and investment vehicle to individual participants. These plans carry cash value. The death benefit design is based on Constant Sum at Risk approach i.e. the sum cover is paid up to the cash value. The plans offer investment choices to the customer to direct their investment related contributions based on their risk / return objectives. No investment guarantees are offered. The investment risk is borne by the participants.

### Term life

The Company offers term life contracts which provides financial protection to individual participants. The death benefit design is based on decreasing term value i.e. the face value is reduced with term. The plan offers financial protection choices by selecting the factors for decreasing the face value.

## 6.3 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.

## 6.4 Provision for claims

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date and includes expected settlement cost, except for accident and health claims / surrenders / partial withdrawals which are recognized as soon as reliable estimates of the claims amount can be made.

Claims where intimation of the event giving rise to the claim is received or in respect of investment linked business when the policy ceases to participate in the earnings of the statutory funds are reported as claims in the revenue account.

Claim recoveries receivable from the retakaful operator are recognised at the same time as the claim which gave rise to the right of recovery and are measured at the amount expected to be recovered.

## 6.5 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.

## 6.6 Contribution deficiency reserve

The Company maintains a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after retakaful claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. Provision for contribution deficiency reserve is made as per the advice of appointed actuary. The movement in the contribution deficiency reserve is recorded as an expense / income in the revenue account.

## 6.7 Commission

Commission expense incurred in obtaining and recording policies is recognized as an expense in accordance with the pattern of recognition of contribution revenue.

## 6.8 Retakaful

These contracts entered into by the Company with retakaful operator under which the Waqf cedes takaful risks assumed during normal course of its business and according to which the Waqf is compensated for losses on contracts issued by it are classified as retakaful contracts held.

### Retakaful contribution

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognised in the revenue account.

### Retakaful expense

Retakaful expense is recognized as a liability in accordance with the pattern of recognition of related contribution.

### Retakaful assets and liabilities

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful liabilities represent balances due to retakaful companies. Amounts payable are calculated in a manner consistent with the associated retakaful treaties.

Retakaful assets are not offset against related takaful liabilities. Income or expenses from retakaful contract are not offset against expenses or income from related takaful contracts as required by the Insurance Ordinance, 2000.

Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired.

### Impairment of retakaful assets

An impairment review of retakaful assets is performed at each balance sheet date. If there is an objective evidence exists that the asset is impaired, the Company reduces the carrying amount of the retakaful asset to its recoverable amount and recognises that impairment loss in the revenue account.

## 6.9 Business segment

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classess or sub classess of business (Takaful Business Statutory Funds) as specified under the Insurance Ordinance, 2000 and Securities and Exchange Commission (Insurance) Rules, 2002 as the primary reporting format.

The Company has three primary business segments for reporting purposes; Individual Family Takaful, Group Family Takaful and Group Health Takaful:

- a) The Individual Family Takaful segment provides family takaful coverage to individuals under unit based policies issued by the PTF.

- b) The Group Family Takaful business segment provides family takaful coverage to member of business enterprises, corporate entities and common interest groups under group family takaful schemes issued by the PTF.
- c) The Group Health Takaful 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.

## 6.10 Investments

### Classification

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

#### 6.10.1 Initial recognition

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

#### 6.10.2 Subsequent measurement

##### Held to maturity

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

##### Available-for-sale

##### Shareholders' fund and Participants' Takaful Fund

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

##### Participants' Investment Fund

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 recognized in revenue account of the Participants Investment Fund.

International Accounting Standard - 39 Financial Instruments - Recognition and Measurement had been revised effective January 1, 2005. In the revised IAS-39 the option of taking the revaluation gain / loss on the available for sale securities to income / revenue account had been deleted and all such gain / loss was to be taken to equity. Further, after revision of IAS-1, this unrealized gain / loss is to be routed through Other Comprehensive Income (OCI). Since SECP through Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, according to which the Statutory Funds have no equity or OCI accounts. Resultantly, the changes in IAS-39 and IAS-1 were not implemented.

**Fair / market value measurement**

For investment in Government and other securities, fair / market value is derived by reference to quotations obtained from brokers. The fair / market value of mutual fund units is determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP). The fair / market value of shares is determined on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**Date of recognition**

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

**6.11 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 16.1 to the financial statements. Depreciation on additions is charged from the month in which asset is available for use while no depreciation is charged in the month of disposal. Gains and losses on disposals are taken to profit and loss account.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent cost are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account.

An item of tangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognized.

**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 16.2 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, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet date.

**Capital work-in-progress**

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

### 6.12 Impairment of non-financial assets

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

### 6.13 Ijarah arrangements

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

### 6.14 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 outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 6.15 Financial instruments

Financial assets and financial liabilities other than those arising out of takaful contracts are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition, financial assets and liabilities are measured at fair values which is the cost of consideration given or received for it. Financial assets are 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 or revenue account, as appropriate.

### 6.16 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.

### 6.17 Revenue recognition

#### Contributions

#### i) Individual Family

- First year contributions and single contributions are recognised once the related policies are issued against receipt of contribution.
- Renewal contributions are recognised on receipt basis.
- Top up contributions are recognised once the related policies are issued against receipt of contribution.

**ii) 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.

**iii) 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**

- Return on bank deposits and income 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 or revenue account, as appropriate, in the period of sale.
- Dividend income is recognized when the right to receive the dividend is established.

**6.18 Reserve for unearned contribution**

The unearned portion of gross contribution net of 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.

**6.19 Acquisition cost**

These are costs incurred in acquiring and maintaining takaful 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.

**6.20 Takaful operator's fee**

The shareholders of the Company manage the family takaful operations for the participants and 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.

**6.21 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.

**6.22 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 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.

### 6.23 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.

### 6.24 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.

### 6.25 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.

### 6.26 Qard-e-Hasna

When the PTF including reserves are insufficient to meet the current payments less receipts, the deficit is funded by way of interest free loan (qard-e-hasna) from the shareholder's fund.

### 6.27 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.

### 6.28 Foreign currency translations

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.

### 6.29 Staff retirement benefits - defined benefit plan

The Company operates funded gratuity scheme for all its permanent employees who have completed minimum qualifying period of service. The expense is recognised on the basis of actuarial valuation carried out at each year end using the projected unit credit method. Actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

### 6.30 Staff retirement benefits - defined contribution plan

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

### 6.31 Provisions

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

### 6.32 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
- Highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

## 7. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements 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:

	Note
Estimation of technical reserves and underlying actuarial assumption	6.2, 6.4, 6.5, 6.17, 6.22 and 9
Classification and valuation of investments	6.10 and 13
Useful lives of assets and method of depreciation	6.11 and 16
Taxation	6.27, 14 and 18
Impairment of assets	6.8, 6.10, and 6.12

## 8. SHARE CAPITAL

### 8.1 Authorized

Number of shares			2015	2014
			— (Rupees) —	
2015	2014			
<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>

### 8.2 Issued, subscribed and paid up

Number of shares			2015	2014
2015	2014			
<u>71,062,885</u>	<u>71,062,885</u>	Ordinary shares of Rs. 10/- each fully paid in cash.	<u>710,628,850</u>	<u>710,628,850</u>

### 8.3 Major shareholders of the Company are:

	Ordinary shares of Rs. 10/- each	Percentage of holding
FWU AG	10,839,944	15.25
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
	<u>35,709,126</u>	<u>50.24</u>

## 9. MOVEMENT IN STATUTORY FUNDS

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2015	2014
(Rupees)					
<b>Participant Investment Fund (PIF)</b>					
<b>Technical reserves</b>					
Balance at beginning of the year	7,064,446,025	-	-	<b>7,064,446,025</b>	4,977,113,443
Increase during the year	3,079,509,231	-	-	<b>3,079,509,231</b>	2,087,332,582
Balance at end of the year	10,143,955,256	-	-	<b>10,143,955,256</b>	7,064,446,025
<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 end of the year	-	-	-	-	-
	10,143,955,256	-	-	<b>10,143,955,256</b>	7,064,446,025
<b>Participants' Takaful Fund (PTF)</b>					
<b>Statutory fund's technical reserves</b>					
Balance at beginning of the year	9,028,646	46,393,249	223,094,273	<b>278,516,168</b>	182,916,710
Increase during the year	3,530,553	16,951,310	36,671,524	<b>57,153,387</b>	95,599,458
Balance at end of the year	12,559,199	63,344,559	259,765,797	<b>335,669,555</b>	278,516,168
<b>Accumulated surplus of statutory fund</b>					
Balance at beginning of the year	201,531,692	43,323,429	(50,952,460)	<b>193,902,661</b>	128,741,440
Increase during the year	136,995,317	13,795,027	30,291,203	<b>181,081,547</b>	82,990,031
Surplus appropriated to participants	(20,963,883)	-	-	<b>(20,963,883)</b>	(17,828,810)
Balance at end of the year	317,563,126	57,118,456	(20,661,257)	<b>354,020,325</b>	193,902,661
<b>Qard-e-Hasna contributed / returned</b>					
Balance at beginning of the year	-	-	137,685,593	<b>137,685,593</b>	106,685,593
Qard-e-Hasna contributed by operator	-	-	-	-	43,500,000
Qard-e-Hasna repaid to operator	-	-	(75,000,000)	<b>(75,000,000)</b>	(12,500,000)
Movement during the year	-	-	(75,000,000)	<b>(75,000,000)</b>	31,000,000
Balance at end of the year	-	-	62,685,593	<b>62,685,593</b>	137,685,593
	330,122,325	120,463,015	301,790,133	<b>752,375,473</b>	610,104,422
<b>Shareholders' Sub-Fund</b>					
<b>Statutory fund technical reserves</b>					
<b>Accumulated surplus of statutory fund</b>					
Balance at beginning of the year	-	-	-	-	-
Surplus during the year	99,417,114	916,420	1,283,238	<b>101,616,772</b>	31,629,278
Contribution towards the (surplus) from shareholders	(99,417,114)	(916,420)	(1,283,238)	<b>(101,616,772)</b>	(31,629,278)
Balance at end of the year	-	-	-	-	-

