

**PAK - QATAR GENERAL TAKAFUL LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2007**

	Note	2007 ----- (Rupees) -----	2006		Note	2007 ----- (Rupees) -----	2006
<b>SHARE CAPITAL AND RESERVES</b>				<b>CASH AND BANK DEPOSITS</b>			
Authorized share capital	8	<u>400,000,000</u>	<u>250,000,000</u>	Cash and other equivalents	12	4,800	80
Paid-up share capital	8	307,800,080	80	Current and other accounts		12,463,859	95,760,480
Accumulated loss		<u>(10,409,042)</u>	<u>(4,740,669)</u>	Deposits maturing within 12 months		<u>165,000,000</u>	<u>-</u>
		<u>297,391,038</u>	<u>(4,740,589)</u>			<u>177,468,659</u>	<u>95,760,560</u>
<b>ADVANCE AGAINST FUTURE ISSUE OF SHARE CAPITAL</b>				<b>INVESTMENTS</b>			
		2,660,568	74,618,355		13	106,258,602	-
<b>WAQF / PARTICIPANTS' EQUITY [PARTICIPANTS' TAKAFUL FUND (PTF)]</b>				<b>LONG-TERM SECURITY DEPOSIT</b>			
Cede money		<u>500,000</u>	-			1,050,000	1,105,500
Reserve for claims – IBNR		7,000	-	<b>CURRENT ASSETS – OTHERS</b>			
Reserve for unearned contribution		1,342,901	-	Contribution due but unpaid – unsecured considered good	14	<u>369,060</u>	-
Reserve for unearned retakaful rebate		108,774	-	Accrued investment income	15	1,819,033	-
Accumulated deficit		<u>(1,930,039)</u>	-	Taxation – payment less provision		1,010,593	-
		28,636	-	Deferred commission expense		73,298	-
			-	Prepayments	16	766,095	1,013,375
			-	Sundry receivables	17	354,974	-
			-	Due from related party		-	2,155,725
			-			<u>4,393,053</u>	<u>3,169,100</u>
<b>UNDERWRITING PROVISIONS</b>							
Provision for outstanding reported claims		346,500	-	<b>FIXED ASSETS – Tangible and intangible</b>			
<b>CREDITORS AND ACCRUALS</b>					18	<u>343,705</u>	-
Amount due to retakaful operators	9	<u>2,057,442</u>	-	Furniture and fixtures		264,236	-
Accrued expenses		537,324	150,860	Office equipment		5,208,211	-
Other creditors and accruals	10	589,780	-	Motor vehicles		1,520,391	-
Due to related party		-	30,006,534	Computer equipments		331,033	-
		<u>3,184,546</u>	<u>30,157,394</u>	Intangible – computer software		6,773,398	-
			-	Capital work-in-progress		<u>14,440,974</u>	<u>-</u>
<b>TOTAL EQUITY AND LIABILITIES</b>				<b>TOTAL ASSETS</b>			
		<u>303,611,288</u>	<u>100,035,160</u>			<u>303,611,288</u>	<u>100,035,160</u>
<b>COMMITMENTS</b>							
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The annexed notes from 1 to 26 form an integral part of these financial statements.

