

## Our Vision

Providing financial protection to everyone,  
through Takaful.

## Our Mission

### We will:

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

**Core Value** Excellence: Doing things in a manner that in available resources can not be done better.

## Table of Contents

Company Information	03
Notice of the Meeting	05
Chairman Message	06
Directors' Report	07
Statement of Compliance with Code of Corporate Governance	13
Key Financial Data	15
Shariah Audit Report to the Board of Directors	16
Independent Assurance Report	17
Review Report on Code of Corporate Governance	18
Auditors' Report	19
Balance Sheet	20
Profit and Loss Account	22
Statement of changes in shareholders' equity	23
Statement of Cash Flows	24
Revenue Account	26
Statement of Contribution	28
Statement of Claims	29
Statement of Expenses	30
Statement of Investment Income	31
Notes to the Financial Statements	32
Statements under Section 52 (2) of Insurance Ordinance, 2000	52
Pattern of Shareholdings	53
Proxy Form	

## Company Information

### Board of Directors

H. E. Sheikh Ali Bin Abdullah Al-Thani	Chairman
Izzat Muhammad Al-Rashid	Vice Chairman
Pervaiz Ahmed	Chief Executive Officer
Abdul Basit Al-Shaibei	Director
Ali Abdullah Darwesh	Director
Dr. Manfred Dirrheimer	Director
Mark Diab	Director
Said Gul	Director
Chowdhry Muhammad Wasi	Director
Zahid Hussain Awan	Director

### Executive Committee

Izzat Muhammad Al-Rashid	Chairman
Abdul Basit Al-Shaibei	Member
Chowdhry Muhammad Wasi	Member
Said Gul	Member
Mark Diab	Member

### Audit Committee

Chowdhry Muhammad Wasi	Chairman
Said Gul	Member
Zahid Hussain Awan	Member

### Investment Committee

Izzat Muhammad Al-Rashid	Chairman
Abdul Basit Al-Shaibei	Member
Ali Abdullah Darwesh	Member
Mark Diab	Member

### Shariah Board

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

### Chief Financial Officer & Company Secretary

Muhammad Kamran Saleem, LL.B., ACA, FCMA, ACIS

### Registered Office

Room No. 102-105, 1st Floor, Business Arcade, P.E.C.H.S., Block-6, Sharea Faisal, Karachi, Pakistan  
 Phone: + 92 21 4311747-56 Fax: +92 21 4386451  
 Email: info@pakqatar.com.pk Web: www.pakqatar.com.pk

### Branch Offices

**Karachi:** 2nd Floor, B-8, Survey Street No. 35-P/I, Central Commercial Area, Block 7 & 8, Shaheed-e-Millat, K.C.H.S., Tel: (021) 4302984-87  
**Hyderabad:** Plot # B-105/03, Block 15, Railway Housing Society, auto Bhan Road, Latifabad. Tel: (022) 3820385 Fax: (022) 3820389  
**Quetta:** 1st Floor, Taj Centre, Atlas Bank Building, Near Manan Chowk, M.A. Jinnah Road. Tel: (081) 2865560-63 Fax: (081) 2804160  
**Islamabad:** E-104, 4th Floor, Chanab Centre, Blue Area, Jinnah Avenue. UAN: 111-TAKAFUL(825238) Tel: (051) 2804133-40 Fax: (051) 2804160  
**Peshawar:** Office No. 406-410, 4th Floor, City Tower, Block-C, Plot NO. 18-E, University Road. uan: 111-takaful(825238)  
**Kotli (AJK):** 2nd Floor, New Al Barkat Plaza, Hafiz Aslam Road, Shaheed Chowk, Azad Kashmir. Tel: (058660) 48120-22  
**Sialkot:** Suite # B-13, First Floor, Jawad Centre, Defence Road. Cell: 0300-9615389  
**Lahore-1:** Umar Street, 21-Faiz Road, Old Muslim Town. UAN: 111-TAKAFUL(825238) Tel: (042) 5912801-07 Fax: (042) 5912817  
**Lahore-2:** 1-D, Nawab Town, Main Centre, 3rd Floor, Main Raiwand Road, Thokar Niaz Baig. Tel: (042) 5315621-25 Fax: (042) 5315627  
**Faisalabad:** Faisal Centre, 3rd Floor, Sharah-e-Faisal, Peoples Colony-1. Tel: (041) 8556768-73 Fax: (041) 8556774  
**Gujrat:** Tariq Plaza, Adjacent Bundhan Marriage Hall, Rehman Shaheed Road. Tel: (053) 3532451-52  
**Multan:** 1st Floor, Al-Razzak Plaza, Opp. Civil Hospital, Abdali Road. Tel: (061) 4584537-40 Fax: (061) 4584500  
**Gujranwala:** 1st Floor, Trust Plaza, Block-J, Near Jinnah Library, G.T. Road. Tel: (041) 8043107  
**Rahim Yar Khan:** 1st Floor, Zaka Clinic, Opp. MCB Branch, Hospital, Hospital Road. Tel: (068) 5007783

## Company Information

### Management Committee

Pervaiz Ahmed  
M. Kamran Saleem  
Nadya Chandna  
M. Nasir Ali Syed  
Afshan Naqvi  
Saqib Zeeshan  
Muhammad Ahmad  
Fakhri Alam  
Syed Adnan Hasan  
Waqas Ahmad  
Saifuddin Shaikh  
Muneeb Afzal Lone  
Osama J. Usmani

Chief Executive Officer  
Chief Financial Officer & Company Secretary  
Head of Consumer Sales  
Head of Operations  
Head of IT & Systems  
Head of Corporate Sales  
Head of Shariah Compliance & Training  
Head of Participant Benefit & Services  
Head of Marketing  
Head of Underwriting  
Head of Administration  
Head of Internal Audit  
Head of Human Resources

### Underwriting Committee

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

Chairman  
Member  
Member  
Member  
Secretary

### Claims Committee

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

Chairman  
Member  
Secretary  
Member  
Member

### Re-takaful Committee

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

Chairman  
Member  
Member  
Member  
Member  
Member

### Human Resources Committee

Pervaiz Ahmed  
M. Kamran Saleem  
Afshan Naqvi  
M. Nasir Ali Syed  
Osama Javed Usmani

Chairman  
Member  
Member  
Member  
Secretary

### Risk Management Committee

Pervaiz Ahmed  
M. Kamran Saleem  
Afshan Naqvi  
M. Nasir Ali Syed  
Muneeb Afzal Lone  
Saifuddin Shaikh

Chairman  
Member  
Member  
Member  
Secretary  
Member

## Notice of Third Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the third Annual General Meeting of Pak-Qatar Family Takaful Limited (the Company) will be held on Monday, 13 April 2009 at 06:00 P.M. at DANA Club, Doha, Qatar, to transact the following businesses:

### Ordinary Business:

1. To confirm minutes of the Statutory Meeting held on 30th October 2008.
2. To receive, consider and adopt the annual audited financial statements for the year ended 31st December 2008, together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending 31st December 2009 and to fix their remuneration.
4. To consider any other business with the permission of the Chair.

Date: 12 April 2009

By Order of the Board



Place: Doha

**Muhammad Kamran Saleem**  
Company Secretary

### NOTES:

1. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting. In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
2. Members are requested to immediately notify the change in their addresses, if any.
3. The Share Transfer Books of the Company will remain closed from 11th April 2009 to 15th April 2009 (both days inclusive).

## Chairman Message

*Dear Company's Shareholders,*

السلام عليكم ورحمة الله وبركاته

On behalf of the Board of Directors, I whole-heartedly welcome you all to our 3rd Annual General Meeting to review our company's performance and evaluate the financial results for the year ended 31st of December 2008.

Despite tough political and economical conditions in the country, the year 2008 witnessed substantial growth in all areas of operations. The company developed offices in 10 major cities of the country and was able to achieve gross revenue of Rs. 170 million. In Individual Family Takaful Segment, the Company has developed a strong agency structure with manpower of approximately 800 trained Takaful Consultants. This growth is unprecedented in the country i.e., no other Takaful/Insurance company could attain this within its first year of operations.

The company has launched various products designed to meet the needs of various segments of the market. Alhamdulillah, the company now has the capability to launch new products and services driven by the consumer needs with speed and quality.

After laying the strong foundation through a committed and professional management team together with implementation of state-of-the-art business system, the company is focused on strengthening the individual family takaful business, which is very important for the long term survival and growth of the Company. The significant progress was also made to acquire corporate business. A number of respectable institutions entrusted us for their employee benefit plans and the client list is Alhamdulillah growing.

During the year 2009, we would continue to tap the huge untapped potential of the Takaful market in Pakistan. During this process we will be aggressively pursuing our goal of spreading takaful protection among the masses with the enhanced zeal and impetus. All the growth in 2008 was achieved without any spending on advertisement. The management did a good job to make our presence felt in the market as well as among competitors. But now is the time to support management with advertisement and sales promotions. We will Insha-Allah be making a corporate launch of the company in 2nd quarter of this year.

In the end, I would like to express my gratitude for the trust you placed in us during this period. We all understand that your investment in Pak-Qatar is not meant for a short-lived goal but rather a long-term initiative that will reap benefits over the passing of time. I can and do assure you that these benefits are worth waiting for.

I hope and pray that Allah (azza wa jall) will give your company and its management the strength, wisdom and commitment to achieve the vision we had set for Pak-Qatar. Ameen.



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

## Directors' Report

Dear Shareholders,

The Board of Directors of Pak-Qatar Family Takaful Limited is pleased to present the Third Annual Report and Audited Financial Statements of the Company together with External Auditors' and Shariah Auditors' Reports thereon, for the year ended 31st December 2008.

### 1. Financial Highlights:

During the year ended 31 December 2008, the financial results have been as under:

	Aggregate	
	2008	2007
	Rupees	
<b>Investment Income not attributable to statutory funds</b>		
Return on Government securities	12,866,512	2,191,993
Return on other income securities	1,180,118	-
Amortization of premium on Government Securities	(1,484,638)	-
Amortization of discount on other Income Securities	63,272	-
Gain on disposal of investments – available-for-sale	2,586,869	7,676,058
Profit on bank balances and deposits	14,845,268	7,927,485
Dividend income	2,304,289	-
<b>Total investment income of Shareholders' fund</b>	<b>32,361,690</b>	17,795,536
Impairment in value of investment	(23,549,268)	-
<b>Other revenues</b>		
Exchange (loss) / gain	(334,190)	10,540
<b>Total investment income and other revenues</b>	<b>8,478,232</b>	17,806,076
Less: Expenses not attributable to statutory funds	(10,593,752)	(4,512,631)
Contribution towards deficit in shareholders' sub fund	(113,162,658)	(34,713,303)
	<b>(123,756,410)</b>	(39,225,934)
<b>Loss before taxation</b>	<b>(115,278,178)</b>	(21,419,858)
Provision for taxation	(239,779)	(6,337)
Deferred taxation	43,153,020	-
<b>Loss for the year after tax</b>	<b>(72,364,937)</b>	(21,426,195)

## Directors' Report

### 2. Economic Overview

The economy after showing its strengths and potential for the past few years faced a difficult period in 2008 and the high economic growth path was disrupted. Domestic resource mobilization lagged behind investment requirements and delays in structural reforms in core infrastructure sectors resulted in acute power shortages, impacting overall economic performance.