## 9.1 Technical Reserves

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health (Rupees)	2015	2014
<b>Participant Investment Fund (PIF)</b>					
<b>Gross of retakaful</b>					
Actuarial liability relating to future events	10,143,955,256	-	-	<b>10,143,955,256</b>	7,064,446,025
Balance at end of the year	<u>10,143,955,256</u>	<u>-</u>	<u>-</u>	<u><b>10,143,955,256</b></u>	<u>7,064,446,025</u>
<b>Net of retakaful</b>					
Actuarial liability relating to future events	10,143,955,256	-	-	<b>10,143,955,256</b>	7,064,446,025
Balance at end of the year	<u>10,143,955,256</u>	<u>-</u>	<u>-</u>	<u><b>10,143,955,256</b></u>	<u>7,064,446,025</u>
<b>Participants' Takaful Fund (PTF)</b>					
<b>Gross of retakaful</b>					
Actuarial liability relating to future events	9,121,840	64,519,054	223,841,422	<b>297,482,316</b>	245,539,695
Provision for outstanding reported claims payable over a period exceeding 12 months	36,620,053	-	-	<b>36,620,053</b>	22,904,025
Contribution deficiency reserve	-	-	-	-	7,769,418
Provision for IBNR	-	10,826,310	35,924,376	<b>46,750,686</b>	40,661,051
	<u>45,741,893</u>	<u>75,345,364</u>	<u>259,765,798</u>	<u><b>380,853,055</b></u>	<u>316,874,189</u>
<b>Net of retakaful</b>					
Actuarial liability relating to future events	4,294,488	60,145,692	223,841,421	<b>288,281,601</b>	237,279,686
Provision for outstanding reported claims payable over a period exceeding 12 months	8,264,711	-	-	<b>8,264,711</b>	5,576,389
Contribution deficiency reserve	-	-	-	-	7,769,418
Provision for IBNR	-	3,198,863	35,924,376	<b>39,123,239</b>	27,890,675
	<u>12,559,199</u>	<u>63,344,555</u>	<u>259,765,797</u>	<u><b>335,669,551</b></u>	<u>278,516,168</u>

## 10. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	Note	Shareholders' Fund		Statutory Fund		Aggregate	
		2015	2014	2015	2014	2015	2014
----- (Rupees) -----							
Staff retirement benefits	10.1	<b>16,851,922</b>	5,416,053	-	-	<b>16,851,922</b>	5,416,053
Advance against claim administrative services		<b>15,467,612</b>	8,597,902	-	-	<b>15,467,612</b>	8,597,902
Accrued expenses		<b>7,452,503</b>	12,059,370	<b>80,530</b>	9,194,448	<b>7,533,033</b>	21,253,818
Stamp duty		<b>2,916,601</b>	3,357,893	-	-	<b>2,916,601</b>	3,357,893
Payable for banca takaful		<b>7,449,695</b>	5,487,813	-	-	<b>7,449,695</b>	5,487,813
Withholding tax		<b>612,428</b>	374,541	<b>279,291</b>	182,258	<b>891,719</b>	556,799
Workers welfare fund	10.2	<b>3,354,297</b>	3,354,297	-	-	<b>3,354,297</b>	3,354,297
Others		<b>1,641,914</b>	1,729,654	<b>4,246,577</b>	1,914,292	<b>5,888,491</b>	3,643,946
		<u><b>55,746,972</b></u>	<u>40,377,523</u>	<u><b>4,606,398</b></u>	<u>11,290,998</u>	<u><b>60,353,370</b></u>	<u>51,668,521</u>

**10.1 STAFF RETIREMENT BENEFITS****Defined benefit plan - gratuity scheme**

The Company has approved funded gratuity scheme applicable to permanent employees with effect from January 01, 2012. The actuarial valuation is carried out periodically. The latest actuarial valuation was carried out as at December 31, 2015. Following were the significant assumptions used for the actuarial valuation:

	<b>2015</b>	2014
	%	%
Discount rate per annum	<b>9</b>	13
Expected rate of increase in the salaries of employees per annum	<b>9</b>	13

**10.1.1** The scheme typically exposes the Company to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

**- Salary increase risk**

This is the risk that the salary at the time of cessation of service is higher than that assumed by the Company. This is a risk because the benefits payable are based on the final salary; if the final salary is higher than what was estimated, the benefits will also be higher.

**- Discount rate risk**

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

**- Mortality / withdrawal risk**

This is the risk that the actual mortality/withdrawal experience is different than that assumed by the Company.

**- Investment risk**

This is the risk that the assets are underperforming and are not sufficient to meet the liabilities.

	<b>2015</b>	2014
	----- Rupees -----	-----
<b>10.1.2 Balance sheet reconciliation</b>		
Present value of defined benefit obligations	<b>30,410,821</b>	18,416,053
Fair value of plan assets	<b>(13,558,899)</b>	(13,000,000)
Net liability	<b><u>16,851,922</u></b>	<u>5,416,053</u>
<b>10.1.3 Movement in liability during the year</b>		
Opening balance	<b>5,416,053</b>	9,594,623
Charge for the year	<b>8,722,133</b>	3,366,368
Other comprehensive income	<b>2,713,736</b>	5,455,062
Contribution to the fund during the year	-	(13,000,000)
Closing balance	<b><u>16,851,922</u></b>	<u>5,416,053</u>

	2015	2014		
	----- Rupees -----			
<b>10.1.4 Movement in present value of obligations</b>				
Present value of obligations at January 1	<b>18,416,053</b>	9,594,623		
Past service cost	<b>4,564,320</b>	-		
Current service cost	<b>3,453,726</b>	2,964,067		
Interest cost	<b>2,394,087</b>	1,247,301		
Actuarial loss	<b>1,582,635</b>	4,610,062		
Present value of obligations at December 31	<b>30,410,821</b>	18,416,053		
<b>10.1.5 Movement in fair value of plan assets</b>				
Fair value of plan assets at January 1	<b>13,000,000</b>	-		
Interest income on plan assets	<b>1,690,000</b>	845,000		
Contribution to the fund during the year	-	13,000,000		
Actuarial loss	<b>(1,131,101)</b>	(845,000)		
Fair value of plan assets at December 31	<b>13,558,899</b>	13,000,000		
<b>10.1.6 Charge for the year</b>				
<b>10.1.6.1 Charged to profit and loss account</b>				
Past service cost	<b>4,564,320</b>	-		
Current service cost	<b>3,453,726</b>	2,964,067		
Interest cost	<b>704,087</b>	402,301		
	<b>8,722,133</b>	3,366,368		
<b>Allocated to:</b>				
Shareholder's sub fund	<b>8,589,343</b>	3,242,714		
Expenses not attributable to statutory funds	<b>132,790</b>	123,654		
	<b>8,722,133</b>	3,366,368		
<b>10.1.6.2 Charged to statement of comprehensive income</b>				
Actuarial loss on obligations	<b>1,582,635</b>	4,610,062		
Actuarial loss on plan assets	<b>1,131,101</b>	845,000		
	<b>2,713,736</b>	5,455,062		
<b>10.1.7 Composition of fair value of plan assets</b>				
	<b>2015</b>		<b>2014</b>	
	<b>Fair value</b>	<b>Percentage</b>	<b>Fair value</b>	<b>Percentage</b>
	<b>(Rupees)</b>	<b>%</b>	<b>(Rupees)</b>	<b>%</b>
Bank balance	<b>8,143,528</b>	<b>60</b>	13,000,000	100
Mutual Funds	<b>5,415,371</b>	<b>40</b>	-	-
	<b>13,558,899</b>	<b>100</b>	13,000,000	100

### 10.1.8 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of salary increase, mortality rates and withdrawal rates. Sensitivity analyses were carried out on each of these assumptions while keeping the other assumptions constant. The results are given below.

		Present Value of Obligation Rupees	% Change from base
<b>Base</b>		<b><u>30,410,821</u></b>	
Discount rate	Increase by 1%	<b>26,899,826</b>	<b>(11.55)</b>
	Decrease by 1%	<b>34,586,485</b>	<b>13.73</b>
Salary growth rate	Increase by 1%	<b>34,545,107</b>	<b>13.59</b>
	Decrease by 1%	<b>26,870,027</b>	<b>(11.64)</b>

**10.1.9** The estimated contribution to the Fund for the year ending December 31, 2016 is Rs. 8.613 million.

### 10.2 WORKERS' WELFARE FUND

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

## 11. COMMITMENTS

**11.1** In 2014, the Additional Commissioner Inland Revenue (ACIR) passed an Order under Section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) for tax year 2013 (financial year ended December 31, 2012) and raised demand of Rs. 353.229 million by allocating management expenses into Shareholders Fund (SHF) and Participants Funds on the basis of revenue earned by these funds and consequently disallowed expenses allocated to the Participants Funds. The management is of the view that these expenses are direct cost of the Company and should be allocated to the SHF only. ACIR also disallowed commission paid to various banks in respect of Banca-takaful business on account of non-deduction of withholding tax thereon without considering the fact that withholding provisions do not apply on payments made to the banks as per Rule 5(2) of the Seventh Schedule to the Ordinance. The Company filed appeals against the said Order before the Commissioner Inland Revenue (Appeals) which have been decided in favor of the Company, however, ACIR has filed the appeal before the Appellate Tribunal Inland Revenue against the decision of CIR(A) which is pending adjudication. Based on the opinion of tax advisors of the Company, the management is confident that the matter will ultimately be decided in its favor and accordingly no provision is required to be made in these financial statements.

**11.2** Commitments under ijarah arrangements amounting to Rs. 52,813,224 (2014: 39,572,104) and the period in which these payments will become due are:

	2015	2014
	—————(Rupees)—————	
Not later than one year	<b>15,734,906</b>	12,060,944
Later than one year and not later than five years	<b><u>37,078,318</u></b>	<u>27,511,160</u>
	<b><u>52,813,224</u></b>	<u>39,572,104</u>

## 12. CASH AND BANK DEPOSITS

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2015	2014
(Rupees)						
<b>Cash and others</b>						
Cash in hand	99,289	-	-	-	<b>99,289</b>	227,572
Stamps in hand	3,110,092	-	-	-	<b>3,110,092</b>	6,401,134
	<b>3,209,381</b>	-	-	-	<b>3,209,381</b>	6,628,706
<b>Current and other accounts</b>						
Current accounts	6,781,448	51,041,574	61,600	-	<b>57,884,622</b>	23,521,603
Saving accounts	195,665,911	3,366,687,972	18,800,932	43,345,325	<b>3,624,500,140</b>	1,361,862,833
	202,447,359	3,417,729,546	18,862,532	43,345,325	<b>3,682,384,762</b>	1,385,384,436
Deposits maturing within 12 months	73,339,246	4,191,160,754	6,000,000	-	<b>4,270,500,000</b>	1,834,500,000
	<b>278,995,986</b>	<b>7,608,890,300</b>	<b>24,862,532</b>	<b>43,345,325</b>	<b>7,956,094,143</b>	<b>3,226,513,142</b>

**12.1** Saving accounts carry profit rates of 5.45 percent to 9.1 percent (2014: 4.9 percent to 9.3 percent) per annum.

**12.2** 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 5.47 percent to 10.15 percent (2014: 8 percent to 10.18 percent) per annum with maturity up to December 31, 2016.