Chairman

Chief Executive

Director

Director

**PAK - QATAR GENERAL TAKAFUL LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Note	Fire and property	Marine, aviation and transport	Motor	Others	2007 Aggregate	2006 Aggregate
	----- (Rupees) -----					
<b>PARTICIPANTS' TAKAFUL FUND (PTF) REVENUE ACCOUNT</b>						
Net contribution revenue	4,451	-	(1,541,413)	8,705	<b>(1,528,257)</b>	-
Net claims – reported	-	-	(385,600)	(6,660)	<b>(392,260)</b>	-
– IBNR	-	-	(7,000)	-	<b>(7,000)</b>	-
	-	-	(392,600)	(6,660)	<b>(399,260)</b>	-
	<u>4,451</u>	<u>-</u>	<u>(1,934,013)</u>	<u>2,045</u>	<b><u>(1,927,517)</u></b>	<u>-</u>
Direct expenses	-	-	(5,884)	-	<b>(5,884)</b>	-
Rebate/commission expense – net	8,189	-	(9,457)	4,630	<b>3,362</b>	-
<b>Deficit transferred to participants' equity</b>	<u>12,640</u>	<u>-</u>	<u>(1,949,354)</u>	<u>6,675</u>	<b><u>(1,930,039)</u></b>	<u>-</u>
<b>SHAREHOLDERS' FUND (SHF) REVENUE ACCOUNT</b>						
Management expenses	19	-	(3,803,933)	(1,004,565)	<b>(6,326,678)</b>	(4,690,669)
		<u>-</u>	<u>(3,803,933)</u>	<u>(1,004,565)</u>	<b><u>(6,326,678)</u></b>	<u>(4,690,669)</u>
General and administrative expenses	20				<b>(13,648,919)</b>	(50,000)
					<b>(19,975,597)</b>	(4,740,669)
Investment income					<b>14,805,165</b>	-
Exchange gain					<b>10,164</b>	-
Cede money contributed to the Waqf (PTF)					<b>(500,000)</b>	-
Loss before taxation					<b>(5,660,268)</b>	(4,740,669)
Provision for taxation	21				<b>(8,105)</b>	-
<b>Loss after taxation</b>					<b><u>(5,668,373)</u></b>	<u>(4,740,669)</u>

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PAK - QATAR GENERAL TAKAFUL LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2007

**STATEMENT OF CHANGES IN SHAREHOLDERS' FUND (SHF)**

	<u>Share capital</u>	<u>Revenue reserve</u>	Total
	Issued, subscribed and paid-up	Accumulated loss	
	----- (Rupees) -----		
Issue of share capital	80	-	80
Loss for the year	-	(4,740,669)	(4,740,669)
<b>Balance as at December 31, 2006</b>	<u>80</u>	<u>(4,740,669)</u>	<u>(4,740,589)</u>
Issue of share capital	307,800,000	-	307,800,000
Loss for the year	-	(5,668,373)	(5,668,373)
<b>Balance as at December 31, 2007</b>	<u><b>307,800,080</b></u>	<u><b>(10,409,042)</b></u>	<u><b>297,391,038</b></u>

**STATEMENT OF CHANGES IN WAQF FUND (PTF)**

	Cede money	Reserve for claims - IBNR	Reserve for unearned contribution	Reserve for unearned retakaful rebate	Accumulated deficit	Total
	----- (Rupees) -----					
Transfer from SHF	500,000	-	-	-	-	500,000
Deficit for the year	-	-	-	-	(1,930,039)	(1,930,039)
Transfer from revenue account	-	7,000	1,342,901	108,774	-	1,458,675
<b>Balance as at December 31, 2007</b>	<u><b>500,000</b></u>	<u><b>7,000</b></u>	<u><b>1,342,901</b></u>	<u><b>108,774</b></u>	<u><b>(1,930,039)</b></u>	<u><b>28,636</b></u>