The economy was trapped by the political scenario and deteriorating law and order situation in the country, particularly, during the last quarter of the year 2008. The damage was two-fold: further erosion in the confidence of investors, particularly foreign investors, and the government's inability to resolve political conflicts and disorder in economic activities. However, signs of improvement are now being visible as the Chief Justice has been restored and the two major political parties of the country have resolved their issues amicably. The economy is now getting back on track. The stock market is also being bouncing back and after making bottom side of 4500, the market is now up-surgng and currently the KSE-100 index has crossed the psychological barrier of 7500 points. If this trend continues in the short to medium term, it is expected that the index will cross 10,000 level.

### 3. Industry Overview

Currently there are two Family Takaful and five life insurance companies operating in the country. With a penetration of 03% of the Gross Domestic Product (GDP), Pakistani market is still largely untapped. There is a strong need for halal savings plus protection products in the country. However, being a novel sector, Takaful is experiencing fierce competition from conventional players as they are considering Takaful a threat to their long-term survival.

Overall the Life insurance industry is growing rapidly in Pakistan. In last few years the growth of the industry is more than 30%. Bancassurance is also playing a major role in the growth and the increase in penetration of the market.

Within in its first year of operations, Pak-Qatar has emerged as one of the major players in the market and made its presence felt.

### 4. Performance in 2008

Despite highly uncertain geo-political and global economical conditions, Pak-Qatar Family Takaful made significant progress in all areas of its operations. Since the company was in its first year of operations after getting its license, the management team focused on laying down a solid foundation as well as developing an infrastructure which could be used to reach out to the huge untapped potential of the market. Brief area-wise progress is mentioned below:

#### 4.1 Business performance

During the year 2008, the aggregate annualized contribution amounted to Rs. 170 million. The business combination remained as:

Individual Family	Rs. 95,626,167
Group Family	Rs. 52,563,525
Group Health	Rs. 21,988,886
Total	Rs. 170,178,578

The growth of the Pak-Qatar is unprecedented i.e. no other Takaful/Insurance company was able to achieve these figures in first years of its operations.



## Directors' Report

### 4.2 Products

In April 2008, we launched our Individual Family Takaful Product, and thus made our product range comprehensive for both corporate and individual customers. Following products are in place:

Product	Nature	Target market
Share n' Care Savings Takaful	Investment Linked	Individual Customers looking forward to get the benefit of Takaful protection and to long term investment growth.
ABC Education Takaful	Investment Linked	Individual customers looking forward to save small amount to have the funds available for their children higher education and marriage.
Group Term Takaful	Yearly renewable term Takaful	For the employees of the corporate clientele.
Group Health Takaful	Yearly renewable term Takaful	Takaful For the employees and their dependents.

All products of Pak-Qatar Family Takaful were designed according to the needs of the customers and they are one of the best available in the local and regional market in terms of product features, value for money and servicing standards.

### 4.3 Distribution Network

Pakistan is a huge country with a population of more than 165 million. In order to tap the market potential an efficient and wide spread distribution network is a must. We have expanded our distribution network to 10 major cities with more than 800 Takaful Consultants in a short span of 8 months. Our network is as follows:

City	Number of Consultants
Karachi (Sind)	156
Islamabad	73
Lahore (Punjab)	91
Faisalabad (Punjab)	116
Peshawar(NWFP)	111
Gujrat (Punjab)	37
Kotli (Azad Kashmir)	34
Hyderabad (Sind)	104
Quetta (Baluchistan)	22
Multan (Punjab)	66
<b>Total</b>	<b>810</b>

The management team spent considerable time and efforts to make such a rapid expansion possible. We have high quality human resource and administrative infrastructure available in all major cities. We will continue to build on this foundation.

## Directors' Report

### 4.4 Human Resource and Training

The major strength of Pak-Qatar lies in its human resource. We attracted and retained quality human resources. Special emphasis is given on the hiring and training of qualified and professional staff. The management team is

- Young and energetic
- Committed to promote Islamic Finance
- Experienced & professionally qualified

### 4.5 Information Technology and Business System

Substantial investments have been made in technology. The back-end business system PentaTakaful has been successfully implemented in record time. In addition we have also implemented the Lotus notes e-mailing solution and a Short Messaging Services (SMS) system.

We are now initiating implementation of Enterprise Resource Planning (ERP) to ensure end-to-end solutions for customers and other stakeholders. For this purpose we have finalized SAP Financials with Sidat Hyder Morshed Associates (Private) Limited, being the implementation partner. Moreover, we are the first company in the Takaful/Insurance industry, that has signed for SAP ERP Solution.

The system analysis and blue print of the project is in the process and we hope to go-live with complete integration of business and accounting systems somewhere in the fourth quarter of this year, Insha-Allah.

## 5. The Way Forward- 2009

Despite gloomy economic and political outlook of the region and especially of the country, Pak-Qatar would continue to expand and strengthen its operations. Shariah compliance and product innovation coupled with quality customer services will be our competitive advantage. In order to achieve this in 2009 we will focus on the following activities.

- Expansion of branch network and strengthening of existing ones to generate desirable business volumes.
- Refining and improving operational processes to be able to handle budgeted business volumes efficiently and deliver quality customer services. This would also include pursuing of "Day Two" issues with Pentasoft.
- Introduce at-least three more products for our Individual customers.
- Formally launch Pak-Qatar, as we have not done so yet due to various reasons. We believe that now it is the right time to do so.
- Effective implementation of two module of SAP i.e. Financials and Human Capital Management.
- Exploiting of alternate distribution channels such as BancaTakaful, Community marketing, direct marketing to non-resident Pakistanis outside Pakistan and developing strategic alliances with other distribution companies.

We understand that the targets we have set for ourselves are challenging but we are confident with sheer dedication and with the help of Almighty Allah (SWT), we will achieve it Insha-Allah.

## Directors' Report

### 6. 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.

### 7. Board of Directors:

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

#	Director	Number of meetings attended
1.	Sheikh Ali Bin Abdullah Al-Thani	4
2.	Izzat M. Al-Rashid	3
3.	Abdul Basit Al-Shaibei	3
4.	Mark Diab	2
5.	Ali Abdullah Darwesh	3
6.	Said Gul	6
7.	Chowdhry M. Wasi	6
8.	Zahid Hussain Awan	6
9.	Dr. Manfred Dirrheimer	2
10.	Pervaiz Ahmed	6

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

### 8. 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, as detailed in the listing regulations.
- This was the second year of Company's operations. Hence, the key operating and financial data for the last two years is attached.
- The balance in the provident fund account as at the year-end was Rs. 5,053,376/-.
- No trading in shares has been made by the Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children.

## Directors' Report

### 9. 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.

### 10. Auditors

The present auditors, M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, Karachi, retire and being eligible for reappointment, the Board of Directors of your company has proposed their name, for reappointment as auditors of the company for the year ending 31st December 2009.

### 11. Pattern of Shareholding

The Pattern of shareholdings of the Company is attached.

### 12. Vote of Thanks

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

### 13. 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



**P. Ahmed**  
Chief Executive Officer

Doha: 12 April 2009

## Statement of Compliance with the Code of Corporate Governance For the year ended 31st December 2008

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

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

1. The directors have confirmed that none of them is serving as a director in ten or more listed companies, incorporated in Pakistan.
2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
3. There has been no casual vacancy in the Board.
4. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
7. The meetings of the Board were presided over the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
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. No orientation course for the directors during the year was arranged, however, directors being seasoned bankers, Takaful & investments professionals and experienced businessmen; they are aware of their responsibilities as directors.
10. The Board has approved appointment of CFO and Company Secretary including their remuneration and terms and conditions of employment, as determined by the CEO.
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.

## Statement of Compliance with the Code of Corporate Governance For the year ended 31st December 2008

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed underwriting/ claim settlement/ retakaful committee.
16. The Board has formed an audit committee. It comprises 3 members, of whom all are non-executive directors including the chairman of the committee.
17. The meetings of the committees were held as required in the Code. The terms of reference of the audit committees have been finalized.
18. Internal audit function has been set-up and operational effectively.
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 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.

On behalf of the Board of Directors



**P. Ahmed**  
Chief Executive Officer

## Key Financial Data

	FY 2008	FY 2007
Gross Contribution	129,682,372	1,267,407
<b>REVENUE ACCOUNT</b>		
Contribution-Net of Re-Takaful	116,434,618	1,095,427
Earned Wakala Fee	61,006,507	–
Claims less Re-Takaful	16,109,974	–
Commission & Expenses	40,586,658	17,016
Other Acquisition Cost	43,741,885	2,280,033
General Management Expenses	95,278,583	32,416,254
Investment Income less Impairment	9,739,814	17,795,536
Cede money contributed to Waqf Fund	–	500,000
Other Income	(334,190)	10,540
Loss before tax	(115,278,178)	(21,419,858)
Provision for tax	42,913,241	(6,337)
Loss After Tax	(72,364,937)	(21,426,195)
<b>BALANCE SHEET</b>		
Investments	240,437,100	179,278,184
Cash & Bank balances	84,327,310	208,641,477
Deferred Tax Asset	43,153,020	–
Other Assets	71,261,473	8,864,591
Fixed Assets	114,145,816	40,503,962
Issued, subscribed & paid up capital	532,971,670	451,672,080
Advance against future issue of Share Capital	1,660,742	1,660,742
Accumulated surplus/(loss)	(101,816,799)	(27,351,864)
Balance of Statutory Funds	49,109,938	1,595,427
<b>Other Liabilities</b>	<b>71,399,168</b>	<b>9,711,829</b>



## Shariah Audit Report to the Board of Directors

We have examined the accompanying financial statements of **Pak-Qatar Family Takaful Limited** ("the Company") for the year ended 31st December 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The scope of our audit primarily involves the review of Company's compliance with the Shariah Guidelines. An audit includes examining the appropriate evidence of the transactions undertaken by the Company during the year 2008. Furthermore, we have reviewed the External Shariah Audit report for the year ended 31st December 2008. The audit and report were conducted and prepared by Ford Rhodes Sidat Hyder & Co., Chartered Accountants.

In our opinion and to the best of our information and belief and according to the explanations given to us:

- (i) The transactions undertaken by the Company, during the year ended 31st December 2008, were in accordance with the guidelines prescribed by the Shariah and confirm with the requirements of Takaful Rules, 2005; and
- (ii) The Company was, in all transactional respects, in compliance with the Shariah Principles. Further, we also concur with the accounting policies adopted for incorporation of Participant Takaful Fund (Waqf Fund) into the accompanying financial statements.