## 13. INVESTMENTS

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2015	2014
(Rupees)						
Sukuku	155,671,484	1,401,751,594	105,998,550	4,500,000	<b>1,667,921,628</b>	3,329,877,310
Listed equity securities	41,923,209	1,505,022,776	298,411	59,440	<b>1,547,303,836</b>	1,253,944,088
	<b>197,594,693</b>	<b>2,906,774,370</b>	<b>106,296,961</b>	<b>4,559,440</b>	<b>3,215,225,464</b>	<b>4,583,821,398</b>

## 13.1 Sukuku

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

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2015	2014
Government securities - sukuku	149,711,672	114,074,629	105,998,550	-	<b>369,784,851</b>	354,896,284
Other securities - sukuku	5,959,812	9,500,000	-	4,500,000	<b>19,959,812</b>	20,778,651
	<b>155,671,484</b>	<b>123,574,629</b>	<b>105,998,550</b>	<b>4,500,000</b>	<b>389,744,663</b>	<b>375,674,935</b>

**Available for sale - at fair value**

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2015	2014
Government securities - sukuku	-	241,520,170	-	-	<b>241,520,170</b>	2,199,388,954
Other securities - sukuku	-	1,036,656,795	-	-	<b>1,036,656,795</b>	754,813,421
	-	<b>1,278,176,965</b>	-	-	<b>1,278,176,965</b>	<b>2,954,202,375</b>
	<b>155,671,484</b>	<b>1,401,751,594</b>	<b>105,998,550</b>	<b>4,500,000</b>	<b>1,667,921,628</b>	<b>3,329,877,310</b>

## 13.1.1 Particulars of Sukuks

	Tenure	Maturity Year	Rate of Return %	Profit Payment	2015 ----- (Rupees) -----	2014
<b>Available for sale - at lower of cost or market value</b>						
- WAPDA 2nd sukuk certificates	10 years	2017	6 month Kibor minus 0.25%	Semi-Annual	<b>5,012,500</b>	7,529,947
- Government of Pakistan Ijara - sukuk IX	3.9 years	2015	6 month Treasury bills	Semi-Annual	-	21,100,244
- Government of Pakistan Ijara - sukuk X	3.75 years	2015	6 month Treasury bills	Semi-Annual	-	83,233,285
- Government of Pakistan Ijara - sukuk XII	3.4 years	2015	6 month Treasury bills	Semi-Annual	-	81,873,434
- Government of Pakistan Ijara - sukuk XIII *	3.2 years	2015	6 month Treasury bills minus 0.25%	Semi-Annual	<b>72,000,000</b>	161,159,375
- Government of Pakistan Ijara - sukuk XVI	3 years	2017	6 month Treasury bills minus 0.5%	Semi-Annual	<b>292,772,351</b>	-
- K-Electric Limited - AZM Sukuk II	3 years	2017	3 month Kibor plus 2.25%	Quarterly	<b>5,700,000</b>	5,700,000
- K-Electric Limited - AZM Sukuk III	5 years	2019	3 month Kibor plus 2.75%	Quarterly	<b>13,300,000</b>	13,300,000
- Maple Leaf Cement Factory Limited - sukuk - I	11 years	2018	3 month Kibor plus 1%	Quarterly	<b>959,812</b>	1,778,650
					<b>389,744,663</b>	375,674,935
<b>Available for sale - at fair value</b>						
- WAPDA 2nd sukuk certificates	10 years	2017	6 month Kibor minus 0.25%	Semi-Annual	<b>216,575,070</b>	324,862,613
- Government of Pakistan Ijara - sukuk IX	3.9 years	2015	6 month Treasury bills	Semi-Annual	-	265,371,000
- Government of Pakistan Ijara - sukuk X	3.75 years	2015	6 month Treasury bills	Semi-Annual	-	632,441,340
- Government of Pakistan Ijara - sukuk XI	3 years	2015	6 month Treasury bills	Semi-Annual	-	290,725,000
- Government of Pakistan Ijara - sukuk XII	3.4 years	2015	6 month Treasury bills	Semi-Annual	-	356,088,000
- Government of Pakistan Ijara - sukuk XIII	3.2 years	2015	6 month Treasury bills minus 0.25%	Semi-Annual	-	261,021,000
- Government of Pakistan Ijara - sukuk XV	3 years	2017	6 month Treasury bills minus 2%	Semi-Annual	<b>14,850,000</b>	68,880,000
- Government of Pakistan Ijara - sukuk XVI	3 years	2018	6 month Treasury bills minus 0.5%	Semi-Annual	<b>10,095,100</b>	-
- Engro Corporation Limited - Islamic Rupiya sukuk I	3 years	2017	13%	Semi-Annual	<b>130,125,000</b>	130,000,000
- Engro Chemical Pakistan Limited - sukuk	8 years	2015	6 month Kibor plus 1.5%	Semi-Annual	-	153,580,092
- Engro Fertilizer Sukuk	8 years	2019	6 month Kibor plus 1.5%	Semi-Annual	<b>355,680,000</b>	-
- K-Electric Limited - AZM Sukuk II	3 years	2017	3 month Kibor plus 2.25%	Quarterly	<b>193,180,840</b>	193,008,156
- K-Electric Limited - AZM Sukuk III	5 years	2019	3 month Kibor plus 2.75%	Quarterly	<b>273,281,625</b>	272,412,058
- K-Electric Limited - Sukuk VII	7 years	2022	3 month Kibor plus 1%	Quarterly	<b>18,747,950</b>	-
- Maple Leaf Cement Factory Limited - sukuk - I	11 years	2018	3 month Kibor plus 1%	Quarterly	<b>65,641,380</b>	5,813,116
					<b>1,278,176,965</b>	2,954,202,375

13.1.1.1 As at December 31, 2015 the market value of sukuku was Rs.1,668,771,865 (2014: Rs. 3,328,195,848)

13.1.2 GOP Ijara – XVI Sukuk certificates amounting to Rs. 72,000,000/- (2014 GoP XIII: 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.

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

\* GOP Ijara - XIII sukuks, held under lien with the SBP, were matured on September 18, 2015. However, redemption proceeds have been realised directly by SBP and the same was released to the Company subsequent to the year ended December 31, 2015.

## 13.2 Listed equity securities

	Note	Shareholders' Fund	Statutory Funds			Aggregate	
			Individual Family	Group Family	Group Health	2015	2014
(Rupees)							
<b>Available for sale - lower of cost or market value</b>							
Open-end mutual fund units	13.2.1	38,649,955	344,071	298,411	59,440	<b>39,351,877</b>	34,915,862
Shares	13.2.1	3,273,254	-	-	-	<b>3,273,254</b>	-
		41,923,209	344,071	298,411	59,440	<b>42,625,131</b>	34,915,862
<b>Available for sale - at fair value</b>							
Open-end mutual fund units	13.2.1	-	1,176,677,040	-	-	<b>1,176,677,040</b>	1,053,063,316
Shares	13.2.1	-	328,001,665	-	-	<b>328,001,665</b>	165,964,910
		-	1,504,678,705	-	-	<b>1,504,678,705</b>	1,219,028,226
		<b>41,923,209</b>	<b>1,505,022,776</b>	<b>298,411</b>	<b>59,440</b>	<b>1,547,303,836</b>	<b>1,253,944,088</b>

### 13.2.1 Details of investments in mutual funds and listed companies

Names of the investee companies / organizations	2015	2014	Face value (Rupees)	2015	2014	2015	2014
	Number of Units / Shares			Fair value (Rupees)	Carrying amount (Rupees)		
<b>Available for sale - at lower of cost or market value</b>							
<b>Listed securities - open-end mutual fund units</b>							
ABL Islamic Income Fund	-	750	10	-	7,854	-	7,854
Al Ameen Islamic Sovereign Fund	<b>52,263</b>	64,464	100	<b>5,424,282</b>	6,680,126	<b>5,372,072</b>	6,629,755
Al Ameen Sharia Stock Fund	<b>103,768</b>	82,649	100	<b>12,243,596</b>	9,193,070	<b>11,832,803</b>	8,875,245
Meezan Islamic Income Fund	<b>96,581</b>	-	50	<b>5,084,025</b>	-	<b>4,999,998</b>	-
Meezan Islamic Fund Growth Units	<b>176,222</b>	146,145	50	<b>10,564,498</b>	8,067,213	<b>10,953,545</b>	7,862,529
Meezan Sovereign Fund	<b>115,273</b>	9,882	50	<b>5,991,872</b>	511,798	<b>5,989,575</b>	511,308
Meezan Cash Fund	<b>3,979</b>	217,935	50	<b>203,885</b>	11,313,002	<b>203,884</b>	11,029,171
<b>Listed securities - shares</b>							
Attock Petroleum Limited	<b>200</b>	-	10	<b>101,024</b>	-	<b>112,056</b>	-
Century Paper and Board Mills Limited	<b>2,000</b>	-	10	<b>102,380</b>	-	<b>125,349</b>	-
Cherat Packaging Limited.	<b>537</b>	-	10	<b>162,770</b>	-	<b>124,755</b>	-
Crescent Steel & Allied Products Limited	<b>1,200</b>	-	10	<b>77,731</b>	-	<b>59,535</b>	-
Engro Corporation Limited	<b>500</b>	-	10	<b>251,451</b>	-	<b>280,516</b>	-

Names of the investee companies / organizations	2015	2014		2015	2014	2015	2014
	Number of Units / Shares		Face value (Rupees)	Fair value (Rupees)		Carrying amount (Rupees)	
<b>Listed securities - shares</b>							
Engro Fertilizers Limited	1,000	-	10	42,065	-	43,139	-
Fauji Cement Company Limited	500	-	10	36,820	-	35,691	-
Fauji Fertilizer Company Limited	200	-	10	58,990	-	71,672	-
Ghandara Nissan Limited	2,000	-	10	368,920	-	113,176	-
Honda Atlas Cars (Pakistan) Limited	500	-	10	23,894	-	26,116	-
Hub Power Company Limited	3,000	-	10	307,800	-	275,510	-
K-Electric Limited	3,000	-	3.5	22,320	-	22,486	-
Kot Addu Power Company Limited	500	-	10	40,500	-	41,014	-
Nishat Mills Limited	300	-	10	9,487	-	11,511	-
Pak Elektron Limited	100	-	10	156,350	-	221,418	-
Pak Suzuki Motor Company Limited	2,000	-	10	247,650	-	234,349	-
Pakistan Oilfields Limited	500	-	10	375,228	-	534,445	-
Pakistan Petroleum Limited	1,500	-	10	60,905	-	89,066	-
Pakistan State Oil Company Limited	500	-	10	423,501	-	481,317	-
Pakistan Telecommunication Company Limited	1,800	-	10	32,980	-	45,415	-
Pioneer Cement Limited	2,000	-	10	181,720	-	187,156	-
Sui Northern Gas Pipelines Limited	2,000	-	10	48,080	-	73,121	-
Thal Limited	200	-	10	50,666	-	64,441	-
				<b>42,695,390</b>	35,773,063	<b>42,625,131</b>	34,915,862