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**PAK - QATAR GENERAL TAKAFUL LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	2007	2006
		---- (Rupees) ----	
<b>OPERATING CASH FLOWS</b>			
<b>(a) Takaful activities</b>			
Contributions received		1,351,391	-
F.I.F. Paid		(11,938)	-
Claims paid		(45,760)	-
Revolving LC Paid to WK Webster (Settlement of foreign Claim)		(254,524)	-
Commission paid		(54,274)	-
Insurance Stamps		(1,280)	-
Other takaful payments (management expenses)		-	-
Net cash inflow from takaful activities		<b>983,615</b>	-
<b>(b) Other operating activities</b>			
Increase in Advance Rent		(1,529,276)	(1,013,375)
PQFTL		827,729	(2,155,725)
Due to Sponsors		-	29,951,767
Accrued Expenses		(55,275)	150,860
Rent Deposit Paid		55,500	(1,105,500)
Deposit Against Fuel (PSO)		(100,450)	-
Management, General & Admin Expenses Paid		(14,320,152)	(4,685,902)
Net cash outflow from other operating activities		<b>(15,121,924)</b>	21,142,125
<b>Total cash inflow / (outflow) from all operating activities</b>		<b>(14,138,309)</b>	21,142,125
<b>INVESTMENT ACTIVITIES</b>			
Profit / return received		13,909,153	-
Payment for investments		(108,197,514)	-
Fixed capital expenditure		(15,791,049)	-
<b>Total cash outflow for investing activities</b>		<b>(110,079,410)</b>	-
<b>FINANCING ACTIVITIES</b>			
Share capital received		203,265,250	80
Advance against issue of share capital		2,660,568	74,618,355
Expenses paid on issue of shares		-	-
Payment to associate		-	-
<b>Total cash inflow from financing activities</b>		<b>205,925,818</b>	74,618,435
<b>Net cash inflow from all activities</b>		<b>81,708,099</b>	95,760,560
Cash at the beginning of the year		<b>95,760,560</b>	-
Cash at the end of the year	12	<b>177,468,659</b>	95,760,560
<b>Reconciliation to consolidated profit and loss account</b>			
Operating cash flows		(14,143,028)	21,142,125
Depreciation & Amortization expenses		(1,284,810)	-
Exchange (Gain)/(Loss)		4,745	(54,767)
Other Income		5,419	-
Cede money		(500,000)	-
Profit on bank deposits		14,805,165	-
(Increase) / decrease in assets		(2,018,236)	4,274,600
Increase / (decrease) in liabilities		(3,121,381)	(30,102,627)
Increase in unearned contribution		(1,342,901)	-
Loss before taxation		<b>(7,590,307)</b>	(4,740,669)
Deficit in participants' equity		(1,930,039)	-
Loss before tax attributable to shareholders		<b>(5,660,268)</b>	(4,740,669)
		<b>(7,590,307)</b>	(4,740,669)

**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.

	Note	2007	2006
		----- (Rupees) -----	
<b>Cash for the purposes of the statement of cash flows consists of :</b>			
<b>Cash and other equivalents</b>			
Cash in hand		81	80
Stamps in hand		<u>4,720</u>	<u>-</u>
		4,801	80
<b>Current and other accounts</b>			
Current accounts		<u>4,027,958</u>	<u>95,760,480</u>
Saving accounts		<u>8,435,901</u>	<u>-</u>
		12,463,859	95,760,480
<b>Deposits maturing within 12 months (encashable on demand)</b>		<u>165,000,000</u>	<u>-</u>
	12	<u>177,468,660</u>	<u>95,760,560</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

Chairman

Chief Executive

Director

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**PAK - QATAR GENERAL TAKAFUL LIMITED**  
**STATEMENT OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Takaful business underwritten inside Pakistan**

	Contributions written	Net contributions	Unearned contribution reserve		Contributions earned	Retakaful ceded	Prepaid retakaful ceded		Retakaful expense	2007 Net contribution revenue	2006 Net contribution revenue
			Opening	Closing			Opening	Closing			
----- (Rupees) -----											
<b>Direct and facultative</b>											
Fire and property	389,002	389,002	-	318,064	70,938	348,235	-	281,748	66,487	4,451	-
Motor	974,679	974,679	-	792,424	182,255	1,723,668	-	-	1,723,668	(1,541,413)	-
Miscellaneous	257,399	257,399	-	232,413	24,986	117,628	-	101,347	16,281	8,705	-
	<u>1,621,080</u>	<u>1,621,080</u>	<u>-</u>	<u>1,342,901</u>	<u>278,179</u>	<u>2,189,531</u>	<u>-</u>	<u>383,095</u>	<u>1,806,436</u>	<u>(1,528,257)</u>	<u>-</u>