On behalf of Shariah Board

**Dr. Ismatullah**

Member of Shariah Advisory Board

**Mufti Muhammad Hassaan Kaleem**

Member of Shariah Advisory Board

Karachi:  
2nd April, 2009





## Independent Assurance Report to the management of Takaful Company in respect of Company's compliance with the Shariah Rules and Principles

We have performed an independent assurance engagement of Pak Qatar Family Takaful Limited (the Company) to ensure that the Company has complied with the Shariah rules and principles as prescribed by the Shariah Board of the Company and the Takaful Rules 2005, during the year ended 31st December 2008.

### 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 Board and the Takaful Rules, 2005.

### 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 Board and the Takaful Rules, 2005.
- 3.2 The procedures selected by us for the engagement depended on our judgement, 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 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 Board and management of the Company entailing certain Shariah issues. Nevertheless, we were informed that it was the opinion of the Shariah Board that such matters have no materially adverse Shariah compliance effect.

### 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 Board 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 Board and the Takaful Rules, 2005.

### 5. Our Opinion

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended 31st December 2008, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Board and the Takaful Rules, 2005.

*Feroz Ahmad Sedat Hyder & Co*

Chartered Accountants

Karachi:  
12 April, 2009



## Review Report to the members on Statement of Compliance with best practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended December 31st, 2008 prepared by the Board of Directors of Pak Qatar Family Takaful Limited (the Company) to comply with the Best Practices of the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company, for the year ended December 31, 2008.

*Ford Rhodes Sidat Hyder & Co.*

Chartered Accountants

Karachi:  
12 April, 2009

## Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Pak – Qatar Family Takaful Limited** as at **31st December 2008** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000, and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly in all material respects, the state of the Company's affairs as at **31 December 2008** and of its financial performance, changes in equity and cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- (e) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

*Ford Rhodes Sidat Hyder & Co.*  
CHARTERED ACCOUNTANTS

KARACHI:  
12 April, 2009

## Balance Sheet as at December 31, 2008

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2008	2007
(Rupees)						
<b>Share capital and reserves</b>	8					
Authorized share capital	600,000,000	-	-	-	600,000,000	600,000,000
Issued, subscribed and paid-up share capital	532,971,670	-	-	-	532,971,670	451,672,080
Accumulated deficit	(101,816,799)	-	-	-	(101,816,799)	(27,351,864)
<b>Net Shareholders' equity</b>	431,154,871	-	-	-	431,154,871	424,320,216
<b>Advance against future issue of share capital</b>	1,660,742	-	-	-	1,660,742	1,660,742
<b>Balance of Statutory funds</b>						
Cede money – Waqf	-	-	500,000	-	500,000	500,000
Participant Investment Fund	-	27,252,791	-	-	27,252,791	-
Participant Takaful Fund – Waqf	-	810,440	12,008,371	3,382,995	16,201,806	1,095,427
Shareholders sub fund	5,155,341	-	-	-	5,155,341	-
	5,155,341	28,063,231	12,508,371	3,382,995	49,109,938	1,595,427
<b>Creditors and accruals</b>						
Outstanding claims	-	-	2,064,400	1,649,394	3,713,794	-
Contributions received in advance	-	5,726,377	1,545,648	284,580	7,556,605	3,902
Amount due to re-takaful operator(s)	-	986,807	12,419,734	-	13,406,541	171,980
Amounts due to agents	11,499,356	-	-	-	11,499,356	-
Creditors, accruals and other liabilities	12,280,527	-	-	-	12,280,527	9,515,947
Interfund – payable	4,374,897	13,523,773	1,440,081	3,603,594	22,942,345	20,000
	28,154,780	20,236,957	17,469,863	5,537,568	71,399,168	9,711,829
<b>Total liabilities</b>	33,310,121	48,300,188	29,978,234	8,920,563	120,509,106	11,307,256
<b>Total equity and liabilities</b>	466,125,734	48,300,188	29,978,234	8,920,563	553,324,719	437,288,214

### Commitments

11



Chairman



Chief Executive



Director



Director

## Balance Sheet as at December 31, 2008

Note	Shareholders' Fund	Statutory Funds			Aggregate		
		Individual Family	Group Family	Group Health	2008	2007	
(Rupees)							
<b>Cash and bank deposits</b>	12						
Cash and others	852,836	-	-	-	852,836	221,232	
Current and other accounts	17,736,444	17,215,186	2,802,861	719,983	38,474,474	33,420,245	
Deposits maturing within 12 months	45,000,000	-	-	-	45,000,000	175,000,000	
	63,589,280	17,215,186	2,802,861	719,983	84,327,310	208,641,477	
Unsecured advances to employees	692,193	-	-	-	692,193	-	
<b>Investments</b>	13						
Government securities	118,287,096	27,500,000	5,000,000	5,000,000	155,787,096	64,271,734	
Other income securities	50,183,272	-	-	-	50,183,272	-	
Open-end mutual fund - units	28,514,944	-	884,962	-	29,399,906	115,006,450	
Listed equities	4,213,476	853,350	-	-	5,066,826	-	
	201,198,788	28,353,350	5,884,962	5,000,000	240,437,100	179,278,184	
<b>Long-term security deposits</b>		7,268,967	-	-	7,268,967	3,206,040	
<b>Deferred Tax Asset</b>	14	43,153,020	-	-	43,153,020	-	
<b>Current assets - Other</b>							
Contribution due but unpaid - considered Good	15	-	-	9,714,901	2,770,721	12,485,622	352,842
Investment income accrued	6,168,227	597,574	180,756	160,190	7,106,747	3,140,727	
Amounts due from re-takaful	-	-	9,423,604	-	9,423,604	-	
Taxation - payments less provisions	3,766,824	-	-	-	3,766,824	1,029,455	
Prepayments	6,723,910	-	-	-	6,723,910	584,802	
Other receivable	851,261	-	-	-	851,261	530,725	
Interfund - receivable	18,567,448	2,134,078	1,971,150	269,669	22,942,345	20,000	
	36,077,670	2,731,652	21,290,411	3,200,580	63,300,313	5,658,551	
<b>Fixed assets - Tangible and intangible</b>	16						
Furniture and fixtures	5,681,213	-	-	-	5,681,213	4,316,962	
Building improvements	40,534,781	-	-	-	40,534,781	-	
Office equipment	9,382,775	-	-	-	9,382,775	2,752,916	
Motor vehicles	21,870,687	-	-	-	21,870,687	9,552,436	
Computer equipments	5,121,224	-	-	-	5,121,224	3,474,796	
Capital work-in-progress	4,267,448	-	-	-	4,267,448	19,995,952	
Intangible - computer software	27,287,688	-	-	-	27,287,688	410,900	
	114,145,816	-	-	-	114,145,816	40,503,962	
<b>Total assets</b>	466,125,734	48,300,188	29,978,234	8,920,563	553,324,719	437,288,214	



Chairman



Chief Executive



Director



Director

## Profit and Loss Account For the year ended December 31, 2008

Note	Aggregate	
	2008	2007
	Rupees	
<b>Investment Income not attributable to statutory funds</b>		
Return on Government securities	12,866,512	2,191,993
Return on other income securities	1,180,118	-
Amortization of premium on Government Securities	(1,484,638)	-
Amortization of discount on other Income Securities	63,272	-
Gain on disposal of investments – available-for-sale	2,586,869	7,676,058
Profit on bank balances and deposits	14,845,268	7,927,485
Dividend income	2,304,289	-
<b>Total investment income of Shareholders' fund</b>	<b>32,361,690</b>	<b>17,795,536</b>
Impairment in value of investment	(23,549,268)	-
<b>Other revenues</b>		
Exchange (loss) / gain	(334,190)	10,540
<b>Total investment income and other revenues</b>	<b>8,478,232</b>	<b>17,806,076</b>
Less: Expenses not attributable to statutory funds	17 (10,593,752)	(4,512,631)
Contribution towards deficit in shareholders' sub fund	(113,162,658)	(34,713,303)
	(123,756,410)	(39,225,934)
<b>Loss before taxation</b>	<b>(115,278,178)</b>	<b>(21,419,858)</b>
Provision for taxation	18 (239,779)	(6,337)
Deferred taxation	14 43,153,020	-
<b>Loss for the year after tax</b>	<b>(72,364,937)</b>	<b>(21,426,195)</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

## Statement of Changes in Equity For the year ended December 31, 2008

	Share Capital	Net accumulated deficit			Total
		Accumulated deficit	Capital contribution to statutory funds Rupees	Net accumulated deficit	
<b>Statement of changes in Shareholders' fund (SHF)</b>					
<b>Balance as at January 1, 2007</b>	80	(5,925,669)	–	(5,925,669)	<b>(5,925,589)</b>
Issue of share capital	451,672,000	–	–	–	<b>451,672,000</b>
Loss for the year	–	(21,426,195)	–	(21,426,195)	<b>(21,426,195)</b>
<b>Balance as at December 31, 2007</b>	451,672,080	(27,351,864)	–	(27,351,864)	<b>424,320,216</b>
Issue of share capital	81,299,590	–	–	–	<b>81,299,590</b>
Loss for the year	–	(72,364,937)	–	(72,364,937)	<b>(72,364,937)</b>
Capital contributed to shareholders' sub fund	–	–	(2,099,998)	(2,099,998)	<b>(2,099,998)</b>
<b>Balance as at December 31, 2008</b>	532,971,670	(99,716,801)	(2,099,998)	(101,816,799)	<b>431,154,871</b>

	Cede money	Technical reserves	Accumulated surplus / (loss) Rupees	Qarad-e-Hasana Contribution	Total
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### Statement of changes in Participants' Takaful Fund (PTF)

#### Balance as at January 01, 2007

Transfer from SHF	500,000	–	–	–	<b>500,000</b>
Surplus during the year	–	–	3,893	–	<b>3,893</b>
Transfer to reserves	–	1,091,534	–	–	<b>1,091,534</b>
<b>Balance as at December 31, 2007</b>	500,000	1,091,534	3,893	–	<b>1,595,427</b>
Loss during the year	–	–	(1,969,642)	–	<b>(1,969,642)</b>
Qard-e-Hasna contributed from shareholders' fund	–	–	–	2,099,998	<b>2,099,998</b>
Transfer to reserves	–	14,976,023	–	–	<b>14,976,023</b>
<b>Balance as at December 31, 2008</b>	500,000	16,067,557	(1,965,749)	2,099,998	<b>16,701,806</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