**Available for sale  
- at fair value**

**Listed securities - open-end mutual fund units**

ABL Islamic Financial Planning Fund	238,131	-	10	23,838,413	-	23,838,413	-
ABL Islamic Income Fund	-	65,651	10	-	687,726	-	687,726
ABL Islamic Principal Preservation Fund II	1,573,088	1,520,190	10	17,399,612	16,420,788	17,399,612	16,420,788
ABL Islamic Stock Fund	1,342,048	462,863	10	16,863,370	5,343,982	16,863,370	5,343,982
Al Ameen Islamic Active Allocation Plan I	48,296	-	100	4,908,144	-	4,908,144	-
Al Ameen Islamic Active Allocation Plan III	384,650	-	100	38,533,414	-	38,533,414	-
Al Ameen Islamic Principal Preservation Fund II	-	412,372	100	-	47,571,270	-	47,571,270
Al Ameen Islamic Principal Preservation Fund IV	1,018	962	100	506,979	102,416	506,979	102,416
Al Ameen Islamic Principal Preservation Fund V	-	246,719	100	-	25,000,000	-	25,000,000
Al Ameen Islamic Sovereign Fund	589,254	1,773,581	100	61,157,553	183,789,449	61,157,553	183,789,449
Al Ameen Sharia Stock Fund	1,438,401	582,546	100	169,716,934	64,796,647	169,716,910	64,796,647
Al-Ameen Active Allocation Plan II	96,347	-	10	9,870,818	-	9,870,818	-
Atlas Islamic Income Fund	99,484	-	100	51,281,346	-	51,281,346	-
Atlas Islamic Stock Fund	37,617	-	100	15,978,994	-	15,978,994	-

Names of the investee companies / organizations	2015	2014		2015	2014	2015	2014
	Number of Units / Shares	Face value (Rupees)		Fair value (Rupees)	Carrying amount (Rupees)		
<b>Listed securities - open-end mutual fund units</b>							
JS Islamic Fund	356,053	353,586	100	33,846,398	31,295,909	33,846,398	31,295,909
Meezan Balanced Fund	-	99,564	10	-	1,428,744	-	1,428,744
Meezan Capital Preservation Fund III	776,884	776,883	50	46,076,990	43,326,792	46,076,990	43,326,792
Meezan Cash Fund	3,561,616	4,051,990	50	182,571,998	300,277,352	182,571,998	300,277,352
Meezan Financial Planning Fund - MAAP II	199,455	-	100	10,040,565	-	10,040,565	-
Meezan Financial Planning Fund - M CCP1 - MFPFMCCP1	491,833	-	50	27,080,325	-	27,080,325	-
Meezan Financial Preservation Fund - MAAP I	298,636	-	50	14,791,441	-	14,791,441	-
Meezan Islamic Fund	6,709,481	5,180,985	50	402,233,386	285,990,371	402,233,386	285,990,371
Meezan Sovereign Fund	172,396	-	50	8,961,119	-	8,961,119	-
MFPF Meezan Principal Preservation Fund I	-	491,650	100	-	25,688,719	-	25,688,719
NAFA Islamic Aggressive Income Fund	3,163,602	2,187,022	10	31,159,265	21,343,151	31,159,265	21,343,151
NIT Islamic Equity Fund	1,000,000	-	100	9,860,000	-	9,860,000	-
<b>Listed securities - shares</b>							
Abbot Laboratories (Pakistan) Limited	15,000	12,000	10	9,525,000	8,528,165	9,525,000	8,528,165
Akzo Nobel Pakistan Limited	16,700	-	10	3,623,065	-	3,623,065	-
Atlas Honda Limited	1,900	-	10	736,345	-	736,345	-
Attock Cement (Pakistan) Limited	14,500	-	10	2,432,375	-	2,432,375	-
Attock Petroleum Limited	9,250	-	10	4,571,336	-	4,571,336	-
Attock Refinery Limited	2,500	30,600	10	529,700	5,745,763	529,700	5,745,763
Bata Pakistan Limited	160	-	10	523,152	-	523,152	-
Century Paper and Board Mills Limited	4,000	-	10	102,380	-	102,380	-
Cherat Cement Company Limited	8,500	-	10	766,530	-	766,530	-
Cherat Packaging Limited	14,007	-	10	4,082,892	-	4,082,892	-
Crescent Steel and Allied Products Limited	110,000	7,500	10	13,680,700	379,950	13,680,700	379,950
DG Khan Cement Company Limited	-	128,000	10	-	13,892,381	-	13,892,381
Dolmen City Real Estate Investment Trust (REIT)	3,554,347	-	10	38,138,143	-	38,138,143	-
Engro Corporation Limited	50,200	21,000	10	13,690,110	4,651,709	13,690,110	4,651,709
Engro Fertilizers Limited	13,500	-	10	1,093,690	-	1,093,690	-
Engro Foods Limited	16,000	-	10	2,345,440	-	2,345,440	-
Fauji Cement Company Limited	237,500	140,000	10	8,707,930	3,617,601	8,707,930	3,617,601
Fauji Fertilizer Bin Qasim Limited	10,000	-	10	526,800	-	526,800	-
Fauji Fertilizer Company Limited	51,600	40,000	10	6,028,778	4,684,400	6,028,778	4,684,400
Fecto Cement Limited	-	60,000	10	-	4,758,000	-	4,758,000
Ferozsons Laboratories Limited	27,400	51,000	10	30,107,680	29,136,810	30,107,680	29,136,810
Ghandara Nissan Limited	28,500	-	10	4,888,190	-	4,888,190	-
Hascol Petroleum Limited	2,975	-	10	429,144	-	429,144	-
Highnoon Laboratories	12,975	50,000	10	6,967,595	11,023,000	6,967,595	11,023,000
Honda Atlas Pakistan Limited	12,500	21,000	10	2,867,280	4,161,780	2,867,280	4,161,780

Names of the investee companies / organizations	2015	2014		2015	2014	2015	2014
	Number of Units / Shares		Face value (Rupees)	Fair value (Rupees)		Carrying amount (Rupees)	
<b>Listed securities - shares</b>							
Hub Power Company Limited	108,500	25,000	10	10,824,300	1,959,000	10,824,300	1,959,000
IBL HealthCare Limited	12,900	15,000	10	1,420,290	2,227,800	1,420,290	2,227,800
K-Electric Limited	2,704,200	60,000	10	20,125,200	553,200	20,125,200	553,200
Kohat Cement Company Limited	26,000	5,000	10	6,262,880	954,350	6,262,880	954,350
Kohinoor Mills Limited	-	47,500	10	-	1,664,875	-	1,664,875
Kot Addu Power Company Limited	28,500	8,000	10	2,268,000	631,520	2,268,000	631,520
Lalpir Power Limited	6,000	-	10	178,440	-	178,440	-
Lotte Chemical Pakistan Limited	25,500	-	10	165,750	-	165,750	-
Lucky Cement Limited	33,500	2,000	10	16,435,328	1,000,560	16,435,326	1,000,560
Maple Leaf Cement Factory Limited	171,000	15,000	10	12,753,180	663,753	12,753,180	663,753
Mari Petroleum Company Limited	2,800	7,000	10	1,951,992	3,328,150	1,951,992	3,328,150
Mari Petroleum Company Limited (Preference Shares)	17,541	-	10	175,410	-	175,410	-
Millat Tractors Limited	7,100	-	10	3,924,667	-	3,924,667	-
National Foods Limited	19,600	2,100	10	6,213,004	832,020	6,213,004	832,020
National Refinery Limited	7,100	-	10	1,584,436	-	1,584,436	-
Nestle Pakistan Limited	340	100	10	2,652,000	910,000	2,652,000	910,000
Nishat Mills Limited	75,100	58,000	10	7,115,250	7,017,419	7,115,250	7,017,419
Oil & Gas Development Company Limited	-	15,700	10	-	3,232,159	-	3,232,159
Pak Elektron Limited	105,000	-	10	6,441,620	-	6,441,620	-
Pak Gen Power Limited	2,500	40,000	10	73,575	1,081,200	73,575	1,081,200
Pakcem Limited	31,690	-	10	8,992	-	8,992	-
Pakistan Oilfields Limited	41,100	-	10	10,613,592	-	10,613,592	-
Pakistan Petroleum Limited	143,400	64,700	10	17,856,649	11,420,844	17,856,649	11,420,844
Pakistan State Oil Company Limited	40,300	4,200	10	12,542,145	1,503,222	12,542,145	1,503,222
Pakistan Suzuki Motors Copany Limited	20,200	21,000	10	9,757,410	7,793,520	9,757,410	7,793,520
Pakistan Telecommunication Company Limited	302,000	605,000	10	4,947,000	13,933,150	4,947,000	13,933,150
Pioneer Cement Limited	78,500	-	10	6,950,790	-	6,950,790	-
Searle Company Limited	8,772	43,500	10	3,202,247	10,520,039	3,202,247	10,520,039
Sui Northern Gas Pipelines Limited	2,000	7,000	10	-	200,970	-	200,970
Thal Limited	20,700	-	10	5,193,265	-	5,193,265	-
Treet Corporation Limited	-	30,000	10	-	3,957,600	-	3,957,600
				<b>1,504,678,731</b>	<b>1,219,028,226</b>	<b>1,504,678,705</b>	<b>1,219,028,226</b>

**13.3** 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 December 31, 2015 would have been higher by Rs. 920,522 (2014: lower by Rs. 824,455).