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PAK - QATAR GENERAL TAKAFUL LIMITED  
STATEMENT OF CLAIMS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Takaful business underwritten inside Pakistan

	Claims paid	Provision for outstanding reported claims		Claims expense	Retakaful and other recoveries received	Retakaful and other recoveries in respect of outstanding claims		Retakaful and other recoveries revenue	2007 Net claims expense	2006 Net claims expense
		Opening	Closing			Opening	Closing			
----- (Rupees) -----										
<b>Direct and facultative</b>										
Motor	39,100	-	346,500	385,600	-	-	-	-	<b>385,600</b>	-
Miscellaneous	6,660	-	-	6,660	-	-	-	-	<b>6,660</b>	-
	<u>45,760</u>	<u>-</u>	<u>346,500</u>	<u>392,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>392,260</u></b>	<u>-</u>

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**PAK - QATAR GENERAL TAKAFUL LIMITED**  
**STATEMENT OF EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Takaful business underwritten inside Pakistan**

	Commission paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Direct expenses	Takaful expense	Rebate from retakaful operators	2007 Net takaful expense	2006 Net takaful expense
----- (Rupees) -----									
<b>Direct and facultative</b>									
Fire and property	49,257	-	38,995	10,262	-	10,262	18,451	(8,189)	-
Motor	42,119	-	32,662	9,457	5,884	15,341	-	15,341	-
Miscellaneous	1,875	-	1,641	234	-	234	4,864	(4,630)	-
<b>Total</b>	<u>93,251</u>	<u>-</u>	<u>73,298</u>	<u>19,953</u>	<u>5,884</u>	<u>25,837</u>	<u>23,315</u>	<u>2,522</u>	<u>-</u>

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Chief Executive

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**PAK - QATAR GENERAL TAKAFUL LIMITED**  
**STATEMENT OF INVESTMENT INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Income from non-trading investments</b>	<b>2007</b>	<b>2006</b>
	<b>----- (Rupees) -----</b>	
<b>Shareholders' Fund (SHF)</b>		
Profit on bank balances and deposits	<b>8,318,242</b>	-
Gain on sale of investments	<b>5,029,913</b>	-
Profit on WAPDA Sukuk Certificates	<b>2,506,995</b>	-
Amortization of premium	<b>(1,049,985)</b>	-
	<b>1,457,010</b>	-
Net investment income	<b><u>14,805,165</u></b>	<b><u>-</u></b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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Chief Executive

Director

Director

**PAK - QATAR GENERAL TAKAFUL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**1. CORPORATE INFORMATION**

Pak - Qatar General Takaful Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on March 15, 2006. The Company has 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 # 203-205, Business Arcade, Block 6, P.E.C.H.S, Karachi. The main business activity of the Company is to undertake takaful business.

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

**2. BASIS OF PREPARATION**

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

These financial statements reflect the financial position and results of operations of both the Company and PTF in a manner that the assets, liabilities, income and expenses of the Company and PTF remain separately identifiable. For this purpose, the receivables and payables between the Company and PTF have been eliminated.

**3. STATEMENT OF COMPLIANCE**

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

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

**4. BASIS OF MEASUREMENT**

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

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5.1. Provision for reported claims**

PTF maintains provision in respect of all known claims against losses incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a takaful contract. The provision includes any claims that are incurred before the balance sheet date but reported subsequently to the Company up to the date of preparation of financial statements. The provision for claims includes expected claim settlement costs.

**5.2. Reserve for claim – Incurred But Not reported (IBNR)**

Reserve for claims - IBNR is made at the estimated cost of settling claims incurred but not reported at the balance sheet date on the basis of past trends and management's judgment.

**5.3. Reserve for unearned contribution**

The unearned portion of contribution income is set aside as a reserve. Such reserve is calculated as a portion of the gross contribution of each policy relating to the unexpired period of coverage. The Company has opted for the 1/24<sup>th</sup> method to calculate reserve for unearned premium as specified in the SEC (Insurance) Rules, 2002.