## Statement of Cash Flows

### For the year ended December 31, 2008

	Statutory Funds			Aggregate		
	Shareholders' Fund	Individual Family	Group Family	Group Health	2008	2007
Rupees						
<b>OPERATING CASH FLOWS</b>						
<b>(a) Takaful activities</b>						
Contributions received	46,268,610	34,771,329	30,695,176	13,367,180	125,102,295	918,467
Claim Paid	-	-	(13,962,483)	(7,857,301)	(21,819,784)	-
Commission paid	(29,087,302)	-	-	-	(29,087,302)	(17,016)
<b>Net cash inflow from takaful activities</b>	<b>17,181,308</b>	<b>34,771,329</b>	<b>16,732,693</b>	<b>5,509,879</b>	<b>74,195,209</b>	<b>901,451</b>
<b>(b) Other operating activities</b>						
Income tax paid	(4,012,940)	-	-	-	(4,012,940)	(1,035,792)
General management expenses paid	(122,018,261)	(503,513)	(8,461,274)	(1,125,212)	(132,108,260)	(27,492,271)
Other operating payments	-	-	-	-	-	(2,134,724)
Loan Advanced	(692,193)	-	-	-	(692,193)	-
Long term deposits	(4,062,927)	-	-	-	(4,062,927)	-
Payment to associated undertaking	-	-	-	-	-	(883,004)
Other operating receipts	3,610,355	-	-	-	3,610,355	-
Interfund receivables / payables	(11,765,922)	10,865,922	-	900,000	-	-
<b>Net cash outflow from other operating activities</b>	<b>(138,941,888)</b>	<b>10,362,409</b>	<b>(8,461,274)</b>	<b>(225,212)</b>	<b>(137,265,965)</b>	<b>(31,545,791)</b>
<b>Net cash (outflow) / inflow from all operating activities</b>	<b>(121,760,580)</b>	<b>45,133,738</b>	<b>8,271,419</b>	<b>5,284,667</b>	<b>(63,070,756)</b>	<b>(30,644,340)</b>
<b>Investing Activities</b>						
Profit / return received	25,081,849	1,490,892	92,975	70,801	26,736,517	7,821,260
Rentals received	2,260,289	66,000	-	-	2,326,289	-
Payments for investments	(142,861,450)	(30,186,873)	(7,000,000)	(5,000,000)	(185,048,323)	(295,645,000)
Proceeds from disposal of investments	100,610,568	711,429	-	-	101,321,997	122,669,640
Fixed capital expenditure	(87,879,481)	-	-	-	(87,879,481)	(42,553,615)
<b>Net cash outflow from investing activities</b>	<b>(102,788,225)</b>	<b>(27,918,552)</b>	<b>(6,907,025)</b>	<b>(4,929,199)</b>	<b>(142,543,001)</b>	<b>(207,707,715)</b>
<b>Financing Activities</b>						
Advance received for issue of share capital	-	-	-	-	-	241,868,720
Proceed from issue of share capital	81,299,590	-	-	-	81,299,590	-
Other payments to statutory funds	-	-	-	-	-	20,000
Qard-e-Hasana payments from SHF to statutory funds	(364,515)	-	-	364,515	-	-
<b>Net cash inflow from financing activities</b>	<b>80,935,075</b>	<b>-</b>	<b>-</b>	<b>364,515</b>	<b>81,299,590</b>	<b>242,388,720</b>
<b>Net cash (outflow) / inflow from all activities</b>	<b>(143,613,730)</b>	<b>17,215,186</b>	<b>1,364,394</b>	<b>719,983</b>	<b>(124,314,167)</b>	<b>4,036,717</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>207,203,010</b>	<b>-</b>	<b>1,438,467</b>	<b>-</b>	<b>208,641,477</b>	<b>204,604,812</b>
<b>Cash and cash equivalents at end of the year</b>	<b>63,589,280</b>	<b>17,215,186</b>	<b>2,802,861</b>	<b>719,983</b>	<b>84,327,310</b>	<b>208,641,529</b>



## Statement of Cash Flows For the year ended December 31, 2008

	Aggregate	
	2008	2007
	Rupees	
<b>OPERATING CASH FLOWS</b>		
Reconciliation to Profit and Loss Account		
Operating cash flows	(63,070,756)	(31,409,039)
Depreciation expense	(9,507,088)	(1,992,163)
Amortization expense	(4,730,539)	-
Tax paid	4,012,940	-
Provision for taxation	(239,779)	(57,489)
Deferred Tax	43,153,020	-
Financial charges expense	(334,190)	-
Increase/(decrease) in assets other than cash	55,693,493	1,724,811
(Increase)/decrease in liabilities other than running finance	(107,323,465)	(7,375,244)
Revaluation adjustment	(25,852,309)	1,031
Amortization of investment	(1,421,366)	-
Investment income	37,255,102	16,660,294
Deficit of statutory funds	113,162,658	-
(Deficit) appropriated to shareholders fund	(113,162,658)	-
Loss after taxation	<u>(72,364,937)</u>	<u>(22,447,799)</u>

### 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	2008	2007
		Rupees	
<b>Cash for the purposes of the statement of cash flows consists of :</b>			
<b>Cash and other equivalents</b>			
Cash in hand		355,177	219,172
Stamps in hand		497,659	2,060
		<b>852,836</b>	221,232
<b>Current and other accounts</b>			
Current accounts		1,457,059	21,847,942
Saving accounts		37,017,415	11,572,303
		<b>38,474,474</b>	33,420,245
<b>Deposits maturing within 12 months (encashable on demand)</b>			
		<b>45,000,000</b>	175,000,000
	12	<u><b>84,327,310</b></u>	<u>208,641,477</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chairman

  
Chief Executive

  
Director

  
Director

## Revenue Account For the year ended December 31, 2008

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2008	2007
	Rupees				
<b>Participant investment fund (PIF)</b>					
Income					
Allocated Contribution	26,838,326	-	-	26,838,326	-
Net investment income	938,238	-	-	938,238	-
<b>Total net income</b>	<b>27,776,564</b>	<b>-</b>	<b>-</b>	<b>27,776,564</b>	<b>-</b>
Less: Takaful Operators' fee charges	523,773	-	-	523,773	-
<b>Total claims and expenditure</b>	<b>523,773</b>	<b>-</b>	<b>-</b>	<b>523,773</b>	<b>-</b>
<b>Excess of income over claims and expenditure</b>	<b>27,252,791</b>	<b>-</b>	<b>-</b>	<b>27,252,791</b>	<b>-</b>
Add: Technical reserves at the beginning of the year	-	-	-	-	-
Less: Technical reserves at the end of the year	27,252,791	-	-	27,252,791	-
<b>Surplus / (deficit )</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Movement in technical reserves</b>	<b>27,252,791</b>	<b>-</b>	<b>-</b>	<b>27,252,791</b>	<b>-</b>
<b>Balance of PIF at the beginning of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance of PIF at the end of the year</b>	<b>(a) 27,252,791</b>	<b>-</b>	<b>-</b>	<b>27,252,791</b>	<b>-</b>
<b>Participants' Takaful Fund (PTF)</b>					
Income					
Contribution net off re-takaful	1,219,819	26,267,735	15,853,321	43,340,875	1,095,427
Net investment income	94,134	(588,639)	483,659	(10,846)	-
	1,313,953	25,679,096	16,336,980	43,330,029	1,095,427
<b>Less: Claims and expenditures</b>					
Claim net of re-takaful recoveries	-	6,603,279	9,506,695	16,109,974	-
Takaful Operators' fee	503,513	9,881,355	3,828,806	14,213,674	-
<b>Total claims and expenditure</b>	<b>503,513</b>	<b>16,484,634</b>	<b>13,335,501</b>	<b>30,323,648</b>	<b>-</b>
<b>Excess of income over claims and expenditure</b>	<b>810,440</b>	<b>9,194,462</b>	<b>3,001,479</b>	<b>13,006,381</b>	<b>1,095,427</b>
Add: Technical reserves at the beginning of the year	-	1,091,534	-	1,091,534	-
Less: Technical reserves at the end of the year	676,191	12,008,371	3,382,995	16,067,557	1,091,534
<b>Surplus / (deficit ) before distribution</b>	<b>134,249</b>	<b>(1,722,375)</b>	<b>(381,516)</b>	<b>(1,969,642)</b>	<b>3,893</b>
<b>Movement in technical reserves</b>	<b>676,191</b>	<b>10,916,837</b>	<b>3,382,995</b>	<b>14,976,023</b>	<b>1,091,534</b>
Qard-e-Hasna contributed from shareholders' fund	-	1,718,482	381,516	2,099,998	-
<b>Balance of PTF at the beginning of the year</b>	<b>-</b>	<b>1,095,427</b>	<b>-</b>	<b>1,095,427</b>	<b>-</b>
<b>Balance of PTF at the end of the year</b>	<b>(b) 810,440</b>	<b>12,008,371</b>	<b>3,382,995</b>	<b>16,201,806</b>	<b>1,095,427</b>
<b>Total</b>	<b>(a+b) 28,063,231</b>	<b>12,008,371</b>	<b>3,382,995</b>	<b>43,454,597</b>	<b>1,095,427</b>

## Revenue Account For the year ended December 31, 2008

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2008	2007
	<b>Rupees</b>				
<b>Shareholders' sub fund</b>					
Income					
Takaful Operators' Fee	47,295,896	9,881,355	3,828,806	61,006,057	-
<b>Less: Expenditures</b>					
Net commission expenses	39,588,923	717,600	280,135	40,586,658	17,016
Other acquisition expenses	35,067,283	4,826,595	3,848,007	43,741,885	2,280,033
Management expenses	29,208,063	22,784,714	32,692,054	84,684,831	32,416,254
<b>Total expenditures</b>	103,864,269	28,328,909	36,820,196	169,013,374	34,713,303
<b>Excess of expenditure over income</b>	(56,568,373)	(18,447,554)	(32,991,390)	(108,007,317)	(34,713,303)
Add: Technical reserves at the beginning of the year	-	-	-	-	-
Less: Technical reserves at the end of the year	106,426	4,148,078	900,837	5,155,341	-
<b>Deficit</b>	(56,674,799)	(22,595,632)	(33,892,227)	(113,162,658)	(34,713,303)
<b>Contribution towards deficit from shareholders' fund (Refer note 5.1)</b>	56,674,799	22,595,632	33,892,227	113,162,658	34,713,303
<b>Balance of operator's fund at the beginning of the year</b>	-	-	-	-	-
<b>Balance of operator's fund at the end of the year</b>	-	-	-	-	-
<b>Movement in technical reserves</b>	106,426	4,148,078	900,837	5,155,341	-
<b>Transfers (to) / from shareholders fund</b>					
Qard-e-Hasna received from shareholders' fund	-	1,718,482	381,516	2,099,998	-
Qard-e-Hasna contributed to Participant Takaful Fund	-	(1,718,482)	(381,516)	(2,099,998)	-
<b>Net transfer (to) / from shareholders' fund</b>	-	-	-	-	-
<b>Balance of shareholders' sub fund at the beginning of the year</b>	-	-	-	-	-
<b>Balance of shareholders' sub fund at the end of the year</b>	(c) 106,426	4,148,078	900,837	5,155,341	-
<b>Balance of Funds at the end of the year</b>	(a+b+c) 28,169,657	16,156,449	4,283,832	48,609,938	1,095,427
<b>Represented by: (Note 9)</b>					
<b>Participants' Investment Fund</b>					
Technical reserves for PIF	27,252,791	-	-	27,252,791	-
Accumulated surplus - PIF	27,252,791	-	-	27,252,791	-
<b>Participants' Takaful Fund</b>					
Accumulated surplus / (deficit) - PTF	134,249	(1,718,482)	(381,516)	(1,965,749)	3,893
Qard-e-Hasna contributions	-	1,718,482	381,516	2,099,998	-
Technical reserves for Participants' Takaful Fund	676,191	12,008,371	3,382,995	16,067,557	1,091,534
	810,440	12,008,371	3,382,995	16,201,806	1,095,427
<b>Shareholders' sub Fund</b>					
Technical reserves for shareholders' sub fund	106,426	4,148,078	900,837	5,155,341	-
Accumulated surplus - shareholders' sub fund	-	-	-	-	-
	106,426	4,148,078	900,837	5,155,341	-
<b>Balance of Funds at the end of the year</b>	28,169,657	16,156,449	4,283,832	48,609,938	1,095,427