2015                      2014  
----- (Rupees) -----

**14. DEFERRED TAX ASSET****Deductible temporary difference arising in respect of**

Available tax losses	<b>19,147,486</b>	71,688,157
Minimum tax on turnover	<b>69,800,745</b>	54,137,167
Remeasurement of post retirement benefits obligation	<b>2,619,202</b>	2,105,739
	<b>91,567,433</b>	127,931,063

**Taxable temporary difference arising in respect of**

Accelerated depreciation	<b>(8,650,459)</b>	(10,857,520)
	<b>82,916,974</b>	117,073,543

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

**14.2 Reconciliation of deferred tax**

	Balance at January 01, 2014	Recognized in profit and loss	Recognized in statement of comprehensive income	Balance at December 31, 2014	Recognized in profit and loss	Recognized in statement of comprehensive income	Balance at December 31, 2015
	----- (Rupees) -----						
<b>Deductible temporary difference arising in respect of</b>							
Available tax losses	87,161,107	(15,472,950)	-	71,688,157	(52,540,671)	-	19,147,486
Minimum tax on turnover	37,320,944	16,816,223	-	54,137,167	15,663,578	-	69,800,745
Remeasurement of post retirement benefits obligation	196,467	-	1,909,272	2,105,739	-	513,463	2,619,202
<b>Taxable temporary difference arising in respect of</b>							
Accelerated depreciation	(10,446,589)	(410,931)	-	(10,857,520)	2,207,061	-	(8,650,459)
	<b>114,231,929</b>	<b>932,342</b>	<b>1,909,272</b>	<b>117,073,543</b>	<b>(34,670,032)</b>	<b>513,463</b>	<b>82,916,974</b>

**Statutory Funds****Aggregate**

Individual Family	Group Family	Group Health	2015	2014
----- (Rupees) -----				

**15. CONTRIBUTION DUE BUT UNPAID - unsecured, considered good**

Related party	-	136,445	53,065	<b>189,510</b>	725,956
Others	-	62,984,750	310,948,113	<b>373,932,863</b>	253,288,347
	<b>-</b>	<b>63,121,195</b>	<b>311,001,178</b>	<b>374,122,373</b>	<b>254,014,303</b>

Note                      2015                      2014  
----- (Rupees) -----

**16. FIXED ASSETS**

Tangible	16.1	<b>112,184,330</b>	101,490,572
Intangible	16.2	<b>10,066,400</b>	12,080,660
Capital work in progress	16.3	<b>1,279,999</b>	21,028,255
		<b>123,530,729</b>	134,599,487



## 16.1 Tangible

Particulars	Cost			Accumulated depreciation			Carrying Value	Rate %
	As at January 01, 2015	Additions / (disposals)	As at December 31, 2015	As at January 01, 2015	For the year / (disposals)	As at December 31, 2015		
----- (Rupees) -----								
Building improvements	83,633,681	17,213,893	100,847,574	42,271,006	7,566,198	49,837,204	51,010,370	15
Furniture and fixtures	35,772,288	5,060,281 (54,000)	40,778,569	13,869,407	3,797,760 (28,252)	17,638,915	23,139,654	15
Office equipment	30,453,539	6,231,238	36,684,777	13,448,565	3,065,648	16,514,213	20,170,564	15
Motor vehicles	20,268,104	(6,730,139)	13,537,965	12,034,992	1,302,847 (3,689,961)	9,647,878	3,890,087	20
Computer equipment	35,624,462	5,625,382 (433,290)	40,816,554	22,637,532	4,510,224 (304,857)	26,842,899	13,973,655	30
<b>2015</b>	<b>205,752,074</b>	<b>34,130,794</b> <b>(7,217,429)</b>	<b>232,665,439</b>	<b>104,261,502</b>	<b>20,242,677</b> <b>(4,023,070)</b>	<b>120,481,109</b>	<b>112,184,330</b>	

Particulars	Cost			Accumulated depreciation			Carrying Value	Rate %
	As at January 01, 2014	Additions / (disposals) *Adjustment	As at December 31, 2014	As at January 01, 2014	For the year / (disposals) *Adjustment	As at December 31, 2014		
----- (Rupees) -----								
Building improvements	71,815,086	11,818,595	83,633,681	35,620,057	6,650,949	42,271,006	41,362,675	15
Furniture and fixtures	25,424,682	10,550,106 (202,500)	35,772,288	10,826,432	3,169,985 (127,010)	13,869,407	21,902,881	15
Office equipment	24,451,326	6,002,213	30,453,539	10,752,999	2,695,566	13,448,565	17,004,974	15
Motor vehicles	22,391,640	6,803,762 (8,927,298)	20,268,104	16,177,782	1,433,465 (5,576,255)	12,034,992	8,233,112	20
Computer equipment	31,548,947	4,467,928 (392,413)	35,624,462	18,160,522	4,704,414 (227,404)	22,637,532	12,986,930	30
<b>2014</b>	<b>175,631,681</b>	<b>39,642,604</b> <b>(9,522,211)</b>	<b>205,752,074</b>	<b>91,537,792</b>	<b>18,654,379</b> <b>(5,930,669)</b>	<b>104,261,502</b>	<b>101,490,572</b>	

## 16.2 Intangible

Particulars	Cost			Accumulated amortization			Carrying Value	Rate %	
	As at January 01, 2015	Additions	As at December 31, 2015	As at January 01, 2015	For the year	As at December 31, 2015			
----- (Rupees) -----									
Computer software and ERP	<b>2015</b>	<b>53,354,289</b>	<b>361,340</b>	<b>53,715,629</b>	<b>41,273,629</b>	<b>2,375,600</b>	<b>43,649,229</b>	<b>10,066,400</b>	<b>10-20</b>
	2014	52,422,188	932,101	53,354,289	38,491,315	2,782,314	41,273,629	12,080,660	10-20

## 16.3 Capital work in progress

	2015	2014
	—————(Rupees)—————	
Balance at beginning of year	21,028,255	26,801,445
Additions during the year	1,480,000	3,946,650
Transfers during the year to		
- Building improvements	(11,894,667)	(4,239,925)
- Furniture and fixtures	(3,652,635)	(2,955,040)
- Office equipment	(2,887,400)	(2,524,875)
- Intangible	(175,000)	-
- Charged to profit and loss account	(2,618,554)	-
	<u>(21,228,256)</u>	<u>(9,719,840)</u>
Balance at end of the year	<u>1,279,999</u>	<u>21,028,255</u>

	Note	2015	2014
		—————(Rupees)—————	
<b>17. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS</b>	17.1		
Salaries, allowances and other benefits		3,863,014	4,256,052
Charge for defined benefit plan	10.1.6.1	132,790	123,654
Employer's contribution to provident fund		240,043	231,788
Rentals		279,252	794,125
Training		10,732	43,400
Vehicles running		250,188	402,975
Medical fee		80,937	269,040
Travelling		330,817	405,409
Utilities		179,549	527,201
Communication		261,869	632,030
Repairs and maintenance		76,617	132,311
Printing and stationery		223,490	936,454
Computer expenses		190,973	612,899
Advertisement		93,142	168,537
Depreciation		308,185	932,736
Amortization		36,167	139,116
Shariah advisors' fee		42,710	132,415
Auditors' remuneration	17.2	1,390,000	1,320,000
Actuary's fee		20,096	243,465
Consultancy		118,454	305,843
Legal and professional		50,844	177,517
Subscription fee		-	257,878
General takaful		13,483	58,486
Group takaful		71,003	186,132
Staff welfare		45,471	166,184
Bank charges and brokerage		-	81,729
Entertainment		30,339	93,073
Supervision fees		-	343,265
Charity		1,514	-
Ijarah rental		61,671	230,830
Workers' welfare fund	10.2	-	1,145,839
Miscellaneous expenses		3,267	11,143
		<u>8,406,617</u>	<u>15,361,526</u>

17.1 During the year, the management changed its basis of allocation of expenses between shareholders' fund and statutory funds to reflect more appropriate presentation and allocation.

	2015	2014
	—————(Rupees)—————	
<b>17.2 Auditors' remuneration</b>		
Audit fee	500,000	500,000
Fee for review and other certifications	700,000	700,000
Out of pocket	190,000	120,000
	<u>1,390,000</u>	<u>1,320,000</u>

	2015	2014
	—————(Rupees)—————	
<b>18. TAXATION</b>		
<b>Current</b>		
- for the year	<u>21,456,493</u>	24,418,852
- prior year	<u>(6,317,775)</u>	-
	<u>15,138,718</u>	24,418,852
<b>Deferred</b>		
- for the year	<u>34,670,032</u>	2,229,309
	<u>49,808,750</u>	<u>26,648,161</u>

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

18.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the income of the Company is subject to tax under sections 113, 37A and 5 of the Income Tax Ordinance, 2001.

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

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

	2015		2014	
	CEO	Executives	CEO	Executives
	————— Rupees —————		————— Rupees —————	
Managerial remuneration	2,410,200	88,485,724	2,340,000	85,459,066
House rent	1,084,590	39,818,576	1,053,000	38,456,585
Utilities	213,206	7,827,448	206,996	7,559,708
Medical expenses	137,871	3,496,235	188,677	3,860,873
Others	522,980	14,777,063	563,825	15,284,339
	<u>4,368,847</u>	<u>154,405,046</u>	<u>4,352,498</u>	<u>150,620,571</u>
Number of persons	<u>1</u>	<u>75</u>	<u>1</u>	<u>77</u>

The Company also provides Company maintained cars to certain executives.

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 amounted to Rs. 739,004 (2014: Rs. 742,429).

## 20. PROVIDENT FUND

The Company operates approved contributory provident fund (the Fund) for its permanent employees. Details of net assets and investments as per the unaudited financial statements of the Fund for the year ended December 31, 2015 are as follows:

	2015	2014
	—————(Rupees)—————	
Size of the fund - net assets	<b>59,619,930</b>	48,340,699
Cost of the investments made	<b>53,653,857</b>	46,513,878
Percentage of the investments made	<b>90%</b>	96%
Fair value of the investments made	<b>53,693,440</b>	46,584,606

The break up of fair value of the investments is :

	2015		2014	
	Rupees	%	Rupees	%
Bank balances	<b>33,400,444</b>	<b>62</b>	5,619,328	12
Term deposits with banks	-	-	11,500,000	25
Government securities	-	-	23,557,000	51
Non government securities	<b>19,565,200</b>	<b>37</b>	5,224,884	11
Mutual funds	<b>727,796</b>	<b>1</b>	683,394	1
	<b>53,693,440</b>		<b>46,584,606</b>	

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

## 21. TAKAFUL AND FINANCIAL RISK MANAGEMENT

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

### 21.1 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 including (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 sales staff employed by the Company.

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 epidemics.