**5.4. Deficiency reserve**

Deficiency reserve is maintained where the unearned contribution for any class of business is not sufficient to cover the net liability expected to be incurred after the balance sheet date in respect of the policies in that class of business. Any movement in the reserve is to be charged to the profit and loss account.

The management considers that the reserve for the unearned contribution for all classes of the business as at the year end is adequate to meet the expected future liability, after retakaful, for claims and other expenses expected to be incurred after the balance sheet date in respect of policies in force at the balance sheet date.

**5.5. Contingency reserve**

Contingency reserve is maintained, if required, based on the technical estimations.

**5.6. Appropriations**

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

**5.7. Creditors, accruals and provisions**

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

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

**5.8. Investments**

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

**Held-to-maturity**

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

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

**Available-for-sale**

These are investments that do not fall under held to maturity and held for trading categories.

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

**5.9. Retakaful recoveries against outstanding claims**

Receivable against claims from the retakaful operators are recognized as an asset at the same time as the claims which gives rise to the right of recovery are recognized as a liability and are measured at the amount expected to be recovered.

**5.10. Deferred commission expense**

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

**5.11. Prepaid retakaful**

Retakaful expense is recognized using 1/24th method. The portion of retakaful contribution not recognized as an expense is shown as a prepayment.

**5.12. Amount due to / from retakaful operators**

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

**5.13. 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 18 to the financial statements. Depreciation on additions is charged from the month of addition while no depreciation is charged in the month of disposal. Gains and losses on disposals are taken to profit & loss account.

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

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

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

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

**Intangible**

These are stated at cost less accumulated amortisation on and any provision for impairment loss. Depreciation on intangible fixed assets is charged to income applying the straight line method at the rates specified in note 18 to the financial statements after taking into account residual value, if any.

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

**Impairment**

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

**Capital work-in-progress**

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

**5.14. Financial instruments**

Financial assets and financial liabilities other than those arising out of takaful contracts are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities are recognized in the profit and loss account of the current period.

**5.15. Off setting**

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

**5.16. Revenue recognition**

Contribution income under a policy is recognized over the period of takaful, using 1/24<sup>th</sup> method.

Rebate from retakaful operators is recognized at the time of issuance of the underlying takaful policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates.

Administrative surcharge is recognized as contribution at the time of issuance of policies.

Profit on Islamic investment products is recognized on an accrual basis.

Dividend income is recognized when the right to receive the dividend is established.

Gain / loss on sale of available-for-sale investments are included in profit and loss account in the period of sale.

**5.17. Taxation****Current**

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits and rebates available, if any, or one-half of one percent of turnover, whichever is higher.

**Deferred**

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

Deferred tax liabilities are 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.

**5.18. Other management expenses**

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

**5.19. Foreign currencies**

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

**5.20. Wakala and Modarib fees**

The shareholders of the Company manage the general takaful operations for the participants and charge 45% of gross contribution as a Wakala fee to meet the general and administrative expenses.

The shareholders of the Company also manage the participants' investments as a Modarib and charge 40% Modarib's share of the general takaful investment income earned by PTF.

**5.21. Segment reporting**

The company's operating businesses are recognized and managed separately according to the nature of services provided with each segment representing a strategic business unit that serves different markets.

The fire takaful provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

The marine takaful provides coverage against cargo risk, war risk, damages occurred in inland transit and other related perils.

The motor takaful provides comprehensive car coverage, indemnity against third party loss and other related covers.

Miscellaneous takaful provides cover against burglary, loss of cash in safe and cash in transit, money, engineering losses, travel and other coverage.

#### 5.22. Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after deducting the claims paid to them during the year.

#### 5.23. Qard-e-Hasna

Qard-e-Hasna is provided by SHF to PTF in case of deficit in PTF. However, such amount is eliminated while consolidating the financial statements.