The annexed notes from 1 to 23 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

## Statement of Contribution For the year ended December 31, 2008

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2008	2007
	Rupees				
<b>Gross Contributions</b>					
Regular contribution individual schemes					
First year	61,981,438	-	-	61,981,438	-
Top up contribution under individual schemes	13,332,124	-	-	13,332,124	-
Group schemes without cash values	-	38,515,489	15,853,321	54,368,810	1,267,407
<b>Total Gross Contribution</b>	<b>75,313,562</b>	<b>38,515,489</b>	<b>15,853,321</b>	<b>129,682,372</b>	<b>1,267,407</b>
<b>Gross contribution allocated as follows:</b>					
<b>Participants' Investment Fund (PIF)</b>					
Allocated regular contribution	14,172,808	-	-	14,172,808	-
Allocated top up contribution	12,665,518	-	-	12,665,518	-
<b>Total allocated contribution of – PIF</b>	<b>26,838,326</b>	<b>-</b>	<b>-</b>	<b>26,838,326</b>	<b>-</b>
<b>Participants' Takaful Fund (PTF)</b>					
<b>Gross Contribution</b>					
First year regular contribution individual schemes	2,206,626	-	-	2,206,626	-
Group schemes without cash values	-	38,515,489	15,853,321	54,368,810	1,267,407
	2,206,626	38,515,489	15,853,321	56,575,436	1,267,407
<b>Less: Re-Takaful ceded</b>					
On first year regular contribution under individual scheme	(986,807)	-	-	(986,807)	-
On group schemes without cash values	-	(12,247,754)	-	(12,247,754)	(171,980)
	(986,807)	(12,247,754)	-	(13,234,561)	(171,980)
<b>Net risk Contribution of Participant Takaful Fund</b>	<b>1,219,819</b>	<b>26,267,735</b>	<b>15,853,321</b>	<b>43,340,875</b>	<b>1,095,427</b>
<b>Shareholders' Sub-Fund</b>					
Un-allocated regular contribution	45,602,004	-	-	45,602,004	-
Un-allocated top up contribution	666,606	-	-	666,606	-
<b>Total un-allocated contribution</b>	<b>46,268,610</b>	<b>-</b>	<b>-</b>	<b>46,268,610</b>	<b>-</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chairman

  
Chief Executive

  
Director

  
Director

## Statement of Claims For the year ended December 31, 2008

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2008	2007
	Rupees				
<b>Gross Claims</b>					
Claims under individual schemes	-	-	-	-	-
Claims under group policies	-	16,026,883	9,506,695	25,533,578	-
<b>Total Gross Claims</b>	-	16,026,883	9,506,695	25,533,578	-
<b>Gross Claims allocated as follows:</b>					
<b>Participants' Takaful Fund (PTF)</b>					
- by death	-	14,927,510	-	14,927,510	-
- by event other than death	-	1,099,373	9,506,695	10,606,068	-
<b>Total gross claims under PTF risk fund</b>	-	16,026,883	9,506,695	25,533,578	-
<b>Less: Re-Takaful recoveries on group scheme</b>	-	(9,423,604)	-	(9,423,604)	-
<b>Net Claims</b>	-	6,603,279	9,506,695	16,109,974	-

The annexed notes from 1 to 23 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

## Statement of Expenses For the year ended December 31, 2008

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2008	2007
	Rupees				
<b>Shareholders' sub fund</b>					
<b>Acquisition costs</b>					
<b>Remuneration to takaful intermediaries on individual schemes</b>					
– Commission on first year contribution	39,588,923	–	–	39,588,923	–
<b>Remuneration to takaful intermediaries on group schemes</b>					
– Commission	–	717,600	280,135	997,735	17,016
<b>Branch overheads</b>					
– Salaries, allowances and other benefits	33,520,309	4,567,237	3,736,830	41,824,376	2,277,093
<b>Other acquisition cost</b>					
– Policy stamps	1,546,974	259,358	111,177	1,917,509	2,940
<b>Total acquisition costs</b>	<b>74,656,206</b>	<b>5,544,195</b>	<b>4,128,142</b>	<b>84,328,543</b>	<b>2,297,049</b>
<b>Administrative expenses</b>					
Salaries, allowances and other benefits	10,366,420	6,389,340	9,149,778	25,905,538	11,579,136
Employer's contribution to the provident fund	602,998	377,803	519,710	1,500,511	552,617
Office expenses	199,874	178,459	256,981	635,314	58,856
Training	504,525	450,469	648,675	1,603,669	151,438
Staff welfare	245,519	219,213	315,667	780,399	31,350
Vehicle running	409,131	585,055	805,594	1,799,780	1,242,872
Ijarah rentals	512,591	–	–	512,591	–
Medical fee	252,676	225,604	324,870	803,150	554,128
Traveling	1,183,603	1,056,788	1,521,775	3,762,166	1,507,274
Utilities	496,364	443,182	638,182	1,577,728	405,164
Rental	1,273,922	1,137,430	1,637,900	4,049,252	3,576,963
Communication	1,275,947	1,110,217	1,592,860	3,979,024	792,664
Repairs and maintenance	418,208	373,400	537,696	1,329,304	241,048
Printing and stationary	936,790	836,419	1,204,444	2,977,653	333,042
Software maintenance	991,052	884,869	1,274,211	3,150,132	129,104
Advertisement	2,006,186	1,791,238	2,579,383	6,376,807	915,828
Depreciation	2,661,985	2,376,772	3,422,552	8,461,309	1,773,026
Amortization	1,324,551	1,182,635	1,702,994	4,210,180	51,165
Shariah advisors' fees	388,500	346,875	499,500	1,234,875	1,240,952
Appointed actuary's fees	600,600	536,250	772,200	1,909,050	1,735,500
Legal and professional	167,695	149,728	215,608	533,031	269,148
Consultancy charges	1,206,839	1,077,535	1,551,650	3,836,024	4,240,150
Supervision fees	28,000	25,000	36,000	89,000	89,000
Subscription fees	373,578	333,552	480,314	1,187,444	652,991
Bank charges	17,368	15,506	22,330	55,204	8,982
General takaful	649,812	580,189	835,472	2,065,473	190,272
Miscellaneous other expenses	113,329	101,186	145,708	360,223	93,584
<b>Total</b>	<b>29,208,063</b>	<b>22,784,714</b>	<b>32,692,054</b>	<b>84,684,831</b>	<b>32,416,254</b>
<b>Net management expenses</b>	<b>103,864,269</b>	<b>28,328,909</b>	<b>36,820,196</b>	<b>169,013,374</b>	<b>34,713,303</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.



Chairman



Chief Executive



Director



Director

## Statement of Investment Income and Other Income For the year ended December 31, 2008

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2008	2007
	Rupees				
<b>Investment Income</b>					
<b>Participant investment fund (PIF)</b>					
Government securities	1,611,336	-	-	1,611,336	-
Profit on bank balances and deposits	401,954	-	-	401,954	-
Dividend income	93,500	-	-	93,500	-
Gain on sale of investments	19,451	-	-	19,451	-
Unrealized loss on investments	(1,188,003)	-	-	(1,188,003)	-
	938,238	-	-	938,238	-
<b>Less: Investment expenses</b>					
Investment management charges	-	-	-	-	-
<b>Net investment income of PIF</b>	<b>(a) 938,238</b>	<b>-</b>	<b>-</b>	<b>938,238</b>	<b>-</b>
<b>Participants' Takaful Fund (PTF)</b>					
Government securities	-	403,208	403,208	806,416	-
Other income securities & deposits	94,134	123,191	80,451	297,776	-
	94,134	526,399	483,659	1,104,192	-
Provision for impairment	-	(1,115,038)	-	(1,115,038)	-
<b>Net investment income / (loss) of PTF</b>	<b>(b) 94,134</b>	<b>(588,639)</b>	<b>483,659</b>	<b>(10,846)</b>	<b>-</b>
<b>Takaful Operators' Fund (OF)</b>					
Income from Trading Investments	-	-	-	-	-
Income from Non-Trading Investments	-	-	-	-	-
Less: Provision for impairment in value of investments	-	-	-	-	-
Less: Investment expenses	-	-	-	-	-
<b>Total Net Investment Income of OF</b>	<b>(c) -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net investment Income</b>	<b>(a+b+c) 1,032,372</b>	<b>(588,639)</b>	<b>483,659</b>	<b>927,392</b>	<b>-</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chairman

  
Chief Executive

  
Director

  
Director

## Notes to the Financial Statements For the year ended December 31, 2008

### 1. CORPORATE INFORMATION

Pak-Qatar Family Takaful Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on March 15, 2006. The Company received a Certificate of Registration on August 16, 2007 under Section 6 of the Insurance Ordinance, 2000. The registered office of the Company is situated at Suite # 102-105, Business Arcade, Block 6, P.E.C.H.S, Karachi. The main business activity of the Company is to undertake family takaful business. The Company operates with 15 (2007: Nil) branches in Pakistan.

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

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

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

### 2. BASIS OF PREPARATION

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

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) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 and the requirements of Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, Takaful Rules, 2005, the Companies Ordinance, 1984 and directives issued by the SECP. Wherever the requirements of Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2005 or directives issued by the SECP differ with the requirements of IFRS / IFAS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2005 or said directives shall prevail.

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

### 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except as disclosed in accounting policies relating to investments.



## Notes to the Financial Statements For the year ended December 31, 2008

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 5.1. Statutory funds

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

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

Technical reserves are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Company underwrites. The bases used are applied consistently from year to year.

#### 5.2. Provision for claims

The Incurred But Not Reported Claims Reserve for Group Family Takaful Business is expressed as a percentage of earned contribution.

#### 5.3. Business segment

The Company has three primary business segments for reporting purposes; Individual Family (Unit linked), Group Family and Group Health.