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 focus is on issuing contract to people having moderate risk of mortality and morbidity and having appropriate economic worth and source of income.

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	2015		
	Maximum Gross Risk Exposure	Maximum Retakaful Cover	Highest Net Risk Retention
	Rupees		
Individual Family	57,252,894	56,752,894	500,000
Group Family	86,000,000	85,775,000	225,000
Group Health	2,430,000	-	2,430,000
	<b><u>145,682,894</u></b>	<b><u>142,527,894</u></b>	<b><u>3,155,000</u></b>
Class	2014		
	Maximum Gross Risk Exposure	Maximum Retakaful Cover	Highest Net Risk Retention
	Rupees		
Individual Family	55,414,517	54,914,579	499,938
Group Family	50,000,000	49,500,000	500,000
Group Health	2,430,000	-	2,430,000
	<b><u>107,844,517</u></b>	<b><u>104,414,579</u></b>	<b><u>3,429,938</u></b>

### Categories of takaful contracts

- (i) Long term takaful contracts
- (ii) Short term takaful contracts
- (i) Long term takaful contracts

#### (a) Sources of uncertainty in the estimation of future benefit payments and contribution receipts.

Uncertainty in the estimation of future benefit payments and contribution receipts for long-term contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company over the few years is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not based on standard industry tables adjusted for the Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

#### (b) Process used to decide assumptions

##### Mortality and morbidity experience:

Mortality / Morbidity tables are based on the risk rates being charged by the Retakaful Operators supporting individual and group lines of business. These rates vary due to the age, sex, occupation and the nature of industry.

##### Persistency rates for long term individual policies:

An investigation into the Company's experience from time to time determines an appropriate persistency rate. Persistency rates vary by product type and policy duration. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account the Participants' behavior.

##### Expense levels and inflation

All administrative and management expenses are charged to SHF, therefore, the inflationary risk is borne by SHF.

##### Investment returns

The participant account values of these plans depend upon actual investment returns earned on these policies.

No investment guarantees are offered by the Company. Investment risk is borne by the participants.

##### Tax

There is no major impact of taxes on valuation of liabilities, future benefit payments and contribution.

##### Change in assumptions

There has been no change in assumptions for the takaful contracts during the year.

(ii) Short term takaful contracts

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

These contracts mostly pay a pre-determined amount on death and disability without any maturity or surrender values. These contracts are issued to individuals and also to employers to ensure their commitments to their employees in terms of other employees' benefit plans.

The risk is affected by several factors e.g. age, occupation, benefit structure and life style. The Company attempts to manage this risk through its underwriting, claims handling and retakaful policy.

**(b) Sources of uncertainty in the estimation of future claim payments**

Other than for the testing of the adequacy of the liability representing the unexpired risk at the end of the reporting period, there is no need to estimate mortality rates for future year because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Company. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

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

The assumptions used for these contracts are the same as for long term contracts.

**Mortality**

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Company's experience is conducted from time to time. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table.

**Morbidity**

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Company's own experience.

**(d) Change in assumptions**

The Company did not change its assumptions during the year.

**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:

<b>Class of business</b>	<b>Change in assumption</b>	<b>Impact on PTF balance Rupees</b>
Individual family	20 % increase in mortality level	(5,977,736)
	20 % decrease in mortality level	5,977,736
Group Health	20 % increase in morbidity level	(105,205,026)
	20 % decrease in morbidity level	105,205,026
Group Family	20 % increase in mortality level	(5,567,764)
	20 % decrease in mortality level	5,567,764

**Aging and movement of outstanding claims**

For each class of business, the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2015, therefore claim development table is not required to be presented. However, aging of outstanding claims and movement of outstanding claims are presented below:

	2015	2014
	————(Rupees)————	
<b>Aging of outstanding claims</b>		
Upto one year	<b>241,087,461</b>	167,479,881
Over one year	<b>32,869,777</b>	23,005,411
	<b><u>273,957,238</u></b>	<u>190,485,292</u>
<b>Movement of outstanding claim</b>		
Opening balance	<b>190,485,292</b>	106,584,332
Total gross claims	<b>1,883,375,985</b>	1,477,669,595
Claims paid	<b>(1,799,904,039)</b>	(1,393,768,635)
Closing balance	<b><u>273,957,238</u></b>	<u>190,485,292</u>

## 21.2 Retakaful risk

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

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

## 21.3 Financial risk management

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

- Liquidity risk
- Credit risk
- Market risk

### Risk management framework

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

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

## 21.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. 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. The following are contractual maturities of financial liabilities:

	2015		2014	
	Carrying Amount	Contractual cash flows upto one year	Carrying Amount	Contractual cash flows upto one year
----- (Rupees) -----				
<b>Non-derivative financial liabilities</b>				
Outstanding claims	273,957,238	273,957,238	190,485,292	190,485,292
Amount due to retakaful operators	87,050,276	87,050,276	59,763,594	59,763,594
Amount due to agents	72,861,177	72,861,177	58,888,320	58,888,320
Creditors, accruals and other liabilities	14,982,728	14,982,728	26,741,631	26,741,631
	<u>448,851,419</u>	<u>448,851,419</u>	<u>335,878,837</u>	<u>335,878,837</u>

## 21.5 Maturity profile of financial assets and liabilities:

	2015			2015			Total
	Profit Bearing			Non-profit bearing			
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
----- Rupees -----							
<b>FINANCIAL ASSETS</b>							
Cash and bank deposits	7,895,000,140	-	7,895,000,140	61,094,003	-	61,094,003	7,956,094,143
Investments	-	1,595,921,628	1,595,921,628	1,619,303,836	-	1,619,303,836	3,215,225,464
Long term security deposits	-	-	-	-	18,386,771	18,386,771	18,386,771
Contribution due but unpaid	-	-	-	374,122,373	-	374,122,373	374,122,373
Investment income accrued	-	-	-	117,452,245	-	117,452,245	117,452,245
Amount due from re-takaful	-	-	-	56,852,619	-	56,852,619	56,852,619
Other receivables	-	-	-	5,655,441	-	5,655,441	5,655,441
<b>December 31, 2015</b>	<u>7,895,000,140</u>	<u>1,595,921,628</u>	<u>9,490,921,768</u>	<u>2,234,480,517</u>	<u>18,386,771</u>	<u>2,252,867,288</u>	<u>11,743,789,056</u>
<b>FINANCIAL LIABILITIES</b>							
Outstanding claims	-	-	-	273,957,238	-	273,957,238	273,957,238
Amount due to retakaful operators	-	-	-	87,050,276	-	87,050,276	87,050,276
Amount due to agents	-	-	-	72,861,177	-	72,861,177	72,861,177
Creditors, accruals and other liabilities	-	-	-	14,982,728	-	14,982,728	14,982,728
<b>December 31, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448,851,419</u>	<u>-</u>	<u>448,851,419</u>	<u>448,851,419</u>

## Maturity profile of financial assets and liabilities:

2014	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	3,196,362,833	-	3,196,362,833	30,150,309	-	30,150,309	3,226,513,142
Investments	2,306,592,770	1,023,284,540	3,329,877,310	1,253,944,088	-	1,253,944,088	4,583,821,398
Long term security deposits	-	-	-	-	17,951,771	17,951,771	17,951,771
Contribution due but unpaid	-	-	-	254,014,303	-	254,014,303	254,014,303
Investment income accrued	-	-	-	136,369,344	-	136,369,344	136,369,344
Amount due from re-takaful	-	-	-	18,863,583	-	18,863,583	18,863,583
Other receivables	-	-	-	21,846,505	-	21,846,505	21,846,505
<b>December 31, 2014</b>	<b>5,502,955,603</b>	<b>1,023,284,540</b>	<b>6,526,240,143</b>	<b>1,715,188,132</b>	<b>17,951,771</b>	<b>1,733,139,903</b>	<b>8,259,380,046</b>
<b>FINANCIAL LIABILITIES</b>							
Outstanding claims	-	-	-	190,485,292	-	190,485,292	190,485,292
Amount due to retakaful operators	-	-	-	59,763,594	-	59,763,594	59,763,594
Amount due to agents	-	-	-	58,888,320	-	58,888,320	58,888,320
Creditors, accruals and other liabilities	-	-	-	26,741,631	-	26,741,631	26,741,631
<b>December 31, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>335,878,837</b>	<b>-</b>	<b>335,878,837</b>	<b>335,878,837</b>

## 21.6 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 note 13 to these financial statements.

At the reporting date, the rate of profit profile of the Company's profit-bearing financial instruments was:

Variable rate instruments	Carrying amount		Effective rate of profit in %	
	2015	2014	2015	2014
----- Rupees -----				
<b>Financial assets</b>				
Term deposits	<b>4,270,500,000</b>	1,834,500,000	<b>5.47 to 10.15</b>	8 to 10.18
Savings accounts	<b>3,624,500,140</b>	1,361,862,833	<b>5.45 to 9.1</b>	4.9 to 9.3
Sukuk bonds	<b>1,667,921,628</b>	3,329,877,310	<b>4.39 to 13</b>	8.84 to 13
	<b>9,562,921,768</b>	<b>6,526,240,143</b>		

**Cash flow sensitivity analysis for variable rate instruments**

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

	Increase / decrease in basis points	Effect on profit before tax	Effect on equity
	----- (Rupees) -----		
December 31, 2015	100 (100)	11,682,040 (11,682,040)	8,060,608 (8,060,608)
December 31, 2014	100 (100)	14,092,575 (14,092,575)	9,160,174 (9,160,174)