### 6. SIGNIFICANT 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:

	<b>Note</b>
Provision for reported claims	5.1
Reserve for claims - IBNR	5.2
Deficiency reserve	5.4
Classification of investments	5.8
Useful lives of assets and method of depreciation	5.13
Deferred taxation	5.17

### 7. ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

<u>Standard or Interpretation</u>	<u>Effective date (accounting periods beginning on or after)</u>
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 - Business Combinations (Revised)	January 01, 2009
IFRIC 11 - Group and Treasury Share Transactions	March 01, 2007
IFRIC 12 - Service Concession Arrangements	January 01, 2008
IFRIC 13 - Customer Loyalty Programs	July 01, 2008
IFRIC 14 - The Limit on Defined Benefit Asset,	January 01, 2008
Minimum Funding Requirements and their Interactions IAS 41 - Agriculture	June 01, 2007

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by the IASB but have not yet been adopted by the Institute of Chartered Accountants of Pakistan or notified by the SECP and hence presently do not form part of the local financial reporting framework:

IFRS 4 - Insurance Contracts  
IFRS 7 - Financial Instruments: Disclosures  
IFRS 8 - Operating Segments

	2007 SHF	2006 SHF
	---- (Rupees) ----	

## 8. SHARE CAPITAL

### 8.1. Authorized share capital

Ordinary shares of Rs. 10/- each.

Number of shares			2007 SHF	2006 SHF
2007	2006		---- (Rupees) ----	
<b>25,000,000</b>	-	At the beginning of the year	<b>250,000,000</b>	-
<b>15,000,000</b>	25,000,000	Increased during the year	<b>150,000,000</b>	250,000,000
<b>40,000,000</b>	25,000,000		<b>400,000,000</b>	250,000,000

### 8.2. Paid-up share capital

Issued, subscribed and paid up capital  
Ordinary shares of Rs. 10/- each fully paid in cash

Number of shares			2007 SHF	2006 SHF
2007	2006		---- (Rupees) ----	
8	-	At the beginning of the year	80	-
<b>30,780,000</b>	8	Issued during the year	<b>307,800,000</b>	80
<b>30,780,008</b>	8		<b>307,800,080</b>	80

### 8.3. Major share holders of the Company are:

	Ordinary shares of Rs. 10/- each	Percentage of Holding
Qatar National Bank	5,000,000	16.25
Qatar Islamic Insurance	3,251,250	10.56
Mr. Masraf Al Rayan	6,000,000	19.50
Fawad Yousuf Securities (Private) Limited	3,078,000	10.00

## 9. ACCRUED EXPENSES

	2007 SHF	2006 SHF
	---- (Rupees) ----	
Legal and professional charges	17,500	-
Rent, rates and electricity	40,062	-
Repair and maintenance	6,882	-
Communications	20,000	-
Printing and stationery	3,993	-
Traveling and entertainment	67,160	-
Advertisement and sales promotion	103,559	-
Auditors remuneration payable	220,000	50,000
Shariah Board remuneration	-	45,585
Others	58,168	55,275
	<b>537,324</b>	150,860



## 13.2. Held-to-maturity

Name of the investee company	Note	2007		2006	
		Number of Certificates	Face value	Cost (Rupees)	Cost (Rupees)
<b>Sukuk Certificates</b>					
WAPDA First Sukuk Certificates	13.2.1	5,000	-	5,000	30,142,020
WAPDA Second Sukuk Certificates	13.2.2	3,000	-	5,000	15,575,239
Karachi Shipyard and Engineering Works	13.2.3	200	-	5,000	1,000,000
				<b>46,717,259</b>	<b>-</b>

13.2.1 These carry profit at the rate of six months KIBOR plus 35 basis points (2006: Nil) receivable semi-annually basis provisional basis with maturity in October 2012. These are backed by the Government of Pakistan's Sovereign guarantee.