- The individual family (unit linked) segment provides family takaful coverage to individuals under unit based policies issued by the Company.
- The group family 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 Company.
- The group health business segment provides personal accident coverage to individuals and inpatient/outpatient health coverage to business enterprises, corporate entities and common interest groups under group health takaful schemes issued by the Company.

#### 5.4. 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.

#### 5.5. Revenue recognition

##### Contributions

##### *Individual Family*

- First year contributions are recognised once the related policies are issued against receipt of contribution.
- Renewal contributions are recognised once the related policies are renewed against receipt of contribution.
- Single contributions are recognised once the related policies are issued against receipt of contribution.

## Notes to the Financial Statements For the year ended December 31, 2008

### *Group Family*

- Group Family contributions are recognised as and when due. A reserve for unearned contribution is included in the reserve.

### *Group Health*

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

### **Income from investments**

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

### **5.6. Wakala fees**

The shareholders of the Company manage the family takaful operations for the participants and charge a Wakala fee to meet the general and administrative expenses.

The Company acts as wakeel of the Waqf Fund. As such the Company is entitled for the wakala fee for the management of Takaful operation under Waqf Fund to meet its general and administrative expenses. The wakala fee is recognised as and when due. A reserve for unearned wakala fee is maintained in the shareholders' Sub-Fund.

### **5.7. Contribution due but unpaid**

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

### **5.8. Acquisition cost**

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

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

## Notes to the Financial Statements For the year ended December 31, 2008

### 5.9. Claims

#### 5.9.1. Claims expense

Claims are recognised earlier of the policy ceases to participate in the earnings of the funds or the date takaful event occurs. Liability for outstanding claims is recognised in respect of all claims incurred and reported up to the balance sheet date. Claims liability includes amounts in relation to unpaid reported claims.

Reserves for Claims "Incurred but not reported" (IBNR) is included in Technical reserves.

#### 5.9.2. Claims recoveries

Claims recoveries receivable from re-takaful operators are recognised at the same time as the claim which gives rise to the right of recovery and are measured at the amount expected to be recovered.

### 5.10. Investments

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

#### Held-to-maturity

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

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

#### Available-for-sale

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

These are initially measured at cost including acquisition charges associated with the investment. Subsequent to initial recognition, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002. Further, pursuant to circular No. 3 dated February 16, 2009, read with SRO 150(1) dated February 13, 2009 of the SECP, the decline in the fair value of available-for-sale securities as disclosed in note 14 to the financial statements is considered as other than temporary, and accordingly, impairment is recognised against those Securities in the current year's profit and loss account.

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

## Notes to the Financial Statements For the year ended December 31, 2008

### 5.11. 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 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. Amortisation on intangible fixed assets is charged to income applying the straight line method at the rates specified in note 16.3 to the financial statements after taking into account residual value, if any.

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

#### Impairment

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

#### Capital Work-In-Progress

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

#### Assets subject to Ijarah arrangements

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

## Notes to the Financial Statements For the year ended December 31, 2008

### 5.12. 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.

#### 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.

### 5.13. 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.

### 5.14. 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 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.

## Notes to the Financial Statements For the year ended December 31, 2008

### 5.16. 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.

### 5.17. Staff Retirement Benefits

#### Defined Contribution Plan

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

### 5.18. 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

### 5.19. Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account / revenue account, as appropriate.

## 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:

	Note
Computation of technical reserves	5.1
Classification of investments	5.10
Useful lives of assets and method of depreciation	5.11
Deferred taxation	5.12

## Notes to the Financial Statements For the year ended December 31, 2008

### 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 1 - Presentation of Financial Statements (Revised)	01 January 2009
IAS 23 - Borrowings Costs (Revised)	01 January 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	01 January 2009
IAS 32 - Financial Instruments: Presentation (Amendments)	01 January 2009
IFRS 2 - Share-based Payment (Amendments)	01 January 2009
IFRS 3 - Business Combinations (Revised)	01 July 2009
IFRS 4 - Insurance Contracts	01 January 2009
IFRS 7 - Financial Instruments: Disclosures	01 July 2008
IFRS 8 - Operating segments	01 January 2009
IFRIC 13 - Customer Loyalty Programs	01 July 2008
IFRIC 15 - Agreements for the Construction of Real Estate	01 January 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	01 October 2008
IFRIC 17 - Distributions of Non-cash Assets	01 July 2009
IFRIC 18 - Transfers of Assets from Customers	01 July 2009

The Company expects that the adoption of the above standards and interpretations, other than IFRS 4, will have no material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements. In respect of IFRS 4, the Company is currently evaluating the impact on the financial statements for the year ending December 31, 2009.

In addition to the above, amendments to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments on the Company's financial statements for the ensuing periods.

## Notes to the Financial Statements For the year ended December 31, 2008

2008 SHF	2007 SHF
Rupees	

### 8. SHARE CAPITAL

#### 8.1. Authorized share capital

Ordinary shares of Rs. 10/- each.

Number of shares			2008 SHF	2007 SHF
2008	2007			
60,000,000	40,000,000	At the beginning of the year	600,000,000	400,000,000
–	20,000,000	Increased during the year	–	200,000,000
<u>60,000,000</u>	<u>60,000,000</u>		<u>600,000,000</u>	<u>600,000,000</u>

#### 8.2. Issued, subscribed and paid up capital

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

Number of shares			2008 SHF	2007 SHF
2008	2007			
45,167,208	8	At the beginning of the year	451,672,080	80
8,129,959	45,167,200	Issued during the year	81,299,590	451,672,000
<u>53,297,167</u>	<u>45,167,208</u>		<u>532,971,670</u>	<u>451,672,080</u>

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

	Ordinary shares of Rs. 10/- each	Percentage holding
Qatar National Bank	10,000,000	18.76
Masraf Al Rayan	10,000,000	18.76
FWU AG	8,129,959	15.25



## Notes to the Financial Statements For the year ended December 31, 2008

### 9. MOVEMENT IN EQUITY OF STATUTORY FUNDS

	Statutory Funds			Aggregate	
	Individual Family	Group Family	Group Health	2008	2007
	Rupees				
<b>Participant Investment Fund (PIF)</b>					
<b>Technical reserves</b>					
Balance at the beginning of the year	-	-	-	-	-
Increase during the year	27,252,791	-	-	27,252,791	-
Balance at the end of the year	27,252,791	-	-	27,252,791	-
<b>Accumulated surplus – PIF</b>					
Balance at the beginning of the year	-	-	-	-	-
Surplus allocated in respect of the year	-	-	-	-	-
Surplus appropriated to participants	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-
<b>Participants' Takaful Fund (PTF)</b>					
<b>Statutory fund's technical reserves</b>					
Balance at the beginning of the year	-	1,091,534	-	1,091,534	-
Increase during the year	676,191	10,916,837	3,382,995	14,976,023	1,091,534
Balance at the end of the year	676,191	12,008,371	3,382,995	16,067,557	1,091,534
<b>Accumulated surplus of statutory fund</b>					
Balance at the beginning of the year	-	3,893	-	3,893	-
Increase during the year	134,249	(1,722,375)	(381,516)	(1,969,642)	3,893
Surplus appropriated to participants	-	-	-	-	-
Balance at the end of the year	134,249	(1,718,482)	(381,516)	(1,965,749)	3,893
<b>Qard-e-Hasna contributed by operator</b>					
Balance at the beginning of the year	-	-	-	-	-
Qard-e-Hasna contributed during the year	-	1,718,482	381,516	2,099,998	-
Qard-e-Hasna returned during the year	-	-	-	-	-
Balance at the end of the year	-	1,718,482	381,516	2,099,998	-
<b>Shareholders' Sub-Fund</b>					
<b>Statutory fund technical reserves</b>					
Balance at the beginning of the year	-	-	-	-	-
Increase during the year	106,426	4,148,078	900,837	5,155,341	-
Balance at the end of the year	106,426	4,148,078	900,837	5,155,341	-
<b>Accumulated deficit of statutory fund</b>					
Balance at the beginning of the year	-	-	-	-	-
Deficit during the year	(56,674,799)	(22,595,632)	(33,892,227)	(113,162,658)	(34,713,303)
Contribution towards the deficit from shareholder	56,674,799	22,595,632	33,892,227	113,162,658	34,713,303
Balance at the end of the year	-	-	-	-	-

## Notes to the Financial Statements For the year ended December 31, 2008

### 10. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	2008 SHF	2007 SHF
	Rupees	
Payable to contractors	7,525,510	7,773,212
Salaries	–	11,791
Accrued expenses	3,414,834	1,390,921
Auditors' remuneration	300,000	220,000
SECP supervision fee	100,000	–
Due to an associated undertaking	689,254	–
Others	250,929	120,023
	<b>12,280,527</b>	<b>9,515,947</b>

### 11. COMMITMENTS

Commitment for the development of software amounts to Rs. 10,763,578 /- (2007: Rs. 10,351,171).

### 12. CASH AND BANK DEPOSITS

Note	Share holder's Funds	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2008	2007
Rupees						
<b>Cash and others</b>						
	355,177	–	–	–	355,177	219,172
	497,659	–	–	–	497,659	2,060
	852,836	–	–	–	852,836	221,232
<b>Current and other accounts</b>						
	1,377,807	–	79,252	–	1,457,059	21,847,942
12.1	16,358,637	17,215,186	2,723,609	719,983	37,017,415	11,572,303
	17,736,444	17,215,186	2,802,861	719,983	38,474,474	33,420,245
12.2	45,000,000	–	–	–	45,000,000	175,000,000
	63,589,280	17,215,186	2,802,861	719,983	84,327,310	208,641,477

**12.1** Saving accounts carry expected profit rates ranging from 2.5 to 9.5 percent (2007: 4.6 to 5.5 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 7.5 to 16 percent (2007: 5.5 to 8.55 percent) and having maturity upto December 31, 2009.