**Mismatch of rate of profit sensitivity assets and liabilities / yield / rate of profit risk****2015**

	Effective rate % per annum	Profit bearing						Sub Total	Non profit bearing	Total
		Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to five year	Over five year			
----- Rupees -----										
<b>FINANCIAL ASSETS</b>										
Cash and bank deposits	5.45 to 10.15	4,755,000,140	2,000,000,000	940,000,000	200,000,000	-	-	7,895,000,140	61,094,003	7,956,094,143
Investments	4.39 to 13	-	-	-	-	1,595,921,628	-	1,595,921,628	1,619,303,836	3,215,225,464
Long term security deposits		-	-	-	-	-	-	-	18,386,771	18,386,771
Contribution due but unpaid		-	-	-	-	-	-	-	374,122,373	374,122,373
Investment income accrued		-	-	-	-	-	-	-	117,452,245	117,452,245
Amount due from re-takaful		-	-	-	-	-	-	-	56,852,619	56,852,619
Other receivables		-	-	-	-	-	-	-	5,655,441	5,655,441
<b>Total</b>		<b>4,755,000,140</b>	<b>2,000,000,000</b>	<b>940,000,000</b>	<b>200,000,000</b>	<b>1,595,921,628</b>	<b>-</b>	<b>9,490,921,768</b>	<b>2,252,867,288</b>	<b>11,743,789,056</b>
<b>FINANCIAL LIABILITIES</b>										
Outstanding claims		-	-	-	-	-	-	-	273,957,238	273,957,238
Amount due to retakaful operators		-	-	-	-	-	-	-	87,050,276	87,050,276
Amount due to agents		-	-	-	-	-	-	-	72,861,177	72,861,177
Creditors, accruals and other liabilities		-	-	-	-	-	-	-	14,982,728	14,982,728
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>448,851,419</b>	<b>448,851,419</b>
<b>Profit sensitivity gap</b>		<b>4,755,000,140</b>	<b>2,000,000,000</b>	<b>940,000,000</b>	<b>200,000,000</b>	<b>1,595,921,628</b>	<b>-</b>	<b>9,490,921,768</b>	<b>1,804,015,869</b>	<b>11,294,937,637</b>

## 2014

Effective rate % per annum	Profit bearing						Sub Total	Non profit bearing	Total	
	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to five year	Over five year				
----- Rupees -----										
<b>FINANCIAL ASSETS</b>										
Cash and bank deposits	4.90 to 10.18	1,361,862,833	530,000,000	-	1,304,500,000	-	-	3,196,362,833	30,150,309	3,226,513,142
Investments	8.84 to 13	-	153,580,092	-	2,153,012,678	1,023,284,540	-	3,329,877,310	1,253,944,088	4,583,821,398
Long term security deposits		-	-	-	-	-	-	-	17,951,771	17,951,771
Contribution due but unpaid		-	-	-	-	-	-	-	254,014,303	254,014,303
Investment income accrued		-	-	-	-	-	-	-	136,369,344	136,369,344
Amount due from re-takaful		-	-	-	-	-	-	-	18,863,583	18,863,583
Other receivables		-	-	-	-	-	-	-	21,846,505	21,846,505
<b>Total</b>		<b>1,361,862,833</b>	<b>683,580,092</b>	<b>-</b>	<b>3,457,512,678</b>	<b>1,023,284,540</b>	<b>-</b>	<b>6,526,240,143</b>	<b>1,733,139,903</b>	<b>8,259,380,046</b>
<b>FINANCIAL LIABILITIES</b>										
Outstanding claims		-	-	-	-	-	-	-	190,485,292	190,485,292
Amount due to retakaful operators		-	-	-	-	-	-	-	59,763,594	59,763,594
Amount due to agents		-	-	-	-	-	-	-	58,888,320	59,763,594
Creditors, accruals and other liabilities		-	-	-	-	-	-	-	26,741,631	26,741,631
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>335,878,837</b>	<b>336,754,111</b>
<b>Profit sensitivity gap</b>		<b>1,361,862,833</b>	<b>683,580,092</b>	<b>-</b>	<b>3,457,512,678</b>	<b>1,023,284,540</b>	<b>-</b>	<b>6,526,240,143</b>	<b>1,397,261,066</b>	<b>7,922,625,935</b>

## 21.7 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 at a reasonable level.

### 21.7.1 Exposure to credit risk

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

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

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

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

Rating	2015	2014
	————(Rupees)————	
A1+	<b>4,345,769,063</b>	1,241,068,990
A1	<b>2,513,632,558</b>	1,798,287,590
A2	<b>1,093,483,141</b>	50,527,856
A3	-	130,000,000
	<b><u>7,952,884,762</u></b>	<b><u>3,219,884,436</u></b>

\*Rating of Banks performed by PACRA and JCR-VIS.

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

	2015	2014
	————(Rupees)————	
Bank deposits	<b>7,952,884,762</b>	3,219,884,436
Security deposits	<b>18,386,771</b>	17,951,771
Contribution due but unpaid	<b>374,122,373</b>	254,014,303
Amount due from retakaful	<b>56,852,619</b>	18,863,583
Accrued investment income	<b>117,452,245</b>	136,369,344
Other receivables	<b>5,655,441</b>	21,846,505
	<b><u>8,525,354,211</u></b>	<b><u>3,668,929,942</u></b>

Financial assets	Note	2015	2014
		————(Rupees)————	
Secured		<b>8,127,189,626</b>	3,375,117,363
Unsecured		<b>398,164,585</b>	293,812,579
		<b><u>8,525,354,211</u></b>	<b><u>3,668,929,942</u></b>
Not past due		<b>8,151,231,838</b>	3,414,915,639
Past due but not impaired	21.7.2.1	<b>374,122,373</b>	254,014,303
		<b><u>8,525,354,211</u></b>	<b><u>3,668,929,942</u></b>

The age analysis of financial asset are as follows:

	2015		2014	
	Carrying value	Impairment	Carrying value	Impairment
Not past due	<b>8,151,231,838</b>	-	3,419,468,594	-
Past due but not impaired				
Upto 1 year	<b>361,629,906</b>	-	243,251,720	-
Over 1 year	<b>12,492,467</b>	-	10,762,583	-
Total	<b><u>8,525,354,211</u></b>	<b><u>-</u></b>	<b><u>3,673,482,897</u></b>	<b><u>-</u></b>

**21.7.2.1** These amounts are receivable from corporate customers having good credit standing in the market and are doing regular business with the Company, therefore the management believes that these amounts will be fully recoverable.

**21.7.3** The table below analyses the concentration of credit risk by industrial distribution in respect of:

	<b>2015</b>	2014
	%	%
Banks	<b>12</b>	45
Foreign Embassy	-	2
Manufacturing	<b>19</b>	16
Other Financial Institutions	<b>4</b>	2
Pharmaceuticals	<b>1</b>	3
Services	<b>54</b>	22
Textile	<b>1</b>	2
Trading	<b>9</b>	8
	<b>100</b>	100

#### **21.7.4 Amount due from retakaful operator in respect of retakaful recoveries against outstanding claims**

The Company enters into a retakaful arrangements with retakaful operator having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirement of circular 32/2009 dated October 27, 2009 issued by SECP which requires a takaful company to place at least 80% of their outward treaty session with retakaful rated 'A' or above by Standard and Poor's with the balance being placed with entities rated at least 'BBB' by reputed credit agency. During the year, the Company placed 99.8% of their outward treaty session with retakaful operator having rating of 'A'.

An analysis of all retakaful assets relating to outward treaty session recognised by the rating of the entity from which is due is as follow:

<b>Retakaful ceded during the year</b>	<b>Credit rating agency</b>	<b>2015</b>	<b>2014</b>
<b>Rating</b>		----- Rupees -----	
A or above	Standard and Poor	<b>365,171,401</b>	284,849,838
BBB	Global Credit Rating Co.	-	6,651,298
BBB-	Standard and Poor	<b>858,845</b>	-
		<b>366,030,246</b>	291,501,136

#### **21.8 Market risk**

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

### 21.9 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.

### 21.10 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, 2015.

### 21.11 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 available-for-sale investments whose fair values have been disclosed in note 13 to the financial statements.

#### Fair Value Hierarchy

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

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

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

	Carrying amount				Fair value				
	Available for Sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----									
<b>December 31, 2015</b>									
<b>Financial assets - measured at fair value</b>									
Investments									
Government securities - sukuku	241,520,170	-	-	-	241,520,170	-	241,520,170	-	241,520,170
Other securities - sukuku	1,036,656,795	-	-	-	1,036,656,795	-	1,036,656,795	-	1,036,656,795
Open-end mutual fund units	1,176,677,040	-	-	-	1,176,677,040	1,176,677,040	-	-	1,176,677,040
Shares	328,001,665	-	-	-	328,001,665	328,001,665	-	-	328,001,665
	<b>2,782,855,670</b>	-	-	-	<b>2,782,855,670</b>	<b>1,504,678,705</b>	<b>1,278,176,965</b>	-	<b>2,782,855,670</b>
<b>Financial assets - not measured at fair value</b>									
Cash and others*	-	-	3,209,381	-	3,209,381	-	-	-	-
Current and other accounts*	-	-	3,682,384,762	-	3,682,384,762	-	-	-	-
Deposits maturing within 12 months*	-	-	4,270,500,000	-	4,270,500,000	-	-	-	-
Investments									
Government securities - sukuku*	369,784,851	-	-	-	369,784,851	-	-	-	-
Other securities - sukuku*	19,959,812	-	-	-	19,959,812	-	-	-	-
Open-end mutual fund units*	39,351,877	-	-	-	39,351,877	-	-	-	-
Shares*	3,273,254	-	-	-	3,273,254	-	-	-	-
Long-term security deposit*	-	18,386,771	-	-	18,386,771	-	-	-	-
Contribution due but unpaid*	-	374,122,373	-	-	374,122,373	-	-	-	-
Investment income accrued*	-	117,452,245	-	-	117,452,245	-	-	-	-
Amounts due from re-takaful*	-	56,852,619	-	-	56,852,619	-	-	-	-
Other receivables*	-	5,655,441	-	-	5,655,441	-	-	-	-
	<b>432,369,794</b>	<b>572,469,449</b>	<b>7,956,094,143</b>	-	<b>8,960,933,386</b>	-	-	-	-
<b>Financial liabilities - measured at fair value</b>									
Staff retirement benefits	-	-	-	16,851,922	16,851,922	-	16,851,922	-	16,851,922
<b>Financial liabilities - not measured at fair value</b>									
Outstanding claims*	-	-	-	273,957,238	273,957,238	-	-	-	-
Contributions received in advance*	-	-	-	100,406,762	100,406,762	-	-	-	-
Amounts due to re-takaful operators*	-	-	-	87,050,276	87,050,276	-	-	-	-
Amount due to agents*	-	-	-	72,861,177	72,861,177	-	-	-	-
Creditors, accruals and other liabilities*	-	-	-	14,982,728	14,982,728	-	-	-	-
	-	-	-	549,258,181	549,258,181	-	-	-	-