13.2.2 These carry profit at the rate of six months KIBOR minus 25 basis points (2006: Nil) receivable semi-annually on provisional basis with maturity in July 2017. These are backed by the Government of Pakistan's Sovereign guarantee.

13.2.3 These carry profit at the rate of six months KIBOR plus 40 basis points (2006: Nil) receivable semi-annually. The principal will be redeemed in eight equal semiannual installments starting from May 2012. These are backed by the Government of Pakistan's Sovereign guarantee.

## 13.3. Details of investments in Mutual Funds

Name of the investee company	2007	2006	2007	2006	2007	2006
	Number of Units		Fair value (Rupees)		Cost (Rupees)	
<b>Units</b>						
United Islamic Income Fund	204,164	-	20,796,954	-	20,560,500	-
United Composite Islamic Fund	247	-	26,515	-	24,603	-
Meezan Islamic Income Fund	743,377	-	38,811,703	-	38,493,716	-
Meezan Islamic Fund	8,050	-	507,501	-	462,524	-
			<b>60,142,673</b>	<b>-</b>	<b>59,541,343</b>	<b>-</b>

13.4. The Company uses net assets value issued by the fund manager at the balance sheet date to determine the fair value of its investment in Mutual funds. Had these investments been measured at fair value as required by International Accounting Standard (IAS)-39, the carrying value of investments and equity of the Company as at December 31, 2007 would have been higher by Rs.601,330/-.

2007  
PTF  
---- (Rupees) ----  
2006  
PTF

## 14. CONTRIBUTION DUE BUT UNPAID – unsecured, considered good

Related party	78,822	-
Others	290,238	-
	<b>369,060</b>	<b>-</b>

	2007			2006		
	PTF	SHF	Total	PTF	SHF	Total
	----- (Rupees) -----					
<b>15. ACCRUED INVESTMENT INCOME</b>						
WAPDA 1 <sup>st</sup> Sukuk certificate	-	528,889	528,889	-	-	-
WAPDA 2nd Sukuk certificate	-	153,742	153,742	-	-	-
Profit receivable on bank balances and deposits	-	1,136,402	1,136,402	-	-	-
	-	<b>1,819,033</b>	<b>1,819,033</b>	-	-	-

**16. PREPAYMENTS**

Prepaid rent	-	304,013	304,013	-	1,013,375	1,013,375
Prepaid takaful contribution	-	78,987	78,987	-	-	-
Prepared retakaful ceded	383,095	-	383,095	-	-	-
	<b>383,095</b>	<b>383,000</b>	<b>766,095</b>	-	<b>1,013,375</b>	<b>1,013,375</b>

**17. SUNDRY RECEIVABLES**

	Note	2007 SHF	2006 SHF
		----- (Rupees) -----	
Security deposits		<b>354,974</b>	-

**18. FIXED ASSETS – tangible and intangible****Operating fixed assets**

Furniture and fixture	18.1	343,705	-
Office equipment	18.1	264,236	-
Motor vehicles	18.1	5,208,211	-
Computers	18.1	1,520,391	-
Computer Software	18.2	331,033	-

**Capital work in progress**

Capital work-in-process	18.3	6,773,398	-
		<b>14,440,974</b>	-

**18.1. Tangible owned assets**

Particulars	Cost			Accumulated depreciation			Book value	Rate (%)
	As at January 01, 2007	Addition / deletion	As at December 31, 2007	As at January 01, 2007	For the year	As at December 31, 2007		
<b>2007</b>	----- (SHF) -----							
	----- (Rupees) -----							
Furniture and fixture	-	387,577	387,577	-	43,872	43,872	343,705	15
Computers	-	1,809,172	1,809,172	-	288,781	288,781	1,520,391	30
Office equipment	-	282,277	282,277	-	18,041	18,041	264,236	15
Motor vehicles	-	6,116,591	6,116,591	-	908,380	908,380	5,208,211	20
	-	<b>8,595,617</b>	<b>8,595,617</b>	-	<b>1,259,074</b>	<b>1,259,074</b>	<b>7,336,543</b>	
<b>2006</b>	-	-	-	-	-	-	-	