## Notes to the Financial Statements For the year ended December 31, 2008

Note	Share holder's Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2008	2007
Rupees						
<b>13. INVESTMENTS</b>						
<b>Held-to-maturity</b>	13.1 & 13.2					
<b>Government securities</b>						
WAPDA 1st sukuk certificates	46,745,409	-	-	-	46,745,409	48,227,232
WAPDA 2nd sukuk certificates	15,041,687	-	-	-	15,041,687	15,044,502
Karachi Shipyard & Engineering Works Limited – sukuk – I	1,000,000	-	-	-	1,000,000	1,000,000
Karachi Shipyard & Engineering Works Limited – sukuk – II	3,000,000	-	-	-	3,000,000	-
Govt. of Pakistan Ijara - sukuk	9,000,000	11,000,000	-	-	20,000,000	-
Sui Southern Gas Company Limited – sukuk	36,500,000	13,500,000	-	-	50,000,000	-
LESCO – sukuk	7,000,000	3,000,000	5,000,000	5,000,000	20,000,000	-
	118,287,096	27,500,000	5,000,000	5,000,000	155,787,096	64,271,734
<b>Other income securities</b>						
Engro Chemical Pakistan Limited - sukuk	24,778,291	-	-	-	24,778,291	-
Century Papers and Board Mills Limited sukuku	8,934,712	-	-	-	8,934,712	-
Maple Leaf Cement Factory Limited sukuk	16,470,269	-	-	-	16,470,269	-
	50,183,272	-	-	-	50,183,272	-
<b>Available-for-sale</b>						
Listed Securities - units						
United Islamic Income Fund	-	-	-	-	-	55,934,371
United Composite Islamic Fund	4,828,253	-	-	-	4,828,253	99,240
Meezan Islamic Income Fund	-	-	-	-	-	38,972,839
Meezan Islamic Fund Growth Units	369,622	-	884,962	-	1,254,584	-
Meezan Capital Protected Fund – 1	13,383,498	-	-	-	13,383,498	-
KASB Islamic Fund	54,631	-	-	-	54,631	-
Atlas Islamic Income Fund	9,878,940	-	-	-	9,878,940	20,000,000
	28,514,944	-	884,962	-	29,399,906	115,006,450
<b>Listed Securities - shares</b>						
Pakistan Petroleum Limited	885,456	553,410	-	-	1,438,866	-
Lucky Cement Limited	156,350	-	-	-	156,350	-
DG Khan Cement Company Limited	1,063,500	-	-	-	1,063,500	-
Oil & Gas Development Company Limited	449,910	299,940	-	-	749,850	-
Indus Motors Company Limited	983,040	-	-	-	983,040	-
Engro Chemicals Pakistan Limited	675,220	-	-	-	675,220	-
	4,213,476	853,350	-	-	5,066,826	-
	201,198,788	28,353,350	5,884,962	5,000,000	240,437,100	179,278,184

**13.1** WAPDA Sukuk certificates amounting to Rs. 55,000,000/- are held under lien with the State Bank of Pakistan in compliance with the requirements of Section 29 of the Insurance Ordinance, 2000.

## Notes to the Financial Statements For the year ended December 31, 2008

### 13.2 Held-to-maturity\*

Name of the investee companies / organizations	Note	2008	2007	2008	2007	2008	2007
		Number of Certificate		Face Value	Face Value	Cost (Rupees)	Cost (Rupees)
<b>Sukuk Certificates</b>							
WAPDA 1st sukuk certificates	13.2.1	8,000	8,000	5,000	5,000	46,745,409	48,227,232
WAPDA 2nd sukuk certificates	13.2.2	3,000	3,000	5,000	5,000	15,041,687	15,044,502
Karachi Shipyard and Engineering Works – sukuk – I	13.2.3	200	200	5,000	5,000	1,000,000	1,000,000
Karachi Shipyard and Engineering Works – sukuk – II	13.2.4	600	–	5,000	–	3,000,000	–
Government of Pakistan Ijara - sukuk	13.2.5	200	–	100,000	–	20,000,000	–
Sui Southern Gas Company Limited – sukuk	13.2.6	10,000	–	5,000	–	50,000,000	–
LESCO – sukuk	13.2.7	4,000	–	5,000	–	20,000,000	–
Engro Chemical Pakistan Limited – sukuk	13.2.8	5,000	–	5,000	–	24,778,291	–
Century Papers and Board Mills Limited – sukuk	13.2.9	2,000	–	5,000	–	8,934,712	–
Maple Leaf Cement Factory Limited – sukuk	13.2.10	4,000	–	5,000	–	16,470,269	–
						<u>205,970,368</u>	<u>64,271,734</u>

\* As at December 31, 2008 the market value of investment classified as Held to Maturity was Rs. 204,654,500.

**13.2.1** These carry profit at the rate of six months KIBOR plus 35 basis points (2007: six months KIBOR plus 35 basis points) receivable semi-annually with maturity in October 2012. These are backed by the Government of Pakistan's Sovereign Guarantee.

**13.2.2** These carry profit at the rate of six months KIBOR minus 25 basis points (2007: six months KIBOR minus 25 basis points) receivable semi-annually with maturity in July 2017. These are backed by the Government of Pakistan's Sovereign Guarantee.

**13.2.3** These carry profit at the rate of six months KIBOR plus 40 basis points (2007: six months KIBOR plus 40 basis points) receivable semi-annually with maturity in November 2015. These are backed by the Government of Pakistan's Sovereign Guarantee.

**13.2.4** These carry profit at the rate of six months KIBOR plus 40 basis points (2007: Nil) receivable semi-annually with maturity in February 2016. These are backed by the Government of Pakistan's Sovereign Guarantee.

**13.2.5** These carry profit paid semi-annually on the basis of rentals rate announced by the State Bank of Pakistan with maturity in September 2011. These are backed by the Government of Pakistan's Sovereign Guarantee

**13.2.6** These carry profit at the rate of three months KIBOR plus 20 basis points (2007: Nil) receivable quarterly with maturity in January 2013. These are backed by first pari passu hypothecation charge over fixed assets of the company.

## Notes to the Financial Statements For the year ended December 31, 2008

- 13.2.7** These carry profit at the rate of six months KIBOR plus 10 basis points (2007: Nil) receivable semi-annually basis provisional basis with maturity in April 2009. These are backed by the Government of Pakistan's Sovereign Guarantee.
- 13.2.8** These carry profit at the rate of six months KIBOR plus 150 basis points (2007: Nil) receivable semi-annually with maturity in September 2015. These are backed by ranking charge over all present and future asset of the company.
- 13.2.9** These carry profit at the rate of six months KIBOR plus 135 basis point (2007: Nil) receivable semi-annually with maturity in September 2014. These are secured by way of mortgage of immovable property of the company and ranking of the hypothecation charge over the assets.
- 13.2.10** These carry profit at the rate of six months KIBOR plus 170 basis points (2007: Nil) receivable semi-annually with maturity in December 2013. These are backed by first pari passu charge over all present and future fixed assets.

### 13.3 Details of investments in Mutual Funds and listed companies

Name of the investee Funds / Companies	2008		2007		2008		2007	
	Number of Units/Shares/ Certificates	Face Value (Rupees)	Number of Units/Shares/ Certificates	Face Value (Rupees)	Cost (Rupees)	Number of Units/Shares/ Certificates	Face Value (Rupees)	
<b>Units</b>								
United Islamic Income Fund	-	553,655	100	-	56,273,507	-	55,934,371	
United Composite Islamic Fund	76,590	921	100	4,828,253	99,044	8,535,035	99,240	
Meezan Islamic Income Fund	-	754,254	100	-	39,379,607	-	38,972,839	
Meezan Islamic Fund Growth Units	56,284	-	100	1,254,584	-	2,883,852	-	
Meezan Capital Protected Fund - 1	291,262	-	100	13,383,498	-	15,000,000	-	
KASB Islamic Fund	597	-	100	54,631	-	57,666	-	
Atlas Islamic income Fund	39,836	39,132	100	9,878,940	20,164,749	20,063,035	20,000,000	
<b>Shares</b>								
Pakistan Petroleum Limited	14,300	-	10	1,438,866	-	3,381,701	-	
Lucky Cement Limited	5,000	-	10	156,350	-	537,500	-	
D.G. Khan Cement Company Ltd.	50,000	-	10	1,063,500	-	3,885,791	-	
Oil & Gas Development Company Ltd.	15,000	-	10	749,850	-	1,916,223	-	
Indus Motors Company Limited	8,000	-	10	983,040	-	1,890,618	-	
Engro Chemical Pakistan Limited	7,000	-	10	675,220	-	2,167,620	-	
				<b>34,466,732</b>	115,916,907	<b>60,319,041</b>	115,006,450	

- 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 and quoted prices of shares to determine the fair value of its investment in Listed companies. Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. However, subsequent to the year end, the SECP has issued circular No. 3/2009 dated February 16, 2009 whereby if the market value of any available for sale investment as at December 31, 2008 is less than cost, the fall in value may be treated as temporary and the investment valued at cost. The circular further states that insurance company which wishes to treat the fall in value as other than temporary, in whole or in part, may do so. Accordingly, the company has opted that the fall in value of its investments as at December 31, 2008 amounting to Rs.25,852,309/- as other than temporary and has charged the same to the profit and loss account.

## Notes to the Financial Statements For the year ended December 31, 2008

### 14. DEFERRED TAX ASSET

	2008 SHF	2007 SHF
	Rupees	
<b>Deferred Tax debits arising in respect of:</b>		
Available tax losses	54,088,218	–
<b>Deferred Tax credit arising due to :</b>		
Accelerated depreciation allowance	(10,935,198)	–
	<b>43,153,020</b>	<b>–</b>

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

### 15. CONTRIBUTION DUE BUT UNPAID

	Share Holders' Fund	Statutory Funds			Aggregate	
		Individual Family	Group Family	Group Health	2008	2007
<b>– unsecured, considered good</b>						
Related party	–	–	176,405	–	<b>176,405</b>	208,434
Others	–	–	9,538,496	2,770,721	<b>12,309,217</b>	144,408
	–	–	9,714,901	2,770,721	<b>12,485,622</b>	352,842

Note	2008 SHF	2007 SHF
	Rupees	

### 16. FIXED ASSETS – Tangible and Intangible

Furniture and fixtures	16.1	5,681,213	4,316,962
Building Improvements	16.1	40,534,781	–
Office equipment	16.1	9,382,775	2,752,916
Motor vehicles	16.1	21,870,687	9,552,436
Computer equipment	16.1	5,121,224	3,474,796
Capital work-in-progress	16.2	4,267,448	19,995,952
Computer software – Intangible	16.3	27,287,688	410,900
		<b>114,145,816</b>	<b>40,503,962</b>

## Notes to the Financial Statements For the year ended December 31, 2008

### 16.1. Tangible owned assets

Particulars	Cost			Accumulated depreciation			Book Value	Rate %
	As at January 01, 2008	Addition/ (deletion)	As at December 31, 2008	As at January 01, 2008	For the year	As at December 31, 2008		
SHF Rupees								
Furniture and fixture	4,489,972	3,125,123	7,615,095	173,010	1,760,872	1,933,882	5,681,213	15
Building improvement	-	42,651,287	42,651,287	-	2,116,506	2,116,506	40,534,781	15
Office equipment	2,855,058	7,671,521	10,526,579	102,142	1,041,662	1,143,804	9,382,775	15
Motor vehicles	10,783,315	15,382,965	26,166,280	1,230,879	3,064,714	4,295,593	21,870,687	20
Computer equipment	3,960,929	3,169,762	7,130,691	486,133	1,523,334	2,009,467	5,121,224	30
2008	<u>22,089,274</u>	<u>72,000,658</u>	<u>94,089,932</u>	<u>1,992,164</u>	<u>9,507,088</u>	<u>11,499,252</u>	<u>82,590,680</u>	
2007	<u>-</u>	<u>22,089,274</u>	<u>22,089,274</u>	<u>-</u>	<u>1,992,164</u>	<u>1,992,164</u>	<u>20,097,110</u>	

### 16.2 Capital work in progress

Capital work in progress includes advance for generator and software pending delivery.