	Carrying amount				Fair value				
	Available for Sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Rupees</b>									
<b>December 31, 2014</b>									
Financial assets - measured at fair value									
Investments									
Government securities - sukuku	2,199,388,954	-	-	-	2,199,388,954	-	2,199,388,954	-	2,199,388,954
Other securities - sukuku	754,813,421	-	-	-	754,813,421	-	754,813,421	-	754,813,421
Open-end mutual fund units	1,053,063,316	-	-	-	1,053,063,316	1,053,063,316	-	-	1,053,063,316
Shares	165,964,910	-	-	-	165,964,910	165,964,910	-	-	165,964,910
	<u>4,173,230,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,173,230,601</u>	<u>1,219,028,226</u>	<u>2,954,202,375</u>	<u>-</u>	<u>4,173,230,601</u>
<b>Financial assets - not measured at fair value</b>									
Cash and others*	-	-	6,628,706	-	6,628,706	-	-	-	-
Current and other accounts*	-	-	1,385,384,436	-	1,385,384,436	-	-	-	-
Deposits maturing within 12 months*	-	-	1,834,500,000	-	1,834,500,000	-	-	-	-
Investments									
Government securities - sukuku*	354,896,284	-	-	-	354,896,284	-	-	-	-
Other securities - sukuku*	20,778,651	-	-	-	20,778,651	-	-	-	-
Open-end mutual fund units*	34,915,862	-	-	-	34,915,862	-	-	-	-
Shares*	-	-	-	-	-	-	-	-	-
Long-term security deposit*	-	17,951,771	-	-	17,951,771	-	-	-	-
Contribution due but unpaid*	-	254,014,303	-	-	254,014,303	-	-	-	-
Investment income accrued*	-	136,369,344	-	-	136,369,344	-	-	-	-
Amounts due from re-takaful*	-	18,863,583	-	-	18,863,583	-	-	-	-
Other receivables*	-	21,846,505	-	-	21,846,505	-	-	-	-
	<u>410,590,797</u>	<u>449,045,506</u>	<u>3,226,513,142</u>	<u>-</u>	<u>4,086,149,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities - measured at fair value</b>									
Staff retirement benefits	-	-	-	5,416,053	5,416,053	-	5,416,053	-	5,416,053
<b>Financial liabilities - not measured at fair value</b>									
Outstanding claims*	-	-	-	190,485,292	190,485,292	-	-	-	-
Contributions received in advance*	-	-	-	115,062,638	115,062,638	-	-	-	-
Amounts due to re-takaful operators*	-	-	-	59,763,594	59,763,594	-	-	-	-
Amount due to agents*	-	-	-	58,888,320	58,888,320	-	-	-	-
Creditors, accruals and other liabilities*	-	-	-	26,741,631	26,741,631	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,941,475</u>	<u>450,941,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**(a) Financial instruments in level 1**

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

**(b) Financial instruments in level 2**

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

**(c) Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

**Valuation techniques and inputs used in determination of fair values**

Item	Valuation techniques and input used
Ordinary shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Units of mutual funds	Fair values of investments in units of mutual funds are determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP).
Government sukuku and other sukuku	Fair values of sukuku are derived by reference to quotations obtained from brokers.

**21.12 Operational risk**

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

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

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

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

- risk mitigation, including takaful where this is effective.

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

## 22. NUMBER OF EMPLOYEES

The average number of employees during the year ended December 31, 2015 were 412 (2014: 338) and number of employees as at December 31, 2015 were 445 (2014: 359).

## 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. Details of transactions and balances with related parties, except as disclosed elsewhere in the financial statements, are as follows:

Relationship	Nature of transactions	2015	2014
		(Rupees)	
Entities with common directorship	Payment made by / on behalf of related party	7,451,468	4,788,590
	Claims received against general takaful	4,162,527	2,775,918
	Claims paid against group takaful	2,154,185	2,184,911
	General takaful contribution paid	2,956,568	4,374,605
	Family and health takaful contribution received	3,431,520	4,656,034
	Purchase of sukuks certificates	-	33,049,500
	Sale of sukuk certificates	54,450,000	-
Associated company	Banca takaful acquisition, entrance and administration fee	314,855,100	276,634,890
Employees provident fund	Contribution paid	12,311,429	10,774,015
	Sale of sukuk certificates	-	4,184,800

### Balances with related parties are as follows:

Entities with common directorship	Claims outstanding against group takaful	77,541	253,423
Associated company	Administrative charges payable	7,450,204	5,487,813
	Receivable against common expenses	2,008,035	1,969,353
	Investment management charges payable	-	9,150,296

## 24. DATE OF AUTHORIZATION FOR ISSUE

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

## 25. GENERAL

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



Chairman



Chief Executive



Director



Director

# Pattern of Shareholding

As at December 31, 2015

Number of shareholders	Shareholdings	Total shares held
4	shareholding from 1 to 100 shares	4
15	shareholding from 1001 to 10000	77,126
6	shareholding from 10001 to 15000	69,360
4	shareholding from 15001 to 35000	91,800
3	shareholding from 60001 to 65000	183,601
3	shareholding from 100001 to 180000	397,552
4	shareholding from 180001 to 250000	748,000
5	shareholding from 250001 to 450000	1,722,600
4	shareholding from 500001 to 860000	2,850,954
6	shareholding from 4000001 to 5000000	29,212,762
2	shareholding from 7000000 to 8000000	14,869,182
2	shareholding from 10000000 to 15000000	20,839,944
<b>58</b>	<b>Total</b>	<b>71,062,885</b>

Categories of shareholders	Shares held	Percentage
----------------------------	-------------	------------

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	5,484,833	7.72%
c. Zahid H. Awan	270,400	0.38%
d. Abdul Basit Al-Shaibei	850,001	1.20%
e. Muhammad Owais Ansari	1	0.00%
f. Ali Ibrahim Al Abdul Ghani	1	0.00%
g. Ali Abdullah Darwish	1	0.00%

2. Associated Companies, undertakings and related parties.

a. FWU AG	10,839,944	15.25%
b. Masraf Al-Rayan	10,000,000	14.07%
c. Qatar Islamic Insurance Company	7,796,612	10.97%
d. Qatar International Islamic Bank	7,072,570	9.95%

3. NIT and ICP - 0.00%

Categories of shareholders	Shares held	Percentage
4. Banks, Development Financial Institutions, Non Banking Financial Institutions.		
a. Masraf Al-Rayan	10,000,000	14.07%
b. Qatar Islamic Insurance Company	7,796,612	10.97%
c. Qatar International Islamic Bank	7,072,570	9.95%
5. Insurance Companies		
a. Qatar Islamic Insurance Company	7,796,612	10.97%
6. Modarabas and Mutual Funds	-	0.00%
7. Share holders holding 10%		
a. FWU AG	10,839,944	15.25%
b. Masraf Al-Rayan	10,000,000	14.07%
c. Qatar Islamic Insurance Company	7,796,612	10.97%
8. General Public		
a. Local	69,986	0.00%
b. Foreign	24,356,983	34.28%
9. Total Local & Foreign		
a. Local	28,376,131	39.93%
b. Foreign	42,686,754	60.07%

## 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 2015, in my opinion.

- the policyholder liability included in the balance sheet has been determined in accordance with the provisions of the Insurance Ordinance, 2000 ("the Ordinance") and
- the combined statutory funds and shareholders 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 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)

- 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 and any rules made there under;
- Pak-Qatar Family Takaful Limited has at all times in the year complied with the provisions of the Insurance Ordinance, 2000 and the rules made there under relating to paid-up capital, solvency and re-takaful arrangement; and
- As at December 31, 2015 Pak-Qatar Family Takaful Limited continues to be in compliance with the provisions of the Insurance Ordinance, 2000 and the rules made there under relating to paid-up capital, solvency and re-takaful arrangements.

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

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



Chairman



Chief Executive



Director



Director

## Notice of 10<sup>th</sup> Annual General Meeting

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

### Ordinary Business:

1. To confirm the minutes of last general meeting of the Company.
2. To receive, consider and adopt the annual Audited Accounts of the Company for the year ended December 31, 2015 together with the Directors' & Auditors' Reports thereon.
3. To appoint auditors of the Company for the year ending December 31, 2016 and fix their remuneration. The present auditors M/s. Deloitte Yusuf Adil, Chartered Accountants (member of Deloitte Touche Tohmatsu Limited), being eligible, have offered themselves for re-appointment as Statutory Auditors.
4. To elect seven directors of the company, as fixed by the board of directors, in accordance with the provision of section 178(1) of the Companies Ordinance, 1984. The name of retiring directors are as follows:
  - I. H.E. Sheikh Ali Bin Abdullah Thani J. Al-Thani
  - II. Mr. Abdul Basit Al Shaibei
  - III. Mr. Said Gul
  - IV. Mr. Ali Abdullah Darwesh
  - V. Mr. Muhammad Owais Ansari
  - VI. Mr. Zahid Hussain Awan
  - VII. Mr. Ali Ibrahim Al Abdul Ghani
5. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



**Muhammad Kamran Saleem**  
Company Secretary

07 April 2016  
Karachi

**NOTES:**

- a. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on their behalf. A corporate entity being a member may, by means of a resolution of its directors, appoint a person who is not a member, as proxy or as its representative under section 162 of the Companies Ordinance 1984.
- b. Proxies, in order to be effective, duly completed and signed proxy forms must be received at the Company's head office at least 48 hours before the time of the Meeting. In case of corporate entity, the Board of Directors' resolution/ power of attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting. The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.

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

- c. Members are requested to immediately notify/submit the following, if not earlier provided;
- i. Change in their Addresses, if any.
  - ii. Valid & legible photocopy of Computerized Nation Identity Cards (CNIC) for individuals and National Tax Number (NTN) for both Individuals & Corporate entities.
- d. Further to above, attention of members is requested to the following:
- i. SECP through its Notification SRO 787 (I)/2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice to members of the Company through e-mail. Therefore, all members of the Company who wish to opt this facility are requested to send their e-mail addresses. The consent form for electronic transmission could be downloaded from the Company's website.

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

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

# Proxy Form

## The Company Secretary

### Pak-Qatar Family Takaful Limited

Suite # 101-105, 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 **10<sup>th</sup> Annual General Meeting of Pak-Qatar Family Takaful Limited** to be held on April 28, 2016 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2016

## (Witnesses)

- \_\_\_\_\_ (Signature)

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

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

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

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

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

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

Please affix  
Rupees five  
revenue  
stamp

Signature of  
member(s)

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



**PAK-QATAR FAMILY TAKAFUL**  
*Together for Better*

**PAK-QATAR FAMILY TAKAFUL LIMITED**

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Block 6, P.E.C.H.S, Sharea Faisal, Karachi 75400  
Ph: (92 21) 34311747 – 56 Fax: (92 21) 34386451  
Email: [info@pakqatar.com.pk](mailto:info@pakqatar.com.pk), [www.pakqatar.com.pk](http://www.pakqatar.com.pk)  
UAN: (021) 111-TAKAFUL(825-238)