**20.1. Auditors' remuneration**

Audit fee	180,000	50,000
Half yearly review	50,000	-
Review of Compliance with Code of Corporate Governance	40,000	-
Other services	60,000	-
Out of pocket	10,900	-
	<b>340,900</b>	<b>50,000</b>

**21. TAXATION**

21.1. The assessment of the Company for the Tax Year 2007 is considered to be deemed assessed.

21.2. The Company is of the view that being the first year of operations, the timing of reversal of deductible temporary differences, mainly comprising of tax losses and credits, cannot be projected, at present, with reasonable certainty. The Company has an unassessed carry forward tax loss amounting Rs. 10,407,316/- Accordingly, deferred tax asset amounting to Rs. 3. 282 million has not been recognized as of the balance sheet date.

21.3. Tax reconciliation has not been prepared on account of tax losses of the Company and non-recognition of deferred tax asset.

**22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

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

	2007			2006		
	Managing Director / CEO	Directors (Rupees)	Executives	Managing Director / CEO	Directors (Rupees)	Executives
Managerial remuneration	2,145,000	-	2,584,812	-	-	-
House rent	965,250	-	1,163,165	-	-	-
Utilities	189,750	-	228,658	-	-	-
Medical expenses	12,925	-	29,191	-	-	-
Others	160,730	-	184,958	-	-	-
	<b>3,473,655</b>	<b>-</b>	<b>4,190,784</b>	<b>-</b>	<b>-</b>	<b>-</b>
Number of persons	<b>1</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>

22.1. The Company has not paid any remuneration to the Directors for the services rendered to the Company.

22.2. The Company also provides some of the executives with Company maintained cars.

22.3. Certain directors have been reimbursed boarding and lodging costs in relation to attending Board meetings of the Company as per Company's policy.

**23. RISK MANAGEMENT****23.1. Liquidity risk**

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

**23.2. Profit / mark-up / yield rate risk**

Profit / mark-up / yield rate risk is the risk of changes in profit / mark-up / yield rates reducing the overall return on mark-up bearing assets. The Company is exposed to profit / mark-up / yield rate risk in respect of bank balances and deposits and held to maturity investments. Effective profit / mark-up / yield rates on such accounts are disclosed in the relevant note.

**23.3. 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 Islamic mutual funds.

**23.4. Credit risk and concentration of credit risk**

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

**23.5. 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

**23.6. 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 pRs.307,800,080/- against the minimum required paid-up capital of Rs.120,000,000/- set by the SECP for the insurance companies / takaful operators for the year ended December 31, 2007

**23.7. Fair value of financial instruments**

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

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values except held-to-maturity and available-for-sale investments whose fair values have been disclosed in note 13 to the financial statements.

**23.8. Retakaful risk**

In common with other takaful companies, in order to minimize the financial exposure arising from large claims, the management (on behalf of PTF), 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 participants and as a result the PTF remains liable for the portion of outstanding claim to the extent that retakaful operator fails to meet the obligation under the retakaful agreements. To minimize its exposure to significant losses from retakaful operator solvencies, the management evaluates the financial condition of its retakaful operators and monitors concentration of credit risk arising from similar geographic regions, activities or economic characteristics of retakaful operators

**24. RELATED PARTIES DISCLOSURES**

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

Relationship	Nature of transactions	2007	2006
		----- (Rupees) -----	
Entities with common directorship	Payment made by related parties on behalf of the company	1,304,556	32,162,259
Major shareholders	Issue of share capital	204,072,500	80
	Advance against future issue of share capital	95,428,250	104,624,889

**25. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on \_\_\_\_\_, 2008 by the Board of Directors of the Company.

**26. GENERAL**

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

Chairman

Chief Executive

Director

Director