### 16.3 Intangible - Computer Software

Particulars	Cost			Accumulated amortisation			Book Value	Rate %
	As at January 01, 2008	Addition/ (deletion)	As at December 31, 2008	As at January 01, 2008	For the year	As at December 31, 2008		
SHF Rupees								
Computer software								
2008	<u>468,389</u>	<u>31,607,327</u>	<u>32,075,716</u>	<u>57,489</u>	<u>4,730,539</u>	<u>4,788,028</u>	<u>27,287,688</u>	20
2007	<u>-</u>	<u>468,389</u>	<u>468,389</u>	<u>-</u>	<u>57,489</u>	<u>57,489</u>	<u>410,900</u>	20

## Notes to the Financial Statements For the year ended December 31, 2008

### 17. EXPENSES OF SHAREHOLDERS' FUND

	Note	2008 SHF	2007 SHF
		Rupees	
Salaries		2,286,336	1,104,503
Consultancy		937,115	524,063
Cede money		–	500,000
Rental		500,469	442,096
Employer's contribution to provident fund		134,891	68,301
Training		198,206	18,717
Motor vehicle running		220,990	153,613
Medical fee		99,266	59,978
Traveling and accommodation		464,987	186,292
Utilities		195,000	50,077
Communication		482,644	97,970
Repairs and maintenance		164,296	29,793
Printing and stationary		368,024	41,526
Computer		389,342	15,957
Advertisement		788,145	113,192
Depreciation		1,045,779	219,138
Amortization		520,359	6,324
Shariah advisors' fee		152,625	153,376
Auditors' remuneration	17.1	704,080	340,900
Appointed actuary		235,950	214,500
Legal and professional		65,880	33,265
Subscription fee		146,763	91,707
General takaful		255,283	23,517
Staff welfare		96,454	3,875
Bank and brokerage		6,823	1,110
Entertainment		78,522	7,274
Supervision fee		11,000	–
Miscellaneous		44,523	11,567
		<b>10,593,752</b>	<b>4,512,631</b>

The above expenses represent allocation in accordance with the advice of appointed actuary as approved by the Board.

	Note	2008	2007
		Rupees	
Audit fee		300,000	180,000
Half yearly review		125,000	50,000
Review of Compliance with Code of Corporate Governance and other certifications		192,000	100,000
Out of pocket		87,080	10,900
		<b>704,080</b>	<b>340,900</b>



## Notes to the Financial Statements For the year ended December 31, 2008

### 18. TAXATION

- 18.1** The assessment of the Company for the Tax Year 2008 is considered to be deemed assessed.
- 18.2** The Current Tax charged for the year is only for the Dividend income, therefore, tax reconciliation between accounting profit and tax expense is not presented.

### 19. 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:

	2008			2007		
	CEO	Directors	Executive	CEO	Directors	Executive
	Rupees			Rupees		
Managerial remuneration	3,575,000	–	15,919,267	1,950,000	–	4,564,448
House rent	1,608,750	–	7,163,673	877,500	–	2,054,002
Utilities	316,250	–	1,408,240	172,500	–	403,778
Medical expenses	39,007	–	178,812	431,760	–	90,766
Others	687,063	–	3,724,321	702,802	–	561,140
	<b>6,226,070</b>	<b>–</b>	<b>28,394,313</b>	<b>4,134,562</b>	<b>–</b>	<b>7,674,134</b>
Number of persons	<b>1</b>	<b>–</b>	<b>18</b>	<b>1</b>	<b>–</b>	<b>5</b>

- 19.1** The Company has not paid any remuneration to the Directors for the services rendered to the Company.
- 19.2** The Company also provides the CEO and certain executives with company maintained cars.
- 19.3** 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.

### 20. RISK MANAGEMENT

#### 20.1 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.

#### 20.2 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 notes 12 & 13 of the financial statements.

## Notes to the Financial Statements For the year ended December 31, 2008

### 20.3 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.

### 20.4 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.

### 20.5 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.

### 20.6 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 Rs. 532,971,670/- against the minimum required paid-up capital of Rs. 500,000,000/- set by the SCEP for insurance companies / Takaful operators for the year ended December 31, 2008.

### 20.7 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 14 to the financial statements.

### 20.8 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.

## Notes to the Financial Statements For the year ended December 31, 2008

### 21. RELATED PARTIES DISCLOSURES

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

Relationship	Nature of transactions	2008	2007
		SHF	SHF
		Rupees	
Entities with common directorship	Payment made by the Company on behalf of related party	–	1,304,556
	Purchase of fixed assets	747,875	–
	Expense incurred	713,975	–
	Claims received against general takaful	154,383	–
	Claims paid against family and health takaful	21,512	–
	General takaful contribution	1,339,558	–
	Family and health takaful contribution received	451,409	–
Major shareholders	Issue of share capital	81,299,510	252,020,000
	Advance against future issue of share capital	81,299,599	252,946,694
	Commission paid	24,200	–

### 22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 12, 2009 by the Board of Directors of the Company.

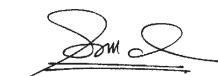
### 23. GENERAL

**23.1** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There is no material reclassification to report.

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



Chairman



Chief Executive



Director



Director

## 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 year ended 31 December 2008, 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
- each statutory fund set up by the Company, after accounting for the capital contribution, complies with the solvency requirements of the Ordinance.



**Abdul Rahim Abdul Wahab**  
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)

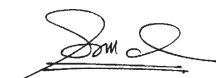
- In our opinion the annual statutory accounts of the Pak-Qatar Family Takaful Limited set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000, the Takaful Rules, 2005 and any rules made there under;
- Pak-Qatar Family Takaful Limited has at all times in the year complied with the provisions of the Insurance Ordinance, 2000, the Takaful Rules, 2005 and the rules made there under relating to paid-up capital, solvency and re-takaful arrangement; and
- As at December 31, 2008 Pak-Qatar Family Takaful Limited continues to be in compliance with the provisions of the Insurance Ordinance, 2000, the Takaful Rules, 2005 and the rules made there under relating to paid-up capital, solvency and re-takaful arrangements.

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

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



Chairman



Chief Executive



Director



Director

## Pattern of shareholding

1. Incorporation Number **12243/20060307 / 0054338**
2. Name of the Company **PAK-QATAR FAMILY TAKAFUL LIMITED**
3. Pattern of holding of the shares held by the shareholders as at 31 December 2008.

4. Number of shareholders	Shareholdings	Total shares held
3	shareholding from 1 to 100 shares	3
2	shareholding from 501 to 1000 shares	2,000
13	shareholding from 5001 to 10000	74,460
6	shareholding from 10001 to 15000	69,360
2	shareholding from 15001 to 20000	30,600
2	shareholding from 20001 to 25000	44,880
3	shareholding from 30001 to 35000	91,800
4	shareholding from 60001 to 65000	244,802
1	shareholding from 100001 to 105000	105,000
1	shareholding from 180001 to 185000	181,000
3	shareholding from 185001 to 190000	567,000
1	shareholding from 300001 to 305000	302,400
2	shareholding from 315001 to 320000	637,500
1	shareholding from 360001 to 365000	365,000
1	shareholding from 365001 to 370000	367,200
1	shareholding from 415001 to 420000	420,000
4	shareholding from 635001 to 640000	2,550,000
1	shareholding from 955001 to 1000000	956,250
1	shareholding from 1255001 to 1260000	1,255,953
1	shareholding from 3695001 to 3700000	3,700,000
2	shareholding from 3995001 to 4000000	8,000,000
1	shareholding from 5197001 to 5202000	5,202,000
1	shareholding from 8125001 to 8130000	8,129,959
2	shareholding from 9995001 to 10000000	20,000,000
<b>59</b>	<b>Total</b>	<b>53,297,167</b>

5. Categories of shareholders	Shares held	Percentage
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### 5.1 Directors, Chief Executive Officer, and their spouse and minor children.

5.1.1. Sheikh Ali Bin Abdullah	1,255,953	2.36%
5.1.2. Said Gul & Spouse	1,593,750	2.99%
5.1.3. Zahid H. Awan	61,201	0.11%
5.1.4. Pervaiz Ahmed	1,000	0.00%
5.1.5. Izzat M. Al-Rashid	1	0.00%
5.1.6. Abdul Basit Al-Shaibei	1	0.00%
5.1.7. Chowdhry M. Wasi	1	0.00%

## Pattern of shareholding

Categories of shareholders	Shares held	Percentage
<b>5.2 Associated Companies, undertakings and related parties.</b>		
a) Qatar National Bank	10,000,000	18.76%
b) Masraf Al-Rayan	10,000,000	18.76%
<b>5.3 NIT and ICP</b>	–	0.00%
<b>5.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.</b>		
5.4.1. Qatar National Bank	10,000,000	18.76%
5.4.2. Masraf Al-Rayan	10,000,000	18.76%
5.4.3. Qatar Islamic Bank	4,000,000	7.51%
5.4.4. Qatar International Islamic Bank	4,000,000	7.51%
5.4.5. Amwal QSC	3,700,000	6.94%
5.4.6. Doha Bank	302,400	0.57%
<b>5.5 Insurance Companies</b>		
5.5.1. Qatar Islamic Insurance Co.	5,202,000	9.76%
<b>5.6 Modarabas and Mutual Funds</b>	–	0.00%
<b>5.7 Share holders holding 10%</b>		
5.7.1. Qatar Islamic Insurance Co.	5,202,000	9.76%
5.7.2. FWU AG	8,129,959	15.25%
5.7.3. Qatar National Bank	10,000,000	18.76%
5.7.4. Masraf Al-Rayan	10,000,000	18.76%
<b>5.8 General Public</b>		
a. Local	1,000	0.00%
b. Foreign	5,049,901	9.47%
<b>5.9 Others (to be specified)</b>		



# Proxy Form

The Company Secretary  
Pak Qatar Family Takaful Limited  
Suite # 102-105, Business Arcade,  
Sharea Faisal, Karachi-75400,  
Pakistan.

I / We \_\_\_\_\_ of \_\_\_\_\_ being the member(s) of **Pak Qatar Family Takaful Limited** and holder of \_\_\_\_\_ ordinary shares as per shares register **Folio No.** \_\_\_\_\_ and / or **CDC Participant ID No.** \_\_\_\_\_ and Sub Account 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 3rd **Annual General Meeting of Pak Qatar Family Takaful Limited** to be held on \_\_\_\_\_ and at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2009.

**(Witnesses)**

1. \_\_\_\_\_ (Signature)  
\_\_\_\_\_ (Name)  
\_\_\_\_\_ (Address)  
\_\_\_\_\_  
\_\_\_\_\_ (CNIC / Passport No.)
2. \_\_\_\_\_ (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.